



Annual Review 2006



The Royal Bafokeng Nation, Royal Bafokeng Holdings and the crocodile

The crocodile is a genealogical icon of the Sotho/Tswana people, who include the Royal Bafokeng Nation (RBN). It is a definitive symbol of the RBN – clearly depicted, for example, on the RBN flag. Royal Bafokeng Holdings (RBH), the primary investment vehicle of the RBN, chose the crocodile's eye as inspiration for its corporate logo.



While it is not clear why the crocodile was chosen as the RBN symbol, the RBN crocodile suggests movement towards water – movement which the Bafokeng people regard as indicative of contentment and peace of mind. A Tswana expression, frequently used in conferences and meetings, is 'a e wele mo metsing' meaning 'let there be peace'.

Other Sotho/Tswana groups depict the crocodile with its mouth open; in contrast, the RBN crocodile's mouth is closed. An explanation enjoyed by the Bafokeng people is that a member of the Royal Family once said: "We have always kept our mouths shut".

The crocodile is recognised for having withstood the test of time; for its strength and resilience during hardship; and for its reputation as a caring, nurturing parent – all qualities with which both the RBN and RBH enjoy being associated.



Contents

- 2 Corporate profile
- 3 Group structure and highlights
- 4 Chairman's message
- 6 CEO's review
- 8 Sustainable development
- 12 Directors and executives
- 14 Corporate governance
- 18 Financial highlights

The audited financial results for the year ended 31 December 2006 are available for inspection at the RBH registered office and on the company website (www.bafokengholdings.com).

Corporate profile

a leading *community-* *based* investment company

Royal Bafokeng Holdings (Pty) Limited (RBH) is the primary investment vehicle of the Royal Bafokeng Nation (RBN), an approximately 300 000-strong community of Tswana-speaking people with substantial, minerals-rich land holdings in South Africa's North West Province.

The company was established in 2006 through the merger of Royal Bafokeng Resources, which had been set up in 2002 to manage the community's mining interests, and Royal Bafokeng Finance, which had been formed in 2004 to develop a varied, non-mining asset base.



RBH's overall business objective is to maximise the returns on its investments to provide the RBN community with benefits that are sustainable. In order to accomplish this, the company's strategy is to acquire interests in businesses that will generate exceptional returns in the long term and to work towards diversifying the investment portfolio.

A major focus for RBH is to support RBN's Vision 2020 and the Masterplan which has as its goal the creation of a competitive, thriving, vibrant and self-sufficient community over the next 30 years. The Masterplan projects a doubling of the population and sees the dependency on mining for economic growth reducing from its current level of 80% to around 60% by the mid 2030s.

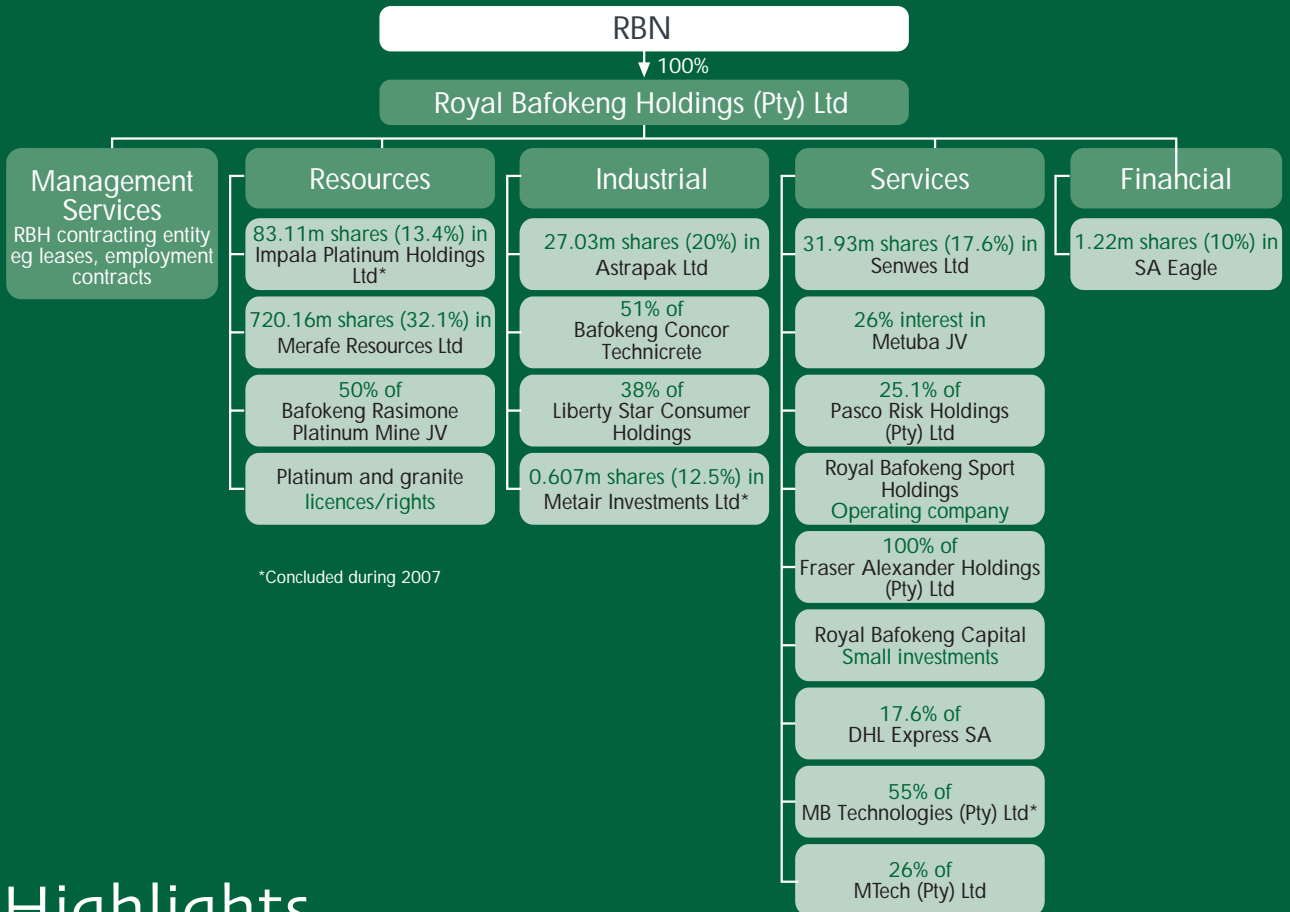
RBH has assets spread across the resources, industrial, services and financial sectors. At year-end RBH's pro-forma assets under management, including the transaction with Impala Platinum Holdings Limited (Implats) announced in September 2006, were valued at approximately R24 billion.

Significant developments subsequent to year-end include the closure of the Implats transaction, as a result of which RBH is now the largest shareholder (13.4%) in the company; increasing its stake from 26% to 55% in MB Technologies, the biggest supplier of branded IT products to the South African marketplace; and gaining exposure to automotive component manufacturing by acquiring a 10% stake in Metair Investments Limited.

