ROYAL BAFOKENG NATION

KGOTHAKGOTHE

30 NOVEMBER 2019

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Introduction and Objective

The purpose of this report is:

- To present a summary of The Royal Bafokeng Nation's Annual Financial Statements ("AFS") for the year ended 31 December 2018
- To present Royal Bafokeng Nation Development Trust's Board of Trustee 10-year Close-out Report and its plans
- To present an update on the Royal Bafokeng nation's water management solution

Key Macro-Economic Overview & Summary of the RBN's Audited Annual Financial Statements for the year end

31 December 2018

South Africa's economic condition continues to be under pressure and therefore negatively impacts all South Africans, including South African companies

Rand/Dollar Exchange

The rand has remained weak relative to the dollar through 2019, trading well above R14/$ and at times breaching the R15/$ mark. The weakness of the domestic currency is attributable to both internal and external factors, mainly the US/China trade war.

Consumer Price Index

The Consumer Price Index has remained contained within the Reserve bank's 3-6% target band, peaking at just 4,5% in June. The biggest threat to CPI has been rising fuel prices, however producers have not passed this on to consumers

Repo Rate

The Monetary Policy Committee has not changed the repo rate in 2019, remaining at 6,5%; The repo rate is expected to remain unchanged in 2019, with a strong possibility of a rate cut in the first quarter of 2020.

South African Economy

The South African expected to grow at 0,5% in 2019, this follows a 0,8% growth rate achieved in 2018. Detailed below are the major structural inefficiencies that hamper economic growth:

- Poorly run State Owned Entitles, reference to Eskom i.e. load shedding;
- Rising Debt-to-GDP ratio expected to reach 70% by 2021;
- Rising Levels of unemployment, which is at its highest at 29%;
- Political and policy uncertainty;
- Potential ratings downgrade to sub-investment grade by Moody's who have recently changed SA outlook from 'stable' to 'negative'.

Historic and current weak economic conditions also impact on the sustainability and performance of RBN's Group Companies ("RBN Group“)

Group Income vs Group Spending for the period

31 December 2018

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	INCOME		SPENDING		
RBN	R 675m	–	R 537m	=	Surplus Cash Fund: R 138m
External	R 9m	–	R 7.2m	=	Deficit Cash: R 1.8m
Sub-total cash	R 684m	–	R 544.2m	=	Total Cash Surplus: R 139.8m
SLP & IDP	R 103.7m	–	R 103.7m	=	Deficit: R 0m
Total	R 787.7m	–	R 647.9m	=	Total Surplus: R 139.8m

- RBN income includes dividends, interests, royalties, rental income and proceeds from the sale of Platinum star Clubs. 2018 income also top-up dividends of R70m was received from RBH, additionally royalty income received from Sibanye
- The total surplus was committed to fund the 2019 budget overall shortfall
- SLP & IDP represents value of services received from RLM as well as various mines (Impala and Anglo Platinum)
- External Funding; was received from CETA, RBPlat, MOGS, RBH among others

Summary of RBN’s Assets (in R’ Billions)

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Equity Investments

Gross Asset Value
Rxxbn

−

Net Debt
Rxxxbn

Net Asset Value Rxxx

\+

Cash Investments

Rxxxbn

\+

Other Assets* RBA

Rxxxbn

=

TOTAL

**Total RBN Assets
Rxxxbn**

*Other assets mainly include land and buildings owned by the RBN.

RBH Portfolio Clusters (2017-R42.6 billion vs. 2018- R33,3 billion*)

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Financial Services and Consumer Goods

	2017	2018
RMI Holdings	R 10,23b	R 8,12b
RMB Holdings	R 16,77b	R 13,92b
Royal Investment Managers	R 91m	R 83m
Zenprop	R 697m	R 872m

	2017	2018
NEPI Rockcastle	R 1,10b	R 583m
Attacq	R 825m	R 611m
The Big Yellow Self Storage Company	R 427m	R 471m

Infrastructure

	2017	2018
Acciona	R 693m	R 647m
Mogs	R 1,53b	R 832m
Stanlib	R 247m	R 325m
Liquid Telecom	R 1,5b	R 1,70m?

	2017	2018
Enel Green Power	R 172m	R 181m

*Gross Asset Value Basis, excludes total debt of R6.5bn

RBH Portfolio Clusters (2017-R42.6 billion vs. 2018- R33,3 billion*)

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Resources, Industrials and Other

	2017	2018
Impala Platinum	R 1,499b	R 1,303b
Royal Bafokeng Platinum	R 2,84b	R 2,68b
DHL	R 47m	R 45m
JCDecaux	R 310m	R 311m

	2017	2018
Vodacom	R 3,5b	R 487m?*
Acciona	R 693m?	R 647m?

