

Bubye Minerals Founders Arrested, Face Court on River Ranch Asset

RAPAPORT... The current and former operators of River Ranch diamond mine in Beitbridge, Zimbabwe, expect to be in court again on June 4, 2007, when a former operator Bubye Minerals will answer to a charge of stripping the mine's assets. Bubye Minerals' husband and wife founders Michael and Adele Farquhar were arrested May 21, 2007 and placed in police custody, Rapaport News has learned.

Documents obtained by Rapaport News show that the High Court of Zimbabwe summoned the Farquhars to appear at the hearing. While the text failed to explain the charges they face, the couple's defense attorney, Terrence Hussein, claimed they have never been notified by the court of the charges they face.

River Ranch Limited's chief executive officer George Kantsouris, told Rapaport that the company filed a complaint against the Farquhars in the first quarter of 2006 for stripping and externalization of funds under their management.

In response, Hussein said, "Such charges, we believe, stem from a period when the Farquhars were in fact the owners of River Ranch, thus they are going to be prosecuted for stealing their own property."

The latest hearing takes place some three years after Bubye Minerals was evicted from the property, or as they claim, militarily and forcibly removed.

Ongoing Legal Battle

Bubye Minerals was appointed to run River Ranch in 1998 when government liquidators set to restore the operations due to financial problems by its previous owner. Bubye Minerals found investment partners, including Saudi Arabia's Adel Abdulrahman al Aujan, and mining commenced.

A series of cost overruns (and a hurricane flood) however, impacted production shortly thereafter and in year 2000 Buybe Minerals secured more financing from Aujan, bringing his stake in the mine to 30 percent at the time.

The relationship with Aujan turned sour in 2004 after he called in past loans of about \$1.16 million from Bubye Minerals, and brought in Kupukile Investments "owned by former parliamentarian Tirivanhu Mudariki and Solomon Mujuru, the husband of Zimbabwe's vice president Joyce (Joice) Mujuru. The loan was not paid in full, and the present occupants took control of River Ranch.

Bubye Minerals management subsequently filed legal action against River Ranch to regain control, claiming the mine was taken without just cause, and it was so awarded. Since that ruling however, Minister of Mines Amos Midzi permitted Mujuru's group to hold ownership and in 2006 the High Court ruled in favor of the River Ranch occupants.

Currently, the parties await a final verdict from the Supreme Court over an appeal submitted by Bubye Minerals to that decision. A verbal ruling regarding the appeal was passed in the past two weeks in River Ranch's favor, for which Kantsouris said the company awaits written confirmation.

While Bubye Minerals attorney Hussein confirmed the decision, he explained that the ruling denied their appeal to have various documents, including the stenographer's report, included in the court record and that he was preparing an appeal of that decision. Should such an appeal go in Buby's favor, Hussein would then proceed with the appeal for ownership.

Marketing Mandate for Grabs

In the interim, River Ranch Limited has continued its efforts to gain marketing rights for the rough diamonds it has produced since it started mining again in June 2006.

The company has been prohibited from selling its rough while legal proceedings continue. Nevertheless, River Ranch legal advisor George Smith told Rapaport that the company is currently in negotiations with the Minerals Mining Corporation of Zimbabwe (MMCZ) and is hoping to sign an agreement in the coming weeks, which would allow it to start exporting diamonds.

Given Minister Midzi's previous recognition of River Ranch's ownership "following the 2006 Supreme Court ruling - Smith said, "The Mines Ministry accepts that we are the legal owners of the mine and it is not for the Minerals Marketing board to dispute that."

A high ranking MMCZ official, confirmed by Rapaport to have visited River Ranch this past week, would not comment for this report.

Hussein meanwhile, pointed to the pending court decision to refute any legality to River Ranch's near-term marketing ambitions.

Smuggling Charges Abound

Pressure on River Ranch to legally sell its diamonds came under the spotlight recently when the company was accused of smuggling its diamonds to South Africa, using United Nations Development Fund (UNDP) vehicles.

Hussein issued a formal complaint in a letter to UN assistant secretary for legal affairs Larry Johnson on March 26, 2007, saying that the UNDP is giving advice and assistance to River Ranch Limited and that UN registered vehicles are being used at the mine.