All of the shares of RBH are held by the RBN, which also has social delivery entities. The Royal Bafokeng Administration functions as a municipality, providing utility and social services to the community, as well as promoting local economic development. The Royal Bafokeng Institute concentrates on educational initiatives.

Income generated from the RBN's commercial interests is invested in infrastructural development and in the members of the RBN. In the past decade more than R2 billion has been spent on roads, utilities, schools, clinics and other public amenities. This has benefited not only the Bafokeng, but other people living in the North West Province.

Group structure



Highlights

- Formation of RBH through the merger of RBR and RBF
- Announcement of Implats royalty for equity swap
- Pro forma net asset value more than doubles to R24 billion
- Initiation of structured CSI and transformation strategies throughout group
- Formalisation of stakeholder engagement programme

Chairman's message

To our stakeholders

Royal Bafokeng Holdings (RBH) was formed in 2006 from the merger of Royal Bafokeng Resources and Royal Bafokeng Finance, established in 2002 and 2004 respectively. Royal Bafokeng Resources was established to grow and diversify our mineral interests, whilst Royal Bafokeng Finance was charged with building a non-mining investment portfolio. Consolidation of the two entities was a natural outcome of this process, allowing us to rationalise oversight and bring a holistic focus to the management of the Royal Bafokeng Nation (RBN) asset base. The merger has resulted in a more productive and efficient business.

RBH is a 100% wholly owned investment vehicle of the RBN, whose primary mandate is to grow and diversify the Nation's asset base. Assets under management currently comprise 85% mining and 15% non-mining investments. Our mining portfolio is platinum dominated. Whilst global demand for platinum will continue to exceed supply for the foreseeable future, we cannot rely on platinum group metals (PGMs) indefinitely. In line with Vision 2020, which seeks to diversify the RBN economy, RBH is working on strategies to reduce reliance on mining and grow a robust and balanced portfolio. Some of these strategies are outlined in this report.

I am happy to report that the accomplishments of RBH to date are enormously encouraging, especially in light of the fact that they were achieved by a new team with a revised mandate. As the following report details, RBH has successfully begun to develop and manage a strong, diversified investment portfolio with emphasis on the South African resources, financial, industrial and services sectors.

The highpoint of 2006 at RBH, indeed for the entire Bafokeng Nation, was the transaction announced with Impala Platinum Holdings Limited (Implats), in terms of which our previous royalty arrangement was exchanged for a larger shareholding in Implats, totalling 13.4%. RBH's advancement to active shareholder status in Implats was followed by a significant appreciation in the Implats share price, indicating broad market support for one of the largest Black Economic Empowerment (BEE) deals in South African history. Further recognition came in being named BusinessMap Foundation's BEE Deal of the Year for 2006. The significance of this transaction is that it adds geographic diversification to our platinum interests. RBH will now derive returns from all of Implats' operations, now and in the future. Previously, income was only derived from the Bafokeng-based operations, which are becoming deeper and more costly to mine.

"In line with Vision 2020, which seeks to diversify the RBN economy, RBH is working on strategies to reduce reliance on mining and grow a robust and balanced portfolio."

Other significant acquisitions are detailed in the CEO's report. The report also outlines how we intend to optimise the current asset base. The performance of the current RBH portfolio has far exceeded our projections, driven by strong equity markets in 2006 and into 2007. Eighteen months ago, we projected that the RBN net asset value would reach R30 billion only in 2017. This milestone was briefly surpassed in April 2007.

The real worth of all these accomplishments lies in the opportunities they present for our shareholders, the Bafokeng people. Sustainable social and economic development, as envisioned in Vision 2020 and the Masterplan, require a considerable investment of resources, both in human and in financial terms. Designing and implementing a sound and sustainable physical infrastructure for the Nation, as mapped out in the Masterplan, is a major initiative, only possible with the assurance of a stable, diversified income stream. Vision 2020 articulates the need for large-scale interventions in the education and health sectors, which also require substantial financial resources.

Whilst the primary objective of RBH is to generate financial returns for its shareholders, its secondary responsibility is to facilitate social development by encouraging our partner companies to become increasingly involved in addressing the community's needs for bursaries, learnerships, and other forms of training and human resources development. Corporate social investment funds are also being channelled towards the Bafokeng community's priorities in the areas of health, education, and the arts. A significant manifestation of this is the R340-million Impala Bafokeng Trust, with a specific objective of empowering women in the Bojanala District of the North West Province.

Ultimately, RBH lies at the centre of a holistic attempt to marry the growth and management of capital with the equitable and

“We envisage continued growth and diversification of RBH’s investment portfolio in the short- to medium-term”

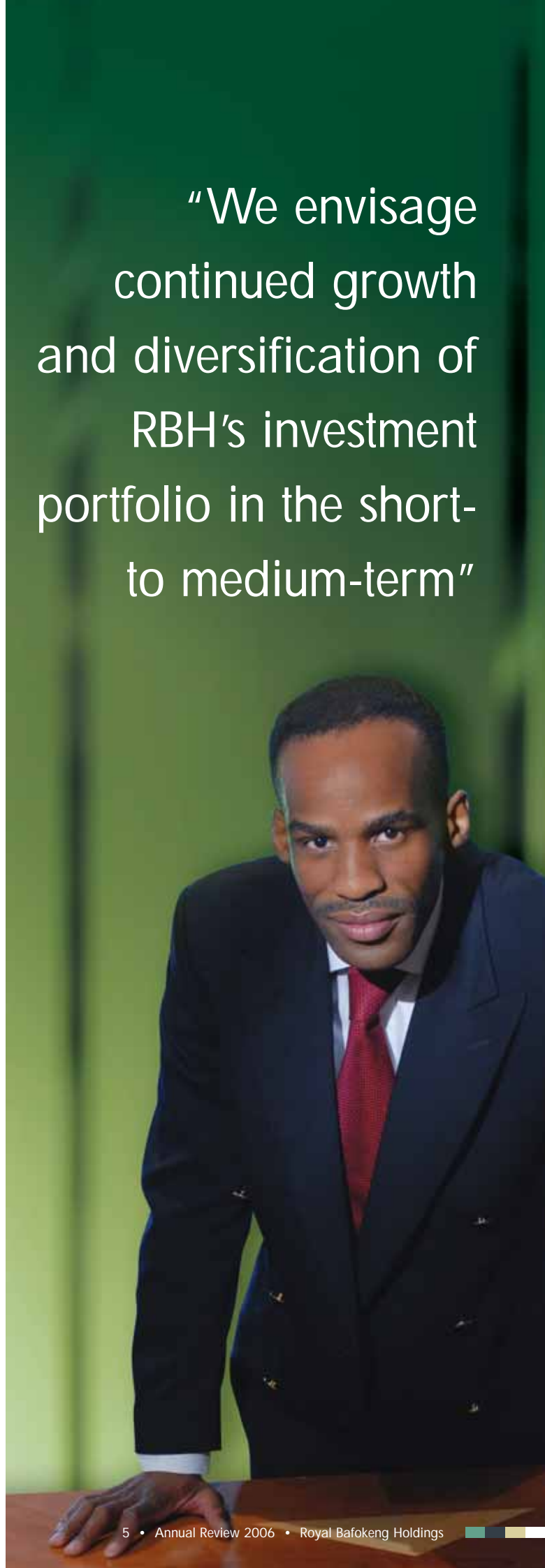
innovative distribution of resources at the community level. This is a challenge that all South African corporates face, and which we see as the ultimate test of our success.

