

---

## Pinewood Resources Ltd - Pinewood's Alexander, Civelli in blockbuster suit

1,734 words

14 June 2001

Canada Stockwatch

English

(c) Copyright 2001 Canjex Publishing Ltd.

by Brent Mudry

A recent blockbuster lawsuit confirms that Vancouver stock promoter Terry Alexander, fined \$1.2-million and banned for 20 years in the Arakis Energy scandal, and controversial Swiss financier **Carlo Civelli**, his close associate in the Delgratia Mining scandal, remain the key players behind Pinewood Resources and its recently collapsed bid for oil concessions in the Gambela region of Ethiopia.

Pinewood and its main operating subsidiary, Gambela Petroleum Corp., feature a number of Delgratia insiders and employees, including Mr. Alexander, Anne Eilers and Gordon Ellis, and former Arakis exploration manager Ernie Pratt. Neither Delgratia, renamed Central Minera after the Josh salting scandal in Nevada, nor Arakis are involved in the current litigation. Ethiopia's Gambela concession is adjacent to southern Sudan, where Arakis had its controversial concessions before selling out to Talisman Energy.

In a statement of claim filed Wednesday in the Supreme Court of British Columbia, Vancouver-based petroleum engineer Ian Neilson seeks more than \$100-million (U.S.) in damages against Mr. Alexander, Mr. Civelli and Clarion Finanz A.G. of Zurich, Mr. Civelli's main financial operating company. Pinewood is not named as a defendant. Mr. Alexander's service address, as stated in the suit, is Pinewood's office on West Esplanade in North Vancouver.

The allegations in the suit, filed by Vancouver lawyer Shayne Strukoff of Gowling Lafleur Henderson, have not yet been proven in court and no statements of defence have yet been filed.

Pinewood shares last traded at \$1.05 on the Canadian Venture Exchange on Wednesday. The stock peaked at \$4.25 in May, 2000, hit a year high of \$2.50 in late January amid news of its Gambela deal, and bottomed out at 70 cents on May 11, three days after the Ethiopian deal was cancelled.

In the current suit, Mr. Neilson and his company, Ian Neilson and Associates, seek \$200,000 (U.S.) for obtaining the Gambela concession, \$105,000 (U.S.) in professional fees working on the project and \$100-million (U.S.) for the loss over his overriding royalty on the Gambela project. Mr. Neilson is the president of Gambela Petroleum, while former Arakis exploration manager Mr. Pratt serves as Gambela's key exploration consultant.

The suit claims that on May 29, 2000, Mr. Neilson and Mr. Alexander entered into a participation agreement for the Gambela oil exploration project in Ethiopia. The purpose of the agreement was to acquire a petroleum production sharing agreement with the Federal Democratic Republic of Ethiopia for the Gambela project in the southwestern region of the African country.

Mr. Neilson claims that he agreed to use his expertise and knowledge to obtain the concession from the Ethiopian government, in return for a fee of \$200,000 (U.S.), payable by Mr. Alexander on execution of the government concession agreement, and a 3-per-cent overriding royalty. Mr. Alexander also allegedly agreed to pay all of the remaining expenses of Mr. Neilson, up to a \$50,000 (U.S.) cap.

The suit claims that Mr. Neilson negotiated and finalized the general terms of the Ethiopian concession agreement with the Ethiopian Ministry of Mines and Energy, resulting in an agreement executed on Jan. 24 between the Ethiopian government and Gambela Petroleum.

According to the pro-government Walta Information Centre, the deal, with an initial exploration period of four years, gave Gambela Petroleum the exclusive rights for petroleum exploration, development and production over a 15,356-square-kilometre area. Given the controversial history of Mr. Alexander and Mr. Civelli, which could be uncovered through basic due diligence, it is unclear what induced the Ethiopian government to select such a tiny company as Gambela Petroleum for the project.

Both men are well known to regulators, although Mr. Civelli, unlike Mr. Alexander, has not been prosecuted or disciplined by regulators -- at least not in B.C., where he still visits.

In an agreed settlement with the British Columbia Securities Commission on Feb. 24, 1999, Mr. Alexander was fined \$1.2-million and banned by 20 years for numerous violations of securities regulations in his disastrous Arakis Energy promotion. The ban included a prohibition against acting as a director or officer of a public company and from engaging in investor relations activities.

Shares of Arakis, a Vancouver Stock Exchange promotion before a voluntary delisting under investigation, peaked at \$26.62 (U.S.) on Nasdaq in July 1995, amid Mr. Alexander's claims the company had arranged a \$750-million (U.S.) financing deal for its oil project in Sudan. The financing never materialized. At its peak,

Arakis had a market value of about \$1-billion (U.S.).

In early 1998, Arakis settled its regulatory issues with the BCSC and paid a total of \$250,000 in fines and costs.

Mr. Alexander was fined \$700,000 and ordered to pay \$500,000 toward investigation costs, after agreeing he hid his direction and control over large blocks of low-priced Arakis shares through a series of nominee accounts, including Anthem International Inc., in trusts in secretive offshore havens Jersey and the Channel Islands. The State of Jersey Police, eager to flush out international financial rogues, provided strong assistance to Canadian regulators.

