



Annual Review 2007



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CORPORATE PROFILE

Royal Bafokeng Holdings (Pty) Limited (RBH) is the primary investment vehicle of the Royal Bafokeng Nation (RBN), a 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 at achieving a diversified 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, manufacturing, services, financial and sports sectors. At

year-end the assets managed by RBH were valued at R33.5 billion.

Recent significant developments include the conclusion of a transaction in which the company became the largest shareholder (13.4%) in Impala Platinum Holdings Limited; the acquisition of a controlling interest in MB Technologies; the purchase of a 12.5% stake in Metair Investments Limited; entering the coal business by taking a controlling interest in South African Coal Mining Holdings Limited; and the acquisition of a 30% holding in Zaptronix Limited.

Royal Bafokeng Sports (RBS), a subsidiary of RBH which was launched at the beginning of 2007, has acquired controlling interests in the Platinum Stars Football Club and Leopards Rugby.

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 utilities and social services to the community, as well as promoting local economic development. The Royal Bafokeng Institute concentrates on educational initiatives.

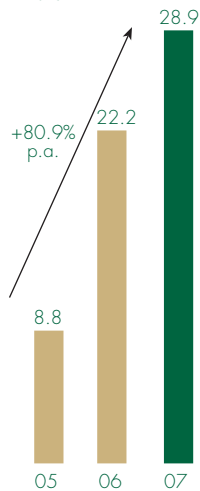
Income generated by RBN's commercial interests is invested in infrastructural development and in the members of the RBN. In the past decade more than R2 billion has been spent on roads, utilities, schools, clinics and other public amenities. This has benefited not only the Bafokeng, but other people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

FINANCIAL HIGHLIGHTS 2007

31 December 2007

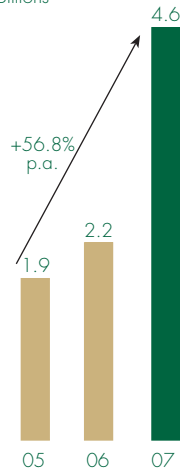
- +** Intrinsic value
+29.8% to R28.9 billion
- +** Cash under management
+108.0% to R4.6 billion
- +** Dividends received
+609.7% to R0.9 billion
- +** Net asset value (NAV) of RBN asset portfolio outperformed the JSE's All Share Index (ALSI) for third consecutive year

INTRINSIC VALUE
Billions



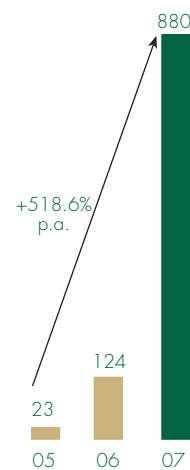
The intrinsic value has shown strong growth over the past few years.

CASH UNDER MANAGEMENT
Billions



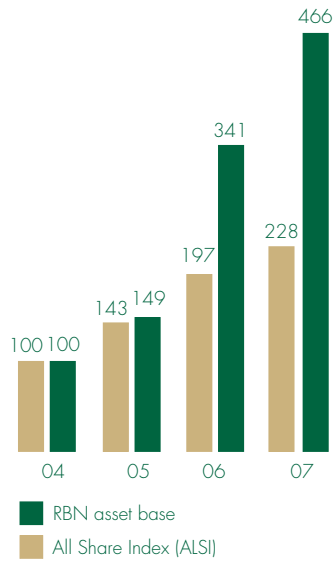
Increase in cash is due to outstanding royalties received in 2007 from Impala Platinum Holdings Limited (Implats) and Anglo Platinum Limited, as well as a sharp increase in dividends from Implats.

DIVIDENDS RECEIVED
Millions

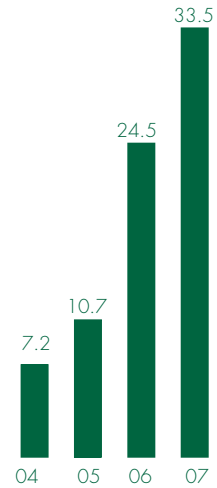


Dividends received increased because of the conversion of the royalty in Impala Platinum into Implats shares.

RBN ASSET PORTFOLIO VS ALSI
At 31 December 2007

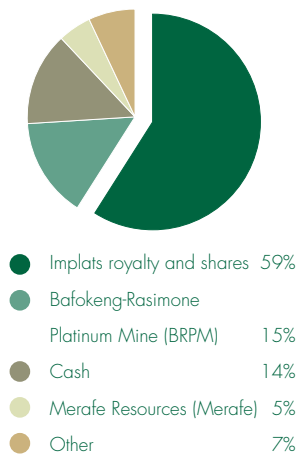


ASSET PORTFOLIO VALUE
Billions

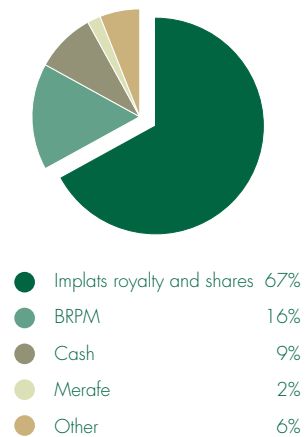


Growth in assets managed has outstripped the strong overall equity market by a comfortable margin. Over the 36-month period shown above, the ALSI appreciated by a cumulative 128%. The value of the RBN asset base grew by 366% to R33.5 billion.

