

SALLIES



SALLIES LIMITED
ANNUAL REPORT 2010

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Corporate profile

Sallies was incorporated in 1903 as The South African Land and Exploration Company Limited to develop a gold mine on the East Rand. It has been listed since 1904 in the "Mining" sector of what is now known as the JSE Limited ("JSE"). Following the closure of all of its gold mining activities during the 1990s and the acquisition of the Witkop Fluorspar Mine near Zeerust in the Northwest Province of South Africa on 1 July 1999, Sallies has been producing and marketing acid grade fluorspar ("acidspars"). The Buffalo fluorspar tailings retreatment facility, situated on the original open-pit Buffalo Fluorspar Mine outside Mookgophong in the Limpopo Province of South Africa, was acquired in July 2006.

The bulk of Sallies' acidspars output is exported to produce hydrofluoric acid ("HF"). This product is converted into HFC refrigerant gases, fluoroplastics, aluminium tri-fluoride and products for niche markets.

Acidspars from Witkop is widely sought after due to the low levels of contaminants in its product. The Buffalo product contains a higher level of phosphorous and thus has a more restricted market.

Buffalo was mothballed during October 2008 due to market circumstances. Ongoing empirical test work to reduce the phosphorous content of its product is in progress. In addition, test work on the fines from the substantial aggregate dumps on the neighbouring property not owned by Sallies continues. If either of these projects proves successful, Buffalo could be re-opened, given suitable market conditions.

Mining operations at Witkop were suspended at the end of June 2009 due to market conditions. Limited production of metallurgical grade fluorspar and agricultural lime, previously considered by-products, continues in order to supply local customers. Witkop will re-open when the Rand price achievable for acidspars in the international markets recovers to an economic level.



The Board

Nicholas Davidoff (*Non-executive Chairman*) (29)

Nicholas is employed by New York based Firebird Management LLC, the corporation that controls, through two managed funds, 74% of the issued share capital of Sallies. His career has been spent in various investment management roles. He holds a BSM from Tulane University. Nicholas joined the Board on 22 October 2009.

Patrick Cooke (*Financial Director*) (57)

As a Chartered Accountant Patrick has worked as a management consultant with one of the large accounting companies as well as working for a merchant bank. He has been an executive director of three companies listed on the JSE and one listed on AIM of the London Stock Exchange and is currently a non-executive director of Great Basin Gold Limited. His industry experience is wide, having been involved in mineral exploration, information technology, wholesale fast moving consumer goods, financial services and professional services companies. Patrick joined the Board on 18 August 2009.

Andrew Kamau (*Non-executive independent Director*) (44)

Andrew is a Kenyan citizen resident in South Africa with considerable experience across the African continent in the last decade, having worked for multinationals in East Africa and major trading organisations in Europe. He is on the board of Kewberg Cables and Braids, a speciality cable manufacturer, and of Khulaco (Pty) Limited, one of the five private companies licensed to import petroleum into South Africa. He is also chairman of Komati Foundation, a non-profit organisation, working specifically with students and young professionals to nurture leadership skills and service ethics. Andrew joined the Board on 22 October 2009.

Jürgen Kögl (*Non-executive Director*) (54)

Jürgen is a director of African Renaissance Investments (Pty) Limited, the Black Economic Empowerment Partner of Sallies. He has experience in heavy engineering, financial markets and strategic consultancy. Jürgen holds degrees in civil engineering and economic history from the University of Cape Town. Jürgen joined the Board on 8 August 2008.

Stephen Morris (*Non-executive independent Director*) (45)

Stephen serves as the Chairman of Global Geothermal Limited. He is an executive director of Wasabi Energy Limited, a cleantech investment company listed on the Australian Stock Exchange. Stephen is an experienced venture capital investor, specialising in companies with a technology focus. He joined the Board on 18 August 2009.

Sandile Swana (*Non-executive independent Director*) (42)

Sandile has a BTh (Unisa), BCom (Wits), BCom Hons (Unisa) and an MBA (UP). He has worked for Anglo American, The New York Times, Caltex Oil, The Don Suite Hotels and Sable Data Works, and holds non-executive directorships in several JSE listed companies. He lectures part time at the Wits Business School. Sandile joined the Board on 14 November 2008.

