



TRANSNET LIMITED

(Registration Number 1990/000900/06)

(Incorporated with limited liability in the Republic of South Africa)

(Member of the Bond Exchange of South Africa)

ZAR4 000 000 000 10.75% Bonds

due 15 July 2014

Guaranteed by the Government of the Republic of South Africa

A total amount of ZAR4 000 000 000 (four billion South African Rand) 10.75% per annum Bonds (the “**Bonds**”) will be issued by Transnet Limited (“**Transnet**” or the “**Issuer**”) in minimum denominations of ZAR1 000 000 (one million Rand) each on the terms and subject to the conditions (the “**Terms and Conditions**”) set out in this Placing Document.

The Bonds bear interest at 10.75% per annum payable semi-annually in arrear on 15 July and 15 January each year, the first payment to be made on 15 January 2005. Unless previously redeemed at a prior date for taxation reasons or purchased by the Issuer and cancelled, the Bonds will mature on 15 July 2014.

The Government of the Republic of South Africa (the “**Guarantor**”) unconditionally and irrevocably guarantees to each holder of the Bonds, the due and punctual payment by the Issuer of all amounts of principal and interest in respect of the Bonds (“**the Guarantee**”).

Application has been made for the Bonds to be listed on the Bond Exchange of South Africa (“**BESA**”) under stock code number T018. The intention is that the Bonds may be traded by and through members of BESA from 6 July 2004. The settlement of trades on BESA shall take place in accordance with the electronic settlement procedures of BESA and STRATE Limited (“**STRATE**”).

The Issuer accepts responsibility for the information contained in this Placing Document, except as may be otherwise stipulated. To the best of the knowledge and belief of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Placing Document is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Issuer, having made all reasonable enquiries, confirms that this Placing Document contains or incorporates all information which is material in the context of the issue and the offering of the Bonds, that the information contained or incorporated in this Placing Document is true and accurate in all material respects and is not misleading, that the opinions and the intentions expressed in this Placing Document are honestly held, and that there are no other facts the omission of which would make this Placing Document or any of such information or expression of any such opinions or intentions misleading in any material respect.

The Placing Document is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see “**Documents Incorporated by Reference**”). This Placing Document shall be read and construed on the basis that such documents are incorporated into and form part of this Placing Document.

The professional advisers of the Issuer have not separately verified the information contained in this Placing Document. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility is accepted by any professional advisers of the Issuer as to the accuracy or completeness of the information contained in this Placing Document or any other information provided by the Issuer. The professional advisers of the Issuer do not accept any liability in relation to the information contained in this Placing Document or any other information provided by the Issuer in connection with the Bonds.

No person has been authorised to give any information or to make any representation not contained in, or not consistent with, this Placing Document, or any other information supplied in connection with the Bonds and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer. The delivery of this Placing Document does not at any time imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other financial statements or other information supplied in connection with the Bonds is correct as at any time subsequent to the date indicated in the document containing the same. The professional advisers of the Issuer expressly do not undertake to review the financial condition of the Issuer during the life of the Bonds.

This Placing Document is not intended and does not constitute an offer or an invitation by, or on behalf of, the Issuer, to subscribe for or purchase, any of the Bonds in the Republic of South Africa or in any other jurisdiction in which such offer or invitation is not authorised, or to any person to whom it is unlawful to make such an offer or invitation.

The distribution of this Placing Document and the sale or offer of Bonds may be restricted by law in certain jurisdictions. None of the Issuer or any of its other professional advisors represents that this Placing Document may be lawfully distributed, or that any Bonds may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer or any of its professional advisers which would permit a public offering of

any Bonds or distribution of this document in any jurisdiction where action for that purpose is required. Accordingly, no Bonds may be offered or sold, directly or indirectly and neither this Placing Document nor any advertisement or offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations.

Persons into whose possession this Placing Document or any Bonds come must inform themselves about and observe, any such restrictions on the offer for subscription or sale of any Bonds in their particular jurisdiction. In particular, there are restrictions on the distribution of this Placing Document and the offer for subscription or sale of Bonds in the United States of America, the United Kingdom and the Republic of South Africa.

Securities may not be offered in the United States absent registration or an exemption from registration under the US securities laws or in any other jurisdiction except in accordance with applicable law. The Bonds have not been and will not be registered under the United States Securities Act of 1933 (the "Securities Act"). The Bonds may not be offered, sold or delivered within the United States of America or to U.S. persons except in accordance with Regulation S under the Securities Act.

In this Placing Document all references to "South African Rand", "Rand" and "ZAR" are to the lawful currency of the Republic of South Africa.

This Placing Document and related documents (including any documents incorporated herein by reference) may be inspected at the registered office of the Issuer throughout the life of the issue of the Bonds during normal business hours.

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DOCUMENTS INCORPORATED BY REFERENCE

The following documents shall be deemed to be incorporated in, and to form part of this Placing Document:

- (a) all amendments or supplements to this Placing Document circulated by the Issuer from time to time to the extent required;
- (b) the guarantee executed by Government of the Republic of South Africa in favour of the Bondholders;
and
- (c) the audited annual financial statements of the Issuer for the financial years ended 31 March 2002 and 31 March 2003,

save that any statement contained herein or in a document which is incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Placing Document to the extent that a statement contained in any such subsequent document which is deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise).

Copies of the most recently published audited annual financial statements of the Issuer are available free of charge at the registered office of the Issuer.

SUMMARY

The following summary does not purport to be complete and is taken from, and is qualified by, the remainder of this Placing Document. Words used in this section headed "Summary" shall have the same meaning as defined in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.

Issuer	Transnet Limited.
Guarantor	The Government of the Republic of South Africa.
Amount	ZAR4 000 000 000 (four billion South African Rand).
Description	Transnet Limited ZAR4 000 000 000 (four billion South African Rand) 10.75% Bonds due 15 July 2014 guaranteed by the Government of the Republic of South Africa.
Transfer Secretary	Transnet Limited.
Currency	South African Rand (ZAR).
Denomination	Bonds will be issued with a minimum denomination of ZAR1 000 000 (one million South African Rand) each.
Guarantee	The payment of principal and interest in respect of the Bonds and all other moneys payable by the Issuer pursuant to the Terms and Conditions is unconditionally and irrevocably guaranteed by the Guarantor. The obligations of the Guarantor under the Guarantee constitute direct, general, unconditional and unsecured obligations of the Guarantor and rank <i>pari passu</i> with all other unsecured and unsubordinated obligations of the Guarantor for moneys borrowed and guarantees given by the Guarantor in respect of moneys borrowed by others.
Interest Payable	Interest is payable semi-annually in arrear on 15 July and 15 January in each year until the Redemption Date with the first payment to be made on 15 January 2005. Interest will not accrue from the date of issue to 14 July 2004.
Interest Rate	A fixed rate of 10.75% per annum.
Redemption Date	15 July 2014.
Redemption Value	100% of the Principal Amount of the Bond.
Principal Amount	The nominal amount of each Bond.

Register	The Register shall be closed prior to each Interest Payment Date and the Redemption Date for the periods as set out in Condition 12 of the Terms and Conditions.
Taxation	As at the date of this Placing Document, all payments in respect of the Bonds will be made without withholding or deduction for or on account of taxes levied in South Africa. In the event that withholding tax or such other deduction is required by law, the Issuer will, subject to certain exceptions provided in Condition 7, pay such additional amounts as shall be necessary in order that the net amounts received by the Bondholders after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Bonds in the absence of such withholding or deduction.
Selling Restrictions	There are selling restrictions in relation to the United States of America, the United Kingdom and the Republic of South Africa and such other restrictions as may be required in relation to the offering for subscription or sale of the Bonds.
Listing	An application was made to list the Bonds on BESA under stock code number T018. The intention is that the Bonds may be traded by and through members of BESA from 6 July 2004.
Status of the Bonds	The Bonds will constitute direct, unconditional and unsecured obligations of the Issuer and will rank <i>pari passu</i> among themselves and (save for certain debts which are already secured or required to be preferred by law) equally with all other present or future unsecured and unsubordinated obligations of the Issuer.
Stamp Duty	Under South African legislation, no stamp duty or transfer tax is payable upon the issue of the Bonds or on the transfer of any Bonds by any Bondholder.
Governing Law	The Bonds and the Guarantee will be governed by, and construed in accordance with, the laws of the Republic of South Africa.
Electronic Settlement	Bond transactions will be cleared and settled in accordance with the rules of BESA and the Central Depository through STRATE. Euroclear Bank S.A./N.V. as operator of Euroclear System ("Euroclear") and Clearstream Banking S.A. ("Clearstream") may settle offshore transfers in the Bonds through their appointed BESA Settlement Agent, which is currently The Standard Bank of South Africa Limited.
Blocked Rand	Blocked Rand may be used to purchase Bonds subject to South African Exchange Control Regulations.

FORM OF THE BONDS

Words used in this section headed “Form of the Bonds” shall bear the same meanings as defined in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.

The Bonds will be listed on BESA. The Bonds will be issued in accordance with the Terms and Conditions set out below in this Placing Document (the “**Terms and Conditions**”) in the form of a single certificate, without interest coupons (the “**Global Certificate**”), which will be lodged in the Central Depository which forms part of the settlement system of BESA. This will entail that the Bonds represented by the Global Certificate, will be deposited with and registered in the name of, and for the account of, the Central Depository.

Beneficial interests in Bonds represented by a Global Certificate lodged in the Central Depository may, in terms of existing law and practice, be transferred through the Central Depository by way of book entry in the securities accounts of the Central Depository Participants, who are also approved by BESA to act as Settlement Agents and therefore perform electronic settlement of both funds and scrip on behalf of market participants. A certificate or other document issued by a Central Depository Participant as to the nominal amount of such beneficial interest in Bonds standing to the account of any person shall be *prima facie* proof of such beneficial interest.

Beneficial interests in Bonds may be exchanged, for a nominal charge by the Issuer, for Bonds in definitive registered form (“**Definitive Certificates**”) in accordance with the provisions of Condition 10 of the Terms and Conditions. Such Definitive Certificates will not be issuable in bearer form. The Bonds represented by the Global Certificate and such Definitive Certificates will be registered in the names of the individual Bondholders in the register of Bondholders maintained by the Transfer Secretary (the “**Register**”). The Issuer shall regard the Register as the conclusive record of title to the Bonds. The Central Depository shall be recognised by the Issuer as the owner of the Bonds represented by the Global Certificate. The registered holders of Definitive Certificates shall be recognised by the Issuer as the owners of the Bonds represented by such Definitive Certificates. Bonds represented by Definitive Certificates may only be transferred in accordance with the provisions of Condition 11 of the Terms and Conditions.