ANALYSIS OF ASSET SPREAD
At 31 Dec 2007



ANALYSIS OF ASSET SPREAD
At 31 Dec 2006



RBN ASSET PORTFOLIO

At 31 December 2007

The value of the Group's investment portfolio showed satisfactory growth during the year, outperforming growth in the South African equity markets. The increase in value from 2005 to 2007 is summarised below:

R million	note	2007	% change	2006	% change	2005
Market value of listed investments		22,165	27.2%	17,421	174.2%	6,352
Impala Platinum Holdings Limited	1	19,719	20.7%	16,336	206.9%	5,323
Merafe Resources Limited		1,685	203.0%	556	26.6%	439
Metair Investments Limited		272	100%	–	–	–
Astrapak Limited		270	-21.9%	346	-5.2%	365
Zurich Insurance Company South Africa Limited	2	218	19.4%	183	-18.9%	225
Directors' valuation of unlisted investments		6,722	39.3%	4,827	95.0%	2,475
Bafokeng Rasimone Platinum Mine (BRPM) JV		4,963	29.0%	3,847	55.7%	2,471
Fraser Alexander Holdings (Pty) Ltd		741	55.6%	476	–	–
MB Technologies (Pty) Ltd		380	39.1%	273	–	–
Royal Bafokeng Capital (Pty) Ltd		321	100.0%	–	–	–
Senwes (Pty) Ltd		161	44.3%	112	–	–
Other		156	31.8%	119	2,866.7%	4
Total intrinsic value		28,887	29.8%	22,247	152.0%	8,827
Cash under management	3	4,620	108.0%	2,221	18.1%	1,880
Total value of RBN asset portfolio		33,507	36.9%	24,468	128.5%	10,707

DIVIDENDS RECEIVED

For the period 31 December 2007

Dividends from investments are a major source of income for the RBN with dividends received from Implats accounting for 92% of all dividends received in 2007. Another potential source of income is proceeds on disposal of investments. There were no such disposals in the year under review.

R million	note	2007	% change	2006	% change	2005
Impala Platinum Holdings Limited	4	810	830%	87	279%	23
MB Technologies (Pty) Ltd		19	–	–	–	–
Senwes (Pty) Ltd		17	33%	13	–	–
Zurich South Africa Insurance Limited		8	-16%	10	–	–
Other dividends		12	84%	7	–	–
Total dividends received		880	610%	124	439%	23

Notes:

1. The 2006 value reflects the impact of the royalty for equity swap announced in September 2006, but concluded only in March 2007.
2. Formerly SA Eagle Insurance Company Limited
3. RBN cash portfolio managed by RBH Treasury
4. Not shown in the above figures are royalties received directly by RBN.

OUR INVESTMENTS IN 2007



Mining

The investments are:

- 13.4% in **Implats**, the second largest producer of platinum in the world
- 50:50 joint venture in the **Bafokeng-Rasimone Platinum Mine**, with Anglo Platinum, the world's largest platinum producer
- 29.4% in **Merafe Resources**; Merafe has a 20.5% participation in the business and profits of Xstrata Chrome, the world's largest producer of ferrochrome
- 65% in **South African Coal Mining Holdings Limited**, RBH's first investment in the coal sector through 50.1% held Royal Bafokeng Capital



Industrial

The investments are:

- 26% in **Metuba**, a joint venture with engineering firms Metix (37%) and TTC Technology (37%) to build two sinter plants for Xstrata's Wonderkop ferrochrome smelting complex
- 38% in **Libstar**, an investment holdings company in the fast-moving, consumer goods sector. This investment was sold subsequent to year-end



Financial

The investments are:

- 10% interest in **Zurich Insurance Company South Africa**, the third largest short-term insurer in the country (formerly SA Eagle Insurance Company), owned through a 50.1% held subsidiary



Manufacturing

The investments are:

- 20% in **Astrapak**, South Africa's largest plastic packaging group
- 12.5% in **Metair Investments**, which comprises seven operating subsidiaries and two associate companies manufacturing products primarily for the automotive industry
- 51% in **Bafokeng Concor Technicrete**, a joint venture with Concor Technicrete (49%), one of the largest manufacturers of precast concrete products in southern Africa



Services

The investments are:

- 100% ownership of **Fraser Alexander**, the South African market leader in mine tailings disposal, waste materials handling and civil construction
- 55% in **MB Technologies**, South Africa's largest privately owned branded IT distribution group
- 17.6% in **Senwes**, South Africa's second-largest agricultural services company
- 17.6% in **DHL Express**, South Africa; DHL is the global leader in express, air and ocean freight, and overland transport
- 25.1% in **Pasco Risk**, Africa's largest privately owned risk management company
- 30% in **Zaptronix**, which supplies energy management systems to local and global markets
- 30% in **Praxima Africa Payroll Systems**, an outsourced payroll and human resource service provider
- 25.1% in **M-Tech Industrial**, a company involved in nuclear energy, including the development of plant simulators

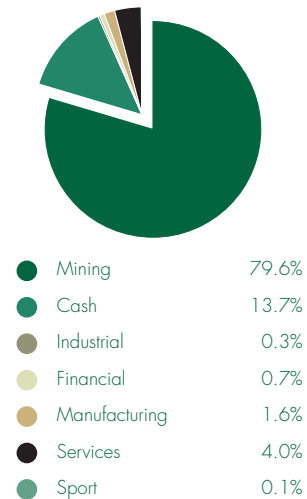


Sport

The investments are:

- 51% stake in Premier Soccer League club **Platinum Stars Football Club**
- 49.9% stake and financial control of **Platinum Leopards Rugby**, responsible for all the commercial and marketing activities of the North West Rugby Union

RBN ASSET PORTFOLIO





CHAIRMAN'S MESSAGE

To our stakeholders

RBH's mission is to become the world's leading community-based investment company, and 2007 saw the company making significant progress towards this goal. Through new acquisitions and active involvement in the operations of its partner companies, RBH continued to generate impressive returns during a period of slowing economic momentum.