Chairman's statement

SYNOPSIS

During the decade since the acquisition of Witkop Fluorspar Mine ("Witkop" or "WFM") by Sallies in 1999, the company has had a volatile business history as a fluorspar producer and the current reporting period must rank with the most turbulent eras of its history. Sadly, concerted management efforts to build a sound business and deliver value to shareholders have been thwarted by the 2008 global financial crisis. As a result, shareholders will again have to look to the future for returns from their investment.

In tandem with the general market collapse, demand for acid grade fluorspar evaporated as inventories were run down and consequently, in order to conserve cash for as long as possible, operations at Witkop were suspended on Friday, 26 June 2009. Operations at the Buffalo Fluorspar Mine ("Buffalo"), Sallies' other principal asset, were suspended in October 2008. In the event that Witkop were to be re-opened an injection of substantial working capital would be required.

FIREBIRD ACQUIRES CONTROL OF SALLIES

On Tuesday, 4 August 2009, Firebird Global Master Fund, Limited and its affiliate, Firebird Global Master Fund, Limited II, New York-based specialist hedge funds, (collectively "Firebird"), holders of Sallies shares since 2007, announced that they had brought their holding up to 63% at a price of 18 cps and intended acquiring additional shares via an offer to minorities at 18 cps. This offer was made on Tuesday, 2 September 2009 and was extended to the holders of convertible debentures ("CDs"), again at 18 cents per CD. The directors commissioned an independent assessment of this offer and recommended that the holders of ordinary shares should accept the offer, whereas the CD holders should not.

Subsequent to the share acquisitions mentioned above, Firebird voted against certain resolutions that were placed before shareholders at a Special General Meeting convened on Friday, 14 August 2009. The resolutions, relating to the revised Articles of Association, authority for the company to purchase its own shares and convertible debentures and the modification of the share options of Messrs Dale and Blersch, were not approved.

NEGOTIATIONS WITH AFRICAN RENAISSANCE INVESTMENTS (PROPRIETARY) LIMITED ("ARI")

ARI is Sallies' BEE partner. It is a wholly owned subsidiary of African Renaissance Holdings Limited, a company which is owned and managed by historically disadvantaged South Africans as defined in the Mineral and Petroleum Resources Development Act, 2002 (Act 28 of 2002) ("MPRDA").

During Q3 of F2006 Sallies entered into an agreement with ARI in terms of which Sallies sold to ARI a 30% undivided right to "the entire business undertaking in respect of the area over which Witkop holds old order mining rights..." This sale was subject to the fulfilment or waiver of certain conditions precedent. Some shortcomings had been identified in the structure of the transaction and the transaction has been restructured as announced to shareholders subsequent to year-end on SENS.

See Significant Post Year-End Events below.

MARKETING

During the year Witkop completed the delivery of the last remaining export orders received prior to the mothballing of the operation. No new export orders were accepted for either Buffalo or Witkop acid grade fluorspar.

Witkop sold 6 617 dry metric tonnes ("dmt") (2009: 6 995 dmt) into the domestic market during the year. No domestic sales were achieved by Buffalo. Post year-end Witkop received an order for 5 500 wet metric tonnes ("wmt") which will be delivered in October 2010. Production at Witkop was restarted for a short while to manufacture acid grade to supplement the stock on hand to complete this order.

The markets for acid grade fluorspar remain challenging with the spot price currently in a range of between USD280 and USD300 per wmt. The decision to commence production at the company's mines is dependent *inter alia* upon the USD price of acid grade, the Rand to USD exchange rate and the receipt of orders of sufficient volume and regularity. As of the date of this report these conditions are not met and the operations will remain on care and maintenance for the foreseeable future.

Chairman's statement

(continued)

OPERATIONS

No fatal accidents occurred at either operation during the review period.

