

# South Africa: Corruption exposed at Orkney and Grootvlei mines

Eric Graham  
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As unrest spreads following the massacre of 36 mineworkers at Marikana on August 16, recent investigations into the bankrupt Aurora Empowerment Systems (AES), which has not paid workers at the Orkney and Grootvlei gold mines in South Africa for years, have revealed a tangled and dirty web of criminality and corruption involving wealthy oligarchs connected to the African National Congress (ANC).

The mineworkers are owed approximately R20 million (US\$2.5 million) in unpaid wages, with some mineworkers having not received a salary for four years.

On August 31, mineworkers at the Orkney and Grootvlei mines announced their intention to shut down all mining operations in the Ekurhuleni municipality, Johannesburg's East Rand Area. Angry workers at the two mines denounced the ANC and President Jacob Zuma as well as the National Union of Mineworkers, a loyal pillar of the ANC government, which has been indifferent to their plight.

The crisis faced by the workers can be traced to the floundering of Pamodzi Gold Limited, the previous owner of the mines, in 2008, leading to its liquidation in 2009. The chairperson of Pamodzi Gold and CEO of Pamodzi Investment Holdings, Ndaba Ntsele—a winner of the Ernst & Young World Entrepreneur award in 2008—conceded defeat after the company received a liquidation notice from the state-owned Industrial Development Corporation.

Harmony Gold initially put in a bid for Pamodzi Gold's assets, but after Harmony Gold withdrew its bid, the politically connected company AES was nominated as the preferred bidder.

The director of AES is Khulubuse Zuma, the nephew of President Jacob Zuma, and the managing director is Zondwa Mandela, the grandson of Nelson Mandela.

AES eventually acquired the rights to operate Pamodzi's Grootvlei and Orkney gold mines after putting in a bid of R215 million (US\$26.8 million) in October 2009. At the time, AES promised a R600 million (US\$75 million) investment in the mine, job security for the workers, and bursaries for the miners' children.

Six months after its takeover of the Grootvlei and Orkney mines, AES stopped paying workers' wages. As of the end of August this year, the miners have not been paid since February 2010. The unpaid workers are currently relying on emergency food aid provided by an Islamic charity organisation, Gift of the Givers.

It has recently emerged that Zuma and Mandela, with the connivance of Faizal and Suleman Bhana, Aurora's financial advisors, plundered the mining operations they acquired. AES was placed in liquidation in October 2011. As of March 2012, the company only had R2,000 (US\$250) left in its bank account. However, during its period of tenure, Aurora paid out R260 million (US\$32.5 million) to itself and its creditors from 10 bank accounts.

The liquidators stated that there is no evidence that the company ever paid the required percentage of the workers' wages to the Unemployment Insurance Fund, or that it ever paid any Value Added Tax on its gold transactions.

Evidence of the large-scale stripping of the assets of the mines continues to come to light. Liquidators reported that several shafts had been reduced to skeletons, with all the headgear, winding machinery, pipes and water pumps removed by management. It is estimated that R1.8 billion (US\$225 million) worth of the mines' assets has been looted, effectively destroying them. The asset stripping continued up until at least March 2012, some six months after AES had been liquidated.

The liquidators reported that approximately R240 million (US\$30 million) in gold earnings was unaccounted for. They stated that AES directors and managers sold R122 million (US\$15.3 million) worth of gold from the mines and paid themselves and their families instead of paying workers, operational costs and creditors, and that AES concealed gold and failed to properly record gold transactions.

A witness reported that Suleman Bhana, one of the company's financial advisors, was seen on several occasions removing smelted gold nuggets and placing them in his bags.

Suleman and Faizal Bhana, Aurora's financial advisors, are regarded as some of the prime drivers of the looting of the

mines' assets.