Mr. Alexander is equally well known as a promoter behind another notable Vancouver penny stock boom-to-bust promotion, Delgratia, which collapsed amid revelations that strong gold samples had apparently been salted. The salting culprit has never been found, much to the chagrin of the Vancouver stock promoter. Mr. Civelli was also a key player in the Delgratia affair.

Mr. Civelli is well known to regulators as the most important conduit of European funds to the former VSE over the past 15 years. In 1994, the secretive Swiss financier had the misfortune of being named by British regulators as an alleged money launderer in a major insider trading case involving shares of Consolidated Gold Fields.

In a masterful bit of advance damage control, Frank Giustra, then the head of Vancouver brokerage Yorkton Securities, a long-time close associate and former business partner of Mr. Civelli, arranged for the secretive Swiss financier to quietly meet with Dean Holley, then the BCSC's Superintendent of Brokers, to smooth over the matter.

Mr. Civelli assured the regulator that he expected adverse mention in the final report of Britain's Department of Trade and Industry. The final report was critical of Mr. Civelli, but made no findings of regulatory censure against him.

The current suit underlines the key roles of Mr. Alexander and Mr. Civelli behind the scenes at Gambela Exploration and parent Pinewood. Although Pinewood had been in Mr. Alexander's stable for a number of years, and he had been a director dating back to 1993, he was forced to resign amid the Arakis scandal.

Pinewood is fronted by president Courtland Brewster and directors Carl Von Einsiedel and Christopher Farnworth, but Mr. Alexander's influence remains strong. His holding company, J.T. Alexander & Associates, remains Pinewood's major shareholder, with 2.65 million shares, a 29-per-cent stake, as of last November.

Pinewood's corporate lawyers remain Maitland & Co., the Vancouver law firm which features disgraced former

securities lawyer Michael Seifert, snared along with Mr. Alexander in the Jersey probe, as a key partner. Mr. Seifert has agreed with the BCSC to a \$450,000 fine and a 12-year personal ban on practising securities law in B.C.

Pinewood also features a number of Mr. Alexander's associates, former directors, in various support roles, and it pays Central Minera, formerly Delgratia, for office and administration fees.

Central Minera player Ms. Eilers provides investor relations to Pinewood through her company Buzz Communications, while Mr. Ellis has provided consulting services through Gordann Consultants and Mr. Alexander's younger brother, David Alexander, has provided accounting services through a private company.

Pinewood's second biggest shareholder, at least until the end of 1999, was Cardogan Ltd., a secretive offshore account, with 830,000 shares, a 10.6-per-cent stake. Cardogan also popped up in the BCSC/Jersey offshore probes of Mr. Alexander, Mr. Seifert and Vancouver promoters David Patterson and Doug Mason. (Mr. Mason is the only one of the offshore quartet to have not yet reached a settlement with B.C. regulators.)

Cardogan was an early offshore investor in Allied Strategies, along with Forthdale Investments, which is a prime account in the BCSC's Mason prosecution. Allied's early backers are an intriguing lot, from fugitive Thai financier Rakesh Saxena to Mr. Civelli, along with Anthem International, the shadowy BVI company which received a million shares of Arakis without paying a penny, and a number of offshore accounts, including Cardogan.

In the current suit, Mr. Neilson claims that one of the conditions of the Jan. 24 Ethiopian concession agreement was that Gambela Petroleum post an irrevocable and unconditional bank guarantee of \$5-million (U.S.) to the Ethiopian government within 60 days.

"On or about July 24, 2000, **Carlo Civelli** and Clarion Finanz agreed with Neilson to provide the unconditional guarantee and **Carlo Civelli** wrote a letter to Izadin Ali, Minister of Mines and Energy of the Federal Democratic Republic of Ethiopia, confirming such an unconditional guarantee," states the suit.

This letter was amended on July 26, 2000, and sent to the Ethiopian government. The unconditional guarantee would be through ABN AMRO Bank in Zurich, according to court documents. The \$5-million (U.S.) bank guarantee was required to guarantee minimum work obligations under the concession agreement.

The suit claims that neither Mr. Alexander, Mr. Civelli or Clarion put up the required \$5-million (U.S.) guarantee by the initial deadline. "The plaintiff on behalf of Alexander, Civelli and Clarion Finanz A.G. obtained two extensions in order that Alexander, Civelli and Clarion Finanz A.G. would complete the unconditional bank

guarantee from ABN AMRO Bank Zurich," but the guarantee was never concluded despite the repeated assurances of Mr. Civelli and Mr. Alexander, states Mr. Neilson.

The suit claims the Ethiopian government gave a drop-dead date of May 8, and the Gambela concession is now null and void as a result. Mr. Neilson claims he has suffered extensive damages as a result of the cancellation of the Ethiopian concession deal.

Pinewood Resources Ltd  
Shares issued 9,008,944  
Thu 14 Jun 2001

PNW  
Jun 12 close \$1.05  
Street Wire

Document cns000020010711dx6e00aph