TERMS AND CONDITIONS OF THE BONDS

The following is the text of the terms and conditions of the Bonds which (subject to completion and amendment) will be incorporated by reference into each Global Certificate and each Definitive Certificate.

In terms of a resolution of the board of directors of the Issuer passed on 28 May 2004, the Issuer is authorised to issue Bonds with a nominal amount of up to ZAR4 000 000 000 (four billion South African Rand), on the terms and subject to the conditions set forth herein. In addition, the Issuer has obtained the approval of the Minister of Public Enterprises (acting with the concurrence of the Minister of Finance) in terms of section 19 of the Legal Succession to the South African Transport Services Act, 1989.

In these terms and conditions, unless inconsistent with the context, the following expressions shall have the following meanings:

“Applicable Procedures”	means the rules and operating procedures for the time being of BESA, the Central Depository and the Settlement Agents, as the case may be;
“Beneficial Interest”	means the undivided share of a co-owner of the Bonds represented by a Global Certificate, as provided in section 4 of the Custody and Administration of Securities Act, 1992;
“BESA”	means the Bond Exchange of South Africa, a licensed financial exchange in terms of the Financial Markets Control Act, 1989 or any exchange which operates as a successor exchange to BESA;
“Bonds”	means the Bonds issued pursuant to these Terms and Conditions and represented by a Global Certificate and/or Definitive Certificate(s), as the case may be;
“Bondholder” and “holder”	means, in relation to any Bond(s), the person whose name is entered in the Register as the holder of such Bond(s), with the first Bondholder being the Public Investment Commissioners;
“Business Day”	means any day (other than a Saturday, Sunday or official public holiday within the meaning of the Public Holidays Act, 1994) on which commercial banks settle Rand payments in Johannesburg;

“Central Depository”	means STRATE, conducting the business of a central securities depository in terms of the Custody and Administration of Securities Act, 1992, or its nominee or any additional or alternative central securities depository approved by the Issuer and BESA;
“Central Depository Participant”	means a depository institution accepted by the Central Depository as a participant in terms of the Custody and Administration of Securities Act, 1992;
“Definitive Certificate”	means a registered Bond in definitive form issued or, as the case may be, required to be issued by the Issuer in accordance with these Terms and Conditions in exchange (in whole or in part) for a Beneficial Interest in Bonds represented by a Global Certificate in accordance with Condition 10 of the Terms and Conditions;
“Extraordinary Resolution”	means any resolution passed at a duly convened meeting of the Bondholders by a majority consisting of not less than two-thirds of the persons voting thereat upon a show of hands or if a poll be demanded, by a majority consisting of not less than two-thirds of the votes given on such poll;
“Global Certificate”	means the single certificate without interest coupons representing some or all of the Bonds issued by the Issuer and registered in the name of the Central Depository and representing those Bonds which are lodged in the Central Depository, other than those Bonds represented by Definitive Certificates;
“Group”	means the Issuer and all of its business units and subsidiaries as defined in section 1(3) of the Companies Act, 1973;
“Guarantee”	means the deed of guarantee executed by the Guarantor in favour of the Bondholders, a copy of which is contained on pages 26 to 28 of this Placing Document;
“Guarantor”	means the Government of the Republic of South Africa;
“Indebtedness”	means any obligation (whether present or future, actual or contingent, secured or unsecured, as principal, guarantor or surety or otherwise) for the payment or repayment of money;
“Interest Payment Date”	means the day upon which interest due in respect of the Bonds

shall be paid by the Issuer, being 15 July and 15 January in each year that the Bonds are outstanding up to and including 15 July 2014;

“Interest Period”

means the 6 (six) month period commencing on, and including, the Interest Payment Date and ending on, and including, the day immediately prior to the next Interest Payment Date. The first Interest Period shall commence on 15 July 2004 and shall end on 14 January 2005. The last Interest Period shall end on the day immediately prior to the Redemption Date;

“Interest Rate”

means a fixed interest rate of 10.75% per annum;

“Issuer” or “Transnet”

means Transnet Limited, a public company with limited liability established in accordance with the laws of the Republic of South Africa, registration number 1990/000900/06;

“Last Day to Register”

means 16h00 on the Business Day immediately preceding the first day during which the Register is closed in accordance with Condition 12 of the Terms and Conditions;

“Material Subsidiary”

means any subsidiary of the Issuer as defined in section 1(3) of the Companies Act, 1973 and which represents more than 20% of the total consolidated assets of the Issuer as reflected in the Issuer’s most recent consolidated annual financial statements or accounts for more than 20% of the Issuer’s total consolidated attributable income before tax, as reflected in the Issuer’s most recent consolidated annual financial statements;

“Principal Amount”

means, in relation to a Bond, the nominal (face) value thereof;

“Redemption Date”

means 15 July 2014, the date upon which the Bonds are to be redeemed, as described in Condition 6 of the Terms and Conditions;

“Register”

means the register of Bondholders kept by or on behalf of the Issuer in terms of Condition 12 of the Terms and Conditions;

“Registered Address”

means in relation to any Bondholder, the address of that Bondholder appearing in the Register;

“Settlement Agent”

means a Central Depository Participant approved by BESA in terms of the rules of BESA to perform electronic settlement of both funds and scrip on behalf of market participants from time

to time;

“STRATE”

means STRATE Limited, a company with limited liability established in accordance with the laws of the Republic of South Africa, registration number 1998/022242/06, which company is registered as a central securities depository under the Custody and Administration of Securities Act, 1992;

“Terms and Conditions”

means the terms and conditions incorporated in this section headed “Terms and Conditions of the Bonds” and in accordance with which the Bonds are issued; and

“Transfer Secretary”

means the Issuer or any person appointed by the Issuer as its transfer secretary in respect of the Bonds, provided no such appointment shall be effective until the Issuer has notified the Bondholders of the name and address of the person appointed.

1. FORM AND DENOMINATION

- 1.1 The Bonds will be in registered form and will be issued in minimum denominations of ZAR1 000 000 (one million South African Rand) or integral multiples thereof.
- 1.2 The Bonds will initially be represented by a single Global Certificate without interest coupons which will be deposited with, and registered in the name and for the account of, the Central Depository before the date of issue of the Bonds.

2. TITLE

- 2.1 Title to the Bonds will pass upon registration of transfer in the Register in accordance with Condition 11 of the Terms and Conditions. The Issuer and the Transfer Secretary shall recognise the holder of any Bond as recorded in the Register as the absolute owner of the Bonds (notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes.
- 2.2 Beneficial Interests in Bonds represented by a Global Certificate lodged in the Central Depository may, in terms of existing law and practice, be transferred through the Central Depository by way of electronic book entry in the securities account of the Central Depository Participants. Such transfers will not be recorded in the Register and, notwithstanding any such transfer, the Central Depository will continue to be reflected in the Register as the Bondholder in respect of the Global Certificate.

3. STATUS

The Bonds constitute direct, unconditional and unsecured obligations of the Issuer and will at all times rank *pari passu* amongst themselves and (save for certain debts required to be preferred by law) equally with all other present or future unsecured and unsubordinated obligations of the Issuer.

4. INTEREST

4.1 Subject to these Terms and Conditions, the Bonds will bear interest at the Interest Rate payable semi-annually in arrear.

4.2 Interest on the Bonds will accrue from and including 15 July 2004 up to and including the day immediately prior to the Redemption Date.

4.3 The amount of interest payable on a Bond in respect of each Interest Period shall be calculated by multiplying the Interest Rate with the Principal Amount of such Bond and then dividing the product by two.

4.4 If interest is required to be calculated for a period of less than six months, it will be calculated on the basis of the actual number of days elapsed divided by 365, irrespective of the number of days in a year.

4.5 The interest in respect of each Interest Period shall be payable in arrear on the Interest Payment Date for that Interest Period or if that date is not a Business Day, then on the following Business Day, provided that no further interest will be payable as a result of any such delay. Such interest will be payable to the Bondholder appearing in the Register on the Last Day to Register preceding such Interest Payment Date.

4.6 Each Bond shall cease to bear interest from the Redemption Date thereof unless, upon due presentation thereof, payment of the Principal Amount is improperly withheld or refused, in which case it will continue to bear interest at the Interest Rate in accordance with this Condition until the day on which all sums due in respect of such Bond are received by or on behalf of the Bondholder.

5. PAYMENT

5.1 The Principal Amount of, and interest on, the Bonds shall be paid by the Issuer in ZAR in the Republic of South Africa.

5.2 All monies payable on, or in respect of, each Bond, shall be paid by electronic transfer to the account of the relevant Bondholder as set forth in the Register on the Last Day to

Register preceding the relevant Interest Payment Date or Redemption Date, as the case may be. The Issuer will not have any responsibility or liability for any aspect of the Central Depository's or Settlement Agent's records relating to, or payments made on account of, Beneficial Interests, or for maintaining, supervising or reviewing any records relating to such Beneficial Interests. In the case of joint registered holders of a Bond, such monies shall be paid into the account of that one of them who is first named in the Register in respect of that Bond.

5.3 Any Bondholder may, upon 10 (ten) days' prior written notice to the Transfer Secretary, request that all payments to that Bondholder be made by cheque if practical or allowed by law instead of electronic funds transfer. All monies so payable by cheque shall be sent by post, at the risk of that Bondholder, to:

5.3.1 the address of that Bondholder as set forth in the Register; or

5.3.2 in the case of joint registered holders of that Bond, the Registered Address of that one of them who is first named in the Register in respect of that Bond; or

5.3.3 such other address as may be designated in writing by that Bondholder; or

5.3.4 if the amount in question is legally payable to anyone else, the address designated by that person for that purpose.

5.4 If any monies are payable by cheque, each such cheque shall be made payable to the relevant Bondholder, or, in the case of joint registered holders of a Bond, to that one of them who is first named in the Register in respect of that Bond. The aforesaid cheque shall be dated as at the relevant Interest Payment Date or the Redemption Date, as the case may be.

5.5 Payment of a cheque sent in terms of Condition 5.4 shall be a complete discharge by the Issuer of its relevant payment obligations under the Bond(s) in question.

5.6 In the case of joint registered holders of a Bond, then, without affecting the provisions of Condition 5.5 of the Terms and Conditions, payment to any one of them of any monies payable on or in respect of the Bond shall be an effective and complete discharge by the Issuer of the amount so paid, notwithstanding any notice (express or otherwise) which the Issuer may have of the right, title, interest or claim of any other person to or in any Bond or interest therein.

