

7<sup>th</sup> October 2014

Ms Angela Quintal

The Editor, Mail & Guardian

Dear Angela,

We would like to lodge a formal complaint regarding a story published in your newspaper on Friday, 3<sup>rd</sup> October 2014 titled 'Lonmin gives Ramaphosa priority over workers'.

A reporter from your newspaper's Amabhungane Centre for Investigative Journalism, Craig McKune, forwarded questions to Shanduka Group regarding, among other things, payments made by Lonmin to Incwala Resources. Despite being given short notice, Shanduka Group responded comprehensively and directly on all the matters raised (see attached appendix A).

We would like to bring to your attention our considered view that the articles published do not present a balanced view. They contain a number of factual inaccuracies, misrepresentations of fact and misleading information. These inaccuracies have the effect of rendering false the articles' central claims.

- Front page headline: *"Cyril's firm got R500m as Lonmin pleaded poverty"*  
This is simply untrue. Shanduka Group has never received R500m from neither Lonmin nor Incwala since it invested in the company in 2010.
- *"Lonmin's South African subsidiaries paid hundreds of millions of rands in dividends to Cyril Ramaphosa's company in the three years leading up to the massacre at the company's Marikana mine in August 2012, while failing to meet promises to build houses for its workforce and pleading poverty over wage demands."*

Again this is untrue. Shanduka Group has not received any dividend payments from Lonmin or Incwala. The payments referred to in the article were interest-free loans paid by Lonmin to Incwala with the sole intention of servicing debt that Incwala had taken on prior to Shanduka's investment in the company.

- *In a written response, Shanduka in effect repeated this but characterised the payments as "loans". It said they were not "dividends". Shanduka said Incwala had not paid it any dividends during this period, suggesting it drew no benefit. But this can be disputed.*

The article provides no evidence to dispute the fact that Incwala has never paid Shanduka any dividends.

- *“Shanduka disputes that it benefited, but this appears to be incorrect. Money to service Incwala’s loan would still constitute a benefit to Shanduka as Incwala’s controlling shareholder.”*

This is a disingenuous argument that appears intended to sustain the central premise of the article in the face of facts that suggest otherwise. By the same logic, the loans to Incwala – which need to be repaid – similarly benefited Incwala’s other shareholders and all those parties that benefit from the company retaining its mining licence.

- *“Instead of the mines paying advance dividends to rescue Incwala, it is not clear why other options were not chosen: Shanduka itself or its wealthy shareholders could have paid...”*

Incwala had to service debt it had acquired to finance the purchase of the Akanani operations. At the time, IDC and Lonmin were shareholders together with other BEE parties. This commitment for Lonmin to help service the loan predates Shanduka's involvement.

- *“Nevertheless, Lonmin’s apparent choice to look after its politically connected partner rather than meet the demands of its increasingly disaffected workforce underscores the manner in which empowerment principles are often distorted to favour the elite and powerful.”*

No evidence is provided to suggest that Lonmin’s loans to Incwala were at all politically motivated. The facts suggest this was not the case. The commitment by Lonmin to service the Incwala debt predates Shanduka’s investment in the vehicle.

Based on the above, we would appreciate it if the M&G would print a correction in the next publication and publish in full the following letter from Shanduka Group CEO Phuti Mahanyele:

## LETTER TO THE EDITOR

Shanduka Group wishes to bring to your attention a number of factual inaccuracies and misrepresentations contained in the article 'Lonmin gives Ramaphosa priority over workers' (M&G, 3 October 2014). Despite the fact that Shanduka provided a comprehensive and direct response to your enquiry, you chose to publish an account whose premise is fundamentally false.