Witkop

Consultation on retrenchments commenced on Monday, 29 June 2009. These matters were completed during the first quarter of F2010 and Witkop remains on care and maintenance.

Notarisation of new order mining rights for both Wintershoek (existing operations) and Buffelshoek (possible future operations) took place in June 2008. Registration of the rights for Buffelshoek was effected during F2009 and the registration of the rights for Wintershoek took place during F2010.

Buffalo

The Buffalo operations have been mothballed since October 2008. Empirical test work to reduce phosphorous levels in the fluorspar produced from tailings dams 5 and 6 is showing encouraging results. Should these tests show that the phosphorous content can be reduced to levels comparable to Witkop, Buffalo could re-open in order to treat material from these tailings dams.

Test work on extracting fluorspar from the fines in the aggregate dumps produced from the heavy medium separation circuits originally in use at the property, is in progress. If the results from this work are positive and negotiations with the owners, Rooiberg Stone, to secure this feed succeed, Buffalo could process this material in preference to that from tailings.

FINANCE

At 30 June 2010, net near cash was R25 million (F2009: R35 million). Operating loss from mining for F2010 was less than R1 million (F2009: profit R98 million). The loss before providing for the award to Honeywell International Inc ("Honeywell"), interest thereon, IFRS adjustments and the impairment of Buffalo assets was R56 million (F2009: R21 million profit), and the loss after taxation was R63 million (F2009: R53 million).

The Swiss Arbitral Tribunal dealing with the Honeywell arbitration awarded Honeywell USD1 243 824 (18% of their original claim) plus interest thereon at 5% per annum from 19 January 2006 to repayment, comprising a total of USD1 520 191 if paid by 30 June 2010. On 19 May 2009 Sallies lodged an application for a review of this award which appeal was unsuccessful. The Honeywell award and interest thereon is fully provided for in the financial statements. Subsequent to year-end Sallies and Honeywell have agreed to settle this award and interest through the issue of Sallies shares at 13.5 cents per share. See Post Year-End Events below.

Sallies has had a longstanding dispute with South African Revenue Service ("SARS") over VAT refunds of R3.2 million. Subsequent to year-end this matter was resolved and Sallies has received the majority of the VAT refunds due to it. Witkop is involved in various disputes with SARS over the refund of R6.7 million in income tax. Should Witkop be unsuccessful in all its disputes with SARS, SARS would have a claim against Witkop for R0.7 million before interest. This in turn would result in a charge to Witkop's income statement of R3.5 million before interest as Witkop carries R2.8 million pre-paid income tax on its balance sheet. This matter has been set down to be heard by the Tax Court in November 2010.

HUMAN RESOURCES

A small core team of technical and managerial specialists has been retained on site with the objectives of managing the responsibilities of a "mothballed mine" and retaining the core skills required for planning for the future and rapidly rebuilding the organisation, if and when this becomes appropriate.

OPERATIONS OUTLOOK

Witkop operates on a low grade highly variable deposit and as a result is a medium/high cost producer which is highly geared to the Rand fluorspar price. During the year the operational mining equipment and plant has been maintained and serviced and the operation can commence production within a relatively short period should the market environment improve.

Chairman's statement

(continued)

If the tests at Buffalo succeed in reducing the high phosphorous content in the fluorspar from tailings dams 5 and 6, or if fluorspar can be profitably extracted from the aggregate dump fines, initial calculations suggest that Buffalo could re-enter the market as a low/medium cost producer.

The market for acid grade fluorspar remains challenging. Although the price has improved during the year there is still no firm commitment to place orders of large enough volume to warrant recommissioning either plant.

In conclusion we thank all stakeholders in Sallies – shareholders, regulatory bodies, suppliers, our fellow directors and most importantly, managements, employees and their representatives at the operations – for their unstinting and selfless support during the year.