**Gross Asset Value Basis, excludes total debt of R6.5b*
***Vodacom decline came as a result of the change in investment structure, as well as a cash pay-out of approximately R2b made to RBH which has been subsequently used to reduce total debt*

RBN Annual Financial Statements (“AFS”) for the year ended 31 December 2018

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- The AFS as presented, have been audited by an independent audit firm ‘PwC’
- An unqualified audit opinion (Clean report) has been expressed on the RBN Group Annual Financial Statements by ‘PwC’
- This set of financial statements has been approved by Supreme Council.
- A detailed and complete set of AFS are available at the RBA Civic Centre for inspection.

Royal Bafokeng Nation Development Trust

Board of Trustees 10 Year Review
March 2009 – October 2019

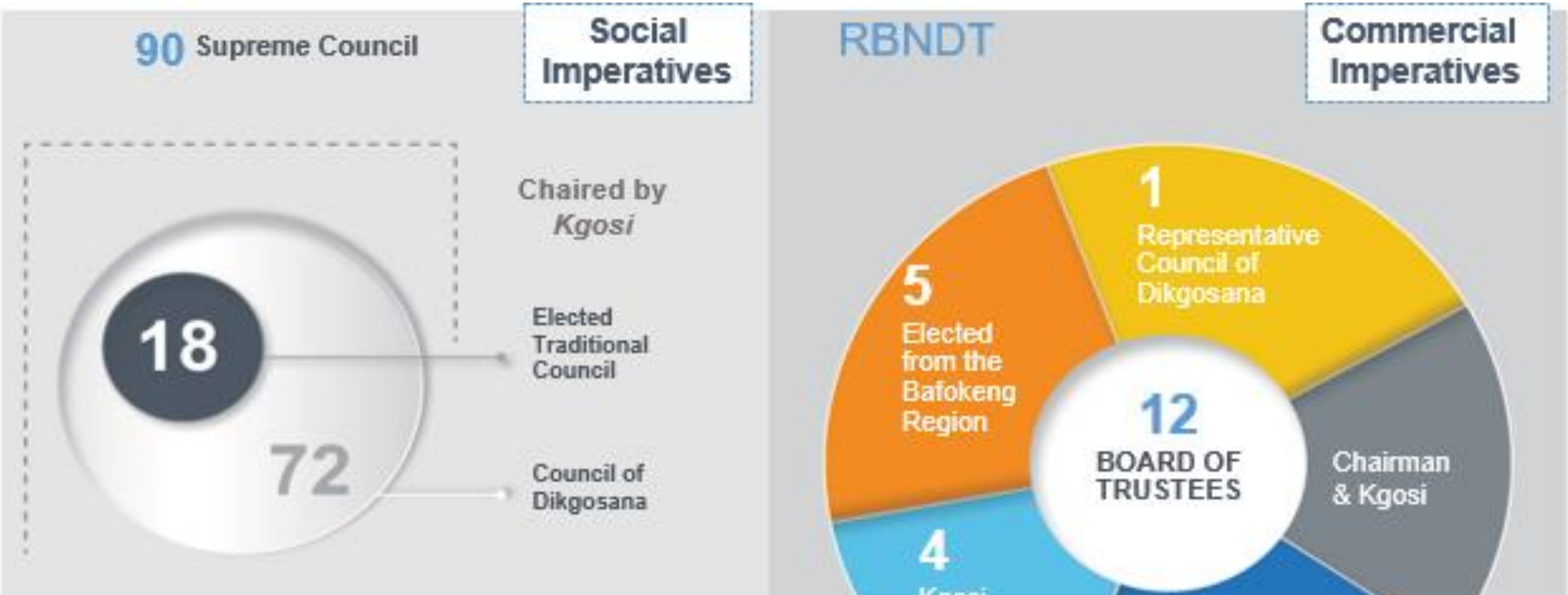
The Mandate of RBNDT includes the management of the RBN's Commercial Assets and Social Spending in line with Plan 35

RBNDT ("The Trust") was established with the object of acquiring, holding and administering the mining and other commercial interests and assets of the RBN for the benefit of the Bafokeng people.

This is executed by managing the intricate balance of commercial and social imperatives that find expression in the RBN's developmental agenda referred to as Plan '35.

Protection of endowment, wealth creation, economic stability and improved standard of living for the RBN are the central tenets of Plan '35.

