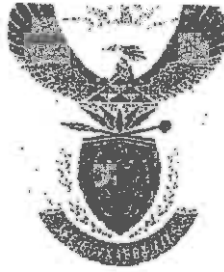




1/2/10

Consolidated Capital Market Guarantee



**MINISTRY: WATER AFFAIRS AND FORESTRY
REPUBLIC OF SOUTH AFRICA**

Private Bag X813, Pretoria, 0001, Tel: (012) 398 8793, Fax: (012) 228 4254
Private Bag 74052, Cape Town, 8000, Tel: (021) 464 1500, Fax: (021) 462 3362

GUARANTEE

WHEREAS the Government of the Republic of South Africa has entered into the Treaty on the Lesotho Highlands Water Project (hereinafter referred to as "the Project") with the Government of Lesotho on 24 October 1986.

AND WHEREAS in terms of Article 11(6) of the Treaty the Republic of South Africa shall with respect to all loans, credit facilities or other borrowing procured by the Trans-Caledon Tunnel Authority (hereinafter referred to as "the Issuer") for the implementation, operation and maintenance of that part of the Project relating to the delivery of water to the Republic of South Africa, provide such guarantees as the lenders of such loans, credit facilities other borrowings may require.

AND WHEREAS the Issuer has resolved to procure financing for the Project by means of the issue of Lesotho Highlands Water Project Registered Loan Stocks in accordance with a capital market funding programme (hereinafter referred to as "LHWP Loan Stocks") in an amount which will not, at any one time, exceed R21 000 000 000 (Twenty One Thousand Million Rand);

AND WHEREAS the Issuer requires as security for LHWP Loan Stocks, a guarantee from the Government of the Republic of South Africa for the repayment of the capital outstanding from time to time and payment of the interest thereon should the Issuer fail to meet its obligations thereunder;

AND WHEREAS the Minister of Water Affairs and Forestry, being empowered in terms of section 70(1)(a) of the Public Finance Management Act, 1999 (Act No. 1 of 1999) to issue the said guarantee on behalf of the Government of the Republic of South Africa, has decided with the concurrence of the Minister of Finance that the issue of such guarantee is in the public interest;

AND WHEREAS Deloitte and Touché are administering on behalf of the TCTA any claims arising from the instruments;

NOW THEREFORE I, Ronald Kasrils, in my capacity as Minister of Water Affairs and Forestry and acting in concurrence with Trevor Andrew Manuel, in his capacity as Minister of Finance, do hereby unconditionally and irrevocably guarantee to the registered holders of LHWP Loan Stocks that, in the event of the Issuer failing to fulfill its obligations under the said LHWP Loan Stocks, the Government of the Republic of South Africa undertakes to make payment of all amounts payable in terms thereof.

Minister of Water Affairs and Forestry • Minister of Finance and Treasurer

This Guarantee and the rights pursuant thereof are executed in favour of the holders of the said instrument and the Guarantor undertakes, upon default by the Issuer in the fulfillment of its obligations, to make payment of all amounts payable in terms hereof immediately upon receipt of a written request from Deloitte and Touché addressed to the Director-General: Water Affairs and Forestry, Sedibeng Building, 185 Schoeman Street, PRETORIA, 0002 or Private Bag X313, PRETORIA, 0001.

This Guarantee is in substitution of the Guarantees for:

- Loan nr 1 for an amount of R 5 000 million issued on 14 November 1993,
- Loan nr 2 for an amount of R 3 000 million issued on 13 November 1996, and
- Loan nr 3 for an amount of R 8 000 million issued on 13 November 1996

THUS DONE and signed at Cape Town this 8th day of March 2001.

R. Karo

MINISTER OF WATER AFFAIRS AND FORESTRY

AS WITNESSES:

1. *C. Kloos*

2. *Daw*

CONCURRED at CAPE TOWN this 8 day of MARCH 2001.

[Signature]
MINISTER OF FINANCE

AS WITNESSES:

1. *[Signature]*

2. *[Signature]*

[Stamp]
[Signature]
E. A. MASHINAGA

THIS DONE AND SIGNED AT Cape Town ON THE 28th DAY OF February 1997

AS WITNESSES:

- 1. [Signature]
- 2. [Signature]

[Signature]
PROFESSOR K. ASMAL
MINISTER OF WATER AFFAIRS
AND FORESTRY

THIS DONE AND SIGNED AT Cape Town ON THE 24th DAY OF April 1997

AS WITNESSES:

- 1. [Signature]
- 2. [Signature]

[Signature]
T. MANUEL
MINISTER OF FINANCE

AS WITNESSES:

- 1.
- 2.

.....
FOR AND ON BEHALF OF DBSA,
DULY AUTHORIZED THERETO IN
TERMS OF ANNEXURE 3
ATTACHED HERETO