It is important to report that RBH has been working tirelessly with central government, in particular with the Departments of Minerals and Energy, Land Affairs and the National Treasury. Without the support of national government, the ground-breaking transaction with Implats would not have been possible. I wish to extend my appreciation to all the Ministers and Directors-General of these departments for the cordial manner in which they assisted us throughout the process. The BEE policy of our government is indeed taking effect in South Africa.

In line with RBH’s articles of association, we have begun a search for additional directors to double the current board by June 2008. We seek to build a very focused and committed team, broad in its skills base and diverse in gender and ethnicity. The current members of the RBH Board and the management team have performed exceptionally well and have given 110% over the past year. I am satisfied with the commitment, focus and creativity shown by the management team. The management team has also been tasked to ensure that a broad base of accounting and other financial skills are developed within the group in the next five years.

Finally, I must pay tribute to the Bafokeng – our shareholders in the true sense. RBH is part of a journey that started more than 150 years ago, with Bafokeng men walking more than a 1 000km to work in the Kimberley diamond mines. Some of the wages they earned were used to buy the land that would later yield the resources upon which RBH is built. We are ever mindful of the sacrifices our forebears made for the long-term sustainability of the Bafokeng community. As we launch our plans for the 21st century and beyond, we strive to uphold their values and instincts, and above all their vision – to think big and use the available resources for the long-term benefit of all.

Kgosi Leruo Molotlegi
Chairman
08 August 2007



CEO's review

Our role

RBH is an unlisted investment holding company mandated to manage the commercial assets of its sole shareholder, the RBN. This definition, however, does not fully explain the true role of the company.

We are perhaps better described as an inter-generational investment trust. We have been entrusted with an asset base acquired through the sacrifice and courage of previous generations of Bafokeng. In turn, we are charged with protecting and growing these community-owned assets for the benefit of further generations, while at the same time producing sufficient yield to fund the needs of the current generation. These needs are met through an investment model in which returns are used to fund communal infrastructure and services, rather than paying dividends to individual shareholders.

RBH's primary responsibility is the generation of financial returns. Although the chief focus is on value creation, diversification of the portfolio over time is also an important consideration.

A secondary responsibility is to assist in the generation of social returns, both through the encouragement of investee company activities that create social benefits for RBN and the region, as well as through its own activities.

Our shareholder, the 300 000-strong RBN, is a mainly rural community of black South Africans, the majority of whom are women. This makes us – in a South African context – genuinely black-empowered, genuinely broad-based.

Our approach to business

Historically, RBN's primary assets have been its people and its land. The land was minerals-rich and income in the form of rentals and royalties from mining companies began to fuel both an RBN investment strategy and early socio-economic development. The RBN's first commercial investment vehicle, Royal Bafokeng Resources (RBR), was formed in 2002.

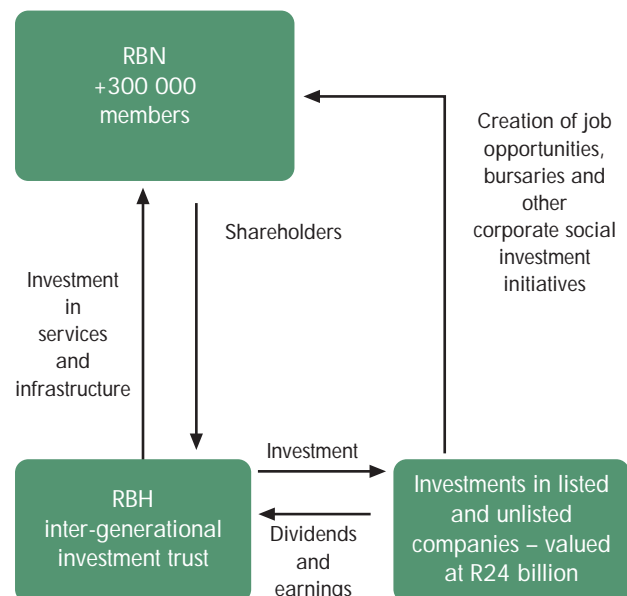
Recognition of the depleting nature of mining assets and of the inherent volatility of the resources sector prompted the first step towards diversification into the South African industrial and financial sectors through the formation of Royal Bafokeng Finance (RBF) in 2004. This was followed, in the year under review, by the merger of RBR and RBF to create RBH as the RBN's primary investment vehicle. RBH invests across all asset classes. We are 'value' investors, seeking long-term capital preservation and growth, while at the same time generating sufficient yield to fund

ongoing delivery of RBN community infrastructure and services. We are biased currently towards South African equities, not least because we know the dynamics of South African business, while the combination of black empowerment credentials and capital makes us more relevant to counterparties in South Africa than offshore.

We have some exposure to Zimbabwe through Implats, to countries in West Africa and South America through Fraser Alexander, and through Pasco Risk also to East and West Africa and Europe. In the medium to long term, we aspire to building major pan-African businesses in three fast-growing sectors – resources, financial services and property and infrastructure (including telecoms). While we will not ignore good investment opportunities in other industries, we believe RBH's investment objectives, franchise, skills set and existing asset base make us particularly relevant in these three major sectors.

We aspire to be competent and reliable partners to the boards and managements of the companies in which we invest. We are less concerned with control than with relevance, which flows from our ability to add value to our investments. We enjoy engaging with energetic, trustworthy managements and believe we have much to contribute besides our capital and robust financing structures – sound human capacity, good governance, credible transformation frameworks and a sustainable communal investment model that generates both financial and social returns.

RBN's Communal Investment Model



“We have been entrusted with an asset base acquired through the sacrifice and courage of previous generations of Bafokeng”

Our business achievements in 2006

The merger of RBR and RBF to create RBH was both a challenge and an achievement in the year under review. The challenge lay in melding two teams investing and operating in different industries; the achievement was the creation of a new company with a broader investment mandate, pooled resources, strengthened operating and governance systems, and fresh momentum.

During the year, more than 50 investment opportunities were assessed, eight of which were concluded. At the end of 2006, the pro-forma market value of investments under management was R24 billion. This value was over twice the equivalent value at the end of 2005 and over three times the value at the end of 2004. At the end of June 2007, our investment portfolio was valued at R29.1 billion.

Resources

At the end of 2006, our investments in the resources sector comprised 85% of our total investment portfolio.