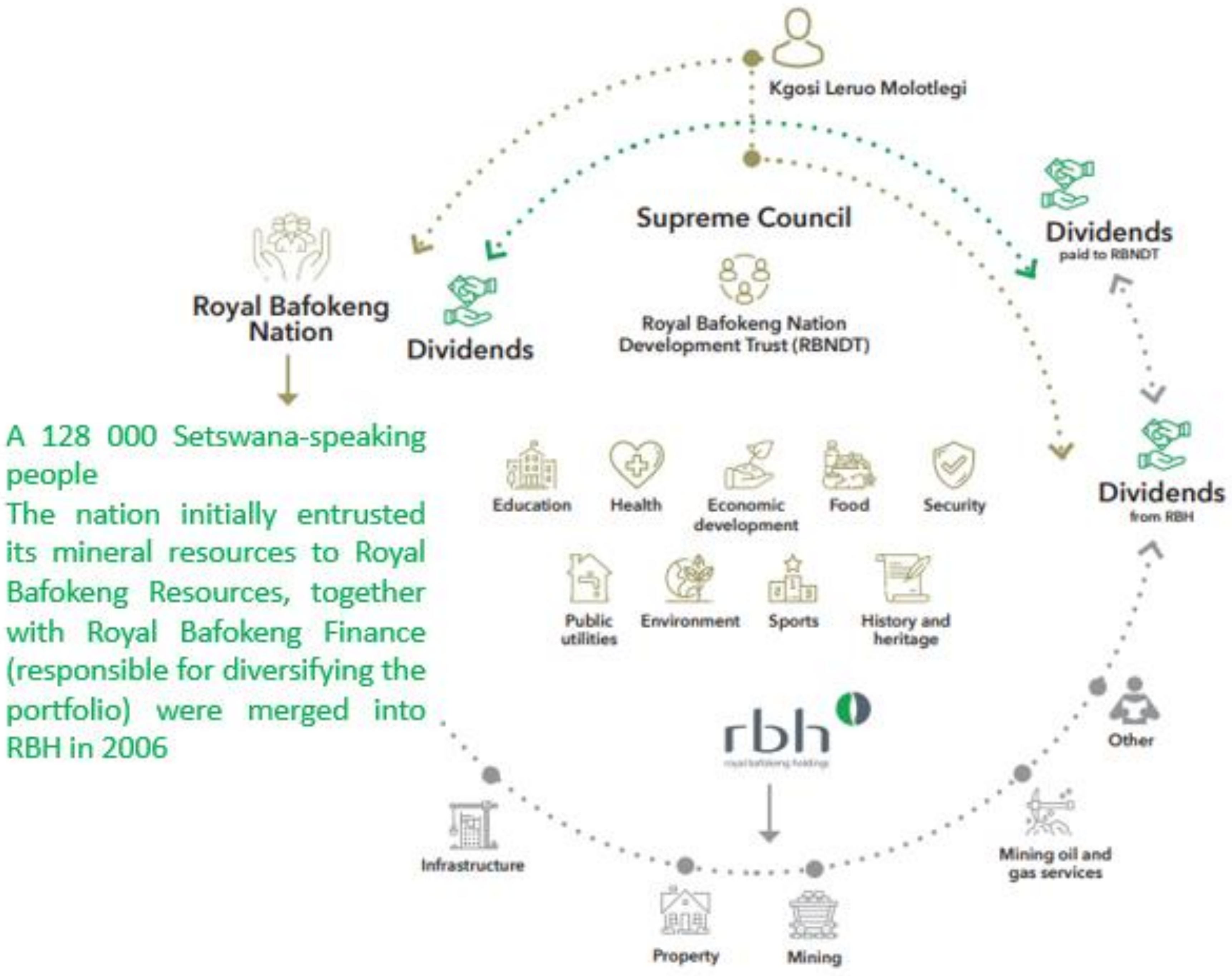
The Trust has strong governance structure in place and is representative of the RBN's constituencies



The Supreme Council

- The 2nd highest decision making body
- Serves as the custodian of culture and traditions
- Approves detailed social programmes and budget
- Approves the key focus areas for RBN

Asset Management Structures and funding model



Purpose of RBNDT
Responsible for the commercial imperatives of the nation and balancing these with social needs of Morafe in a synergistic and reinforcing manner.

Governance
The Trust is governed by the Trust Property Control Act (“the Act”) and its Deed of Trust (“the Deed”).

Approval of the Deed
The original Deed was amended thrice as the Trust matured and evolved. The last amendment was approved by the BoT on 08 March 2019.

Changes

Material changes included the introduction of the term of Trustees, quorum of meetings, voting requirements of approval of material and non-material decisions.

Key Highlights of the RBNDT for the past 10 years

Key Highlights

Total **distribution of R7.3 billion** to RBN entities

Total **spending decreased by 13%** from 2014 to-date

Income increased by 62% over the same period (2014 to-date)

Successful fiscal consolidation path
Demonstrated by the first budget surplus in 2017 (after wide and persistent deficits)

Maintained **"healthy" cash balances** enabling the RBN entities to renders services uninterrupted

Cash savings

as a result of direct interventions by the RBNDT

VAT Settlement	+	Dividend Tax	+	IBT	=	Total
R260m		R315m		R83m		**R658m**

Key Highlights (cont.)

Grew balance sheet from R22 billion to **R27 billion** by 2018

through focused **capital protection and diversification**

Today, **mining** only contributes **11.6%** to the total portfolio

Reduced debt materially with **RBH** adopting a **lower debt trajectory.**

RBH however under-performed its absolute benchmark and the ALSI by 5.01% and 6.99%, respectively for the 2009 to 2018 financial years

Renovation of the mall with **external funding** therefore **unlocking the value of the land**

Improved accountability to and of the Board and supporting systems

Established

Audit* and Investment Committees.