5.7 Subject to these Terms and Conditions, cheques shall be posted to the Registered Address of the Bondholder:

- 5.7.1 in the case of interest, 10 (ten) days prior to the relevant Interest Payment Date; or
- 5.7.2 in the case of redemption, 10 (ten) days prior to the Redemption Date or 14 (fourteen) days after the date on which the Global Certificate or Definitive Certificate, as the case may be, in respect of the Bond to be redeemed, has been surrendered to the Transfer Secretary (whichever is the later date),
- 5.8 If written notice of intention to collect a cheque is given to and received by the Transfer Secretary at least 14 (fourteen) days prior to the relevant Interest Payment Date or the Redemption Date, as the case may be, the cheque shall be available for collection by the Bondholder or the person entitled thereto or their respective duly authorised representatives at the office of the Transfer Secretary:
- 5.8.1 in the case of interest, 10 (ten) days prior to the relevant Interest Payment Date;
- 5.8.2 in the case of redemption, 10 (ten) days prior to the Redemption Date or 14 (fourteen) days after the date on which the Global Certificate or Definitive Certificate, as the case may be, in respect of the Bond to be redeemed, has been surrendered to the Transfer Secretary (whichever is the later date),

provided that, if a cheque is not collected on the day on which it becomes available for collection in terms of the above paragraph, or within 2 (two) Business Days after that day, the cheque shall be posted to the Registered Address of that Bondholder.

- 5.9 Subject to these Terms and Conditions, cheques may be posted by ordinary post, provided that the Issuer shall not be responsible for any loss in transmission and the postal authorities shall be deemed to be the agent of the Bondholder for the purpose of all cheques posted in terms of this Condition 5.
- 5.10 If the Issuer is prevented or restricted directly or indirectly from making any payment by electronic funds transfer in accordance with Condition 5.2 (whether by reason of strike, lockout, fire, explosion, floods, riot, war, accident, act of God, embargo, legislation, shortage of or breakdown in facilities, civil commotion, unrest or disturbances, cessation of labour, Government interference or control or any other cause or contingency beyond the control of the Issuer), such inability shall not constitute an Event of Default and the Issuer shall give notice to the Bondholders within 3 (three) Business Days of such inability arising. Upon receipt of such notice any Bondholder may request, in writing, setting out a postal address, that the Issuer make payment of any such amounts by way of cheque if practical or allowed by law. The Issuer shall deliver any such cheque to such Bondholder within 2 (two) Business Days of receiving such request.

6. REDEMPTION AND PURCHASE

6.1 Redemption on maturity

6.1.1 Unless previously redeemed or purchased and cancelled as specified below, each Bond will be redeemed by the Issuer at its Principal Amount on the Redemption Date or if that day is not a Business Day, then on the following Business Day.

6.1.2 Notwithstanding anything contained in these Terms and Conditions, no redemption payment in respect of any Bond shall be made unless the Global Certificate and/or Definitive Certificate(s), as the case may be, in respect of the Bonds to be redeemed have been surrendered to the Transfer Secretary at least 10 (ten) days prior to the Redemption Date.

6.2 Redemption for tax reasons

6.2.1 If the Issuer, immediately prior to the giving of the notice referred to below in this Condition 6.2, is of the reasonable opinion that:

6.2.1.1 as a result of any change in or amendment to the laws or regulations of the Republic of South Africa or any political sub-division of, or any authority in, or of, the Republic of South Africa having power to tax, becoming effective after the date of this Placing Document, the Issuer is or would be required to pay additional amounts as provided or referred to in Condition 7; and

6.2.1.2 such requirement cannot be avoided by the Issuer taking reasonable measures available to it,

then the Issuer may at its option, having given not less than 30 (thirty) and not more than 60 (sixty) days' notice to the Bondholder (which notice shall be irrevocable) redeem all Bonds, but not some only, at their Principal Amount (together with interest accrued to such date of redemption) provided that no notice of redemption shall be given earlier than 90 (ninety) days before the earliest date on which the Issuer would incur the obligation to pay such additional amounts were a payment in respect of the Bonds due.

6.3 Procedure for Redemption

Payments in respect of the redemption of Bonds shall be made in accordance with Condition 5 and in relation to Bonds represented by the Global Certificate held in the Central Depository, the Applicable Procedures relating to the redemption of debt securities.

6.4 Purchases

The Issuer or any member of the Group may at any time purchase Bonds at any price in the open market or otherwise. In the event of the Issuer purchasing Bonds, such Bonds may (subject to restrictions of any applicable law) be held, resold or, at the option of the Issuer, surrendered to the Transfer Secretary for cancellation.

6.5 Cancellation

Subject to the provisions of Condition 6.4, all Bonds which are redeemed in terms of this Condition 6, will forthwith be cancelled. All Bonds so cancelled shall be held by the Transfer Secretary and cannot be re-issued or resold. Where only a portion of the Bonds represented by a Global Certificate and/or Definitive Certificate are redeemed and cancelled, the Transfer Secretary shall procure that the Register is updated with a new Global Certificate or procure the delivery of a new Definitive Certificate to such Bondholder in respect of the balance of the Bonds.

7. TAXATION

All payments (whether in respect of the Principal Amount, interest or otherwise) in respect of the Bonds will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by, or on behalf of, the Republic of South Africa, or any political sub-division or authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In such event, the Issuer will pay such additional amounts as may be necessary in order that the net amounts received by the Bondholder after such withholding or deduction shall equal the respective amounts of principal and interest which would have been receivable in respect of the Bonds, in the absence of the withholding or deduction except that no such additional amounts shall be payable with respect to any Bond:

- 7.1 held by or on behalf of the Bondholder, who is liable for such taxes or duties in respect of such Bond by reason of his having some connection with the Republic of South Africa other than the mere holding of such Bond or the receipt of principal or interest in respect thereof;
or

- 7.2 held by or on behalf of the Bondholder who would not be liable or subject to the withholding or deduction by complying with any statutory requirement or by making a declaration of non-residence or other similar claim for exemption to the relevant tax authority; or
- 7.3 where (in the case of any payment of principal or interest which is conditional on surrender of the relevant Definitive Certificate or Global Certificate in accordance with these Terms and Conditions) the relevant certificate is surrendered for payment more than 30 (thirty) days after the Relevant Date, (as defined below), except to the extent that the relevant Bondholder would have been entitled to an additional amount on presenting the Definitive Certificate or instructing the Central Depository Participant to procure the update of the Global Certificate, as the case may be, for payment on the last day of such 30 (thirty) day period; or
- 7.4 if such withholding or deduction arises through the exercise by the revenue authorities of special powers in respect of tax defaulters; or
- 7.5 where such withholding or deduction is in respect of taxes levied or imposed on interest or principal payments only by virtue of the inclusion of such payments in the Taxable Income or Taxable Gains (each as defined below) of any Bondholder.

In this Condition 7:

“Relevant Date” means, in respect of any payment, the date on which such payment first becomes due, except that, in relation to monies payable to the Central Depository in accordance with these Terms and Conditions, if the full amount of such monies payable has not been duly received by the Central Depository on or prior to such due date, it means the day on which the full amount of such monies has been received by the Central Depository and such monies are available for payment to the holders of Beneficial Interests in the Bonds;

“Taxable Gain” means any “taxable gain” as defined in paragraph 1 of Schedule 8 to the Income Tax Act, 1958; and

“Taxable Income” means any “taxable income” as defined in section 1 of the Income Tax Act, 1958.

Any reference in these Terms and Conditions to any amounts payable in respect of the Bonds shall be deemed also to refer to any additional amounts which may be payable under these Terms and Conditions.

8. PRESCRIPTION

The Bonds will become void unless presented for payment of the Principal Amount and accrued interest within a period of 3 (three) years of the date on which such payment first becomes due.

9. EVENTS OF DEFAULT

If any one or more of the following events (each an “**Event of Default**”) shall have occurred and be continuing:

- 9.1 failure by the Issuer to pay any interest or principal in respect of any of the Bonds within 5 (five) Business Days from the due date thereof; or
- 9.2 any representation or warranty by the Issuer in these Terms and Conditions or in any document delivered under any of these Terms and Conditions is not materially complied with or is proved to have been materially incorrect when made and is not capable of remedy; or
- 9.3 failure by the Issuer to perform or observe any of its other obligations in respect of the Bonds or these Terms and Conditions and such failure has continued for a period of 7 (seven) Business Days following the service on the Issuer of a notice requiring the same to be remedied; or
- 9.4 if a resolution is taken by the Issuer to voluntarily wind-up the Issuer (except for the purpose of a restructuring or amalgamation) or if the Issuer or any of its assets becomes subject to any liquidation or judicial management order, whether provisional or final, or if any trustee, liquidator, curator, judicial manager or any similar officer is appointed in respect of the Issuer or any Material Subsidiary or any of their assets,

then, any Bondholder may, by written notice to the Issuer at its registered office, effective upon the date of receipt thereof by the Issuer, declare the Bond held by such Bondholder to be forthwith due and payable whereupon the same shall become forthwith due and payable at the Principal Amount together with accrued interest (if any) to such date of payment, provided that no such action may be taken by the Bondholder if the Issuer withholds or refuses to make any such payment in order to comply with any law or regulation of the Republic of South Africa or to comply with any order of a court of competent jurisdiction. If the Issuer becomes aware of the occurrence of any Event of Default, the Issuer shall forthwith notify all Bondholders and BESA.

10. DELIVERY, EXCHANGE AND REPLACEMENT OF BONDS

- 10.1 The Bonds will initially be issued in the form of the Global Certificate and will be lodged and immobilised in the Central Depository.

