

**Blue Diamond Investments No. 2 (Proprietary) Limited**

(Incorporated with limited liability in South Africa under Registration No. 2005/038396/07)

**Issue of ZAR 150,000,000 Transnet Limited Linked Notes**

**Under its ZAR 10,000,000,000 Secured Note Programme**

This document constitutes the pricing supplement relating to the issue of Notes or other Obligations described herein. References in this pricing supplement to the Terms and Conditions are to the section headed "*Terms and Conditions of the Notes*" in the Programme Memorandum dated 30 November 2005 (the "Programme Memorandum") as supplemented and/or amended and/or replaced by the Applicable Issuer Programme Supplement dated 30 November 2005 and by the terms and conditions set out in this pricing supplement. Any capitalised terms not defined in this pricing supplement shall have the meaning ascribed to them in the section of the Programme Memorandum headed "*Glossary of Terms*", unless separately defined in the Programme Memorandum, the Applicable Issuer Programme Supplement or this pricing supplement. References to any Condition in this pricing supplement are to that Condition of the Terms and Conditions.

This pricing supplement must be read in conjunction with the Programme Memorandum and the Applicable Issuer Programme Supplement. To the extent that there is any conflict or inconsistency between the contents of this pricing supplement and the Programme Memorandum and/or the Applicable Issuer Programme Supplement, the provisions of this pricing supplement shall prevail.

**PART A: NOTES**

- |                                |                                                      |
|--------------------------------|------------------------------------------------------|
| 1. Issuer:                     | Blue Diamond Investments No. 2 (Proprietary) Limited |
| 2. Status of Notes:            | Senior Secured                                       |
| 3. Note Rating:                | N/A                                                  |
| 4. Rating Agency:              | Fitch Ratings                                        |
| 5. Tranche Number:             | 1                                                    |
| 6. Series Number:              | 5                                                    |
| 7. Aggregate Principal Amount: | ZAR 150,000,000                                      |
| 8. Issue Date:                 | 15 May 2007                                          |
| 9. Specified Denomination:     | ZAR 1,000,000                                        |
| 10. Issue Price:               | ZAR 150,000,000                                      |



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|-----|-------------------------------------|-------------------------------|
| 11. | Final Maturity Date:                | 28 April 2028                 |
| 12. | Form of Notes:                      | Listed Registered Order Notes |
| 13. | Applicable Business Day Convention: | Following Business Day        |
| 14. | Other:                              | N/A                           |

#### **ADDITIONAL/AMENDED/REPLACEMENT TERMS AND CONDITIONS**

- |     |                                  |     |
|-----|----------------------------------|-----|
| 15. | Additional Terms and Conditions  | N/A |
| 16. | Amended Terms and Conditions     | N/A |
| 17. | Replacement Terms and Conditions | N/A |

#### **FIXED RATE NOTES**

The Parties agree that, this Note will attract Interest as a Fixed Rate Note subject to an Event of Default in terms of paragraph 24.4:

- |     |                        |                                                    |
|-----|------------------------|----------------------------------------------------|
| 18. | Fixed Interest Rate:   | 7.29 % NACS                                        |
| 19. | Interest Payment Date: | Final Maturity Date subject to paragraph 24 below. |

For the sake of clarity, and subject to paragraphs 22 and 24, the Issuer will pay an amount of Interest equal to ZAR 523,285,797.25 to the Noteholder on 28 April 2028.

- |     |       |                                                                                                                                                                                                                                                                                                        |
|-----|-------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 22. | Other | Should an Event of Default in terms of the Transnet Contract occur, the Issuer will make no interest payment to the Noteholder, and the Issuer will pay the Noteholder the Note Residual Value as defined and calculated in the Transnet Contract plus any other amounts payable in terms of the Note. |
|-----|-------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

#### **PART B: COLLATERAL**

##### **COLLATERAL**

- |     |                             |     |
|-----|-----------------------------|-----|
| 23. | Deposit:                    |     |
|     | 23.1. Amount:               | N/A |
|     | 23.2. Bank holding Deposit: | N/A |



