

Bre-X scandal: A history timeline

Visual Capitalist (<http://www.mining.com/author/visualcapitalist/>) | Jan. 25, 2015, 9:21 PM | 10,878 | 1



Image source: CBC

This infographic documents the rise and fall of Bre-X.

From initial private offerings at 30 cents a share, Bre-X stock climbed to more than \$250 on the open market. Near the peak of Bre-X share prices, major banks and media were on board:

The Peak

It was touted by media and banks as the “richest gold deposit ever”

In December 1996, Lehman Brothers Inc. strongly recommended a buy on “the gold discovery of the century.”

Major mining companies such as Barrick Gold, Placer Dome, and Freeport-McMoRan Copper & Gold, among other top producers, fought an epic battle to get a piece of Bre-X’s Busang deposit.

Indonesia’s Suharto regime managed to grab 40% of the deposit for Indonesian interests.

Fidelity Investments, Invesco Funds Group, and other mutual-fund companies piled into the stock.

J.P. Morgan bankers talked up Busang in a conference call in which Bre-X’s top geologist predicted the deposit might contain a staggering 200 million oz of gold, worth over \$240 billion in 2014 prices. Morgan declined to comment.

Egizio Bianchini, stock broker and one of Canada’s top gold analysts, said “What most people are now realizing is that Bre-X has made one of the great gold discoveries of our generation.”

The Timeline:

1989: David Walsh founded Bre-X Minerals Ltd. in 1989 as a subsidiary of Bresea Resources Ltd.

1993: Walsh followed the advice of geologist John Felderhof and bought a property in the middle of a jungle near the Busang River in Borneo, Indonesia.

1994: Initial drill results were encouraging, and the drill program was ramped up.

1994: However, it was the project manager, Michael de Guzman, who was filing gold from his wedding ring and mixing the flakes in with the crushed core samples.

De Guzman used realistic ratios of gold to rock to not set off alarm bells, and to keep project going forward.

Over the next 2.5 years, de Guzman would buy \$61k of panned gold from locals to use in salting.

Independent auditors that were sent in by large institutional investors found that the panned gold had rounded edges, but de Guzman explained it was because of “volcanic pool” theory.

De Guzman, Felderhoff and Walsh sell off a small portion of their options for \$100 million

1996: Bre-X hits a snag with the Indonesian government, who claimed that Bre-X was not playing by the “rules” of the country. Bre-X’s exploration permits are revoked.

1997: January fire at Busang destroys many of the sample records.

1997: After many major miners express interest in Bre-X, eventually a joint venture is reached that gives Indonesia 40% share, Bre-X 45%, and Freeport McMoRan a 15% share of interests.

1997: Freeport begins due diligence on deposit and starts to twin holes that were already drilled.

1997: Freeport reports "minor amounts of gold" in some holes, but not much else.

1997: On his way to meet the Freeport due diligence team, de Guzman mysteriously falls to his death 600 ft from a helicopter. Police rule it a suicide.

1997: Shares of Bre-X crash.

1997: Report confirms that there is no gold at Busang, and samples were tampered with.

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THE BRE-X SCANDAL

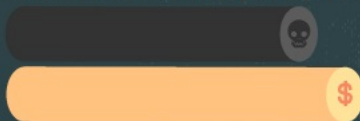
A HISTORY TIMELINE

Of the 54 countries where most mining takes place, almost 70% are rated as corrupt and have the majority of fraud.



Global research shows losses from fraud amount to 5.47% of expenditures, a number that has increased 20% since the last recession.

Fraud Amount = 89% of 100 Largest Companies' Profits



For the largest 100 mining companies, this is equal to in value to roughly 89% of their total profits.

THE CASE OF BRE-X BELOW WAS ONE OF THE BIGGEST AND MOST INFAMOUS FRAUDS IN CAPITAL MARKETS HISTORY...

AT THE PEAK

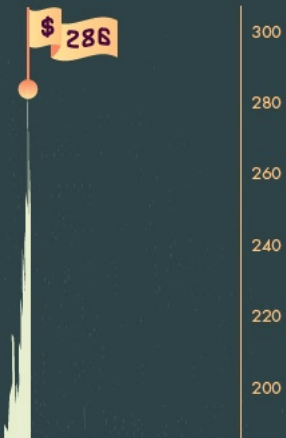
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Indonesia's Suharto regime managed to grab 40% of the deposit for Indonesian interests.

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180
160
140
120
100
80
60
40
20

1993 1994 1995 1996 1997

THE FULL HISTORY



1989

David Walsh founded Bre-X Minerals Ltd. in 1989 as a subsidiary of Bresea Resources Ltd.

DEPOSIT TIMELINE

- Estimated Gold Oz
- "May Contain" Oz

1992

2 million oz

1993

8 million oz

1993

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1994

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However, it was the project manager, Michael de Guzman, who was filing gold from his wedding ring and mixing the flakes in with the crushed core samples.



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De Guzman, Felderhoff and Walsh sell off a small portion of their options for \$100 million.

1995
10 million oz

30 million oz

1996

60 million oz

1997

70 million oz

200 million oz

1996

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1997

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LAMB • 3 years ago

This article should mention that SNC Lavalin endorsed the so-called BRE-X find but were NEVER allowed to go on-site to look at the core and verify the presence of gold. Instead, SNC sat back in Indonesia and said nothing. If SNC had looked at the core even after it was salted with 'alluvial gold', they would have seen the rounded edges of the gold and determined it was "salted".

The Ontario Securities agency never pursued criminal charges against the senior managers of the company. They did 'interview' Felderhof and let him go without any charges - WALSH had already died by the time they talked to Felderhof.

Funny how history seems to forget that THIS WAS A DELIBERATE SCAM THAT FELDERHOF HIMSELF SHOULD HAVE BEEN WELL AWARE OF SINCE HE WOULD HAVE BEEN TO THE SITE AND LOOKED AT CORE SAMPLES.

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