- 10.2 A person holding a Beneficial Interest in the Bonds represented by the Global Certificate may, in terms of the Applicable Procedures and through its nominated Central Depository Participant, direct a written request to the Transfer Secretary for a Definitive Certificate representing the number of Bonds to be delivered by the Transfer Secretary in exchange for such Beneficial Interest. The aggregate of the Principal Amounts of the Bonds represented by such Definitive Certificate shall be equivalent to the amount of such Beneficial Interest. The Transfer Secretary shall deliver such Definitive Certificate upon such written request no later than 10 (ten) days after receiving the written request from the holder of such Beneficial Interest in accordance with the Applicable Procedures, provided that, joint holders of a Beneficial Interest in any Bond shall be entitled to receive only 1 (one) Definitive Certificate in respect of that joint holding and delivery to 1 (one) of those joint holders shall be delivery to all of them.
- 10.3 Upon the receipt of a written request for delivery of a Definitive Certificate in terms of Condition 10.2 of the Terms and Conditions, the Global Certificate shall, in terms of the Applicable Procedures, be presented to the Transfer Secretary for splitting and a new Global Certificate for the balance of the Bonds still held by the Central Depository shall be delivered to the Central Depository. The old Global Certificate will be cancelled and retained by the Transfer Secretary.
- 10.4 Definitive Certificates and Global Certificates, as the case may be, shall be provided (whether by way of issue, delivery or exchange) by the Issuer for a nominal charge, save as otherwise provided in these Terms and Conditions. Separate costs and expenses relating to the provision of such Definitive Certificates and/or Global Certificate and/or the transfer of Bonds may be levied by other persons, such as a Settlement Agent, under the Applicable Procedures and such costs and expenses shall not be borne by the Issuer. The costs and expenses of delivery of Definitive Certificates by other than ordinary post (if any) and, if the Issuer shall so require, taxes or governmental charges or insurance charges that may be imposed in relation to such mode of delivery shall be borne by the Bondholder.
- 10.5 If any Definitive Certificate or Global Certificate is mutilated, defaced, stolen, destroyed or lost it may be replaced at the office of the Transfer Secretary on payment by the claimant of such costs and expenses as may be incurred in connection therewith and against the furnishing of such indemnity as the Transfer Secretary may reasonably require. Mutilated or defaced Definitive Certificates and Global Certificates must be surrendered before replacements will be issued.
- 10.6 Any person becoming entitled to Bonds in consequence of the death or insolvency of the relevant Bondholder may, upon producing evidence to the satisfaction of the Issuer that he holds the position in respect of which he proposes to act under this paragraph or of his title, require the Issuer and the Transfer Secretary to register such person as the holder of such

Bonds or, subject to the requirements of this Condition 10, to transfer such Bonds to such person.

11. TRANSFER OF BONDS

11.1 Beneficial Interests in the Bonds may be transferred in terms of the Applicable Procedures. In order for any transfer of Bonds to be effected and for the transfer to be recognised by the Issuer, each transfer of a Bond:

11.1.1 must be in writing and be embodied in the usual transfer form or in such other form approved by the Transfer Secretary;

11.1.2 must be signed by the Bondholder and the transferee, or any authorised representative(s) of the Bondholder and/or transferee;

11.1.3 shall only be in respect of denominations of ZAR1 000 000 (one million South African Rand) each or a multiple thereof and consequently the Issuer will not recognise any fraction of a denomination of ZAR1 000 000 (one million South African Rand); and

11.1.4 must be made by way of the delivery of the transfer form to the Transfer Secretary together with the Definitive Certificate and/or Global Certificate in question for cancellation or, if only part of the Bonds represented by Definitive Certificate and/or Global Certificate is transferred, a new Definitive Certificate and/or Global Certificate for the balance will be delivered to the transferor and the cancelled Certificate will be retained by the Transfer Secretary.

11.2 The transferor of any Bonds represented by a Definitive Certificate and/or a Global Certificate shall be deemed to remain the owner thereof until the transferee is registered in the Register as the holder thereof.

11.3 Before any transfer is registered all relevant transfer taxes (if any) must have been paid and such evidence must be furnished as the Transfer Secretary reasonably requires as to the identity and title of the transferor and the transferee.

11.4 If a transfer is registered then the transfer form and cancelled Definitive Certificate and/or Global Certificate will be retained by the Transfer Secretary.

12. REGISTER

12.1 The Register shall be kept at the offices of the Transfer Secretary. The Register shall contain the name, address and bank account details of the registered Bondholders. The Register shall set out the Principal Amount of the Bonds issued to each Bondholder and

shall show the date of such issue and the date upon which the Bondholder became registered as such. The Register shall show the serial numbers of Global Certificates and Definitive Certificates issued. The Register shall be open for inspection during the normal business hours of the Transfer Secretary to any Bondholder or any person authorised in writing by a Bondholder. The Transfer Secretary shall not be obliged to record any transfer while the Register is closed.

12.2 During the period from and including the date of issue to but excluding the Redemption Date, the Register shall be closed for the period of 10 (ten) days preceding each Interest Payment Date and the Redemption Date. Any period referred to in this paragraph may be shortened by the Issuer from time to time, upon notice to the Bondholders.

12.3 The Transfer Secretary shall not be bound to enter any trust into the Register or to take notice of any or to accede to the execution of any trust (express, implied or constructive) to which any Bond may be subject.

12.4 The Transfer Secretary shall alter the Register in respect of any change of name, address or bank account details of any Bondholder of which it is notified in accordance with these Terms and Conditions.

13. LISTING AND TRADING

An application has been made to list the Bonds on BESA (under stock code number TO18). The intention is that the Bonds may be traded by and through members of BESA from 6 July 2004.

14. MEETING OF BONDHOLDERS

14.1 Meetings of Bondholders may be held to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Terms and Conditions of the Bonds if proposed by the Issuer. The quorum at any such meeting for passing an Extraordinary Resolution is 1 (one) or more persons holding or representing not less than a clear majority in nominal amount of the Bonds for the time being outstanding, or at any adjourned such meeting not less than one-third, in nominal amount of the Bonds for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Bondholders shall be binding on all the Bondholders, whether or not they are present at the meeting.

14.2 The Issuer may at any time convene a meeting of Bondholders upon at least 21 (twenty-one) days' prior written notice to Bondholders. Such notice shall specify the place of the meeting, which shall be in the Republic of South Africa, and the date and time thereof.

- 14.3 Bondholders holding not less than one tenth in nominal amount of the outstanding Bonds shall be entitled to request the Issuer to convene a meeting of Bondholders. Should the Issuer fail to convene such a meeting within 10 (ten) days of such a request being received by the Issuer, the Bondholders requesting such a meeting may convene such a meeting upon at least 21 (twenty-one) days prior written notice to the Issuer and the Bondholders. Such notice shall specify the date, place and time of the meeting to be held, which place shall be in the Republic of South Africa.
- 14.4 Every duly appointed official or representative of the Issuer may attend and speak at a meeting of Bondholders but shall not be entitled to vote at a meeting other than as a Bondholder or proxy for a Bondholder.
- 14.5 The chairperson of the meeting shall be appointed by the Bondholders present and voting. The procedures to be followed at the meeting shall be as determined by the chairperson subject to the remaining provisions of this Condition 14.
- 14.6 Each Bondholder present in person or by proxy at any meeting shall have 1 (one) vote per ZAR1 000 000 (one million South Africa Rand) worth of Bonds (or the nearest rounded off multiple thereof) held by such Bondholder.
- 14.7 The instrument appointing a proxy shall be in writing under the hand of the appointer or of his authorised agent or if the appointer is a company or any other body corporate (including a benefit, pension, provident or any other similar fund) either signed by its duly authorised officer or agent. Such instrument shall automatically entitle a proxy to speak at a meeting.
- 14.8 A person appointed to act as a proxy need not be a Bondholder.
- 14.9 The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or a certified copy of such power of attorney shall be deposited with the Issuer at its registered address not less than 24 (twenty-four) hours before the time appointed for the meeting or adjourned meeting (or in the event of a poll, before the time appointed for the taking of the poll), failing which the instrument of proxy shall not be treated as valid.

15. AMENDMENT OF THESE TERMS AND CONDITIONS

- 15.1 These Terms and Conditions set out all the rights and obligations relating to the Bonds. Subject to Condition 15.2, no addition, variation or consensual cancellation of these Terms and Conditions shall be of any force or effect unless reduced to writing and signed by or on behalf of the Issuer and (a) signed by or on behalf of Bondholders holding not less than 75% in value of the Bonds outstanding from time to time, or (b) authorised by an

Extraordinary Resolution of a meeting of Bondholders, provided that no such amendment shall be of any force or effect unless notice of the intention to make such amendment shall have been given to the Bondholders.

- 15.2 The Issuer may, without the consent of the Bondholders, make any modification of these Terms and Conditions which is of a formal, minor or technical nature or is made to correct a manifest error to comply with mandatory provisions of the law of the jurisdiction in which the Issuer is incorporated. Any such modification shall be binding on the Bondholders and any such modification shall be notified to the Bondholders in accordance with Condition 16 as soon as practical thereafter.

16. NOTICES

- 16.1 All notices (including all demands or requests under these Terms and Conditions) to the Bondholder will be valid if (a) mailed by prepaid registered post or hand delivered to their registered address or published in a leading English daily newspaper of general circulation in the Republic of South Africa, and (b) for so long as the Bonds are listed on BESA, published in a daily newspaper of general circulation in Johannesburg, which newspapers are respectively expected to be *Business Day* and *The Star* (or their respective successors). Any such notice shall be deemed to have been given on the day of first publication or hand delivery or on the 7th (seventh) day after the day on which it is mailed, as the case may be.
- 16.2 For as long as any of the Bonds are represented by a Global Certificate, all notices to holders of Beneficial Interests in Bonds represented by the Global Certificate shall be by way of the delivery of the relevant notice to the Central Depository, the Settlement Agents and BESA for communication by them to such holders.
- 16.3 Notices (including all demands or requests under these Terms and Conditions) to be given by any Bondholder to the Issuer shall be in writing and given by delivering (either by hand delivery or posting by registered mail) the same, together with a certified copy of the relevant Global Certificate or Definitive Certificate, to the Transfer Secretary. Whilst any of the Bonds are represented by a Global Certificate, notice may be given by any holder of a Beneficial Interest in Bonds represented by a Global Certificate to the Issuer through the Bondholder's Settlement Agent in accordance with the Applicable Procedures and in such manner as the Issuer and the relevant Settlement Agent may approve for this purpose. Such notice shall be deemed to have been received by the Issuer, if delivered by hand, on the day of delivery, or, if sent by prepaid registered mail, 7 (seven) days after posting.
- 16.4 Any notice to the Issuer shall be deemed to have been received by the Issuer on the 2nd (second) Business Day after being hand delivered to the Transfer Secretary or on the 7th

(seventh) day after the day on which it is mailed by registered post to the office of the Transfer Secretary, as the case may be.

17. GUARANTEE

The payment of principal and interest in respect of the Bonds and all other monies payable by the Issuer pursuant to the Terms and Conditions is unconditionally and irrevocably guaranteed by the Guarantor. The obligations of the Guarantor under the Guarantee constitute direct, general, unconditional and unsecured obligations of the Guarantor and rank *pari passu* with all other unsecured and unsubordinated obligations of the Guarantor for moneys borrowed and guarantees given by the Guarantor in respect of moneys borrowed by others.

18. GOVERNING LAW

The provisions of this Placing Document and all rights and obligations relating to the Bonds shall be governed by the laws of the Republic of South Africa.

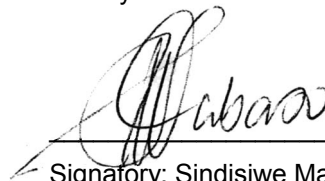
Signed on behalf of Transnet Limited by two directors on 2 July 2004.