23.3. Account number:	N/A
24. Securities:	
24.1. Amount:	ZAR 150,000,000
24.2. Type of Securities:	Notes referencing the performance of Transnet Limited ("Transnet Contract")
24.3. Rights of Issuer ceded:	Yes
24.4. Events of Default	Bankruptcy or Failure to Pay, Obligation Default, Repudiation/Moratorium, Restructuring of any ZAR denominated senior unsubordinated bond or loan of Transnet Limited guaranteed by the Republic of South Africa as defined in the Transnet Contract (the "Transnet Bond").
24.5. Rights on Event of Default	The Counterparty to the Transnet Contract may discharge its obligations to the Issuer under the Transnet Contract by making a cash payment to the Issuer or by delivery to the Issuer of the Transnet Bond.
24.6. Other	<p>The information referred to herein in relation to the Transnet Contract is a summary of certain of the terms and conditions of the Transnet Contract. The Noteholder is entitled at any time to request a copy of the Transnet Contract from the Issuer. The Issuer will deliver such copy within 3 Business Days of the request. Should an Event of Default occur in terms of the Transnet Contract, no interest payment will be made to the Issuer under the Transnet Contract and the following terms shall apply:</p> <ol style="list-style-type: none"> <li>.1 the Issuer shall be liable for all costs (if any) involved in unwinding all the interest rate hedges associated with the Transnet Contract. Such costs, as determined in terms of this paragraph 24.6.1, shall be deducted from the Note Residual Value, as determined in terms of paragraph 24.6.2 prior to the Counterparty to the Transnet Contract making any payment due under the Transnet Contract.</li> <li>.2 the calculation agent to the Transnet Contract will in good faith determine a Note Residual Value. The Note Residual Value is the sum of i) the Market Interest Rate Component; and ii) the Accrued</li> </ol>

Interest unpaid in terms of the Transnet Contract.

- .3 If the Note Residual Value is negative to the Counterparty to the Transnet Contract, the Counterparty to the Transnet Contract shall pay such Note Residual Value less any amount in terms of .1 to the Issuer in addition to any additional amounts payable under the Transnet Contract.
- .4 If the Note Residual Value is positive to the Counterparty to the Transnet Contract, the Counterparty to the Transnet Contract will then deduct such positive amount, plus any amounts owing in terms of .1, from any cash payment due under the Transnet Contract, or if physical settlement is applicable the Counterparty to the Transnet Contract shall retain the Transnet Bond until the Noteholder has settled such positive Note Residual Value in cash.
- .5 the calculation agent to the Transnet Contract will in good faith determine the Market Interest Rate Component, which will be the change in Transnet Contract value as a result of movements in market interest rates from the Issue Date to such calculation date.
- .6 For the sake of clarity, the Accrued Interest referred to is calculated as follows:


$$\text{Accrued interest} = (IP \times ((1+i/2)^{(2*n/365)})) - IP$$

Where:

$IP$  = Issue Price

$i$  = Fixed Interest Rate (NACS)

$n$  = number of days from issue date to the calculation date



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The Issuer will not amend the terms of the Transnet Contract without the approval of the Noteholder.

24.7. Other form of Collateral If the rating of the Counterparty to the Transnet Contract falls below the Required Credit Rating of F1+(zaf) (or the equivalent thereof) or such rating is withdrawn, then, the Counterparty to the Transnet Contract shall be required to post cash collateral within 5 Business Days, in an amount of (i) 100% of the Issue Price of the Transnet Contract plus (ii) the negative Note Residual Value with respect to the Issuer (if any) with the Issuer until the Required Credit Rating has been met. The Issuer shall either place the cash collateral received:

24.7.1 on short term deposit, with a maturity of less than 30 days, with a counterparty with at least a required credit rating of F1(zaf) (or the equivalent thereof); or

24.7.2 on a longer term deposit with a counterparty with at least a required credit rating of F1+(zaf) (or the equivalent thereof).

Interest received on the deposit will be paid to the Counterparty to the Transnet Contract.

## CALL OPTION

25. Call: At the option of the Issuer
26. Non-Call Period: The Issuer may not exercise the Call prior to an event of default under the Transnet Contract referred to in item 24.4 above.
27. Circumstances in which Call may be exercised: The Issuer may exercise the Call on or after the date on which it becomes aware of an event of default under the Transnet Contract referred to in item 24 above.
28. Optional Redemption Amount(s) or method of calculating such amount(s): The Optional Redemption Amount, subject to paragraphs 22 and 24 above, shall be equal to the cash payment received by the Issuer from the Counterparty to the Transnet Contract as described above or the delivery of the Transnet Bond to the Noteholder. Accordingly the Issuer may elect to discharge its obligation to redeem

the Notes at the Optional Redemption Amount by either paying to the Noteholder the cash received by the Issuer under the Transnet Contract or by delivery of the Transnet Bonds to the Noteholder and the Issuer's liability to the Noteholder shall be extinguished in full by such payment or delivery.