Considerable effort continues to go into developing options to diversify and grow a robust and balanced portfolio. In particular, we are seeking to build a financial services sector platform of substance.

The RBH Board has also approved entry into the oil and gas services industry, complementing our existing interests in mining services, while also opening up new markets in Africa and the Middle East.

As a community-based investment company, the needs and perspectives of the community itself remain central to RBH's strategic planning. RBH is not only entrusted to preserve and grow a portfolio of assets, it also maintains a keen interest in the social benefits derived from the assets under management. Over time, our partner companies have become more and more involved in the generation of social returns such as providing bursaries and other forms of development. The RBH team is also assisting with other areas of social development in the Bafokeng Nation, in particular health and education.

Royal Bafokeng Sports (RBS), a new subsidiary of Royal Bafokeng Holdings, has taken over the management of the community's sports interests, which includes management of the stadium. An impressive programme of community-level sport, with a focus on five sporting codes: soccer, rugby, athletics, martial arts and netball, has been launched. Samba Soccer, a mass soccer development programme, was started in 2007, and to date 3,400 Bafokeng boys and girls between the ages of 6 and 13 have been

enrolled in a community-wide soccer league. With the assistance of four Brazilian coaches, 350 coaches and referees have undergone training. At a professional level, acquisition of stakes in the Premier Soccer League team, Platinum Stars, and Platinum Leopards Rugby, will lift the sports profile of the RBN.

A particularly welcome achievement for 2007 was the conclusion of formalities surrounding the implementation of the Impala Bafokeng Trust (IBT), established as part of the recent Impala royalty-for-equity swap. With the trustees and a management team now appointed, the IBT can begin with the work of empowering the people, and especially the women, of Bojanala Platinum District, which includes the Royal Bafokeng Nation.

As RBH continues to grow and become more complex, there is a need to upgrade the capacity and expertise of the Board of Directors, as well as to achieve greater gender and racial diversity. The appointment of Ms Tshidi Nyama to the Board is a step in this direction. We welcome her to the Board and look forward to her insights. A deputy chairman of the Board will also be appointed in the near future to attend to issues of corporate governance so that I can focus my attention on long-term strategy. The coming year will see RBH recruiting additional Board members with the requisite financial and investment expertise.

RBH has made important strides in the year under review, and is well positioned to continue expanding its investment horizons while making a meaningful contribution to the local Bafokeng context. RBH is unusual in its dual focus, and distinguishes itself by doing both with foresight and professionalism.

Kgosi Leruo Molotlegi
14 January 2008

ROYAL BAFOKENG HOLDINGS

- TIME LINE

April 2006

Royal Bafokeng Holdings formed through merger of Royal Bafokeng Resources and Royal Bafokeng Finance

June 2006

Acquired 25% interest in Pasco Risk Management

July 2006

Acquired 26% interest in MB Technologies

September 2006

BEE transaction with Implats announced

October 2006

Acquired 25% stake in DHL Express

51% held Royal Bafokeng Capital acquires 51% stake in Hard Rock Engineering

January 2007

Royal Bafokeng Sports (RBS) started operating as a subsidiary

February 2007

Acquired 12.5% stake in Metair Investments

Increased holding in MB Technologies from 26% to 55%

March 2007

BEE transaction with Implats completed – RBH becomes largest shareholder in Implats (13.4%)

May 2007

RBS acquired 51% stake in Silver Stars Football Club, later renamed Platinum Stars

August 2007

Royal Bafokeng Capital acquired 65% interest in South African Coal Mining Holdings (formerly Yomhlaba Resources)

October 2007

Acquired 30% holding in Praxima Payroll Systems

RBS acquired a 49.9% stake and financial control of Leopards Rugby, later renamed Platinum Leopards

November 2007

Royal Bafokeng Capital acquired 30% stake in Zaptronix



During 2007, RBH's second year of operation, we built on the momentum established in the first year. The net asset value of the portfolio grew by 37% to R33.5 billion, which compared favourably with the JSE All Share Index total return of 19%.

CEO'S REVIEW

MAJOR FEATURES OF THE YEAR

Highlights of the first half of the year were: the closure of the R14.7 billion Implats transaction, the acquisition of a controlling interest in MB Technologies (MB Tech), and the purchase of an effective 12.5% interest in Metair Investments Limited.

The second half of 2007 marked the first six-month period for RBH when the South African equity market did not generate double-digit gains, largely because of the global impact of the sub-prime mortgage crisis in the United States. Two investments were made during this

period: a controlling interest in South African Coal Mining Holdings Limited (SACMH) and a 30% interest in Zaptronix Limited. In our first disposal, we agreed to sell our 38% interest in food manufacturing and supply platform Liberty Star Consumer Holdings (Libstar).