This enabled the Board to focus its discussion on the strategic thrusts of the Trust

RBNDT Audit Committee also serves as the **RBN Group audit Committee**

RBNDT Audit Committee also serves as the RBN Group audit Committee

Financial Performance – Fiscal Management
Impact of challenges in the mining sector

The platinum sector has not fully recovered since the 2008/09 financial crises. Accordingly, in 2013 the RBN realised that spending patterns were unsustainable and that if it continued the following events were likely to occur:

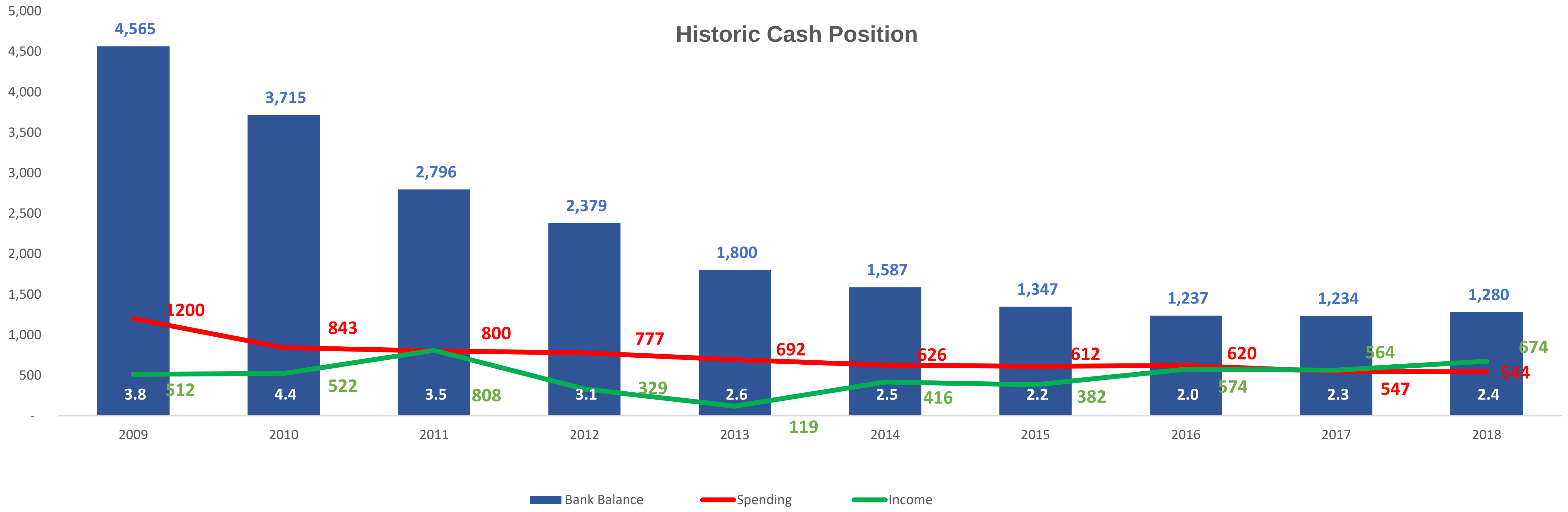
- Widening funding deficit over time
- Cash reserves would be depleted

A	Projected income (Rm)	Projected social expenditure	Total bank balance
2014	R360m	R775m	R1.4bn
2015	R83m	R843m	R567m
2016	R46m	R898m	-R331m
2017	-R1.m	R967m	-R1.2bn