SIGNIFICANT POST YEAR-END EVENTS

Sallies, Witkop and Buffalo have entered into a collection of interrelated agreements in terms of which ARI will become a 26% beneficial shareholder in each of Witkop and Buffalo subject to *inter alia* shareholder approval. ARI will subscribe for shares in Witkop at an aggregate price of R83 million which funds Witkop will advance to ARI. This funding will be repaid from future dividends which will only be declared once all funds advanced by Sallies to Witkop have been repaid. ARI has undertaken that 31% of any funds received by it from Witkop will be distributed to the community from which Witkop draws its employees.

ARI will acquire from Sallies 26% of its shares in Buffalo at par for cash. Similarly, ARI has undertaken that 31% of any funds received by it from Buffalo will be distributed to the community from which Buffalo draws its employees.

Sallies will subscribe for preference shares in both Witkop and Buffalo which preference shares shall pay a dividend based on the after tax interest costs on the funds lent to Witkop and Buffalo respectively by Sallies.

As reported previously, the Swiss Arbitral Tribunal awarded Honeywell USD1 243 824 plus interest at 5% per annum. Honeywell and Sallies have entered into an agreement to settle the award and interest by the issue of Sallies shares. The shares will be issued at a price of 13.5 cents per share and the liability converted into Rands at an exchange rate of R7.2881 to the USD which equates to the issue of 82 335 700 ordinary shares. This issue is a specific issue of shares for cash and is permissible in terms of the general authority granted by Sallies shareholders.



Nicholas Davidoff

Chairman

Johannesburg
25 October 2010

Summary of financial performance

for the 5 years ended 30 June 2010

FINANCIAL	Unit	% change	2010	2009	2008	2007	2006
Revenue and profitability							
Mining revenue	R000	(75.9)	60 815	251 928	168 117	109 315	86 882
(Loss)/Profit from mining operations	R000	(100.2)	(205)	98 263	25 362	(7 233)	16 315
Loss before taxation	R000	(17.7)	(62 582)	(53 163)	(42 398)	(47 235)	(39 428)
Taxation	R000	-	-	-	-	5 600	1 644
Loss for the year	R000	(17.7)	(62 582)	(53 163)	(42 398)	(41 635)	(37 784)
Basic loss per share							
Undiluted	cents	(17.7)	(9.8)	(8.3)	(6.7)	(7.8)	(13.9)
Diluted	cents	(18.0)	(9.8)	(8.3)	(6.6)	(7.7)	(13.9)
Headline (loss)/profit per share							
Undiluted	cents	(478.3)	(8.7)	2.3	(7.0)	(7.8)	(14.4)
Diluted	cents	(478.3)	(8.7)	2.3	(6.9)	(7.8)	(14.4)
Revenue/total assets	%	(69.8)	34.7	115.1	66.1	53.0	51.2
Assets and liabilities							
Non-current assets	R000	(1.7)	102 561	104 292	161 804	156 616	82 668
Current assets	R000	(36.6)	72 609	114 546	92 561	49 556	87 155
Total assets	R000	(20.0)	175 170	218 838	254 365	206 172	169 823
Capital and reserves	R000	(63.1)	35 672	99 288	140 785	83 811	87 856
Non-current liabilities	R000	34.4	109 053	81 148	87 880	28 899	14 890
Current liabilities	R000	(23.3)	30 445	38 402	25 700	93 462	67 077
Total equity and liabilities	R000	(20.0)	175 170	218 838	254 365	206 172	169 823
Net asset value per share	cents		5.6	15.5	22.2	16.6	19.5
Interest bearing debt excluding debentures	R000		3 926	7 956	12 552	75 968	24 591
Interest bearing debt including debentures	R000		76 048	80 078	88 293	75 968	24 591
Net current assets	R000		42 164	76 144	66 861	(43 906)	20 078
Current ratio			2.4	3.0	3.6	0.5	1.3
Quick ratio			0.7	0.5	1.3	4.2	5.2
Ordinary shares and convertible debentures							
Issued shares at 30 June	000		642 220	642 220	634 981	547 876	450 064
Undiluted weighted average issued shares	000		642 220	640 725	631 272	536 580	271 263
Diluted weighted average issued shares	000		642 220	640 725	661 178	541 417	271 263
Convertible debentures of 50 cents each			144 244	144 244	151 483		
Cash flows							
Net cash (outflow)/inflow from operations	R000		(2 770)	39 802	(38 561)	(69 435)	5 288
Net cash inflow/(outflow) from investment	R000		470	(29 556)	(21 295)	(83 663)	(10 978)
Net cash (outflow)/inflow from financing	R000		(4 030)	(4 595)	114 090	64 184	73 754
Net (decrease)/increase in cash and cash equivalents	R000		(6 330)	5 651	54 234	(88 914)	68 064
Cash and cash equivalents at beginning of year	R000		31 031	25 380	(28 854)	60 060	(8 004)
Cash and cash equivalents at end of year	R000		24 701	31 031	25 380	(28 854)	60 060