RBH's landmark transaction with Implats, concluded in March 2007, absorbed much of the energy of the new RBH team during 2006. In terms of this, RBH effectively exchanged its royalty arrangement with Implats for a 12.1% stake in the latter, taking its total stakeholding to 13.4% and thus becoming Implats' largest single shareholder. As a shareholder, RBH can look forward to the continuation and growth of dividend income beyond the life of the Implats lease area. While the market value of the transaction at its conclusion in March 2007 – R14.7 billion – points most overtly to its significance both to the RBN and RBH, the significance is, in fact, multi-dimensional.

The conclusion of the transaction marks the progression of RBN/RBH from the role of passive landlord to active investor, with non-executive RBH representation on the boards of both Implats and its operating subsidiary, Impala Platinum Limited (Impala). We look forward to a deepening of the relationship between RBH and Implats as we work with management in the areas of strategy, conversion of new order mining rights and transformation processes. RBH is represented on the Implats Board by RBH Non-executive Directors Thabo Mokgatla and Steve Phiri, and we are currently finalising the appointment of three directors to the Board of Impala.

The performance of RBH's other mining investments – the Bafokeng-Rasimone Platinum Mine (BRPM), a 50:50 Joint Venture with Anglo Platinum Limited (AngloPlat), and Merafe Resources



CEO's review, continued

(Merafe), a 20% stakeholder in the Xtrata Chrome-Marafe Pooling and Sharing Venture – were satisfactory. Overall production at BRPM rose by 11%, reflecting higher throughput from both underground and surface sources. The value of this investment in 2006 rose from R2.5 billion to R3.8 billion. A study by BRPM to determine the viability of developing and mining the adjacent Styldrift lease area is scheduled for completion in November 2007. Notwithstanding weaker market and pricing conditions, Merafe reported a 284% increase in after-tax profit, a 133% increase in earnings per share and a 24% improvement in net asset value. The value of our Merafe stake at year end was R556 million (2005: R439 million).

Industrial

At the end of 2006, 2% of RBH's total investment portfolio was in the industrial sector.

Investments in this sector include a 20% stake in plastic packaging group Astrapak and a 51% interest in Bafokeng Concor Technicrete. The 7% increase in profit recorded by Astrapak in 2006 was somewhat below expectation, reflecting the impact of rising oil costs on plastics manufacture. While the value of the investment decreased marginally from R365 million to R346 million, total dividends received were 57% higher at R7 million. Overall performance by Bafokeng Concor Technicrete was stronger and the outlook is encouraging, given the number of major new construction projects pending in the mining sector and in the run-up to the Soccer 2010 World Cup.

RBH predecessor RBF was instrumental during 2005 in launching Liberty Star Consumer Holdings (Libstar), an investment holding company in the fast-moving consumer goods (FMCG) sector, and RBH currently has a 38% interest. Libstar was particularly active during 2006, acquiring no fewer than five FMCG companies, including Dickon Hall Foods, which manufactures and packages foodstuffs for industry giant Unilever. Subsequent to year-end, we acquired a 10% interest in local automotive components manufacturer Metair Investments Limited (Metair), the first black-owned company to invest meaningfully in this strategically important sector. Metair recorded a creditable 27% increase in headline earnings per share in 2006.

Services

Our investments in the services sector at the end of 2006 comprised 4% of our total investment portfolio.

We made a number of important acquisitions in this sector during 2006. Complementary in many respects to our resources sector

investments is our 100% ownership of Fraser Alexander, a market leader in mine tailings disposal, waste materials handling and civil construction. Acquired for R264 million at the beginning of 2006, the value of our investment had risen by year-end to R476 million. Also complementary to our resources sector investments is our 26% interest in Metuba, a joint venture between Metix, Tubular Technologies and ourselves, formed to build a sinter plant for Xstrata at its Wonderkop chrome operations. The project, which entails the construction of a 600 000-tonne-per-annum sinter plant in Wonderkop, began in December 2005 and is scheduled for completion by August 2007.

In pursuit of our information technology objectives, we acquired an initial 26% of computer hardware distribution group MB Technologies (MB Tech) late in 2006 and increased this to a controlling 55% interest early in 2007. MB Tech, now the largest black-controlled computer hardware distribution group in South Africa, distributes Hewlett Packard, IBM/Lenovo, Samsung, Acer, Lexmark, Toshiba and Siemens, amongst other leading brands.

Royal Bafokeng Capital (RBC) was formed with the Gandalf Trust in 2006 to exploit BEE-related opportunities in the small- to medium-sized business market.

Other investments concluded during the year were an effective 17.6% stake in Senwes, South Africa's second-largest agricultural services company; a 25.1% interest in Pasco Risk, Africa's largest privately owned, independent risk management company; and an effective 17.6% holding in DHL South Africa, part of DHL Express, a global leader in express, air and ocean freight, overland transport and logistics solutions. Although the investment in Pasco Risk is small, it provides RBH with access to a pan-African intelligence network likely to be beneficial as we seek to invest further outside of South Africa. Pasco has made an annual commitment of R750 000 towards RBH-nominated social projects and has employed an RBN graduate for further training in the risk management field.

In November 2006, Royal Bafokeng Sports Holdings (RBSH) was formed as an operating subsidiary of RBH with a mandate to generate both financial and social returns through the development of the RBN's sporting assets. Key amongst these is the Royal Bafokeng Sports Palace at Phokeng, venue for both the 2009 Confederation Cup and the 2010 World Cup soccer events. Within months, RBSH had concluded its first major commercial transaction – the acquisition of a 51% controlling

interest in Silver Stars, Premier Soccer League (PSL) runners-up in the 2006-07 season.

Subsequent to year-end, we purchased a 26% interest in M Tech, a key supplier to South Africa's developing nuclear industry. M Tech has committed 2% of its net profit after tax towards RBN-related social projects, focusing on education and skills training.

Finance and cash

Our financial sector and cash investments form 9% of our total investment portfolio. RBH has a single investment – a 10% interest in JSE-listed SA Eagle, the third-largest short-term insurer in South Africa, which recorded a 17% decline in earnings per share in 2006, mainly as a result of weakened underwriting performance. Short-term insurance, however, tends to be cyclical and improved results are expected in the next 12 to 18 months. RBH manages a significant cash portfolio on behalf of RBN.

Human resources

RBH and RBSH have a combined staff complement of 29, of whom 86% are black, 55% female and 34% Bafokeng.

Within RBH and RBSH, job descriptions, key performance areas and individual development plans are being formalised, and we expect to launch a coaching and mentoring programme by the end of 2007. A comprehensive human resources partnership with investee companies covering talent management, recruitment and employment equity is being designed and implemented.

Transformation

A transformation strategy is being finalised and will be used as the transformation driver for all of our investee companies. In addition, an RBH transformation scorecard is being developed, which will become the 'toolkit' to monitor RBH and all of the companies within the RBH group. Investee companies will be monitored per sector, centrally.

Our social development contribution in 2006

Our sole shareholder is the Royal Bafokeng Nation. RBH's profits are either re-invested or redeployed into programmes administered by the social delivery entities of the RBN. In addition, RBH has its own corporate social investment (CSI) programme. One senior manager and one middle manager contribute 50% of their working time to the company's CSI activities and to liaison on CSI issues with companies in which RBH is invested.

