



economic development

Economic Development Department
REPUBLIC OF SOUTH AFRICA

PRESS RELEASE

Oakbay and the IDC - Statement by Minister of Economic Development

Note to Editors:

The Minister of Economic Development, Ebrahim Patel, today tabled a written reply in the National Assembly to a question on alleged share-price manipulation by persons linked to the Gupta family in respect of Oakbay Resources and its impact on the Industrial Development Corporation (IDC), that appeared on the Order Paper yesterday for Oral Reply, but was not considered due to the expiry of the allotted time.

The IDC held shares in Oakbay Resources following its listing in late 2014, as a result of the restructuring of a loan agreement, details of which are provided in the Parliamentary Reply, the text of which follows below.

In the reply, Minister Patel reported to Parliament that the IDC Board, following legal advice, has "rescinded, alternatively cancelled, the Restructuring Agreement between itself, Oakbay Resources and other entities in the Oakbay Group. The IDC asserts that various misrepresentations and breaches of warranties were committed by the Oakbay Group. The IDC has tendered the return of its shares in Oakbay Resources and has demanded repayment of the outstanding capital and interest due to it, totaling approximately R293 million".

Commenting on the matter today, Minister Patel noted that information relevant to the alleged share-price manipulation had become available through the media investigations into allegations of corruption and state capture.

"The media has helped to provide South Africans and our public institutions with information about wrong-doing and we should appreciate that role," he said.

"We have to take allegations of fraud very seriously and pursue the recovery of public monies vigorously and using all legally available means to do so," he said.

"Commercial dishonesty is not a victimless crime. It imposes an enormous cost on the economy, redirects resources from creating jobs for unemployed citizens and undermines confidence in governance and in the economy," he said.

"The IDC is taking the necessary steps based on the legal advice it is receiving," he said.

Text of Parliamentary question and reply, set for 22 November 2017, in the National Assembly, follows:

Question: Whether, with reference to his reply to question 1624 on 20 June and the FSB investigation into the alleged market manipulation of Oakbay share prices, he intends to launch an investigation into the IDC granting of the specified loan to Oakbay; if not, why not; if so, who would have been the key beneficiaries?

Reply: Honourable Members

In 2010 the IDC concluded a Loan Agreement with the Oakbay Group for an amount of R250 million, plus interest. The Loan Agreement provided for an interest return of 10% RATIRR (real after tax internal rate of return).

The loan was restructured in 2014 through the conclusion of a Restructuring Agreement. On 28 November 2014, Oakbay Resources listed on the Johannesburg Stock Exchange. Following on the restructuring of the loan and the listing of Oakbay Resources, the IDC's interest claim, which at that stage was approximately R256 million, was converted into equity in Oakbay Resources. The shares in Oakbay Resources were issued to the IDC at the listing price of R10 per share less a 10%

discount. Most of the original capital sum has been repaid. There is currently R37.5 million of the original capital sum outstanding. The Restructuring Agreement provides that this will be repaid by March 2018.

During June this year, it was reported in the media that a Singaporean entity, allegedly associated with the Gupta family, bought shares in Oakbay Resources, just prior to its listing, using money lent to them by the Gupta family. It is alleged that Oakbay and persons and entities associated with it, engaged in unlawful manipulation of the share price.

Following that revelation I requested the IDC to advise on the accuracy of the claims, the remedies available to the IDC in the event of those allegations being true, and to identify steps to be taken to address the issue.

In July, the IDC board appointed a legal team to advise it, led by Advocate Geoff Budlender SC, a respected member of the Cape Bar.

Following an investigation by the legal team, and advice received from them, the IDC has now rescinded, alternatively cancelled, the Restructuring Agreement between itself, Oakbay Resources and other entities in the Oakbay Group. The IDC asserts that various misrepresentations and breaches of warranties were committed by the Oakbay Group. The IDC has tendered the return of its shares in Oakbay Resources, and has demanded repayment of the outstanding capital and interest due to it, totaling approximately R293 million.

If that sum is not paid to the IDC by today, Thursday 23 November 2017, the IDC will initiate proceedings against the parties concerned to recover the amount.

As the legal process has now commenced, it would be inappropriate to engage in a detailed discussion of the matter.

The IDC takes this matter very seriously and intends to pursue the recovery of the amount using all legally available means at its disposal.

The IDC has also taken a number of steps to address the need to strengthen governance and oversight. Following a request that I made to the Board to reconsider its disclosure policies, it decided, in the interest of transparency, to publish the names of all new beneficiaries of IDC funding, on its website.

Issued by the Ministry of Economic Development. For further details, contact Dr Molefe Pule at mipule@economic.gov.za.