



RAPPA
RESOURCES

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To: amaBhungane, Centre for Investigative Journalism

Attention: Dewald van Rensburg

By email: dewaldvr@amabhungane.org

18 September 2024

Dear Sir

RE: YOUR LETTER DATED 13 SEPTEMBER 2024

Your letter dated 13 September 2024 refers, and we thank you for affording us an opportunity to respond.

I must insist that our response letter be attached in full, as an annexure to any article/s that amaBhungane intends to publish.

The introductory paragraph of your letter notes that the article/s will touch on the alleged role of Rappa Resources (Pty) Limited ("**Rappa**") in a widespread scheme to claim fraudulent VAT refunds in the gold sector.

We place it on record that Rappa pays VAT on all its purchases reflected in tax invoices (as defined in the VAT Act) and claims VAT input credits completely in line with provisions of the VAT Act. All the alleged illicit transactions, which were reportedly committed by unknown parties earlier on in the supply chain, to the extent that they were actually committed, were done so without Rappa's knowledge.

Mr Baker was simply a shareholder of Rappa and was never involved in the operation, management or transactions of Rappa. Mr Baker is no longer a shareholder of Rappa and no longer has a relationship with the company.

Rappa Resources (Pty) Ltd

Directors GK Bickerton (CEO) • S Geel (CFO) • PJJ Conradie • BA Khumalo (Independent Non-Executive Director)

Registration No. 1988/000342/07

We set out your questions posed and our responses thereto.

1. *“Is our understanding correct that Aulion and Premier were the dominant buyers of Rappa’s gold output in the period preceding 2019, specifically 2017 – 2018?”*

Response:

- 1.1. We understand your question to relate to the division of Rappa Resources (“**Rappa**”) which traded in doré bars. That trading division ceased operating in early 2020.
- 1.2. The buyers of Rappa’s gold output since 2010 are summarised below.
- 1.3. During the financial years 2010 to 2013, the sole customer of Rappa was Rand Refinery;
- 1.4. During the calendar year:
 - 1.4.1. 2013 - there was a brief cessation of trade in doré bars;
 - 1.4.2. 2014 - Rappa had 1 customer, which was not Aulion;
 - 1.4.3. 2015 - Rappa had 2 customers, neither of whom were Aulion;
 - 1.4.4. 2016 - Rappa had 5 customers, one of which was Aulion. Only 3.9% of the exports were to Aulion;
 - 1.4.5. 2017 - the export customers were identical to that of 2016. Only 7.9% of the exports were to Aulion;
 - 1.4.6. 2018 - Rappa had 7 customers, one of which was Aulion. Only 5.5% of the exports were to Aulion;
 - 1.4.7. 2019 - Rappa had 7 customers, one of which was Aulion. Only 3.1% of the exports were to Aulion;



1.4.8. 2020 - the export customers remained the same as in 2019. Only 9% of the exports were to Aulion. Rappa's trade in doré bars was permanently terminated in this year.

1.5. You're understanding that Aulion was a dominant buyer of Rappa's gold output is totally incorrect. Rappa has never exported to a company called Premier Trading Group and has no knowledge of such a group.

2. *"When did Aulion and Premier first become clients of Rappa?"*

Response: Aulion became a customer in November 2016. Rappa has never traded with Premier Trading Group. See response above.

3. *"In Practice Gold Kid only sell gold to Rappa while Aulion only bought gold from Rappa making Rappa an integral part of their "vertically integrated" business long before they acquired Rappa outright."*

Response:

3.1. We are unable to comment as to who else Gold Kid sold its gold, besides Rappa. We have no knowledge of Gold Kid's customer base. As recorded in point 1 above, Rappa's exports to Aulion ranged between 3.9% to 9%.

3.2. We have no knowledge of who else Aulion bought its gold from, besides Rappa.

3.3. Rappa's purchases from Gold Kid as a percentage of Rappa's total purchases are summarised below –

3.3.1. 2010 - 16%

3.3.2. 2011 - 15%

3.3.3. 2012 - 16%

3.3.4. 2013 - 6%

3.3.5. 2014 - 30%



3.3.6. 2015 - 41%

3.3.7. 2016 - 18%

3.3.8. 2017 - 19%

3.3.9. 2018 - 21%

3.3.10. 2019 - 11%

3.3.11. 2020 - 4%

3.4. Your assertion that Gold Kid, Rappa and Aulion formed a vertically integrated group where Gold Kid sold only to Rappa and Rappa sold only to Aulion is entirely incorrect on the facts.

4. *“To what extent were gold purchases from Gold Kid “matched” or designated for sale to Aulion? In other words, did Gold Kid supply material with the understanding that the same volume would be sold to Aulion after refining?”*

Response: Please refer to our responses above which proves the fallacy of your assertion.

5. *“When and under what circumstances, did you first meet Baker and Greyvensteyn and commence a business relationship with them?”*

Response: Rappa has been purchasing material from Gold Kid since 2010. You will note that during the period 2010 to 2013, Rand Refinery was the sole customer of Rappa.

I first met Mr Baker in 2015 when he expressed an interest to acquire Rappa. Mr Rudland was present at that meeting, as was Mr John Moss, but the initial approach by Mr Baker to acquire Rappa did not yield any result.

