



## ALEX STEWART INTERNATIONAL

### REPORT

### ESTIMATION OF DAMAGES

#### I. Introduction

Alex Stewart International LLC has been hired by the Government of the Republic of Guinea to evaluate the possible extent of the damages to which it may be entitled with regards to Ruling n° 066 dated 10 September 2009 by the Court of First Instance of Kaloum declaring null and void the sale of the shares of FRIGUIA to RUSSKIJ ALUMINIJ LLC (RUSSKIJ). This report provides both an Estimation of Damages and an Opinion based on the analysis of information provided by the Government.

#### II. Estimation of Damages

- (1) Ruling n° 066 dated 10 September 2009 by the Court of First Instance of Kaloum declares null and void the sale of the shares of FRIGUIA to LLC RUSSKIJ ALUMINIJ LLC (RUSSKIJ). If such ruling is sustained by the court, then all materials extracted, produced and exported by RUSSKIJ (the “Materials”) during the period between 14 April 2006, the date the Republic of Guinea (the “Government”) and RUSSKIJ signed the Share Transfer Deed according to which RUSSKIJ acquired 100% of FRIGUIA, and today (the “Irregular Period”) have been illegally possessed and sold by RUSSKIJ since at no time have the Materials been its legal property. Therefore, RUSSKIJ must return to the Government, immediately and without protest, the gross amounts collected from the sales of the Materials (the “Gross Value”), plus interest to be established for the time RUSSKIJ held those moneys during the Irregular Period. The amount of the Gross Sales exceeds US\$830 million.
- (2) The illegal possession and exploitation of the assets and the mines operated by FRIGUIA have precluded the Government from either exploiting those assets itself or entering into advantageous agreements with bona fide operators. Even as RUSSKIJ held illegal possession, some legitimate Government requirements stipulated in the Share Transfer Deed or in the Memorandum of Understanding, that sets the basis for the



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- Deed, were not honored by RUSSKIJ, such as making timely payments for the mine lease (none were made) or maintaining certain minimum production levels (in 2006, the first year of RUSSKIJ's tenure after the share transfer, production decreased, in a high-demand market, by more than 30% from the preceding year; and throughout the Irregular Period annual production was always more than 10% below the agreed minimum). Therefore, RUSSKIJ should compensate the Government appropriately for loss of opportunity. The outstanding lease fees exceed US\$10 million; the deficit in production levels during the Irregular Period exceeds US\$120 million.
- (3) During the Irregular Period, a number of operational mishaps have deteriorated FRIGUIA's installations. These include the explosion of turbine 3, a train collision and a breach of the mud dam. RUSSKIJ must compensate the Government for any such losses. Any damage caused by operational negligence needs to be assessed and valued.
- (4) During the Irregular Period, poor conservation measures seem to have caused extensive damage to the environment at the FRIGUIA complex and surrounding areas. The environmental damage caused by operational negligence needs to be assessed and valued. The required environmental cleaning and repair could be significant, as might be the physical and health damages caused to people and communities. Such liabilities could reach the hundreds of millions of dollars.
- (5) Ruling n° 066 dated 10 September 2009 by the Court of First Instance of Kaloum also declares null and void the sale to RUSSKIJ of the 15% of ACG Ltd shares owned by the Government. However, any profits realized by ACG for the commercialization of alumina produced by FRIGUIA during the Irregular Period are irrelevant and immaterial to any Government claim since the Government is claiming full restitution of the Gross Value of the Materials sold during that period. The same is true regarding any taxes that might apply to the sales of alumina in the same period.

### III. Auditor's Opinion

The "Estimation of Damages" in section II herein is based on information provided to Alex Stewart International by the Government of the Republic of Guinea. The following statement is based on that Estimation of Damages:



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*Based on information provided by the Government of the Republic of Guinea, it is the opinion of Alex Stewart International LLC that the Government has grounds to claim damages from US\$960 million (nine hundred sixty million US dollars) to possibly more than US\$1 billion (one billion US dollars) from RUSSKIJ ALUMINIJ LLC for the illegal possession and exploitation of the FRIGUIA complex under the illegal holding of the FRIGUIA company.*

*For Alex Stewart International LLC:*

  
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Mr. Godfrey Urasa  
Chief Auditor

  
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Dr. Enrique Segura  
President and Chief Executive Officer

January 13, 2010