A major RBH CSI initiative during 2006 was its commissioning of the South African Institute for Entrepreneurship to develop a R3.8-



CEO's review, continued

million project to improve entrepreneurship education in schools within the Greater Bojanala District Municipality.

A significant feature of the RBH transaction with Implats was the creation of the Impala Bafokeng Trust to promote education, sporting and training initiatives, health care improvements, entrepreneurial and small business development and employment opportunities amongst people – particularly women – living in the area of the Implats Rustenburg operations and within the Greater Bojanala District Municipality.

In respect of small business development, a co-ordinated approach between the RBN, Implats and AngloPlat, including the establishment of a shared business linkages centre in Phokeng, is being investigated. Through the ABSA Incubator Fund, RBH is considering a R10 million allocation for technical assistance programmes for small businesses.

On the health front, we have managed and funded strategic work on a health policy for the RBN, and funded first steps towards the development of a network of health-related community-based organisations in the Phokeng area.

Through our investment in SA Eagle, we have been able to facilitate a pilot project to roll out insurance cover to low income earners in the RBN community. Following our investment in MB Technologies, the company committed R2 million towards the establishment of an ICT institute, a further R4.5 million for the creation of community-level, walk-in centres providing access to facilities such as the internet and voice-over-internet protocol (VoIP), and 45 computers to the Lebone II Independent School in Phokeng. Senwes plans to invest R1.5 million a year for the next three years on projects to provide support services to new and existing farmers within the RBN community.

A major social focus of wholly owned RBSH is the development of soccer and other sports disciplines amongst school children in the region. In respect of soccer, Samba Soccer, a global leader in mass youth soccer development, has already been commissioned and is conducting clinics for more than 4 000 youngsters.

Early in 2007, we announced a three-year, R2.4 million sponsorship of The Black Tie Ensemble, a Tshwane-based organisation that promotes an appreciation of opera, particularly amongst historically disadvantaged South Africans. In terms of the sponsorship, BTE will conduct an outreach programme to RBN schools and villages; training for choirmasters; and specialised coaching in singing, music and lifeskills for a core of youngsters identified as having particular promise.

RBH remains active in the Steve Kearney Trust in honour of the late Steve Kearney, the first chairman of RBR. The trust's focus is the provision of bursaries to first- and second-year students at the University of the Witwatersrand and the University of Pretoria for study in various mining-related fields.

The way ahead

Sharply rising equity markets, driven by the activities of private equity funds looking for investment opportunities, have narrowed the field for us and it is more difficult to find conventional investment opportunities that meet our value criteria. Indeed, we have chosen of late to turn down a number of opportunities in fundamentally attractive business because of price. While it is thus very unlikely we will be able to maintain our recent phenomenal growth rate, opportunities to broaden and strengthen our investment portfolio undoubtedly exist. A key challenge for us is to continue to develop the human capacity and systems we need to manage and grow a business of increasing size and complexity. We need to continue to attract and retain energetic and competent people with suitable experience and at the same time develop the managers and leaders of tomorrow.

RBH will become more directly involved in the RBN's social development initiatives in the areas of health, education, sport and music. We look forward to the new opportunities and challenges this presents.

Niall Carroll

CEO

08 August 2007

Sustainable development – a brief report

RBH's role in the South African socio-economic environment is unusual in that there is an inextricable link with its shareholders (RBN) and, in many cases, with the companies in which it is invested.

RBH recognises that sustainable development requires the balancing of economic, environmental and social requirements in a manner that does not compromise the needs of future generations. Sustainable development holds particular resonance for RBH, which is effectively an inter-generational investment trust: it must ensure that the assets and resources held by the RBN today are developed and grown so that they facilitate the socio-economic development and upliftment of current generations, while at the same time conserving and growing the asset base to ensure similar benefits for future generations.

Currently, potential investments are screened and analysed using predetermined criteria that are consistent with RBH's overall investment strategy, and this includes a commitment to socially responsible investment. The criteria include environmental responsibility, the creation of employment opportunities, corporate social investment, training and development, and the provision of bursaries.

As a fledgling entity, RBH is developing both an understanding of the relevant issues and the policies and practices that need to be put in place to underpin its vision in terms of the economic, social and environmental aspects of its investments. Work is under way on this and progress will be reported in the 2007 Annual Review and on the website.

While RBH is increasingly diversifying its portfolio away from resources, this is still the most significant asset under management. The land, which has mineral wealth and over which the RBN has claims to royalties, is often the same land mined by the companies in which RBH is invested. In the case of its mining investments, RBH needs to seek a balance between being an investor and shareholder on the one hand, and protecting the vested interests of the affected community (the RBN) and other landowners on the other.

Thus, while RBH is cognisant of the economic importance of mining, it is mindful of the environmental and social impacts of mining operations and the principles which must be applied to protect the environment for future generations. It is of concern to RBH that the area surrounding Rustenburg is experiencing detrimental environmental impacts as a result of mining. Of the

29 villages that make up the community of the RBN, 15 are considered to be directly affected by mining operations, with the key concerns being waste management, air and water pollution, and loss of biodiversity.

RBH also seeks to be an active and participative shareholder in the companies in which it invests. While RBH does not seek to manage operations, RBH executives participate in strategy and governance issues, and sit on the boards of the companies in which it is invested. In this way RBH believes that it can assist companies in achieving their transformation objectives and at the same time ensure that performance is in line with the values espoused by the RBN.

RBH recognises that it is accountable to its own shareholders: in addition to the formal processes for reporting on investment decisions and financial performance to the appropriate structures within the RBN, RBH is accountable to the more than 300 000 individuals who make up the RBN. RBH gives an account of its performance and latest activities at the twice-yearly RBN Kgotha Kgothe, a mass gathering to which all members of the RBN are invited. Members of the community are given the opportunity to ask questions.

Specific issues being addressed are:

- integrated environmental and social planning. It is imperative that the land owned by the RBN is viewed as an integrated whole and that the relationships between different developments and their cumulative impacts, as well as the relationships between future plans and the current carrying capacity of the area are understood;
- formalised town planning and the attraction of business to the area. RBH encourages investee companies to stimulate business activity in the region. This will help local employment, encourage the retention of non-mining skills in the area and create alternative sources of revenue;
- education. The quality of education in the region remains a major challenge. RBH considers that one of its chief responsibilities to its mining partners is to assist them in achieving their Mining Charter targets, in part by ensuring that they are able to employ well-educated and skilled local labour. This will also guarantee that any investment in education benefits the RBN area and should result in spin-off opportunities for local business development; and
- the development of local management structures. RBH will be establishing the requisite management teams to implement competent sustainable development management systems.

Directors and executives



Kgosi Leruo Molotlegi

Chairman

BArch, University of Natal

Kgosi Leruo Molotlegi is the King of the Royal Bafokeng Nation and Chairman of the Supreme Council.