Summary of operational and stock market performance

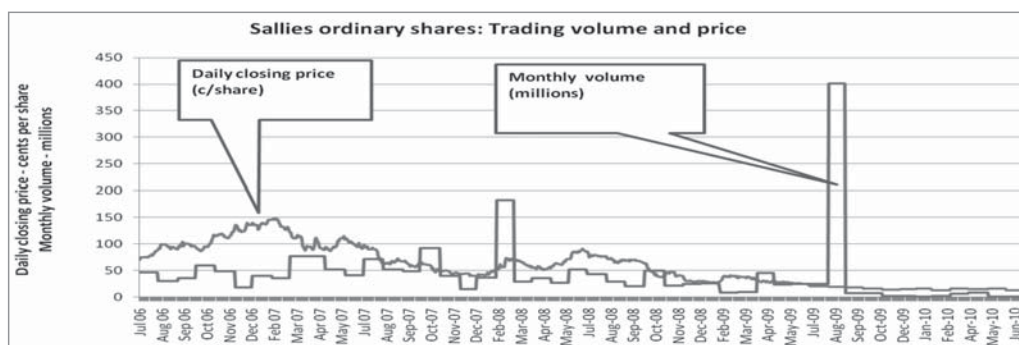
for the 5 years ended 30 June 2010

OPERATIONAL	Unit	% change	2010	2009	2008	2007	2006
Mining							
Ore mined	tonnes	(100.0)	–	1 512 545	1 556 472	1 831 155	1 469 002
Stripping ratio		(100.0)	–	0.77	0.29	0.31	0.58
Milling							
Ore milled	tonnes	(99.5)	6 609	1 384 955	1 520 579	1 569 361	1 205 680
Head grade	%	18.0	12.50	10.59	10.41	10.38	9.94
Fluorspar concentrate produced (wet metric tonnes)							
Acid grade	wmt	(100.0)	–	119 747	136 898	115 964	83 914
Metallurgical grade*	wmt	(70.0)	1 569	5 229	6 959	8 826	8 763
Fluorspar all grades	wmt	(98.7)	1 569	124 976	143 857	124 790	92 677
Sales (dry metric tonnes)							
Acid grade	dmt	(78.0)	21 209	96 210	118 479	92 310	85 625
Export	dmt	(79.2)	19 372	93 325	106 194	82 676	76 583
Local	dmt	(36.3)	1 837	2 885	12 285	9 634	9 042
Metallurgical grade*	dmt	16.3	4 780	4 110	6 098	6 395	7 439
Fluorspar all grades	dmt	(74.1)	25 989	100 320	124 577	98 705	93 064
Agricultural lime*	tonnes	126.0	50 435	22 321	40 000	–	20 000
Crushed stone*	tonnes	–	11 225	–	–	–	–

* previously considered by-products

STAFF	Unit	% change	2010	2009	2008	2007	2006
Employees at year-end	persons	(84.4)	52	334	446	360	252
Staff turnover	%	107.3	96.8	46.7	21.0	22.5	9.3