Pamodzi Gold liquidator Johan Engelbrecht stated that AES and its attorney knew from the beginning that the company was not financially capable of acquiring the shares required to obtain ownership of the assets at the Orkney and Grootvlei mines. When Aurora was declared to be the preferred bidder in 2009, it was effectively insolvent. "Their so-called funding model was nothing but a smokescreen," Engelbrecht said in an affidavit to the North Gauteng High Court.

At the time, AES fraudulently gave the assurances that it had received the necessary funding from a Malaysian company known only as AM Capital. The Pamodzi liquidators were told that the funding method involved the acquisition by Aurora of shares in another company, Labat. When Aurora stopped paying workers in February 2010, precipitating a general strike, the liquidators became concerned that Aurora did not have the necessary funding.

The attorney for AES claimed that the Labat shares had been acquired, informing the JSE Securities Regulation Panel that Aurora had paid R5.3 million (US\$662,500) into Labat's trust account. Two years later, he admitted that the cheques signed by Mandela had been stopped and that the shares in question had never been acquired.

In addition, AES fraudulently claimed to have acquired a 71 percent share in the Johannesburg Stock Exchange-listed company Cenmag Limited, and to have bought the largest wood mill in the southern hemisphere, Zambia's Redwood Timber Merchants.

The running of Aurora, according to one of the Pamodzi liquidators, amounted to a virtual Ponzi scheme.

While the assets of the mines were being looted and workers were going without wages, Khulubuse Zuma and Zondwa Mandela enjoyed the lifestyle of the fantastically wealthy. Zuma, it is reported, owns 19 vehicles, including a R2.5 million (US\$312,500) gull-wing Mercedes and is known to spend between R3,000 (US\$375) and R15,000 (US\$1,875) at a time on his twice-weekly visits to an upmarket Durban restaurant. When asked about his lavish lifestyle, he responded, "I don't know about lavish. The only thing I know is that I'm living my life to the fullest every day, because I worked for it."

In April 2011, Zuma donated R1 million (US\$125,000) to the ANC, which the ANC accepted without flinching. In March this year, Aurora flouted a court order to pay out R4.3 million (US\$537,500) to workers at the mines.

The affected miners are from South Africa, Mozambique, Lesotho and Swaziland. According to newspaper reports, five

miners are known to have committed suicide since the mines stopped operating. "Children have stopped going to school, women are leaving their husbands, people have nothing to eat," stated a mineworker.

Recent investigations have shown that AES failed to pump acid mine water from mine shafts, causing the destruction of sensitive wetland ecosystems in the area.

The Pamodzi joint provisional liquidators canceled the deal with Aurora in May 2011. In October 2011, Aurora was finally liquidated when the North Gauteng High Court ratified the R9 million (US\$1.1 million) liquidation application of Copper Eagle, one of the company's creditors. The liquidators of Pamodzi Gold mines will submit a claim of R1.7 billion (US\$212.5 million) against Aurora's four directors—Zondwa Mandela, Khulubuse Zuma, Thulani Ngubane (its commercial director) and Michael Hulley (President Zuma's attorney)—once the liquidation inquiry is complete. Hulley has since then been appointed as President Zuma's legal advisor on a part-time basis.

The joint provisional liquidators have laid criminal charges against Mandela and Ahmed Amod, the company's attorney. This will be followed by an application to the court that will allow them to sue Mandela, Zuma, Ngubane and the Bhanas in their personal capacity in an attempt to recover the stolen billions. Paperwork is being prepared for Michael Hulley (President Zuma's advisor) who was responsible for overseeing corporate governance at the time that he was employed by Aurora.

The destruction of the Orkney and Grootvlei mines along with 5,300 jobs is a reflection of the criminal character and mode of accumulation of South Africa's new financial elite. Pitted against workers and flanked by the official trade unions, this elite enjoys not only the support but also a symbiotic relationship with the upper echelons of the South African state.

Only a workers' government, pursuing a socialist programme, is capable of clearing out the Augean stables of South Africa's criminal ruling elite.



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