A notable development in 2007 was the increased attention devoted to existing investments. The most notable example of this activity was the changes negotiated to the Bafokeng-Rasimone Platinum Mine (BRPM) Joint Venture agreement that resulted in the release of R924 million back to the RBN in December.

The team spent considerable time during the year seeking to secure a number of large non-mining transactions. In early November, Old Mutual plc announced that it was in exclusive negotiations to sell to RBH a controlling interest in Mutual & Federal, South Africa's second largest short-term insurer. At the time of writing this report, negotiations are still ongoing.

On the social investment front, we launched Royal Bafokeng Sports, which in turn acquired controlling interests in the professional soccer and rugby franchises, Platinum Stars FC and Platinum Leopards.

GROWTH

In meeting our primary responsibilities of generating financial returns and diversifying the portfolio, the RBH team has always sought to invest in businesses that have relevance for us and to which we can add value. While South Africa is RBH's main focus, we also have a long-term goal of building major pan-African businesses in three attractive sectors – resources, financial services and infrastructure. This particular combination of sectors offers both profit synergies and investment diversification benefits.

While we hold and will continue to pursue opportunities in a range of other sectors in South Africa, our pan-African strategy is likely to concentrate on these three areas.

RBH is at a potentially significant stage in its development. If we are to devote the time we need to understand and add value to our investments, we need to be extremely discriminating in our selection of potential acquisitions. Moreover, the sharp growth in net asset value over the past few years means that any future investments will need to be relatively sizeable in order to make a meaningful impact on the portfolio. The nature of future acquisitions is therefore likely to differ from the bulk of those executed to date: they are likely to be larger, more complex and involve greater use of debt funding.

The primary challenge facing the business is to ensure that we can identify and manage the risks associated with this greater complexity. Essentially, this comes down to ensuring that we have sufficient skills, experience and organisational capacity to manage a portfolio of businesses worth more than R30 billion, while still retaining the capacity to grow further and meet our increasing social return obligations.

OUR INVESTMENT APPROACH

Although the size and structure of future transactions are likely to be different from those we have handled thus far, our investment approach will remain unchanged.

We seek to acquire interests in well-run businesses that will generate superior returns over time. The team spends considerable time analysing the fair value of potential targets, as well as their long-term growth prospects. We would rather pay a fair price for a wonderful business than a wonderful price for a fair business. Over time, the higher compound return generated by the wonderful business will more than compensate for buying cheaply into a business that offers only an average rate of growth.

Because the future is uncertain, we take refuge in value, that is, we buy into businesses at prices that do not factor in high future earnings growth rates. Generally speaking, we avoid buying assets that are trading at high valuation multiples.

Notwithstanding our reluctance to predict the future, we believe in trends and cycles. We recognise the importance of cycles in economic growth, commodities, interest rates and other macro drivers on company profits and share prices. We try to invest in a contrarian manner – buying out-of-favour businesses that are near the bottom of their profit cycles and are therefore most undervalued. Similarly, although we are long-term investors we will sell investments that are overvalued relative to their long-term growth prospects. Timing cycles, however, is tricky – we would rather buy into businesses that we can hold through cycles.

It is unfashionable to say so, but RBH's investment activities are best described as opportunistic. Although we are guided by a high-level strategy, we move around seeking out undervalued asset classes, industries and companies. We identify sectors that have strategic relevance, but then try to ensure we do not overpay for our investments.

PARTNERSHIPS

An essential element in our approach is a strong belief in the value of partnerships. All stakeholders have a role to play in RBH's drive to create value and all should benefit from that value.

This approach starts with RBH's shareholder, RBN, which regards the RBH executive team as its partner in value creation. RBN provides the credentials, brand and capital while the executive provides the experience, skills and energy to generate financial and social returns from the RBN asset base.

In turn, the RBH executive seeks to support and encourage the managements and co-shareholders of RBH's investments in creating value for all stakeholders, irrespective of the size of our shareholding.

The partnership approach has influenced the structure of RBH. Rather than creating a sizeable infrastructure and a large team, we have actively sought relationships with other like-minded companies that complement RBH's own profile and skills set and to which we have something to offer in return. This strategy has enabled us to gain access to deals that we would either not have been aware of or would have chosen not to pursue, owing to lack of in-house expertise or capacity. We are very grateful to our investment partners and advisers who have been so generous with their time and support.

RESOURCES

At the end of 2007, our investments in the resources sector comprised 80% of the total investment portfolio.

The largest investment is the 13.4% interest in Impala Platinum Holdings Limited (Implats), which had a market value at year-end of R19.72 billion. In addition to the eight million shares (1.3%) held at the end of 2006, RBN effectively swapped its royalty arrangement with Impala Platinum mine for a further 12.1% in Implats in a transaction that was concluded on 14 March 2007. For the Implats' financial year ended June 2007, the final period in which RBN was entitled to receive royalties from the mine, RBN earned a royalty of R1.52 billion, of which R1.22 billion was received by 31 December with the balance payable in March 2008.

BRPM is a 50:50 joint venture with Anglo Platinum Limited, which manages the mine. Operationally, BRPM has been through a difficult period.

Nevertheless, earnings were underpinned by strong revenues due to higher dollar metal prices. The much-delayed feasibility study for the Stydrift expansion project, adjacent to BRPM, will be concluded during the first quarter of 2008 and the project approval process will start immediately afterwards.