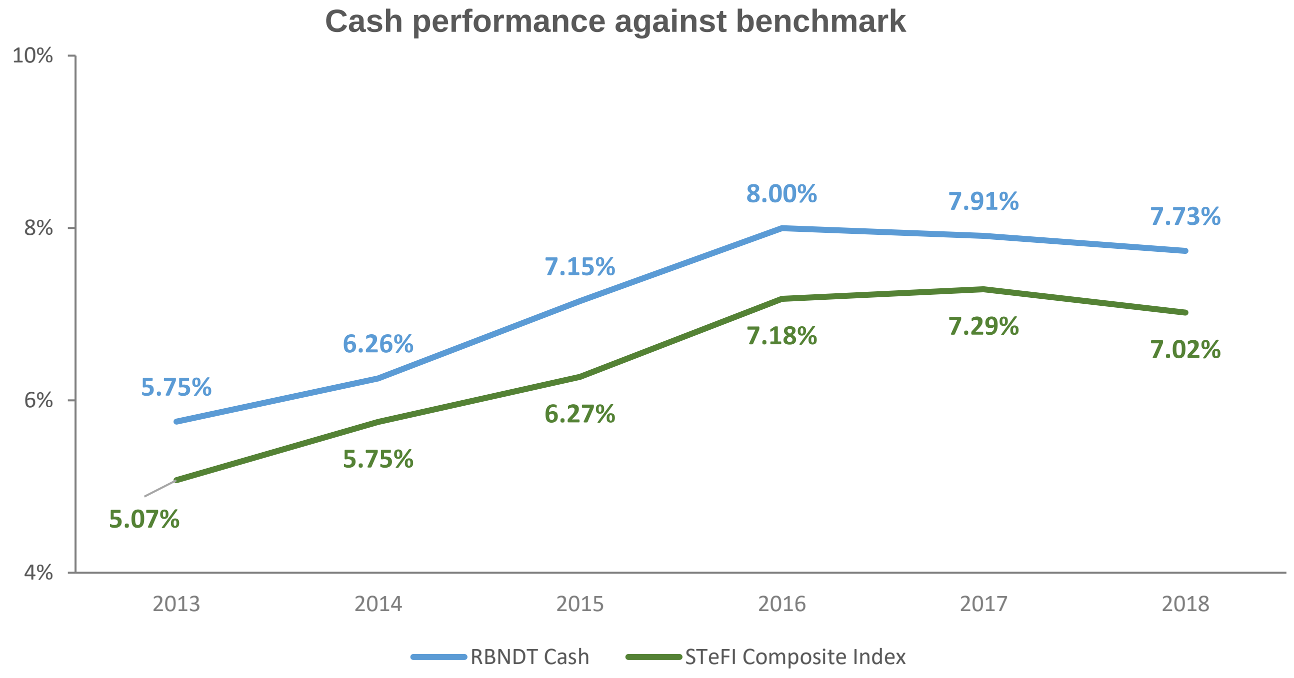
If we carried on like this, today we would have a negative bank balance of **-R1.2bn**

*** These projections were made in the context of tough economic conditions - volatile commodity prices and an unstable political environment**

Financial performance - Fiscal Management: What we did to thrive in a tough economy



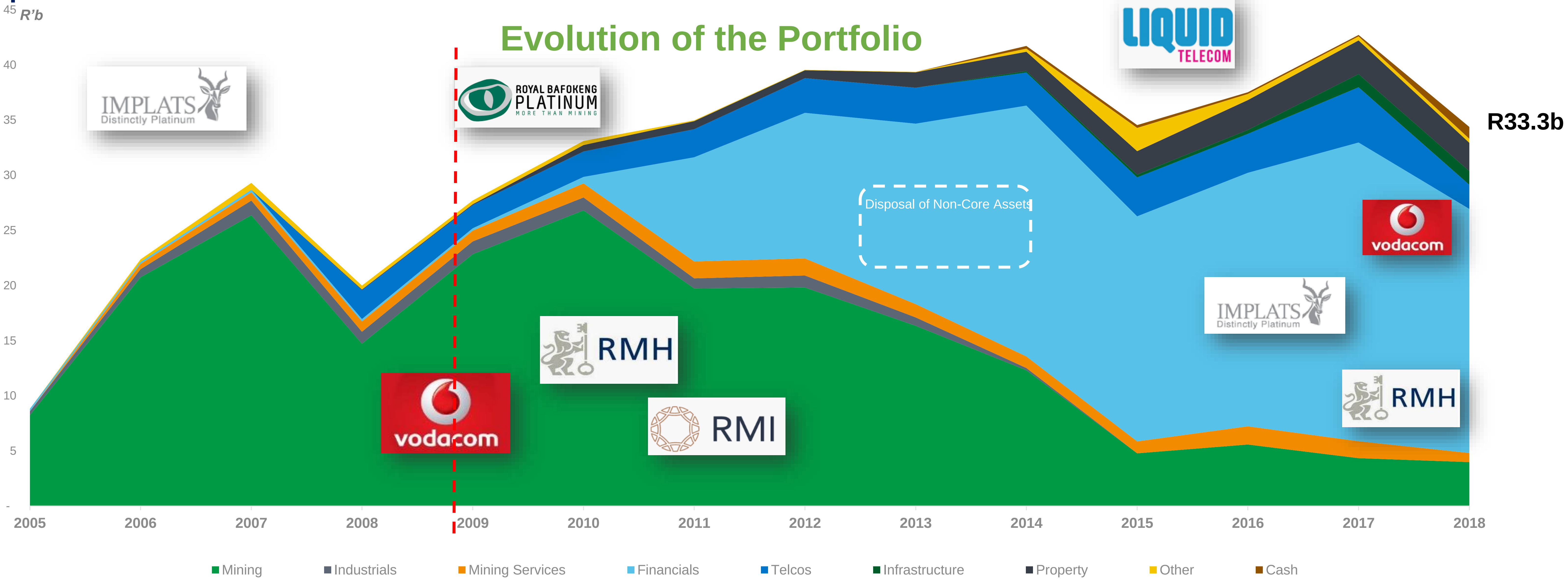
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Dividends	90	198	600	192	0	0	200	371	388	454
Interest	422	324	208	137	119	107	103	111	112	101
Royalty	-	-	-	-	-	307	79	64	42	54
Rentals	-	-	-	-	-	2	-	16	15	29
Other income	-	-	-	-	-	-	-	13	8	36
	512	522	808	329	119	416	382	574	564	674