Signatory: Maria Ramos

Capacity: Group Chief Executive

Authority: Board Resolution



Signatory: Sindisiwe Mabaso

Capacity: Chief Financial Officer

Authority: Board Resolution



GOVERNMENT GUARANTEE FOR TRANSNET R4 000 000 000 BOND TO BE ISSUED TO THE PUBLIC INVESTMENT COMMISSIONERS OR OTHER INVESTORS

1. This Guarantee is given by the Government of the Republic of South Africa (the Guarantor") in connection with the issue by Transnet Limited ("the Issuer") of ZAR4 000 000 000 bonds due date 15 July 2014 ("the Bonds") on the terms and subject to the conditions set out herein. It is recorded by the parties that the purpose of the guarantee is to allow the Issuer to close the SAA hedge book.
2. Words and expressions used in this Guarantee and not separately defined herein shall have the same meaning as words and expressions defined in the Offering Circular published by the Issuer in the connection with the Bonds.
3. It is the intention of the Guarantor to place the holders of the Bonds ("the Bondholders") in the same position and in no better position than they would have been in had the Guarantor been the issuer of the Bonds. Accordingly the Guarantor hereby unconditionally and irrevocably guarantees to each Bondholder the due and punctual fulfilment and performance by the Issuer of all the obligations which the Issuer may now have incurred or in the future may incur to the Bondholders in respect of or arising out of any issue by the Issuer of the Bonds up to a maximum amount of ZAR4 000 000 000 in respect of the principal debt, plus interest due and payable by the Issuer in respect of the Bonds.
4. The obligations of the Guarantor in respect of the Bonds will constitute direct, general and unconditional obligations of the Guarantor for which the full faith and credit of the Republic of South Africa is pledged and will rank *pari passu* with all other secured or unsubordinated obligations of the Guarantor for moneys borrowed and guarantees given by the Guarantor in respect of monies borrowed by others.
5. This guarantee shall endure from date of signature of the guarantee, and shall remain in full force and effect for a period of 10 (ten) years terminating on 15 July 2014, or until the obligations of the Issuer under the Bonds have been fully performed, discharged and satisfied, or shall automatically terminate on early repayment of the Bond, whichever is the earlier, and is in addition to and not in substitution for any other rights which the Bondholders may have under or by virtue of the Bonds.
6. The Guarantor shall be liable as if it were the principal obligor in respect of the Bonds and not merely as surety and the Guarantor shall not be exonerated or discharged from the liability under this Guarantee by any time being given to the Issuer by any Bondholder or by anything which any Bondholder may omit or neglect to do or by any other dealing or thing which, but for this provision, might operate to exonerate or discharge the Guarantor from its obligations herein contained.

A handwritten signature in black ink, appearing to be 'AE', is located in the bottom right corner of the page.

7. The obligations of the Guarantor hereunder shall not be affected by any legal limitation, disability, incapacity or other circumstances resulting to the Issuer or any other person whether or not known to the Issuer or such other person, by any invalidity in, or irregularity or unenforceability of the obligations or the Issuer under the Bonds or by any change in the constitution of or any amalgamation or reconstruction of the Issuer.
8. The Guarantor undertakes that all payments in satisfaction of its obligations under this Guarantee shall be made in accordance with the provisions of the Bonds and shall be made without set-off or counterclaim and free and clear of and without withholding or deduction of or on account of any present or future taxes now or hereafter imposed, levied, collected, withheld or assessed or otherwise, unless the Guarantor is compelled by law to make payment subject to deduction of any of such taxes.
9. The Guarantor agrees that this Guarantee is to be in addition and without prejudice to any other guarantee, suretyship and or security now or hereafter to be held by any Bondholder and shall remain in force as a continuing security notwithstanding any immediate settlement of account. The Guarantor hereby waives any requirements that any Bondholder should first make demand upon, or seek to enforce any claim against, the Issuer, before seeking to enforce this Guarantee. This Guarantee will not be discharged except by the complete obligations contained in the Bonds and in this Guarantee.
10. Until all sums of money, obligations and liabilities due, owing or incurred by the Issuer to the Bondholders under the Bonds have been paid or discharged in full, the Guarantor waives all rights of subrogation and indemnity against the Issuer and agrees not to claim any set-off or counterclaim against the Issuer or to claim or prove in competition with the Bondholders or any of them in the event of the bankruptcy, insolvency or liquidation of the Issuer or to have any benefit of or any other guarantee or security now or hereafter held for the benefit of the Bondholders.
11. The Guarantor hereby undertakes to the Bondholders that it has not taken or received, and until all moneys, obligations and liabilities due, owing or incurred by the Issuer under the Bonds have been paid and performed in full, it will not take or receive, any security or lien from the Issuer in respect of the granting of this Guarantee.
12. The Guarantor hereby undertakes that so long as any of the Issuer's obligations under the Bonds remain to be performed, it will obtain or cause to be obtained and maintained in full force and effect all consents which may from time to time be necessary for the continued due performance by the Guarantor of all its obligations under this Guarantee.
13. Any notice to be given to, or demand to be made on, the Guarantor in terms of this Guarantee may be given in writing and may be (a) personally delivered, (b) transmitted by prepaid registered mail or (c) transmitted by facsimile, confirmed by prepaid registered mail, addressed to the Guarantor as follows:



Handwritten signature and initials, possibly 'AE', located at the bottom right of the page.

7. The obligations of the Guarantor hereunder shall not be affected by any legal limitation, disability, incapacity or other circumstances resulting to the Issuer or any other person whether or not known to the Issuer or such other person, by any invalidity in, or irregularity or unenforceability of the obligations or the Issuer under the Bonds or by any change in the constitution of or any amalgamation or reconstruction of the Issuer.
8. The Guarantor undertakes that all payments in satisfaction of its obligations under this Guarantee shall be made in accordance with the provisions of the Bonds and shall be made without set-off or counterclaim and free and clear of and without withholding or deduction of or on account of any present or future taxes now or hereafter imposed, levied, collected, withheld or assessed or otherwise, unless the Guarantor is compelled by law to make payment subject to deduction of any of such taxes.
9. The Guarantor agrees that this Guarantee is to be in addition and without prejudice to any other guarantee, suretyship and or security now or hereafter to be held by any Bondholder and shall remain in force as a continuing security notwithstanding any immediate settlement of account. The Guarantor hereby waives any requirements that any Bondholder should first make demand upon, or seek to enforce any claim against, the Issuer, before seeking to enforce this Guarantee. This Guarantee will not be discharged except by the complete obligations contained in the Bonds and in this Guarantee.
10. Until all sums of money, obligations and liabilities due, owing or incurred by the Issuer to the Bondholders under the Bonds have been paid or discharged in full, the Guarantor waives all rights of subrogation and indemnity against the Issuer and agrees not to claim any set-off or counterclaim against the Issuer or to claim or prove in competition with the Bondholders or any of them in the event of the bankruptcy, insolvency or liquidation of the Issuer or to have any benefit of or any other guarantee or security now or hereafter held for the benefit of the Bondholders.
11. The Guarantor hereby undertakes to the Bondholders that it has not taken or received, and until all moneys, obligations and liabilities due, owing or incurred by the Issuer under the Bonds have been paid and performed in full, it will not take or receive, any security or lien from the Issuer in respect of the granting of this Guarantee.
12. The Guarantor hereby undertakes that so long as any of the Issuer's obligations under the Bonds remain to be performed, it will obtain or cause to be obtained and maintained in full force and effect all consents which may from time to time be necessary for the continued due performance by the Guarantor of all its obligations under this Guarantee.
13. Any notice to be given to, or demand to be made on, the Guarantor in terms of this Guarantee may be given in writing and may be (a) personally delivered, (b) transmitted by prepaid registered mail or (c) transmitted by facsimile, confirmed by prepaid registered mail, addressed to the Guarantor as follows:



Handwritten signature and initials, possibly 'AE', located at the bottom right of the page.

18. This agreement sets out the entire agreement between the Guarantor and the Public Investment Commissioners, and neither party shall be bound by any undertakings, representations or warranties not expressly recorded herein.

Thus signed and executed by the Minister of Public Enterprise in concurrence with the Minister of Finance duly authorised thereto in terms of section 70 of the Public Finance Management Act No. 1 of 1999 (as amended).

Date: 02 JULY 2004

Place: PRETORIA



Minister of Public
Enterprises

Concurred

Date: 02 JULY 2004

2004

Place: PRETORIA



Minister of
Finance

USE OF PROCEEDS

The proceeds of the Bonds will be used to redeem short term funding raised to address the recapitalisation of South African Airways (Proprietary) Limited.

DESCRIPTION OF TRANSNET

BACKGROUND & NATURE OF BUSINESS

The Issuer was incorporated by the Government of the Republic of South Africa under the Companies Act, 1973 (Act 61 of 1973) on 1st April, 1990, pursuant to the Legal Succession to the South African Transport Services Act, 1989 (Act 9 of 1989) (the “Act”) with the Government of the Republic of South Africa as its sole shareholder. Through a transition from the old South African Railways and Harbours to the South African Transport Services and finally on 1st April, 1990 to Transnet Limited, the Issuer has been transformed into a horizontally integrated transport entity.

The Issuer’s objective as set out in clause 3 of its Memorandum of Association is to carry on business in all aspects and branches of transport and harbour operations. The Issuer’s revenue is primarily derived from transporting passengers and goods. Passengers contribute approximately 20% (twenty per cent) of revenue and goods approximately 80% (eighty per cent). The transport industry in South Africa was deregulated in the mid-to-late 1980s.

The registered office of the Issuer is at 150 Commissioner Street, Carlton Centre, Johannesburg, 2000, Republic of South Africa.

GOVERNMENT SUPERVISION

The Government of the Republic of South Africa is the sole shareholder of the Issuer. If the Minister of Public Enterprises considers that the Issuer is acting in a manner contrary to the strategic or economic interest of the Republic of South Africa, the Minister may direct the Issuer to discontinue such activity within a reasonable period.

The Issuer’s Memorandum of Association provides, among other things, that the Issuer cannot without prior approval of the Minister of Public Enterprises, dispose of, (i) the whole or substantially the whole of the undertaking of the Issuer; or (ii) the whole or the greater part of the assets of the Issuer. For so long as the Government of the Republic of South Africa is the majority shareholder of the Issuer, the directors of the Issuer shall not be entitled to apply for the winding up of the Issuer without the approval of the Minister of Public Enterprises with the concurrence of the Minister of Finance.

The Issuer as a national public entity is subject to the Public Finance Management Act, 1999 (“PFMA”).