Thabo Mokgatlha

Non-executive Director

BCom, University of the North West; BCompt (Hons) CTA, University of South Africa; Chartered Accountant (SA)

Thabo is a chartered accountant, having completed his articles with Coopers & Lybrand. He previously lectured at the University of the North West. Thabo is the Executive: Treasury & Business for RBN.



Steve Phiri

Non-executive Director

BJuris, University of the North; LLB, Vista University; Diploma in Corporate Law, Rand Afrikaanse Universiteit; LLM, University of Johannesburg

Steve is the Chief Executive Officer of Merafe Resources Limited. He has been admitted as an attorney to the High Court of South Africa and is a member of the Black Lawyers Association.



Niall Carroll

Chief Executive Officer

BCom (Hons) CTA, University of Cape Town; Chartered Accountant (SA), Chartered Financial Analyst, CFA Institute; Licentiate and Fellow, Trinity College London

Niall is a chartered accountant and completed his articles with Deloitte Haskins & Sells. During his 12 years with Deutsche Bank (previously Ivor Jones Roy) he was employed as an equity analyst, head of corporate finance, and SA Exco member with joint responsibility for the South African franchise. He joined RBF as its first employee in 2004.

Andrew Jackson

Executive Director – Investments

BSc Geology/Hydrology, University of Natal; BSc (Hons) Geology, University of Natal; Chartered Financial Analyst, CFA Institute

Andrew is a qualified geologist and has held various senior geologist positions at De Beers Consolidated Mines and Rex Mining. He was previously employed at Deutsche Bank as an equity researcher in the gold, platinum, diamonds and diversified mining sectors.



Mpueleng Pooe

Executive: Public Affairs

BProc, University of the North; Management Development Programme, Gordon Institute of Business Science; Certificate in Advanced Corporate and Securities Law, University of South Africa

Mpueleng is RBH's public affairs executive. He has been admitted as an attorney to the High Court of South Africa and began his career as a lawyer with Bell Dewar & Hall where he was later appointed director. He joined AngloGold Limited in 1999 as Legal Counsel.



Tshepo Kgage

Executive: Finance and Administration

BCom, University of Cape Town; BCom (Hons), UNISA; Chartered Accountant (SA)

Tshepo is responsible for effective financial management within RBH and ensuring the smooth operation of the administrative, human resource and IT systems functions. Before joining Royal Bafokeng Finance, Tshepo held various senior positions with The South African Weather Service, Iscor and Deloitte & Touche.



Gillian Kettaneh

Executive: Corporate

BSc Economics, London School of Economics; Juris Doctor, Harvard Law School; Masters in Public Administration, John F Kennedy School of Government, Harvard University

Gillian is responsible for RBH's legal and corporate affairs, governance and sustainable development. She has held various positions at Cleary, Gottlieb, Steen & Hamilton (New York), The World Bank (Washington DC), The European Bank for Reconstruction and Development (London), and the International Finance Corporation (Johannesburg).



Corporate governance

Royal Bafokeng Holdings (RBH) is a private company wholly owned by the Royal Bafokeng Nation (RBN). RBH is a holding company for its direct and indirect subsidiaries that hold investments (together with RBH, the RBH Group).

The Board of Directors of RBH appreciates the growing demand for accountability, honesty and transparency in fulfilling its fiduciary duties towards the shareholders and the company.

The Board believes that the observance of generally accepted corporate governance standards provides a company with legitimacy, reduces its vulnerability to a financial crisis, and broadens and deepens its access to capital.

The Board believes that RBH should adopt the highest corporate governance standards it can for its stage of development – both to enhance its reputation as a leading community-based investment company and to facilitate any future changes in its ownership and capital structure, for example, public listing or private equity or debt offering.

1. GOVERNANCE STRUCTURES

Shareholder

The shareholder has the ultimate power to remove directors and is governed in its relationship with the company through the articles of association. The shareholder of RBH will hold an annual general meeting (AGM) in the third quarter of every year.

Role of the Board of Directors

The Board of Directors is responsible to the shareholder for the performance of the RBH Group. Its role includes the establishment, review and monitoring of strategic objectives, the approval of major acquisitions, disposals and capital expenditure, and overseeing the RBH Group's systems of internal control, governance and risk management.

The Chief Executive Officer is responsible for the execution of strategy and the day-to-day management of RBH, and is supported by the Executive Committee.

Composition of the Board of Directors

The company is conscious of the need to maintain an appropriate mix of skills and experience on the Board, and to progressively refresh its composition over time. As a private company, there is no legislative requirement regarding Board size or composition other than the requirement to have at least one director.

The RBH Board will have at all times a minimum of three directors, a majority of whom must be non-executive. The Chairman of the Board is responsible for leading the Board and for its effectiveness, and will at all times be a non-executive director.

The Board currently comprises, in addition to the non-executive Chairman, two executive directors and two non-executive directors.

The Board reviews its composition on an annual basis and determines the optimal number of directors, subject to the maximum limit of 15 members imposed by the Board Charter.

The Board will have an appropriate balance of independent, non-executive and executive directors for the Board to discharge its function and responsibility. This balance will take account of the nature of the company's shareholding and its stage of corporate development.

Meetings of the Board of Directors

Number of meetings

The Board of RBH meets four times a year. Additional Board meetings may be convened as a special meeting during the year when required. The number of meetings of the boards of RBH's subsidiaries will comply with statutory requirements.

Committees of the RBH Board

General

Subject to those matters reserved for its decision, the Board delegates certain responsibilities to standing committees – the Human Resources and Nominations Committee and the Audit and Risk Committee.

Human Resources and Nominations Committee

The Human Resources and Nominations Committee is responsible for establishing and developing RBH's general policy on remuneration for executive management and non-executive directors and has been delegated the power to approve specific packages for individuals.

The committee has a minimum of three members. The chairman must be non-executive and the majority of the members must be non-executive.

The Human Resources and Nominations Committee makes recommendations to the Board on the appointment of new executive and non-executive directors, including making recommendations

as to the composition of the Board and its committees and the balance between executive and non-executive directors.

The Human Resources and Nominations Committee regularly reviews and updates the succession plans for directors and senior managers.

Audit and Risk Committee

The Audit and Risk Committee consists of a minimum of three members. The Board, in consultation with the Audit Committee chairman, makes appointments to the committee. The Board determines that the committee members have the skills and experience necessary to contribute meaningfully to the committee's deliberations. In addition, the chairman has requisite experience in accounting and financial management.

The primary role of the Audit and Risk Committee is to ensure the integrity of financial reporting and the audit process, and that a sound risk management and internal control system is maintained.

In pursuing these objectives, the Audit and Risk Committee oversees relations with the external auditors. It approves the external auditors' terms of engagement, scope of work, the annual audit and the applicable levels of materiality.

The Audit and Risk Committee also monitors developments in corporate governance to ensure that RBH continues to apply high and appropriate standards. The Audit and Risk Committee's recommendations are submitted to the Board for approval.