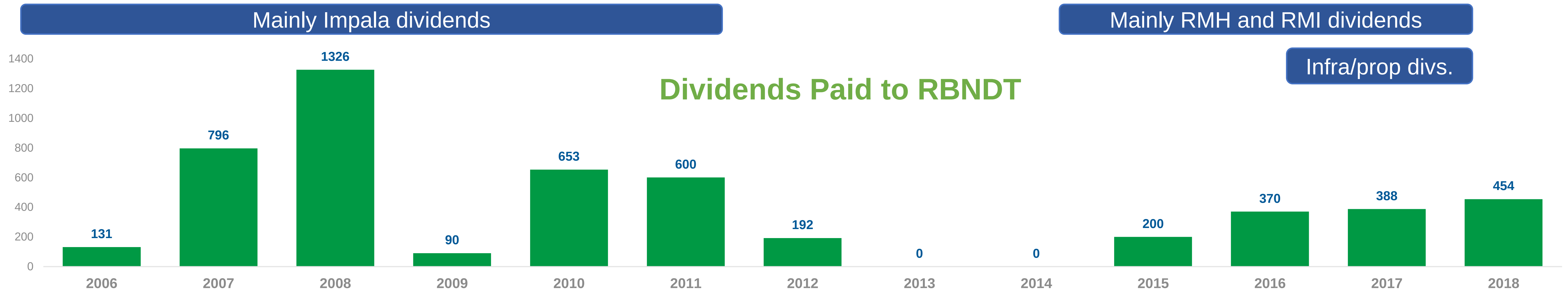


Success Indicator

- The diversification we have built into our portfolio allowed RBH to pay a dividend of R330m* in 2015, a year earlier than anticipated
- Total distributions of R7.3bn were made to beneficiaries' entities during the period under review
- Reduction in socio-economic expenditure
- Deficit has narrowed significantly
- Our bank balance is growing again
- RBNDT’s cash has consistently outperformed the benchmark STeFI composite Index

Asset Management: Growth in asset value and evolution of the portfolio





- Portfolio – historically platinum heavy but has evolved through diversification
- Mining **vs**. non mining assets has improved from **93%**:7% (2008) to **14%**:86% (2018)
- The RBH Portfolio has become agile and resilient over the past 10 years; managing to achieve slight growth over the period, in line with SA stock market.

Asset Management:
Unlocking the value of land

- Adopting a land tenure policy that attracts private funding for development without alienation the land

- Using this policy, the Phokeng Mall was upgraded to the tune of R100 million without using Bafokeng money

- Bafokeng remain the owners of the land

Bafokeng benefits:

- 25% - 35% profit share
- 33 local SMMEs during construction at value of R20.5 million
- Job creation during and post construction

Notable Reflections

In presenting the highlights of the inaugural Trust's tenure during the 10-year period as outlined in this report, there are several notable lessons learnt:

1. An articulated investment philosophy and criteria to underpin all investment opportunities needs to be in place

2. While notable strides have been made, the Trust seeks to take more meaningful steps towards unlocking the value of the land and diversifying the economy away from mining

3. Lift the visibility and profile of the RBNDT, going forward, for enhanced brand recognition among stakeholders to take advantage of demonstrable proof points that the Trust has

4. As the Trust transitions into the next phase, the need to ensure that the BoT is well positioned with the depth and diversity of skills to access opportunities for a re-imagined future

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ROYAL BAFOKENG NATION Development Trust

Re-imagining the future

Continue to be an innovative and relevant traditional community-based organisation

In considering future , The RBNDT is firmly focused on realising the aspirations of Plan '35 in a manner that is **intentional** and **responsive** to the unique mandate that it has been entrusted with , which seeks to:

- Improve the human dignity of all RBN citizens by making sure that there is sustainable provision of basic services - with the provision of water being at the forefront
- Continue to grow and diversify the endowment at an optimal rate
- Continue to enable the creation and stimulation of opportunities in the local economy as well as entrenching a culture of paying for services.

RBNDT will continue to perform the above for the benefit of the **current** and **future Bafokeng**

The appointment of newly elected trustees is awaiting the approval of the Master of the High Court

RBN's priority project:
Provide sustainable and quality water at affordable rates