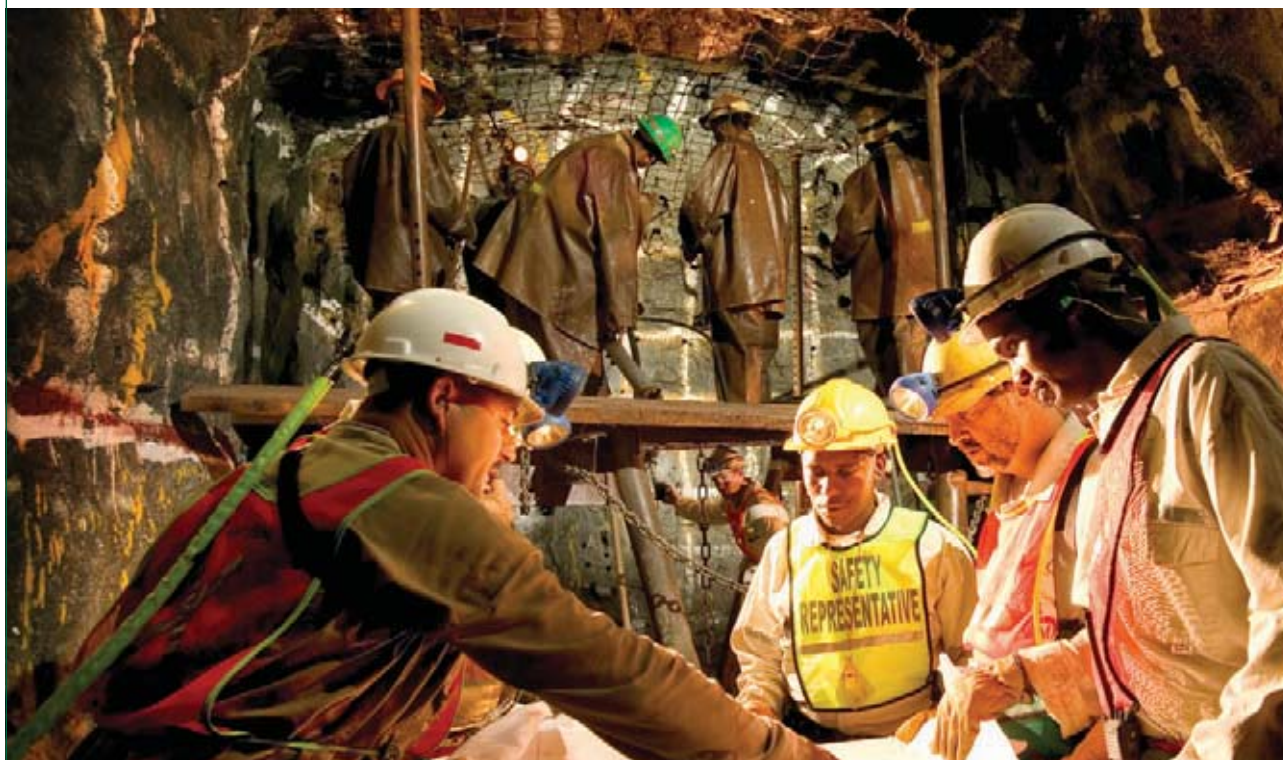
A significant investment highlight in the last six months was the repayment and restructuring of BRPM's shadow capital account. This account was created to facilitate the payment of RBN's participation in the joint venture when it was established in 2002. The restructuring resulted in the repayment to the RBN in December of an accumulated royalty together with related interest of R924 million.

RBH currently holds a 29.4% interest in Merafe Resources. Merafe has a 20.5% participation in the business and profits of Xstrata Chrome, the world's largest producer of ferrochrome. The value of RBH's stake increased from R556 million to R1.68 billion during the period under review on the back of sharply stronger dollar metal prices and increased production.

In August 2007, we acquired a 65% interest in coal producer SACMH, an operator of two collieries in the Ermelo region. This acquisition was made through 50.1% subsidiary company, Royal Bafokeng Capital (RBC), formed in 2006 with Gandalf Trust.

INDUSTRIAL AND MANUFACTURING

At the end of 2007, 1.9% of RBH's managed portfolio was invested in the industrial sector.



The 20% stake in plastic packaging group Astrapak Limited, acquired for R219 million in March 2005, decreased in value from R346 million to R270 million during the current review period. High oil prices and a strong rand continued to place pressure on the Astrapak's operating margins.

RBH acquired an effective 12.5% interest in auto component manufacturer Metair Investments Limited for R195 million during February 2007. The core products produced by the group include batteries, springs, wiring harnesses and plastic components for the major motor manufacturers operating in South Africa and the local after market.

Bafokeng Concor Technicrete (BCT), a joint venture between RBH (51%) and Concor Technicrete (49%), continued to operate on a profitable basis. A new tile plant was commissioned and was operating at full capacity by the end of the year.

The Metuba joint venture company between RBH (26%) and engineering companies Metix (37%) and TTC Technology (37%) was specifically formed to build two sinter plants at the Xstrata Wonderkop ferrochrome smelting complex. The R640-million project was completed on schedule in September 2007.