2. INTERNAL CONTROLS AND RISK MANAGEMENT

The Board is responsible for the total process of risk management, while management is accountable for designing, implementing and monitoring the process of risk management.

The Board policy will define acceptable risk tolerance levels and identify continuous monitoring of risk and control processes, across business-specific risk areas, that will provide the basis for regular and exceptional reporting to business management and boards, the Executive Committee and the Board.

RBH seeks to have a sound system of internal control, based on its policies and guidelines, in all of its subsidiaries, material associates and joint ventures. In those companies that are independently managed, as well as joint ventures, the directors who are representing RBH on these investee companies' boards seek assurance that significant risks are being managed.

Effectiveness of internal controls and risk management

The Board receives inputs on the effectiveness of internal control mechanisms as follows:

- regular management reporting;
- certain Board committees focus on specific risks such as Human Resources and provide assurance to the Board on those matters;
- the Executive: Finance provides quarterly confirmation that financial and accounting control frameworks have operated satisfactorily; and
- the Board also receives assurance from the Audit and Risk Committee, which derives its information, in part, from regular audit reports on risk and internal control throughout RBH.

3. INTERNAL AUDIT

Internal audit is an independent objective activity to add value to a company's operations by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. The internal audit activities are performed either by teams of appropriate, qualified and experienced employees, or through the engagement of external practitioners upon specified and agreed terms.

The King Report on Corporate Governance 2002 (King II) recommends that where the Board of a company decides not to establish an internal audit function, it needs to disclose its reasons. RBH does not currently have an internal audit function, due to the nature of its business and the small size of the team.

4. RELATIONS WITH STAKEHOLDERS AND INTEGRATED SUSTAINABILITY REPORTING

The Board is committed to the implementation of the principles of transparency and disclosure in all its relations with its stakeholders. In practice, this means making material, accurate and meaningful information available to its stakeholders in a timely manner.

The Board is committed to the objective of sustainable development, which is a broader term than the principle of 'Social Responsibility' referred in the King II Code. Sustainable development is a concept that applies to the company itself and to its shareholders.

As a community-based investment company, RBH is particularly sensitive to the need to deliver effective sustainable development and to present information on the company in accordance with

Corporate governance continued

triple bottom line standards and the principles of the Global Reporting Initiative.

The board is committed to developing a sustainable development policy, based on the results of stakeholder consultation.

Public disclosure of information

The company publishes on its website www.bafokengholdings.com and keeps current the following information:

Ownership: a diagram of the RBH Group structure setting out the important shareholdings, indicating ultimate beneficial ownership and percentages of shares held by each.

Governance structure: a chart setting out the governance structure of the RBH Group indicating the principal organs of the company's governance and to whom each reports (including the RBH shareholder meetings, the RBH Board of Directors, the RBH Board committees, the Executive Committee).

Major transactions and material events: a time line of major transactions and material events for the past five years.

Corporate events calendar: A Board-approved calendar of corporate events for the calendar year, including shareholder meetings.

Policies: Corporate governance policy, Board Charter, terms of reference for Board committees, code of ethics.

5. ACCOUNTING AND AUDITING

The RBH Board approves the terms of reference for the Audit and Risk Committee and its members.

Annual financial statements (AFS) are prepared and audited in accordance with Statements of South African Generally Accepted Accounting Principles (GAAP). These standards are the highest standards that apply to South African companies. The 2006 audited financial statements will be presented at the AGM during the third quarter of 2007.

Although they are prepared to the highest standard, the GAAP-compliant AFS do not necessarily represent a meaningful and useful picture of the RBH Group activities. Shareholders are interested primarily in whether net asset value has been created or destroyed. RBH will produce supplementary information in order to illustrate movements in net asset value.

RBH has appointed PriceWaterhouseCoopers, an internationally recognised accounting firm, as its independent external auditors for the year ended 31 December 2006. The external auditors report to the Audit and Risk Committee and RBH expects that it will rotate the external auditors regularly.

6. COMPLIANCE AND ENFORCEMENT

The Board is ultimately responsible for the compliance of the company with the board-approved governance policies. In this task, the board has delegated certain responsibilities to management. The Chief Executive Officer has overall management responsibility for ensuring that the company complies with the law and the Board Charter and policies regarding corporate governance and the company's code of ethics.

The Executive: Corporate has primary responsibility for the implementation and monitoring of governance policies and procedures. The Corporate Secretary (reporting to the Executive: Corporate) is responsible for the preparation and execution of the RBH Board of Directors meetings and the AGM.

The Board believes that it is the responsibility of every employee and director of RBH to observe and implement the company's governance policies. The company's code of ethics applies to every individual in the company and establishes the general culture of governance and compliance with rules and policies.

The approval framework, delegation of authority and internal guidelines of RBH will establish responsibility for compliance at every level of the company. In particular, internal control processes are used to ensure compliance at various levels of the company. These internal controls are assessed by external parties and their effectiveness reported to the Board.

The Board will address any shortfalls in compliance identified by the external audit process, recommend any changes and annually review the need for a standing committee on governance.

Compliance can also be monitored by external parties. The corporate governance policy is made available on the RBH website. It includes comments on the extent to which RBH complies with the King II Code and provides explanations for any divergences from compliance. The Board will update this policy every year, and provide a separate statement of changes noting specific changes in compliance.

MEETING ATTENDANCE

Board meetings

Name	24 July	21 Sept	2 Oct	3 Nov	Total number of meetings scheduled	Total number of meetings attended
<i>Kgosi</i> LT Molotlegi	✓	✓	✓	✓	4	4
Mr TV Mokgattha	✓	✓	✓	✓	4	4
Mr DS Phiri	✓	✓	✓	✓	4	4
Mr NDJ Carroll	✓	✓	✓	✓	4	4
Mr AR Jackson	✓	✓	✓	✓	4	4

Audit and Risk Management Committee

Name	11 Jan	29 Mar	29 Nov	Total number of meetings scheduled	Total number of meetings attended
Mr TV Mokgattha	✓	✓	✓	3	3
Mr T Kgage	✓	✓	✓	3	3
Mr NDJ Carroll	✓	✓	✓	3	3

Human Resources and Nominations Committee

Name	19 Sep	18 Oct	20 Nov	Total number of meetings scheduled	Total number of meetings attended
<i>Kgosi</i> LT Molotlegi	✓	✓	✓	3	3
Mr TV Mokgattha	✓	✓	✓	3	3
Mr NDJ Carroll	✓	✓	✓	3	3

The Boards and Board committees of RBR and RBF also met on a number of occasions during 2006 prior to the formal constitution of the RBH governance structures.