Status Update on the Billing Process

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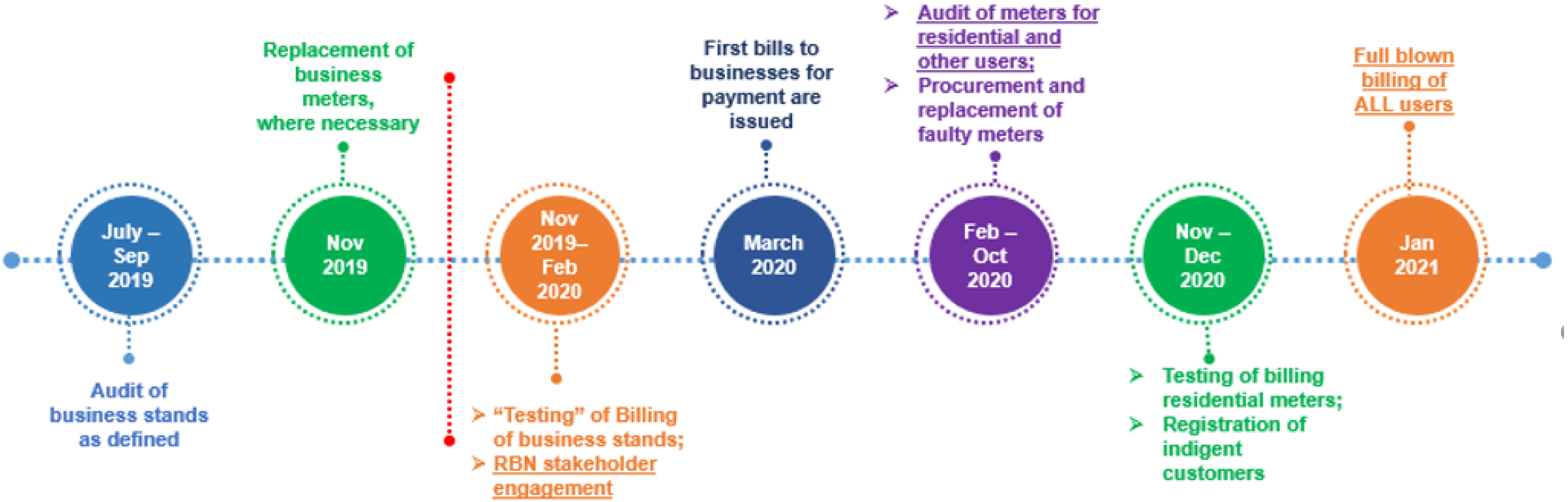

STATUS UPDATE ON THE IMPLEMENTATION OF THE WATER MANAGEMENT PROGRAMME

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JAN - JUN 2019

- Reconstituted the Water Sub-Committee
- Supreme Council Committee created
- Understand the technical issues around RBN's water supply and demand
- Develop a 24-month plan

JUL - DEC 2019

- Meter audit and billing of businesses
- Cost and prioritise weaknesses of the RBN infrastructure and water quality management
- Procurement preparations to address:
- Masosobane & Tsitsing water issues
- Residential meter audit to address functionality of meters

- Continuous engagement with RLM with regard to the Water Services Providers status
- Continuous engagement with Morafe to address the water concerns
- Develop a long-term sustainable water plan

JAN 2020 - JUNE 2021

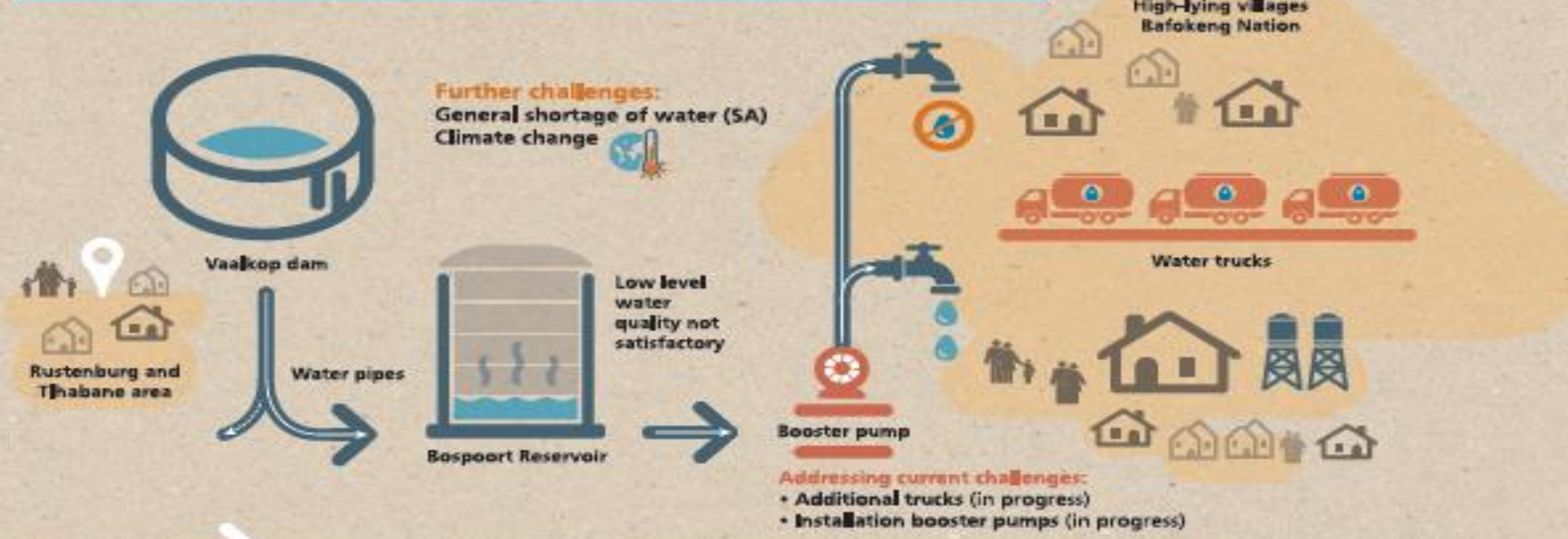
- Audit of residential stands, and meter replacements, where necessary
- Billing of all stands with accuracy
- Addresses weaknesses identified on the RBN infrastructure through a phased approach

