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# MEDIA RELEASE

11 June 2018

## *SUNDAY TIMES REPORT ON AFRIC OIL MISLEADING, SAYS PIC*

PRETORIA -The Public Investment Corporation (PIC) rejects allegations in a front page article in the *Sunday Times* yesterday, 10 June 2018, (*'Lawyers demand PIC loan kickback for Zweli')* as malicious and patently false.

The PIC's investment in Afric Oil originated in September 2014 with a direct equity stake of 29% worth R97 million. In January 2017, the PIC approved a further R210 million loan for an expansion plan for the company that included growing its logistics division, the acquisition of storage facilities and the provision of working capital.

The PIC regards Afric Oil as an important emerging fuel supplier – the first black empowered entity in the petroleum industry - with the potential to create jobs and advance entrepreneurship.

The transaction resides in the PIC's unlisted portfolio – known as the Isibiya Fund – the details of which have publicly been available for some time at http://www.pic.gov.za/wp-content/uploads/2012/05/SCOF-Unlisted-Investment-Schedule-as-at-31-March-2017.pdf

The *Sunday Times* asserts that it, presumably through diligent investigative journalism, had "*established that Africa Oil received a R210 million loan from the PIC in February last year*" as if this fact had not been previously disclosed.

The newspaper further alleges that "*A month later, the company sold its 71% interest to SacOil, a listed independent oil and gas company whose CEO, Dr Thabo Kgogo, is a close ally of the PIC CEO Dan Matjila.*"

The newspaper fails to provide any evidence to show that Kgogo is *"a close ally"* of the PIC CEO. To its readers, it presents hearsay, rumour and innuendo as fact. The PIC emphatically rejects this allegation.

In written responses to questions received late afternoon, on Friday 08 June 2018, from the *Sunday Times* journalist, the PIC explained that:

- Prior to approving the R210 million loan to Afric Oil, the PIC was fully informed of the intention of Pembani Oil to exit Afric Oil through the sale of its 71% shareholding to SacOil.
- The PIC had no problem with the intended exit as it did not change the fundamentals of the investment decision. SacOil is an operator in the same industry.
- SacOil and Afric Oil are both companies in which the PIC is invested - the relationship between the PIC and these companies is that of a client-shareholder relationship.
- This is no different from the PIC's relationship with Tiso Blackstar, publishers of *the Sunday Times*, its CEO or any of its senior executives. There are no *"close ally"* relationships with anyone.

The newspaper failed to publish these explanations but instead chose to place more reliance on allegations from anonymous *"sources with intimate knowledge"* that Minister Zweli Mkhize *"twisted Matjila's arm to approve Afric Oil's loan application."*

This is patently false. The PIC has no knowledge of any "facilitation fees" that was required to be paid to any parties as part of the transaction.

The Afric Oil transaction was approved by a fund investment panel that is chaired by, and comprises of, independent non-executive directors of the PIC board. The panel is a sub-committee of the PIC Board's Investment Committee.

The PIC's investment processes is such that no one person – in particular the PIC CEO - is vested with all the powers to unilaterally make investment decisions. The PIC manages the funds of all its clients within strictly prescribed investment mandates determined by its clients, is regulated by the Financial Sector Conduct Authority (previously Financial Services Board), is subject to provisions the Public Finance Management Act (PFMA) and is audited by the Auditor General.

By today, Minister Mkhize and Afric Oil in separate public statements, have dismissed the allegations by the *Sunday Times*.

The newspaper had previously committed that it would review its news-gathering and production processes to strengthen quality assurance and editorial testing for more accurate news reporting.

Regrettably, in this instance, it appears there remain some concerning flaws in its editorial processes.

**ENDS.**

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