DIRECTORS AND SECRETARY

The directors of the company during the year and at the date of this report were as follows:

<i>Kgosi</i> LT Molotlegi	Appointed 24 July 2006
Mr TV Mokgattha	Appointed 24 July 2006
Mr DS Phiri	Appointed 24 July 2006
Mr NDJ Carroll	Appointed 8 March 2006
Mr AR Jackson	Appointed 8 March 2006

The appointed company secretary is Sylvan CSI (Pty) Ltd

Postal address:	Physical address:
Private Bag X10	Mirkwood Estate, Farm Klipkop
Lynnwood Ridge	Plot 26, JR396
0040	GAUTENG

Financial highlights

NAV of pro forma RBN asset portfolio

R millions	31 Dec 2005	% change	31 Dec 2006	% change	30 Jun 2007
Impala Royalty Transaction	4 391	-72.7	1 200 *	12.5	1 350
BRPM	2 471	55.7	3 847	18.3	4 550
Cash	1 880	18.1	2 221	-4.8	2 114
Implats Shares	932	1 524.0	15 136 *	18.6	17 954
Merafe	439	26.7	556	148.7	1 383
Other	587	161.3	1 534	14.2	1 752
	10 700	128.9	24 494	18.8	29 103

*Assumes that Implats royalty for equity swap announced in September 2006 was concluded by year end; actual closure was in March 2007.

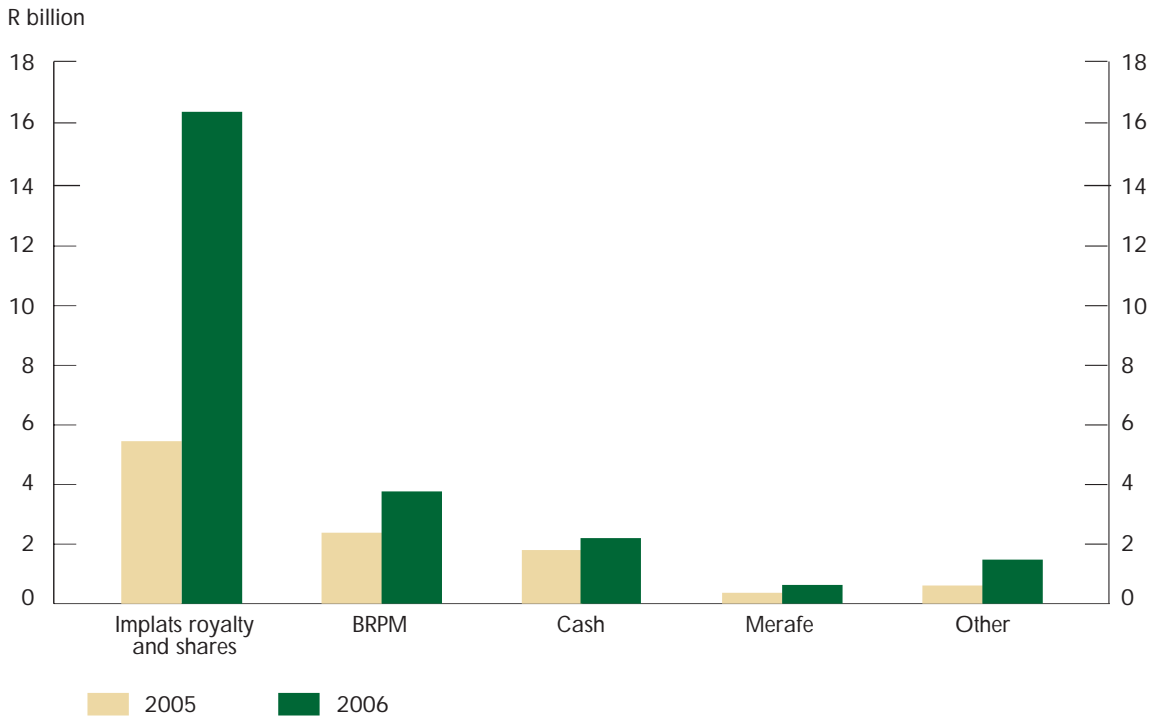
The pro forma RBN asset value shown above and depicted in the following charts represents assets managed by RBH, both on and off balance sheet. The Impala royalty and cash balance are RBN assets managed by RBH. The remainder of the assets are on balance sheet. Listed assets are shown at market value based on the share price at recordal dates. Unlisted assets are shown at directors' valuation. No provision has been made for Capital Gains Tax or other disposal costs.

Pro forma RBN asset portfolio value



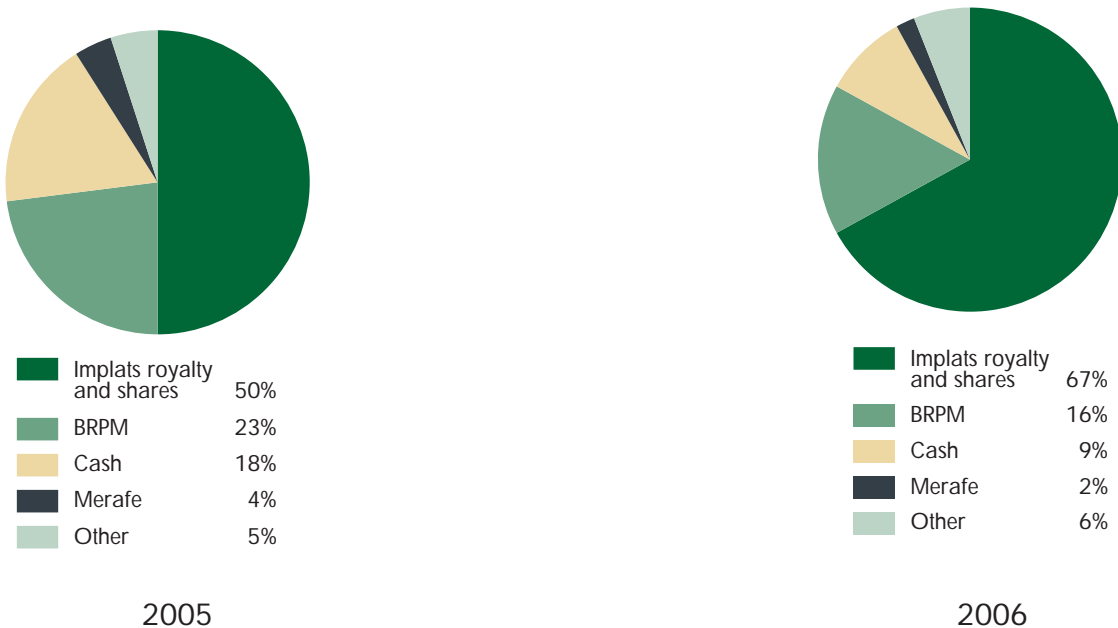
The pro forma asset portfolio has outstripped the strong rise in the overall equity market by a comfortable margin. Over the 30-month period shown above, the All Share Index appreciated by a cumulative 124%. The value of the RBN portfolio grew by 267%.

Movement in NAV of major assets



The dramatic rise in the value of the Implats holding reflects the combination of a higher share price and the transaction terms negotiated with Implats for the royalty swap. The almost tripling in value of other assets reflects the increased investment activity in 2006.

Analysis of asset spread



The impact of the royalty for equity swap has increased the exposure of the portfolio to mining from 77% to 85%. Management is actively pursuing opportunities to lessen this concentration.



Annual Review 2006

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