STOCK MARKET	Unit	% change	2010	2009	2008	2007	2006
Ordinary shares							
Market capitalisation at 30 June	R million	(42.9)	77.1	134.9	539.8	475.9	337.6
Shares in issue at 30 June	millions	–	642.2	642.2	635.0	506.3	450.1
Number of shares traded in year	millions	34.7	436.5	324.0	683.6	559.6	283.0
Highest price traded	cents	(74.4)	22	86	98	147	95
Lowest price traded	cents	(61.9)	8	21	36	70	31
Closing price	cents	(42.9)	12	21	85	94	75
Value of transactions in year	R million	(45.1)	77.5	141.2	436.8	589.8	195.5
Shares traded/shares in issue at year-end	%	34.7	68.0	50.5	107.7	110.5	62.9
Convertible debentures							
Market capitalisation at 30 June	R million	(36.0)	23.1	36.1	128.7		
CDs in issue at 30 June	millions	–	144.2	144.2	151.4		
Number of CDs traded in year	millions	(12.6)	58.8	67.3	5.7		
Highest price traded	cents	(57.8)	35	83	94		
Lowest price traded	cents	(50.0)	12	24	58		
Closing price	cents	(36.0)	16	25	85		
Value of transactions in year	R million	(59.4)	14.0	34.5	4.4		
CDs traded/CDs in issue at year-end	%	(12.6)	40.8	46.7	3.8		



Corporate governance

With effect from 1 July 2009 the company has complied with the Code of Corporate Practices and Conduct as set out in the King II Report with the exception of the composition of the Board since 22 October 2009. Until that date Fred Roux, an independent non-executive director, held the office of Chairman. Nicholas Davidoff, an executive of the company's major shareholder and therefore not independent, has held office since that date. The independent non-executive directors constitute the majority of the Board. Emphasis is placed on good governance; directors are guided by a Board Charter, the Articles of Association and the Code of Ethics. Furthermore one of the Audit Committee members is not classed as independent given his directorship of Sallies' BEE partner.

The Board is in the process of assessing the principles of the King III Report which took effect in March 2010, the implementation of which will be reported on in the next annual report.

PREPARATION OF ANNUAL FINANCIAL STATEMENTS

In terms of the Companies Act of South Africa, the directors are responsible for the preparation of annual financial statements which fairly present the financial position of the company and the group as at the end of the financial year, the comprehensive statements of income, cash flow and changes in shareholders' equity for the year under review, in accordance with International Financial Reporting Standards.

The group's independent external auditors are responsible for examining and reporting to shareholders their opinion on the annual financial statements of the company and its subsidiaries and for performing an audit in accordance with International Standards on Auditing.

The directors consider that, in preparing the annual financial statements in accordance with International Financial Reporting Standards, the group has used appropriate accounting policies supported by reasonable and prudent judgement and estimates and that all applicable accounting standards have been followed.

BOARD AND COMMITTEE STRUCTURE

For the first four months of the year under review the company's Board comprised seven directors, five of whom were non-executive. BC Esterhuyzen (non-executive) and TG Dale (CEO) resigned on 22 October 2009; DGJ Kerrison and F Roux (both non-executive) were removed and N Davidoff and A Kamau were elected in their stead in terms of shareholders' resolutions on the same day. On 31 January 2010 J Blersch resigned whereupon PR Cooke assumed the position of Financial Director. Since 22 October 2009 the role of Chief Executive Officer has not been filled. The Board is satisfied that, given the mothballed state of the two operations, Patrick Cooke, as the sole executive director, adequately manages the group with the assistance of the executive committee comprising the general managers of the two operating units and the group financial manager.

All directors are subject to retirement by rotation and re-election by the shareholders at least once every three years in accordance with the company's Articles of Association. Furthermore, all directors are subject to re-election by shareholders at the first annual general meeting following their appointment.

The Board is in control of the group and meets every third month to review strategy, planning, funding requirements, operational and financial performance, acquisitions and disposals, major capital expenditure, stakeholder communication and other material matters.

Directors have access to the advice of the company secretary, who is responsible to the Board for ensuring compliance with procedures and regulations of a statutory nature. Directors are further entitled to obtain independent professional advice concerning the affairs of the group at the group's expense, should they think it would be in the best interest of the group.