In documents obtained by Rapaport, Buby Minerals claims it has proof that River Ranch Limited used UNDP vehicles, "which contravenes Zimbabwean law and international diplomatic protocol." The company said it has affidavits alleging that at least one of the vehicles was used to take diamonds off the mine and into South Africa, which it can more easily do since these vehicles are exempt from search and seizure at border posts.

The UNDP dismissed allegations that it is involved in any activity at River Ranch.

"This erroneous impression of the UNDP may have been triggered by the fact that UNDP has a relationship with AMSCO (The African Management Services Company)," the UNDP stated in response to the allegations.

The UNDP facilitates AMSCO's engagement in the country through the government such as the registration of staff and vehicles, however it has no involvement with the operations of AMSCO in the country, the organization explained.

The UNDP further acknowledged that as many as five AMSCO professionals have worked at River Ranch in posts ranging from managing director to chief financial officer since 2004, in response to a request from "the owners of the River Ranch Limited for AMSCO's help in resuscitating operations at River Ranch," UNDP stated.

Among these are current CEO Kantsouris, who Buby Minerals claims, was previously the personal assistant to Aujan, and subsequently involved in ousting them from the mine.

Responding to Hussein's letter, UN assistant secretary Johnson said, "We have brought your letters to the attention of the UNDP and we understand that UNDP and the International Financial Group of the World Bank Group and AMSCO are currently examining the questions you have raised."

UNDP spokesperson Jabulani Sitholi dismissed reports in the press that UN assistant secretary Johnson had initiated an investigation about the charges against the organization.

Sitholi noted that the wording was up for interpretation but that as far as he knows, no investigation has been launched.

Meanwhile, responding to the smuggling charges, River Ranch's Smith was adamant the mine has the tightest possible security and that such activity was near impossible.

"As far as we're concerned we have the best security arrangements in the country and it would be virtually impossible for an individual to get diamonds out of the sorting room," Smith said.

KP To The Rescue?

A review team from the Kimberley Process (KP) is scheduled to arrive in Zimbabwe shortly and assesses Zimbabwe's compliance with the KP Certification Scheme.

Both Buby Minerals and River Ranch Limited are looking to the industry body to strengthen their claims on the mine.

"River Ranch needs an aspect of international legality, which they don't get from the Zimbabwe courts and they can get that from the KP," attorney Hussein said.

River Ranch's lawyer Smith said the company was confident the KP would find its procedures and security measures at the mine "squeaky clean."

He added that the mine has submitted a monthly report to the mining commissioner detailing every stone produced at the mine.

KP secretariat Stephane Chardon meanwhile hinted that the legal goings on at River Ranch may well be beyond the scope of the KP. "While the review team is most likely to visit River Ranch, he explained, its mandate is to assess whether the system in Zimbabwe as a whole meets the minimum requirements of the scheme.

The World Diamond Council (WDC) too has been cautious over the River Ranch case and chairman Eli Izhakoff earlier this year stressed that the WDC would not get involved in any internal disputes between private parties.

"The World Diamond Council has a duty to bring to the attention of the chair of the KP any credible reports that indicate a potential breach of the KP provisions and/or threatens the effectiveness and credibility of the Kimberley Process, which is our industry's primary safeguard," Izhakoff said. "This is what the WDC has done. It is for the KP chair and participant governments to investigate and, if necessary, to act upon such reports."

While the KP visit, initially scheduled for the end of May, is now expected in June, its timing may prove vital for the Farquhar's, should it coincide with their June 4 court hearing.

Hussein, however, said that Buby Minerals was concerned it had not been approached by the KP about the visit and that the KP's attitude to Buby Minerals' claims has been "extremely luke warm."

"Our feeling is that River Ranch presents too much of a headache for the KP," Hussein said. "We are not holding our breath. We can only give them the information and pray for the consequences."

About the Author

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Advice you to open an online transit account with our bank so that. We await your prompt payment so that we can proceed.

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Applicants who qualify for the business visa program can see our. or to await further processing, before their applications can be finally.

Sometimes investigations can take time as we await response from our service. If you are not a British resident you should request further.

Upon further conference with his Lordship, however, the of Labrador, being Governor. Were his Lordship to be asked for his advice, he would certainly.

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