CORPORATE GOVERNANCE

The Issuer is controlled by a board of directors (“the Transnet Board”) and managed by an Executive Committee. The Issuer is structured into three main groups along the following broad categories: transportation, supporting businesses and property development. The various divisions and business units within these sectors operate as autonomous entities although large-scale asset and cost-structure rationalisation are effected at a centralised level.

In terms of the PFMA, the Transnet Board is the accounting authority for the Issuer. As at the date of issue of the Bonds, the Transnet Board is comprised as follows:

<u>Name</u>	<u>Title</u>	<u>Other Positions</u>
Dr B.A. Khumalo	Chairman	MBA, MA (Corporate and Political Communications), Advanced Executive Programme, Diploma in Management, Diploma in Broadcast Journalism. Appointed as Chairman of the Transnet Board on 16 November 2001.
Ms M. Ramos	Group Chief Executive	MSc (Economics) University of London –1992. B.Com Honours (Economics) University of Witwatersrand – 1987. B.Com University of the Witwatersrand – 1986. Institute of Bankers Diploma (CAIB)-1983. Appointed to the Transnet Board on 4 September 2003. Appointed Group Chief Executive on 1 January 2004.
Ms S.N.Mabaso	Chief Financial Officer	B.Com, University of Natal, CA (SA). Appointed Group Chief Financial Officer with effect from 1 November 2001.
Prof F. Abrahams	Non-Executive Director	B.Econ, B.Econ (Hons), M.Econ (UWC), D.Com (UNISA). Registered Industrial Psychologist. Appointed to the Transnet Board on 16 November 2001.
Mr S. Buthelezi	Non-Executive Director	B.Com (Economics & Accounting) (UNISA), B.Com (Hons) (UCT), Diploma in Bookkeeping. Chief Executive Officer of the National Gambling Board. Appointed to the Transnet Board on 16 November 2001.
Mr J.L.Molobela	Non-Executive Director	BSc (Engineering) Honours DIC – Imperial College (London University) – 1982. MBA – Imperial College School of Management (London University) – 1993. Non-Executive Chairman of Black Top Holdings (Pty) Ltd. Appointed to the Transnet Board on 4 September 2003.

Adv. N. Gomomo	Non-Executive Director	B Proc (cum laude), LLB, Certificate in Financial Management and Investment. Executive Director – Ebony Forensic Services. Appointed to the Transnet Board on 16 November 2001.
Ms A.M.S.S. Mokgabudi	Non-Executive Director	B Com. Ind. Psych (Unin), H Dip Tax Law (Wits), B Compt (Hons) (UNISA), CA (SA). Managing Partner KPMG Inc. appointed to the Transnet Board on 1 November 2000.
Prof Y. Muthien	Non-Executive Director	BA (UWC), BA Hons (UWC), MA (Political Science)(North West University, USA), D Phill (Sociology and Politics) (Oxford). Group Executive, Corporate Affairs, Mobile Telephone Networks (Pty) Limited. Appointed to the Transnet Board on 1 November 2000.
Ms H.N. Ndude	Non-Executive Director	Diplomas: Para-legal, Conflict Resolution, UCT Office Administration and Public Relations, Course in Model of Local Government. Administration and Privatisation, Story Writing, News Writing (University of Birmingham). Managing Director – Dyambu Holdings (Pty) Ltd. Appointed to the Transnet Board on 16 November 2001.
Mr M. Ramano	Non-Executive Director	B Compt (UNISA), Personnel Management (UNISA). Executive Chairman, African Harvest Limited. Appointed to the Transnet Board on 1 November 2000.
Mr J.H. Rowlands	Non-Executive Director	MA, BA(Hons) in Chemistry (Oxford University (UK)). Strategic Consultant. Appointed to the Transnet Board on 16 November 2001.
Dr F.P. Lembede	Non-Executive Director	MA Economics, Williams College, Massachusetts USA, B.Com (Hons) Economics (UNISA), B.Com (University of Zululand). Senior Lecturer at the University of North West. Appointed to the Transnet Board on 16 November 2001.
Mr P.A. Thompson	Non-Executive Director	Bachelor of Architecture (University of Natal), Integrated Environmental Management Diploma (UCT). Director - South African Federal Council on Disability. Appointed to the Transnet Board on 16 November 2001.
Prof G.S. Andrews	Non-Executive	B.Com, MBA, PhD Appointed to the Transnet Board on 4

	Director	September 2003.
Lord S. K. Bhattacharyya	Non-Executive Director	B.Tech Hons. (Mechanical Engineering) I.I.T.Kharagpur 1960. MSc (Engineering Production and Management) University of Birmingham 1965. Phd (Engineering Production) University of Birmingham 1970. Honorary Duniv, University of Surrey 1992. Hon.DSc UTM Malaysia 1997. Professor and Head of Warwick Manufacturing Group – The University of Warwick. Appointed to the Transnet Board on 4 September 2003.
Acting Group Company Secretary		Ms Thelma Melk

The business address of the Transnet Board is 150 Commissioner Street, Carlton Centre, Johannesburg, 2000, Republic of South Africa.

SHAREHOLDER COMPACT

In pursuance of its objective to promote good corporate governance in state owned entities, the Government of the Republic of South Africa as sole shareholder of Transnet and Transnet signed a Shareholder Performance Agreement (“Shareholder Compact”) in July 2001. The Transnet Board is currently discussing the renewal of this agreement with the shareholder.

The Shareholder Compact provides an effective framework for regulating the relationship between Transnet and the Government as the sole shareholder. In the Shareholder Compact the shareholder has unambiguously communicated the performance targets expected of Transnet. The Shareholder Compact clarifies the relationship between the shareholder, the Transnet Board and management. The role and responsibilities of the shareholder, the Transnet Board and management are defined by spelling out actions that require shareholder approval.

The Shareholder Compact also affirms the freedom of management to manage the business in a vigorous and enterprising manner but within the agreed mandate and a framework of effective accountability. The overarching theme of the Shareholder Compact is transparency, accountability, sound management and exercise of power within delegated authority.

TREASURY MANAGEMENT

Group Treasury performs a supporting function for Transnet and all of its business units and subsidiaries as defined in section 1(3) of the Companies Act, 1973 (“the Group”) and has the responsibility for the management of the treasury financial risks, which include liquidity risk, interest rate risk, foreign exchange risk rate and counter party risk. In addition, Treasury is tasked with ensuring that Transnet is optimally

funded within an approved risk framework. The above activities are carried out in a professional manner by applying sound business principles and ethics which embrace the principles of transparency and honesty through the use of effective, approved and evaluated financial instruments and systems.

Transnet is a member of both BESA and the SAFEX Financial Derivatives Division of the JSE Securities Exchange South Africa (membership class: non-clearing; membership category: non-broking).

RISK MANAGEMENT AND INTERNAL CONTROL

The Transnet Board is responsible for Transnet's system of financial control. There is a commitment by all directors, management and employees to constantly improve the internal control environment. Management and internal audit consistently monitor performance and adherence to control structures.

OPERATIONAL MANAGEMENT

Operating within the guidelines established in the Shareholder Compact, Transnet's various business units prepare annual business plans, budgets and capital programmes in order to meet their objectives as outlined in their respective strategic plans. These business plans, budgets and capital programmes are approved by the Transnet Board. After approval they are agreed with the Department of Public Enterprises and thereafter form the basis for the Group's detailed action plans and ongoing performance evaluation.

The responsibility for the day-to-day management of the Group vests in line management through a clearly defined organisational structure and through formal delegated authorities. Transnet has a comprehensive system of internal controls, which are designed to ensure that its objectives are met, including the requirements of the Companies Act, 1973, the provisions of the PFMA, and the recommendations of the King Report on Corporate Governance for South Africa, 2002.

RISK FACTORS

1. The risk is always present that budgeted cash flows both on the inflow side and the outflow side will not realise to the expected extent. The non-receipt of expected inflows can lead to increased borrowings and on the other hand the non-occurrence of expected remittances can lead to borrowings being raised unnecessarily. Transnet has over the years managed this risk by sourcing short-term money and switching to the longer term only after the realisation of cash flows.
2. When Transnet was incorporated in 1990 its asset base was not adequately addressed. The assets and infrastructure are now old and are in urgent need of replacement and the challenge is faced of having to invest about ZAR80 000 000 000 (eighty billion South African Rand) in this regard over the next 15 (fifteen) years. The Group faces this challenge in the face of limited funding alternatives and a borrowing capacity hampered by its weak debt ratios.
3. The losses incurred from the South African Airways Hedge Book exposures of some ZAR5 700 000 000 (five billion, seven hundred million South African Rand) have had a detrimental effect on the Group's debt ratio. In addition, the deficit of ZAR5 100 000 000 (five billion, one hundred million South African Rand) on the Transnet Second Defined Benefit Fund also needs to be resolved which could cause a further deterioration of the financial profile.

FINANCIAL INFORMATION ON TRANSNET

Financial information on the Issuer and the Group for the financial years ended 31 March 2003 and 31 March 2002 (including the capitalisation of the Issuer and the Group) can be reviewed under the documents information incorporated by reference into this document.

REPORT OF THE INDEPENDENT AUDITORS

The following is the text of the report of the then independent auditors of Transnet Limited in relation to the audited financial statements of Transnet Limited for the year ended 31 March 2003. References to page numbers are to the page numbers as they appear in the annual financial statements of Transnet Limited as at and for the year ended 31 March 2003.

“Report of the Independent Auditors to the Minister of Public Enterprises (under the Companies Act)

We have audited the annual financial statements and the Group annual financial statements of Transnet Limited set out on pages 96 to 176 for the year ended 31 March 2003. These financial statements are the responsibility of the Company’s Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

We conducted our audit in accordance with Statements of South African Auditing Standards. These standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit Includes:

- *examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements;*
- *assessing the accounting principles used and significant estimates made by management; and*
- *evaluating the overall financial statement presentation.*

We believe that our audit provides a reasonable basis for our opinion.

Audit Opinion

In our opinion the financial statements fairly present, in all material respects, the financial position of the Company and the Group at 31 March 2003, and the results of their operations and cash flow information for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Companies Act, in South Africa.

APF INC

Ernst & Young

**REGISTERED ACCOUNTANTS AND AUDITORS
CHARTERED ACCOUNTANTS (SA)**

*Johannesburg
20 August 2003”*

SOUTH AFRICAN TAXATION

The information contained below is intended to be a general guide to the relevant tax laws of the Republic of South Africa as at the date of this Placing Document and is not intended as comprehensive advice and does not purport to describe all of the considerations that may be relevant to a prospective purchaser of Bonds. Prospective purchasers of Bonds should consult their own professional advisers in regard to the purchase of Bonds and the tax implications thereof. Accordingly, the Issuer makes no representation and gives no warranty or undertaking, express or implied, and accepts no responsibility for the accuracy or completeness of the information contained in this section.