Mr Baker approached Rappa again in December 2018, culminating in him acquiring the company in July 2019.

6. *“When did talks about selling the business start?”*



Response: See response above.

7. *Was Simon Rudland ever involved in the relationship or talks?"*

Response: At the meeting with Mr Baker in 2015, Mr Rudland was present, but he was neither present at the subsequent meeting in December 2018, nor involved in negotiations to acquire Rappa.

8. *"Have you ever met Frank Sadiq?"*

Response: No.

9. *"We have gathered a large amount of banking data for The Gold Kid as well as the cash-in-transit group AMFS and some of its customers. Using this data, we have established unbroken chains of transactions from Rappa to The Gold Kid, AMFS and then (among many others) the Krugerrand dealer African Medallion Group. Payments from gold refineries to a Krugerrand dealer are problematic for reasons you are no doubt aware of."*

Response: Rappa has never purchased Krugerrands or made any payments to a Krugerrand dealer. All its purchases were from registered refineries. We cannot understand your statement that you have managed to establish "*unbroken chains of transactions from Rappa to Gold Kid, AMFS then (among many others) the ... African Medallion Group*".

Rappa is aware of payments to Gold Kid for supplies made to Rappa but cannot comment on what Gold Kid did with payments received from Rappa. Rappa has never dealt with the cash-in-transit group AMFS.

10. *"These transactions were always preceded by an emailed order by Baker to AMFS' ... with a representative of The Gold Kid copied."*

Response: Mr Baker was simply a shareholder of Rappa and was never involved in the operation, management or transactions of Rappa. Whatever emails was sent by Baker



to AMFS involving Gold Kid is a matter to be taken up with the relevant parties as Rappa was not in any way involved with the transactions that you refer to. We place it on record that Mr Baker is no longer a shareholder of Rappa and no longer has a relationship with the company.

11. *“You will ... note that the payments leaving The Gold Kid are preceded by incoming payments from Rappa”*

Response: Payments are made by Rappa to Gold Kid for market related purchases. What Gold Kid did with the payments received is the sole business of Gold Kid.

12. *“Gold Kid ... seems to have derived roughly 90% of its income from Rappa”*

Response: What percentage of income Gold Kid derived from Rappa is unknown to Rappa.

13. *“The pattern also holds for the roughly R2,7-billion that The Gold Kid apparently helped expatriate for or with the connivance of Gold Leaf Tobacco Corporation”*

Response: Whatever pattern you perceive there to be, has nothing to do with Rappa. Rappa has nothing to do with Gold Leaf Tobacco Corporation and has never been in contact or dealt with Gold Leaf Tobacco Corporation.

14. *“Please refer to Annexure Two for documentation of two chains of transactions on 28 and 31 March 2017 showing a flow of funds from The Gold Kid to AMFS to a Sasfin suspense account at FNB then to a second Sasfin suspense account at Nedbank and ultimately a payment abroad with the reference “GLT Corporation”. Payments like these were overwhelmingly destined for Aulion which then funded gold purchases from Rappa to effectively create a circular flow of funds the purpose of which was allegedly the repeated claiming of fraudulent VAT.”*

Response: We are puzzled as to why you should refer Rappa to Annexure Two in respect of transactions to which Rappa was not party to and has no knowledge of.



As a question of fact, Rappa paid VAT to its suppliers based on valid tax invoices (as defined in the VAT Act) provided to it and has never claimed input VAT credits under fraudulent circumstances. Rappa paid VAT to its suppliers based on valid tax invoices and any VAT input claims that Rappa claimed has been totally and 100% in line with the law as provided under the VAT Act.

We place it on record that Rappa was completely unaware of any illicit transactions in its supply chain and simply bought and sold doré bars at a market related price and on a cogent commercial basis as it has done so since 2010.

Since 2010 and up to 2020, Rappa has bought and sold doré bars, earning a consistent margin of 2.5%, before and after Mr Baker became a shareholder. Please note that between 2010 to 2013 Rappa sold its doré bars exclusively to Rand Refinery. That consistent margin in itself proves that Rappa could not have benefitted from any illicit transactions that may have taken place somewhere in the supply chain.

15. *"I have attached a court judgment in relation to the Masimong case as Annexure Three. Do you deny the evidence of the expert witness in the Masimong case?"*

Response:

- 15.1. The judgment of 48 pages contains one single vague reference to a company called "Rappa Holdings". The "expert" witness testimony apparently makes a vague accusation of Rappa Holdings acquiring 1211 tons of unprocessed ore.
- 15.2. The "expert" makes no reference to –
- 15.2.1. the period over which this allegedly happened;
- 15.2.2. how Rappa Holdings purportedly transported 1 211 tons of ore from the mine to its premises;
- 15.2.3. which person/s at Rappa Holdings purchased the 1 211 tons.
- 15.3. Rappa Holdings has always been an investment holding company, receiving rental income, administration and management fees. It has never operated as a trading or



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processing/refining company. Rappa Holdings and Rappa do not have the facilities or the know-how to process 1 211 tons of unprocessed ore and the attendant transport costs of that ore would make even less economic sense.

15.4. There is nothing to deny and to do so, would give credence to an absurd allegation.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Gary Bickerton', written in a cursive style.

Gary Bickerton

CEO