In September 2005 RBH launched Libstar, a platform established to acquire medium sized entities involved in the manufacturing and distribution of food and other consumer products. The total equity invested in Libstar

was R39 million. In late 2007 RBH accepted an attractive offer from Libstar's other major shareholder, the Lereko Metier Capital Growth Fund, to sell its 38% shareholding. The transaction was concluded in January 2008.

SERVICES

Our investments in the services sector at the end of 2007 comprised 4.0% of our total portfolio.

RBH owns 100% of Fraser Alexander Holdings, the local market leader in tailings disposal, waste materials handling and civil construction to the mining industry. Fraser Alexander's core businesses performed extremely well during the year. In addition, the group distributed shares worth R70 million in First Uranium Limited as a dividend in kind. This arose from the sale of its share in Mine Waste Solutions to First Uranium.

During the first half of the year, RBH increased its interest in MBTech from 26% to 55%. This transformed SA's largest distributor of branded IT hardware into a black-controlled business.

Our 17.5% effective interest in agri-business Senwes Limited performed better than expected in a tough operating environment.

Taken as a whole, the performance of our smaller investments, DHL Express SA (17.6%), Pasco Risk Holdings (25.1%), Zaptronix Limited (30%) and M-Tech (25.1%) was satisfactory. Although these





investments comprise a small portion of the current portfolio in terms of value, in all instances they provide RBH with useful access to expertise or interesting industry growth prospects.

FINANCIAL SERVICES

The sole investment in financial services is an effective stake of 5.01% in Zurich Insurance Company SA, previously SA Eagle.

CASH

Under the direction of RBN Group Treasury, RBH manages the investment of the RBN cash portfolio. RBH has established a cash investment portfolio to provide RBN with enhanced cash returns, while monitoring flexibility and liquidity to address near-term cash demands. The portfolio is mainly invested in bank deposits, notes and other short-dated corporate paper.

SOCIAL DEVELOPMENT

Royal Bafokeng Sports (RBS) started operating in January 2007 as a subsidiary of RBH. Its mandate is to generate financial and social returns from the development of RBN's sporting assets, the most important of which is the 40,000-seat Royal Bafokeng Stadium. A detailed report on RBS's activities is contained further in this Annual Review.

Health is a primary focus of RBH's corporate social investment (CSI) strategy and, as a first step, a baseline study into health services and priority needs in the RBN

was commissioned. The results indicated that the health needs of the community are large and greater co-ordination among the various entities is critical in order to make the best use of scarce resources and to avoid duplication. In particular, greater co-ordination with government services is essential.

During the second half of 2007, RBH, together with RBA and RBN, has developed a regular communication process with the Department of Health at provincial, district and sub-district level. RBN and the Department are working towards a memorandum of agreement – a general statement of the governing principles of a public-private partnership.

In parallel, RBH has commissioned health consultants, the Aurum Institute for Health Research to begin work on a detailed situational analysis of the Bafokeng Community Health Centre and the services it delivers to the RBN. The objective of the project is for the centre to improve its delivery of primary health services, and to start providing antiretroviral treatment (ART) and mental health services.

Education is another area that forms an important part of the CSI strategy and a number of projects in this sector were initiated and/or supported in 2007. RBH has made a substantial commitment to a Phokeng-based Internet research facility, including an offer to employ four people to work on the project. Both RBH and MB Technologies donated equipment to the Royal Bafokeng Institute's project to 'bring the world' into maths and



science classrooms. A mobile library has been started for RBN schools while discussions with publishers are under way for the production of a Setswana dictionary.

The third area of significant CSI involvement for RBH is that of capacity development. In 2007 non-governmental and community-based organisations in Bojanala and RBN were assisted, chiefly in training. Planning is under way for the Wizzit/RBH Joint Venture which will provide basic banking services to the RBN through cellular technology. The roll-out is expected in the first half of 2008.

In total, RBH directly spent R5.3 million on CSI projects in 2007.

RBH encourages its corporate partners to direct a portion of their CSI funds towards social development projects in the RBN. In the year under review:

- DHL donated a delivery truck to RBN to be used in a child-feeding programme and pays the costs of the driver;
- MB Technologies donated laptops and printers to RBN schools worth R500,000;
- Metix allocated R350,000 for bursaries for RBN students;
- three RBN bursars started working at Astrapak to

gain experience in engineering before they complete their studies at the end of 2008; and

- Fraser Alexander hosted an RBH employee on secondment.

RBH will continue to second employees to investee companies for development purposes while RBN is working to expand training and employment opportunities for Bafokeng youth. As part of this Fraser Alexander recruited five Bafokeng graduates to its in-service training scheme in 2007.

RBH is also engaged in discussions with its corporate partners to develop procurement opportunities for RBN small, medium and micro enterprises (SMMEs). Regular monthly meetings with procurement officials from BRPM and representatives from RBA and RBH helped to generate business worth R4.4 million for local companies operating in the Bafokeng area.

OUTLOOK

The bull run in global and South African equities appears to be at an end. Concerns about power and politics are likely to dampen investor sentiment towards South Africa in 2008. As long-term investors, we will continue to seek opportunities in South Africa and elsewhere on the continent.

Niall Carroll
14 January 2008

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 Afrikaans University; 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.



TSHIDI NYAMA

Non-executive Director

BCom, University of the North; MBA, University of Bridgeport (USA)

Tshidi is a partner at Change Partners, where her focus is on executive coaching. She previously held various senior positions at Spoornet and Wesbank as well as a number of non-executive directorships.