Words used in this section headed "South African Taxation" shall have the same meanings as defined in the Terms and Conditions, unless they are defined in this section or this is clearly inappropriate from the context.

For purposes of this Section, a "Resident" means a person who or which is a "resident" as defined in the Income Tax Act, 1962, as amended ("Income Tax Act") and "Taxes" means any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by, or on behalf of, the Republic of South Africa, whether in terms of the Income Tax Act or in terms of any other legislation.

Interest

Persons liable for tax in the Republic of South Africa

The South African income tax system has in the past primarily been a source-based system. With effect from years of assessment commencing on or after 1 January 2001, however, Residents are, subject to certain exemptions, taxed on their worldwide income. Any interest in respect of the Bonds will be liable to Taxes imposed or assessed by the South African Revenue Services ("SARS") if such interest is received by or accrues to any person who is a Resident irrespective of his domicile. In addition, a person other than a Resident is taxed on income from a source within or deemed to be within South African unless that person is exempt from tax in the Republic of South Africa as set out above.

Natural Persons who are resident in South Africa

A natural person who was not at any time during the year of assessment in question ordinarily resident in South Africa will nonetheless, in the absence of a double taxation agreement between South Africa and the foreign jurisdiction in question, be a Resident for tax purposes if such person was physically present in South Africa for at least 91 (ninety one) days in that year and was, during the 3 (three) preceding years, present in

the Republic of South Africa for at least 91 (ninety one) days in each year and for 549 (five hundred and forty nine) days in aggregate during such 3 (three) preceding years.

Persons other than natural persons who are residents in the Republic of South Africa

A person other than a natural person is a Resident if it is incorporated, established or formed in South Africa or has its place of effective management in South Africa (as defined in the Income Tax Act).

With respect to a Controlled Foreign Company, a proportionate amount of the net income of the Controlled Foreign Company will also be included in the income of such Residents subject to certain exclusions.

Non-Residents

Non-Residents of the Republic of South Africa presently enjoy the benefit of an exemption from South African tax on their interest income, unless one of the disqualifications set out in the section headed "Persons who will be exempt from tax in the Republic of South Africa" below applies.

Persons who will be exempt from tax in the Republic of South Africa

Any person who is not a Resident will be exempt from any Taxes imposed by SARS on any interest paid or accrued in respect of the Bonds. (A person who is a resident of the Common Monetary Area (as defined in section 11 of the Income Tax Act) is deemed to be a Resident for the purposes of this exemption). However, this exemption will not apply where:

- (i) the person, who is a natural person, was a Resident at any time and has during the relevant year of assessment carried on business in the Republic of South Africa; or
- (ii) any person who is a natural person and who was not physically absent from South Africa for a period or periods of at least 183(one hundred and eighty three) days in aggregate during the year of assessment in question; or
- (iii) the interest is received by or accrues to any person which is a non-resident company and that interest is effectively connected with the business carried on by that company in South Africa.

A natural person not ordinarily resident in the country, is not considered to be a Resident where that person is physically absent from the Republic of South Africa for a continuous period of 330 (three hundred and thirty) days. Such person is deemed not to have been a Resident from the day on which such person ceases to be physically present in the Republic of South Africa.

Nature of the Discount on the Original Issue of the Bonds

Insofar as the Bonds are issued at a discount (by having regard to the difference between the subscription price and the face value thereof), the discount will be treated as interest for tax purposes, and the discount amount will be deemed to accrue to the Bondholder on a yield to maturity basis until the current Bondholder disposes of the Bond or until maturity of the Bond, whichever occurs first. Interest is taxed on the basis of the yield to maturity unless an election has been made to treat the Bonds held as trading stock on a mark-to-market basis.

Capital Gains

Tax on capital gains was introduced in the Republic of South Africa with effect from 1 October 2001. Tax on capital gains applies to any capital gains earned on the disposal or deemed disposal of an asset by Residents, as well as to any capital gain resulting from the disposal or deemed disposal of certain assets of non-residents which are situated in the Republic of South Africa (such as immovable property and assets of a permanent establishment, (such as a branch or agency) of that non-resident in the Republic of South Africa). In the case of natural persons, 25% (twenty five percent) of the taxable capital gain will be taxed at the applicable marginal rate (the effective rate will range from 0% (zero percent) to 10% (ten percent)). In the case of companies, 50% (fifty percent) of the taxable capital gain will be liable to tax at the corporate flat rate of 30% (thirty percent), and hence the effective rate will amount to 15% (fifteen percent).

Legal Succession To The South African Transport Services Act, 1989

In terms of section 19 of the Legal Succession to the South African Transport Services Act, 1989, as it exists at the date of this Placing Document, no levy, tax, stamp duty, fees or other costs of whatever nature are payable in respect of the issue of Bonds pursuant to section 19(8) of such Act.

The provisions of section 19(8) of the Legal Succession to the South African Transport Services Act, 1989 will apply for so long as the majority of the issued equity shares in the Issuer are held by the State or until the section is amended or repealed.

SUBSCRIPTION AND SALE OF THE BONDS

The Public Investment Commissioners, constituted in terms of the Public Investment Commissioners Act, 1984 (the "PIC") and the Issuer have, pursuant to a subscription agreement (the "Subscription Agreement") agreed that PIC will on 6 July 2004 (the "Settlement Date") subscribe for all the Bonds in accordance with the terms of the Subscription Agreement. The Bonds will be delivered to the PIC on the Settlement Date through the BESA and STRATE settlement system. There will be no trading in the Bonds prior to the Settlement Date. If the Subscription Agreement is terminated before the Settlement Date, the Bonds will not be issued.

Republic of South Africa

The Bonds will not be offered for subscription to any person other than the PIC.

United States of America

The Bonds have not been and will not be registered under the United States Securities Act, 1933 (the "Securities Act") and may not be offered or sold within the United States of America or to, or for the account or benefit of, U.S. persons, except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Issuer has represented and agreed that it will not offer, sell or deliver Bonds within the United States of America or to, or for the account or benefit of, U.S. persons.

United Kingdom

The Issuer has represented and agreed that:

- (1) in relation to Bonds which have a maturity of 1 (one) year or more and which are not to be admitted to the Official List, it has not offered or sold and, prior to the expiry of a period of 6 (six) months from the date of issue of any such Bonds, will not offer or sell any such Bonds to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their business or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the United Kingdom's Public Offers of Securities Regulations, 1995;
- (2) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act, 2000 of the United Kingdom (the "FSMA"))

received by it in connection with the issue or sale of any Bonds in circumstances in which section 21(1) of the FSMA does not apply to it; and

- (3) it has complied and will comply with all applicable provisions of the FSMA, with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

General

The Issuer has agreed that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it subscribes, or procures the subscription of Bonds, offers or sells Bonds or possesses or distributes this Placing Document and will obtain any consent, approval or permission required by it for the purchase, offer or sale by it of Bonds under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales and the Issuer shall not have responsibility thereof.

SETTLEMENT, CLEARING AND TRANSFER OF BONDS

Words used in this section headed "Settlement, Clearing and Transfers of Bonds" shall have the same meaning as defined in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.

The Bonds will initially be issued in the form of a single Global Certificate which will be lodged in the Central Depository, which forms part of the settlement system of the Bond Exchange of South Africa, a licensed financial exchange in terms of the Financial Markets Control Act, 1989. The Central Depository will be the sole Bondholder in respect of the Global Certificate.

The Central Depository holds Bonds subject to the Custody and Administration of Securities Act, 1992, and the Rules of the Central Depository.

While the Bonds are held in the Central Depository under the Global Certificate, the Central Depository will be reflected as the Bondholder in the register maintained by the Transfer Secretary ("the Register"). Accordingly, in terms of the Terms and Conditions, all amounts to be paid and all rights to be exercised in respect of the Bonds held in the Central Depository, will be paid to and may be exercised only by the Central Depository, for the holders of beneficial interests in the Bonds held by the Central Depository under the Global Certificate.

The Central Depository maintains accounts only for the Central Depository Participants. The Central Depository Participants are also approved settlement agents for BESA. As at the date of this Placing Document, the Settlement Agents are the South African Reserve Bank, ABSA Bank Limited, FirstRand Bank Limited, Nedbank Limited and The Standard Bank of South Africa Limited. The Central Depository Participants are in turn required to maintain securities accounts for their clients. The clients of Central Depository Participants may include the holders of beneficial interests in the Bonds or their custodians. The clients of Central Depository Participants, as the holders of the beneficial interest in the Bonds or as custodians for such holders, may exercise their rights in respect of the Bonds held by them in the Central Depository only through the Central Depository Participants. Euroclear Bank S.A. / N.V., as operator of the Euroclear System and Clearstream Banking, S.A. may hold Bonds through their Central Depository Participant which is currently The Standard Bank of South Africa Limited.

Transfer of beneficial interests in Bonds in the Central Depository to and from clients of Central Depository Participants, who are also Settlement Agents, occur by electronic book entry in the securities accounts of the clients with Settlement Agents. Transfers among Central Depository Participants of Bonds held in the Central Depository occur through electronic book entry in the Central Depository Participant's central security accounts with the Central Depository in accordance with the Applicable Procedures.

The standard settlement period of BESA will be such as described by the operating procedures of BESA from time to time.

Beneficial interests in Bonds evidenced by the Global Certificate will be exchangeable for a Definitive Certificate in accordance with the Terms and Conditions. Transfer of Bonds represented by a Definitive Certificate may be made only in accordance with the Terms and Conditions and may be subject to the Applicable Procedures.

Payments of interest and principal in respect of Bonds represented by the Global Certificate will be made in accordance with Condition 5 of the Terms and Conditions to the Central Depository, or such other registered holder of the Global Certificate as shown in the Register and the Issuer will be discharged by proper payment to the registered holder of the Global Certificate in respect of each amount so paid. Each of the persons shown in the records of the Central Depository and the Central Depository Participants as the holders of beneficial interests in the Bonds, as the case may be, shall look solely to the Central Depository or the relevant Central Depository Participant, as the case may be, for such a person's share of such payment so made by the Issuer to the registered holder of such Global Certificate.

Payments of interest and principal in respect of Bonds represented by Definitive Certificates will be made to the Bondholders in accordance with Condition 5 of the Terms and Conditions.

GENERAL INFORMATION

Words used in this section headed "General Information" shall bear the same meanings as defined in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.