Shanduka Group wishes to place on record the following facts:

- Shanduka Group invested in Incwala Resources, Lonmin's black empowerment vehicle, in 2010. The other shareholders in Incwala are the Industrial Development Corporation, the Bapo ba Mogale community and Lonmin itself.
- Contrary to claims made in the M&G, Lonmin has not paid any dividends to Incwala in the period since Shanduka's investment.
- Lonmin has paid interest-free loans to Incwala over several years to service debt and meet certain covenants arising from a loan that was in the place prior to Shanduka's investment. Unlike dividends, these loans are repayable.
- The interest free loans were paid to prevent Incwala from defaulting on its loan obligations, which would likely have resulted in the collapse of the structure and endangered Lonmin's mining licence and ongoing operations.
- Incwala has not declared any dividends since Shanduka's investment in 2010. Shanduka has to date therefore not received any benefit from this investment.
- Shanduka's investment in Incwala has had a negative net asset value since March 2012. Far from deriving benefit from this investment, Shanduka has an exposure of over R300 million, which was the value of the cash investment that it made in Incwala.
- It is therefore entirely incorrect to associate the loan payments to Incwala with the payment of dividends to Shanduka.

- Claims that the payment of these loans was influenced by political considerations cannot be sustained by the facts. The commitment by Lonmin to service the Incwala debt predates Shanduka's investment in the vehicle.

It is extremely unfortunate that the M&G chose to ignore or dismiss as insignificant the essential facts in this matter. As a consequence, it has fundamentally misrepresented the nature and intent of the payments made by Lonmin to Incwala. In doing so, it has unfairly prejudiced Shanduka Group and its former Chairman, and it has done its readers a great disservice.

Yours sincerely,

Phuti Mahanyele

CEO Shanduka Group

**APPENDIX A: FURTHER RESPONSE TO QUESTIONS RAISED ON INCWALA RESOURCES AND SHANDUKA'S INVOLVEMENT**

02 OCTOBER 2014

Shanduka Group wishes to place on record the following facts:

**On dividends paid to Incwala:**

- Prior to Shanduka's investment, there was a practice of dividends – which are not repayable – being paid out to Incwala. These were changed to interest-free loans – which require repayment – shortly before Shanduka's involvement.
- Lonmin did not pay any dividends to Incwala (post Shanduka's investment) but provided interest-free loans. These subordinated loans are repayable.
- The payments made to Incwala as loans were to service debt and meet certain covenants arising from a loan that was in the place prior to Shanduka's investment.
- The interest free loans were paid to prevent Incwala from defaulting on its loan obligations, which would likely have resulted in the collapse of the structure and endangered Lonmin's mining licence and ongoing operations.
- Incwala has not declared any dividends since Shanduka's investment in 2010. Shanduka has to date therefore not received any benefit from this investment.
- Shanduka's investment in Incwala has had a negative net asset value since March 2012. Far from deriving benefit from this investment, Shanduka has an exposure of over R300 million, which was the value of the cash investment that it made in Incwala.
- It is therefore entirely incorrect to associate the loan payments to Incwala with the payment of dividends to Shanduka.

**On the agreement with WMS:**

- Lonmin's activities with respect to Western Metal Sales were no longer in effect by the time Shanduka invested in Incwala in 2010.

- Any refusal from Incwala shareholders to ratify a new agreement predates Shanduka's investment.
- This matter was only brought to Shanduka's attention in 2012, where after the new agreement was ratified.

**On Shanduka shareholders and its former Chairman:**

- The claims that have been made about Shanduka Group and its former Chairman have no factual basis.
- Shanduka and its shareholders have to date not derived any financial benefit from the investment in Incwala.
- Claims that the payment of these loans was influenced by political considerations are false and cannot be sustained.

#ENDS#

**Note to editor:**

Incwala Resources holds an 18% stake in Lonmin's Western Platinum and Eastern Platinum operations and a 26% interest in Akanani. Shanduka Resources holds a 50.03% stake in Incwala. The other shareholders are the Industrial Development Corporation (23.56%), Lonmin PLC (23.56%) and the Bapo ba Mogale community (2.85%).

**For more information:**

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