29. Optional Redemption Date(s): 5 Business Days after receipt by the Issuer of the cash payment or the Transnet Bond under the Transnet Contract or 5 Business Days after the expiry of the notice period referred to in Condition 9 of the Terms and Conditions, whichever is the later.

30. If redeemable in part:

30.1. Minimum Principal Amount to be Redeemed N/A

30.2. Maximum Principal Amount to be Redeemed N/A

31. Notice period (if different from the Programme Memorandum): N/A

32. Other: N/A

#### PUT OPTION

33. Put: At the option of the Noteholder

34. Non-Put Period: The Noteholder may not exercise the Put prior to an event of default under the Transnet Contract referred to in item 24.4 above.

35. Circumstances in which Put may be exercised: The Noteholder may exercise the Put on or after the date on which it becomes aware of an event of default under the Transnet Contract referred to in item 24 above.

36. Optional Redemption Amount(s) or method of calculating such amount(s): The Optional Redemption Amount, subject to paragraph 22 and 24 above, shall be equal to the cash payment received by the Issuer from the Counterparty to the Transnet Contract as described above or the delivery of the Transnet Bond to the Noteholder. Accordingly the Issuer may elect to discharge its obligation to redeem the Notes at the Optional Redemption Amount by either paying to the Noteholder the cash received by the Issuer under the Transnet Contract or by delivery of the Transnet Bonds to

the Noteholder and the Issuer's liability to the Noteholder shall be extinguished in full by such payment or delivery.

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|-----|-------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 37. | Optional Redemption Date(s):                                | 5 Business Days after receipt by the Issuer of the cash payment or the Transnet Bond under the Transnet Contract or 5 Business Days after the expiry of the notice period referred to in Condition 9 of the Terms and Conditions, whichever is the later. |
| 38. | Notice period (if different from the Programme Memorandum): | N/A                                                                                                                                                                                                                                                       |
| 39. | Other:                                                      | N/A                                                                                                                                                                                                                                                       |

**PART C: PAYMENT SEQUENCE**

- |       |                                      |                                               |
|-------|--------------------------------------|-----------------------------------------------|
| 40.   | Ranking of Notes/<br>Obligations in: |                                               |
| 40.1. | Pre-Enforcement<br>Payment Sequence  | As per Applicable Issuer Programme Supplement |
| 40.2. | Post-Enforcement<br>Payment Sequence | As per Applicable Issuer Programme Supplement |
| 41.   | Other:                               | N/A                                           |

**PART D: GENERAL**

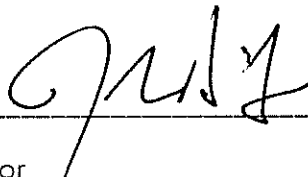
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|-----|-------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 42. | Additional investment considerations      |                                                                                                                                                               |
| 43. | Required Credit Rating                    | AAA                                                                                                                                                           |
| 44. | Additional selling restrictions           | The Noteholder may not sell this Note without the Issuer's prior consent in writing, under such conditions as the Issuer may, in its sole discretion, impose. |
| 45. | If syndicated, names of Dealers           | N/A                                                                                                                                                           |
| 46. | International Securities Numbering (ISIN) | ZAG000039876                                                                                                                                                  |
| 47. | Stock Code                                | BD0205                                                                                                                                                        |
| 48. | Financial Exchange                        | BESA                                                                                                                                                          |



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|-----|------------------------------------------------------------|----------------------------------------|
| 49. | Settlement and clearing procedures (if not through STRATE) | N/A                                    |
| 50. | Last Day to Register                                       | N/A                                    |
| 51. | Transfer Agent                                             | Ultra Registrars (Proprietary) Limited |
| 52. | Specified Office of the Transfer Agent                     | See Programme Memorandum               |
| 53. | Stabilisation Manager (if any)                             | N/A                                    |
| 54. | Use of Proceeds                                            | Invest in Collateral                   |
| 55. | Other provisions                                           | N/A                                    |

Signed at Cape Town on this 13<sup>th</sup> day of May 2007.

**FOR : BLUE DIAMOND INVESTMENTS NO. 2 (PROPRIETARY) LIMITED**

By:   
Director