Authorisation

All consents, approvals, authorisations or other orders of all regulatory authorities required by the Issuer under the laws of the Republic of South Africa have been given for the issue of the Bonds by the Issuer. As required by section 66(3) of the PFMA, the issue of the Bonds is authorised by a resolution of the board of directors of the Issuer passed on 28 May 2004. The Minister of Public Enterprises (with the concurrence of the Minister of Finance) has approved the issue of the Bonds (as required by section 19(1) of the Legal Succession to the South African Transport Services Act, 1989) and has issued the Guarantee (as required by section 70(1) of the PFMA).

Listing and Trading

The intention is that the Bonds will be listed from 6 July 2004. Bonds listed under Stock Code T018 may be traded by and through members of BESA from 6 July 2004 in accordance with the Applicable Procedures.

Clearing Systems

The Bonds will be cleared and settled in accordance with the rules of BESA and the Central Depository, or their respective successors. STRATE is appointed by BESA to match, clear and facilitate the settlement of transactions concluded on BESA. The Bonds may be accepted for clearance through any additional clearing house as may be agreed by the Issuer.

Material Adverse Change

The Issuer is currently conducting an exercise to properly value some of its assets in terms of Statements AC128 and AC133 of the South African Statements of Generally Accepted Accounting Practice, the results of which could have a material adverse effect on the Issuer's financial position for the year ended 31 March 2004.

Save as disclosed herein, there has been no material adverse change in the financial or trading position of the Issuer since the date of its latest published audited financial statements.

Litigation

The Issuer and its subsidiaries are involved in the following litigious matters:

1. the National Ports Authority, a division of the Issuer (the "NPA"), is defending a claim by Grinaker relating to the interpretation of a joint venture agreement between the two. The estimated value of the claim is approximately ZAR78 000 000 (seventy eight million South African Rand);
2. Maruba SCA is claiming collision damages from the NPA. An amount of US\$7 797 868 (seven million seven hundred and ninety seven thousand eight hundred and sixty eight United States Dollars) is sought. The matter is at the pleadings stage;
3. there are two matters pending against South African Airways (Pty) Ltd (a subsidiary of the Issuer) ("SAA") at the Competition Commission for abuse of dominant position. The potential liability of the Issuer cannot be quantified at this stage; and
4. SAA is involved in a suit with GSA in Kashmir, Pakistan for cancellation of various contracts. The amounts involved are in the region of ZAR20 000 000 (twenty million South African Rand).

Save as disclosed above and in the annual financial statements of the Issuer, incorporated in this Placing Document by reference, neither the Issuer nor its subsidiaries (whether as defendant or otherwise) is engaged in any legal, arbitration, administration or other proceedings, the results of which might have or have had a material effect on the financial position or the operations of the Issuer, nor is it aware of any such proceedings being threatened or pending.

Auditors

The auditors of the Issuer are Deloitte and APF Inc. The annual financial statements of the Issuer for the year ended 31 March 2003 were prepared in accordance with South African Statements of Generally Accepted Accounting Practice and audited in accordance with the Statements of South African Auditing Standards without qualification by the auditors. The auditors to the referenced financial statements were Ernst & Young and APF Inc., and were subsequently replaced by Deloitte and APF Inc.

Deloitte and APF Inc. have confirmed in writing that the Bonds issued in accordance with this Placing Document will comply in all respects with the provisions of the commercial paper regulations published in Government Notice number 2172 of 14 December 1994 and promulgated pursuant to the Banks Act, 1990 (the "Commercial Paper Regulations").

Commercial Paper Outstanding

The total nominal value of all local commercial paper already issued by the Issuer on 31 March 2003 amounted to ZAR11 279 411 622 (eleven billion two hundred and seventy nine million four hundred and eleven thousand six hundred and twenty two South African Rand) . The total nominal value of all local commercial paper already issued by the Issuer on 31 March 2004 amounted to approximately ZAR13 404 704 860 (thirteen billion four hundred and four million seven hundred and four thousand eight hundred and sixty South African Rand). As at the date of this Placing Document, to the best of the Issuer's knowledge and belief, the Issuer estimates that, in addition to the Bonds, it will issue an additional ZAR6 000 000 000 (six billion South African Rand) of commercial paper during its current financial year ending on 31 March 2005.

The total nominal value of all of the Issuer's Eurorand bonds still outstanding is ZAR3 500 000 000 (three billion five hundred million South African Rand) of which ZAR2 000 000 000 (two billion South African Rand) matures on 18 April 2028 and ZAR1 500 000 000 (one and a half billion South African Rand) matures on 20 March 2029.

Going Concern

The Issuer is a going concern and the Issuer can in all circumstances be reasonably expected to meet all its commitments as and when they fall due.

Ultimate Borrower

The Issuer is the ultimate borrower in terms of the Commercial Paper Regulations.

Non-South African Resident Bondholders and Emigrants from the Common Monetary Area

The following guidelines are not a comprehensive statement of the South African Exchange Control Regulations, 1961 (the "Regulations"), are not intended as advice and do not purport to describe all of the considerations that may be relevant to a prospective purchaser of Bonds. Prospective purchasers of Bonds that are non-South African residents or emigrants from the Common Monetary Area are urged to seek further professional advice in regard to the purchase of Bonds and to the extent necessary, obtain Exchange Control approval for the subscription or purchase of Bonds.

The Regulations affecting non-residents of the Common Monetary Area are as follows:

Blocked Rand

Blocked Rand may be used for the purchase of Bonds. Any amounts payable by the Issuer in respect of Bonds purchased with Blocked Rand may not, in terms of the Regulations, be remitted out of South Africa or paid into any non-South African resident bank account.

For the purposes of this section, “Blocked Rand” means any funds which may not be remitted out of South Africa or be paid into a non-South African resident’s bank account. Blocked Rand is governed by the Regulations and the Debt Standstill Regulations promulgated in terms of the Currency and Exchanges Act, 1933.

Emigrants from the Common Monetary Area

The securities accounts maintained for emigrants by Central Depository Participants in respect of Bonds in global form, and any Definitive Certificates issued to emigrants will be endorsed “non-resident” and must be deposited with the nominated authorised dealer in foreign exchange controlling such emigrant’s blocked assets.

Any monies due in respect of Bonds to an emigrant Bondholder will be sent to the nominated authorised dealer in foreign exchange controlling such blocked assets to be dealt with in terms of the Regulations. The amounts are not freely transferable from the Common Monetary Area and may only be dealt with in terms of the Regulations.

All Non-residents of the Common Monetary Area

Any Definitive Certificates issued to Bondholders who are not resident in the Common Monetary Area will be endorsed “non-resident”. In the event that non-residents hold Bonds through the Central Depository and its relevant Central Depository Participants, the securities account of such Bondholder will be designated “non-resident”.

It will be incumbent on any such non-resident to instruct the non-resident’s nominated authorised dealer in foreign exchange as to how any funds due to such non-resident in respect of Bonds are to be dealt with.

For purposes of this paragraph, the Common Monetary Area includes the Republic of South Africa, the Kingdoms of Swaziland and Lesotho, and the Republic of Namibia.

CORPORATE INFORMATION

Issuer

Transnet Limited
Reg. No. 1990/000900/06
Room 4433
44th Floor
Carlton Centre
150 Commissioner Street
JOHANNESBURG
2001
Contact: Treasury Manager (Funding)

Guarantor

Minister of Public Enterprises
Private Bag X15
Hatfield
PRETORIA
0028
Contact: Performance Monitoring &
Benchmarking Unit

Auditors

Deloitte and Touche
Gallo Manor
Johannesburg
Contact: M.Victor

APF Inc.
3 Simba Road cnr Nanyuki Road
Sunninghill
Contact: T.Kentane

Legal Adviser to the Issuer

Bowman Gilfillan Inc.
Reg. No. 1998/021409/21
9th Floor, Twin Towers West
Sandton City
Sandton
Johannesburg
Contact: E. Davids

Transfer Secretary

Transnet Limited
Reg. No. 1990/000900/06
Room 4318
44th Floor
Carlton Centre
150 Commissioner Street
JOHANNESBURG
2001
Contact: Transfer Secretary

The Partners
Deloitte & Touche
Deloitte & Touche Place
The Woodlands
Woodlands Drive
WOODMEAD
Sandton

&

The Partners
APF Incorporated
3 Simba Road cnr Nanyuki Road
Sunninghill
2157
PO Box Saxonwold 2132

REPORT OF THE INDEPENDENT AUDITORS OF TRANSNET LIMITED (the "Issuer" and "Arranger") ON COMPLIANCE OF THE PROPOSED ISSUE BY THE ISSUER OF ZAR 4 000 000 000 10.75% TRANSNET LIMITED DOMESTIC T018 BONDS DUE 15TH JULY 2014 (the "Notes"), WITH THE RELEVANT PROVISIONS OF THE COMMERCIAL PAPER EXEMPTION NOTICE (GOVERNMENT NOTICE 2172 PUBLISHED IN GOVERNMENT GAZETTE NO. 16167 OF 14 DECEMBER 1994) (the "Notice") ISSUED BY THE REGISTRAR OF BANKS, AS REQUIRED BY PARAGRAPH 3(5)(j) OF THE SAID NOTICE

INTRODUCTION

As required by Paragraph 3(5)(j) of the Notice, we have reviewed whether or not the issue of ZAR 4 000 000 10.75% Transnet Limited Domestic T018 Bonds due 15th July 2014, by the Issuer, as documented in the Placing Document dated 2nd July 2004 (the "Document"), will be compliant with the relevant provisions of the Notice. We conducted our review in accordance with the statement of South African Auditing Standards applicable to review engagements.

Compliance with the relevant provisions of the Notice is the responsibility of the Issuer. We report on such compliance.

SCOPE

Our review was generally limited to an examination of the Document, with regard to compliance with the provisions of the Notice.

It should be recognised that our review did not constitute an audit and may not necessarily have revealed all material facts.

FINDINGS

Our review revealed nothing which causes us to believe that the Issuer will not be in compliance with the relevant provisions of the Notice with regard to the proposed issue of the Notes.

Financial Services Team – FIST
Building 8
Deloitte Place
The Woodlands
Woodlands Drive
Woodmead Sandton

Private Bag X6
Gallo Manor 2052
South Africa

Tel: +27 (11) 806 5200
Fax: +27 (11) 806 5222
www.deloitte.com

Registered Accountants & Auditors
Reg No 1999/01402/21
1st Floor, Block B
Empire Park, 55 Emprie Road
Johannesburg
South Africa

Suite 202
Private Bag X30500
Houghton 2041

Tel: +27 (11) 482 2510
Fax: +27 (11) 482 4660
Email: gobodo@gobodo.co.za

Yours faithfully

Deloitte + Touche

Deloitte & Touche

Registered Accountants and Auditors

Chartered Accountants (SA)

APF Inc.

APF Incorporated

Registered Accountants and Auditors

Chartered Accountants (SA)

6th July, 2004