RBN | Water Supply & Quality Challenges

Current situation

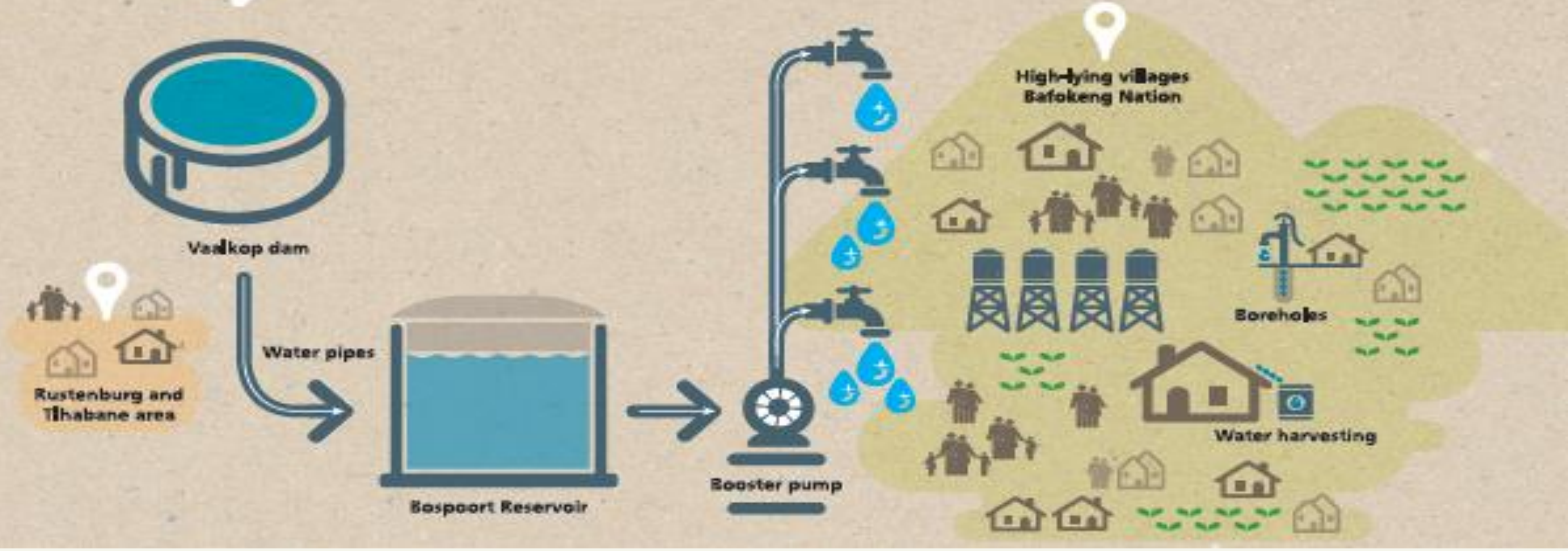
Affected areas:

- > Moses Kotane,Rustenburg and Thabazimbi municipalities, Sun City, Royal Bafokeng Administration as well as mines
- > Ageing infrastructure
- > Share water with other regions (Tlhabane and Rustenburg)
- > Limited water supply in the high-lying villages due to water pressures
- > Booster pump to elevate the water pressure
- > Water tanks distribute water to high-lying areas
- > The challenges are expected to worsen due to the coming hot months and the growing effects of climate change



Desired situation

- > Well maintained infrastructure
- > Booster pump to elevate the water pressure to feed into the high-lying areas
- > Water harvesting as an alternative source of water usage
- > Use water responsibly
- > Understanding and managing water losses and non revenue water



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CONCLUSION

In order to successfully meet the objectives set out by Plan'35 and overcome the current challenges, all stakeholders (Morafe, RBN Entities, Local and National Government and the Private sector) need to work together to find sustainable and innovative solutions.

IT IS FOR THIS REASON THAT, GOING FORWARD, THE RBN OUGHT TO
PRIORITISE, CONSERVE AND INNOVATE
SOLUTIONS FOR THE 21ST CENTURY AND BEYOND

DIPOTSO

QUESTIONS ?

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