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 he was employed as an equity analyst, head of corporate finance, and SA Exco member with joint responsibility for the South African franchise.



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).



KHUMO SEOPELA

Senior Adviser: HR and Transformation

BSc (MED Hons (Psych)), MSc (Clin Psych), Medunsa; BJourn, Rhodes University

Khumo has 12 years' experience in the mining industry, where she has held senior positions in Lonmin, De Beers and Anglo Platinum.

“We are looking at three main objectives development through sport with soccer, as primary sports codes. The second is third, the 2010 preparations.”



at the moment. One is regional rugby, netball, athletics and martial arts the commercialisation of sport and the

George Khunou
MD: Royal Bafokeng Sports
Mining Weekly, 5 to 11 October 2007



SPORT –

*set to play a key
role in RBN Masterplan*



SPORTS DEVELOPMENT

Royal Bafokeng Sports (RBS) was established as a subsidiary of RBH to put into effect the sport and recreation goals spelled out in the Royal Bafokeng Nation's Masterplan, an ambitious programme to transform the living conditions, and hence the lives, of the Bafokeng people within the next 20 to 30 years. Diversifying the economy and upgrading and building infrastructure are essential components of this developmental mission, known as Vision 2020, which

sees the Bafokeng communities becoming progressive, dynamic and thriving in the years to come. Sport has been selected for special attention because of the role it can play in:

- encouraging the youth to lead healthier lives, to be disciplined and to pursue excellence in all they do;
- building community pride; and
- creating jobs and developing skills.

KEY ACTIVITIES

RBS had a busy first year. Major developments in 2007 were as follows:

- co-ordinating the multi-million rand programme to upgrade the Royal Bafokeng Stadium in Phokeng – one of the 10 host stadiums for the FIFA World Cup 2010;
- acquiring a 51% controlling interest in Premier Soccer League club HP Silver Stars, subsequently renamed Platinum Stars with the Royal Bafokeng Stadium as its home ground;
- initiating an ambitious soccer development programme with Samba Soccer, to which thousands of aspirant young soccer players in the Rustenburg Valley have already been exposed;
- becoming a lead sponsor of Soccerex 2007, the world's biggest business-to-business soccer exhibition;
- sponsoring, for the next three years, the Nelson Mandela Challenge, an annual event in support of charity that pits the South African national soccer team, Bafana Bafana, against top international sides; and

- acquiring a 49.9% interest in and financial control of Leopards Rugby, now Platinum Leopards Rugby.

ROYAL BAFOKENG STADIUM

Already an impressive arena, the stadium is being refurbished to ensure that it is world-class by 2010. The improvements include:

- the development of two training pitches alongside the stadium;
- the upgrading of gym and training equipment, hot and cold bathtubs and saunas, and medical/physiotherapy facilities and equipment;
- the building of a facility near the complex to accommodate sports teams; and
- increasing the seating capacity to 45,000.

The intention is not only to develop the stadium to become a venue of choice for major sporting events and training, but to create a centre of excellence in the years to come.

PROMOTING SPORTS

RBS is concentrating on the promotion of five sports: soccer, athletics, rugby, netball and the martial arts.

There is a three-tier development pyramid in place for soccer: at the base is the development of soccer among children in the region from the age of six; in the middle is the further development of the sport among older players, including schools' promising players; and at the top is Platinum Stars and the Royal Bafokeng Stadium to provide a national and international focus for the sport.

RBS is working with Samba Soccer, a globally recognised youth soccer development company, rolling out a mass development programme with 4,000 children enrolled. They range in age from 6 to 13. Four Brazilian coaches are based in Phokeng where they are spearheading youth development initiatives and training of local coaches and referees.

An important objective is to develop local talent that can participate in the Premier Soccer League within the next five years. One of the ways in which this will be achieved is through the running of soccer clinics with visiting teams and coaches, as well as the holding of training sessions with overseas teams. Plans for the region going forward include the establishment of 150 to 200 soccer teams across different age groups and the construction of approximately 30 soccer pitches.

Attention turned to rugby in October 2007 when RBS announced an agreement to acquire a 49.9% holding and controlling interest in North West Province's Leopards Rugby (Pty) Ltd. The Platinum Leopards compete in the Absa Currie Cup First Division and the Vodacom Cup. In

terms of the agreement RBS will be the lead sponsor of the side for the next five years.

RBS is partnering with three of the province's top clubs – PUK Rugby Institute, Vaal Reefs and Rustenburg Impala – to provide the resources that the Platinum Leopards will need to be in the ranks of the top five in the Currie Cup within three years. The Royal Bafokeng Stadium will become the team's second home ground.

Leopards Rugby Union is currently developing five coaching centres in the North West Province – at Potchefstroom, Klerksdorp, Vryburg, Mafikeng and Rustenburg – each focusing on management, marketing and recruitment, clinics, facilities and human resources, rugby education for spectators, and league development. The vision is to split the Rustenburg centre into two, with one part focusing on the development of rugby among the RBN and its neighbouring communities.

In a further development, Impala Platinum will co-operate with the Royal Bafokeng in the establishment and running of a rugby academy based in the Rustenburg Valley. Promising players, who do not obtain a university exemption and thus cannot be accommodated in the University of Potchefstroom's Rugby Institute, will be enrolled as interns at the Rustenburg Academy.

ECONOMIC AND OTHER BENEFITS

The sports drive will eventually create more than 2,000 sustainable jobs in the region and act as a catalyst for small business development. But the benefits will not only be economic, as sport will go a long way to creating a vibrant, happy and patriotic community.





SUSTAINABLE DEVELOPMENT

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 intergenerational 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.

The company's approach to sustainable development is guided by RBN's vision of 'creating an enabling environment to allow members of the RBN to reach their full potential'.

There are three components – economic, social and environmental – to sustainable development. In 2007, RBH started a particular focus on the environment.

As shareholder in the mines that have a direct impact on the RBN, RBH has undertaken to play a proactive role in ensuring that principles of sustainable development are observed with respect to the RBN land in order to protect the environment for future generations.

The first important step was to initiate a project for strategic level environmental planning which would lay the foundations for sound environmental management. This environmental planning framework would empower the RBN to safeguard their natural resources from over-exploitation, pollution and degradation.

With this in mind, RBH started a process to identify the resources required for this task. From the outset,

stakeholder involvement was identified as pivotal to successful environmental planning.

The result was a workshop hosted in Phokeng by RBA during October 2007 which brought key stakeholders together to discuss environmental management and sustainable development within the RBN land. Sixty-two delegates representing the RBN, mining, industry, non-governmental organisations and government attended the workshop, which set out to:

- communicate RBH's intention of ensuring sound environmental management and sustainable development on the land;
- obtain stakeholder comments and feedback; and
- identify community projects.

The challenge facing RBH is to find a solution which balances the economic benefits which flow from the mining activities against the need to protect the environment.

In order to put the outcomes of the workshop into action, a strategic environmental assessment (SEA) process was started with the assistance of external facilitators.

The SEA is planned as an 18-month process to be completed in April 2009, with the following primary aims:

- obtaining a baseline assessment of the current state of the environment, focusing on air, water, soil quality, waste management and biodiversity;
- developing a sustainability framework for use in the formulation and review of plans, policies and programmes; and
- formulating measures for environmental management, monitoring and reporting.

In addition, it was realised that a set of community initiatives that could be easily implemented would assist in building a sense of environmental awareness among the Bafokeng. Consequently, it was resolved that a set of community projects should be identified that would be

highly visible and self-sustaining to educate community members about and involve them in sustainable development principles. The result was the decision to launch a litter collection and waste recycling programme, drawn from a list of projects recommended by stakeholders at the workshop. Implementation of the programme will start in early 2008.

Through the SEA process, RBH intends to set the foundation for long-term strategic environmental planning on the RBN land. Using its unique position as a stakeholder in the mines, the company has facilitated the involvement and support of the key stakeholders for this initiative. With this foundation established, we will work towards building on and completing what we have started, creating the necessary conditions in which the RBN can flourish.



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; two non-executive directors and one independent director.

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 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 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.

5. 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.

6. 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 were presented and approved 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 2007. The external auditors report to the Audit and Risk Committee and RBH expects that it will rotate the external auditors regularly.

7. 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	26 Jan	4 Apr	25Apr*	30 May*	18 Jul	8 Aug*	17 Sept	22 Nov*	13 Dec	Total number of scheduled meetings	Total number of attended meetings
Kgosi LT Molotlegi	✓	✓	✓	✓	✓	✓	✓	✓	✓	9	9
Mr TV Mokgattha	✓	✓	✓	✓	X	✓	✓	✓	✓	9	8
Mr DS Phiri	✓	✓	✓	✓	✓	X	✓	✓	✓	9	8
Ms MPP Nyama	–	–	–	–	–	–	–	✓	✓	9	2
Mr NDJ Carroll	✓	✓	✓	✓	✓	✓	✓	✓	✓	9	9
Mr AR Jackson	✓	✓	✓	✓	✓	✓	✓	✓	✓	9	9

* Special board meeting to discuss urgent matters

✓ Attended meeting

X Absent from meeting, with apologies

– Not yet appointed a director

AUDIT AND RISK MANAGEMENT COMMITTEE

Name	15 Jan	3 Aug	13 Dec	Total number of scheduled meetings	Total number of attended meetings
Mr TV Mokgattha	✓	✓	✓	3	3
Mr T Kgage	✓	✓	✓	3	3
Mr NDJ Carroll	✓	✓	✓	3	3

✓ Attended meeting

X Absent from meeting, with apologies

HUMAN RESOURCES AND NOMINATIONS COMMITTEE

Name	29 Mar	30 May	26 Jun	6 Aug	11 Sep	Total number of scheduled meetings	Total number of attended meetings
Kgosi LT Molotlegi	✓	✓	✓	✓	✓	5	5
Mr TV Mokgattha	✓	✓	✓	✓	✓	5	5
Mr NDJ Carroll	✓	✓	✓	✓	✓	5	5

✓ Attended meeting

X Absent from meeting, with apologies

DIRECTORS AND SECRETARY

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

Kgosi LT Molotlegi	Appointed 24 July 2006
Mr TV Mokgattha	Appointed 24 July 2006
Mr DS Phiri	Appointed 24 July 2006
Ms MPP Nyama	Appointed 1 October 2007
Mr NDJ Carroll	Appointed 8 March 2006
Mr AR Jackson	Appointed 8 March 2006

The appointed company secretary is Ms BE Mayekiso

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