No formal nominations committee has been established: the Board as a whole is responsible for new appointments. The process is concluded in a formal and transparent manner.

Board attendance during the year under review:			Meetings	
Director	Designation	Date appointed	attended	Comments
FJP Roux	Non-executive Chairman	1 July 2008	1/1	Removed 22 October 2009
TG Dale	Chief Executive Officer	16 February 2007	1/1	Resigned 22 October 2009
N Davidoff	Non-executive Chairman	22 October 2009	5/5	
J Blersch	Financial Director	16 February 2007	4/4	Resigned 31 January 2010
PR Cooke	Financial Director	18 August 2009	6/6	Non-executive until 31 January 2010
BC Esterhuyzen	Non-executive director	27 June 2007	1/1	Resigned 22 October 2009
DGJ Kerrison	Non-executive director	14 November 2008	0/1	Removed 22 October 2009
SP Morris	Non-executive director	18 August 2009	5/6	
J Kögl	Non-executive Director	8 August 2008	6/6	
S Swana	Non-executive Director	14 November 2008	6/6	
A Kamau	Non-executive Director	22 October 2009	5/5	

Corporate governance

(continued)

EXECUTIVE COMMITTEE (“EXCO”)

An Executive Committee reviews operational and financial results on a monthly basis. Minutes of the meetings of the Executive Committee are sent to the non-executive directors upon approval.

Members of the committee during the year were:

- £ CH Badenhorst (General Manager: Witkop until resignation 31 January 2010)
- £ NA Bleeker (Acting General Manager: Witkop, from February 2010)
- £ J Blersch (Financial Director until resignation 31 January 2010) (Chairman of Exco)
- £ PR Cooke (following appointment as Financial Director 31 January 2010) (Present Chairman of Exco)
- £ J Cronje (Group Financial Manager)
- £ TG Dale (Chief Executive Officer, until resignation 22 October 2009)
- £ HN du Plessis (Manager: Buffalo)

Subsequent to 30 June 2010 G Clarke was appointed as General Manager and replaced NA Bleeker on the committee.

AUDIT AND RISK COMMITTEE

Appointments to the committee are made by the Board. The primary responsibility of the Audit and Risk Committee is to assist the Board of Sallies in carrying out its duties relating to accounting policies, internal control, financial reporting practices and identification of exposure to significant risks. The committee is satisfied that the experience and expertise of the Financial Director is appropriate and that the auditor is independent of the company. The committee sets the principles for recommending the use of the external auditors for non-audit services.

During the year under review the Audit and Risk Committee has duly complied with its terms of reference and has had three meetings with full attendance.

The group does not have a separate risk committee, as all risk matters are addressed by the Audit and Risk Committee. The Audit and Risk Committee recommends the risk review and risk evaluation to the Board.

Members of the committee during the year were:

- £ S Swana* (Chairman) (Attended three meetings)
- £ FJP Roux* (until termination on 22 October 2009; attended one meeting)
- £ J Kögl (Attended three meetings)
- £ A Kamau* (appointed 22 October 2009; attended two meetings)

* *Independent*

The committee members have considerable knowledge and experience to guide the Board and oversee the company in respect of the audit and corporate governance disciplines.

RISK MANAGEMENT

The group risk management strategy requires that management focuses on identifying all known forms of risk within the group. These risks are then assessed taking into account the severity of the impact on the group’s business if such identified risks were to materialise. Once the impact of such a risk is determined the necessary steps can be taken to mitigate against its occurrence, as well as steps to reduce the impact on the group should such an event occur. The preferred mitigation measure is the provision of adequate insurance cover against either destruction or damage to assets as well as the cumulative effect on revenue.

Management of risk requires a perpetual appraisal of identified risks and the assessment of the business to determine whether any new risks have arisen and whether any risks have been reduced or eliminated. This continual managing and monitoring of risk is undertaken in conjunction with the company’s insurance brokers and underwriters. Their independent assessment creates a valid yardstick by which the company is able to determine how well it is managing risk compared to its contemporaries in the mining industry.

Sallies’ operations fall under the jurisdiction of South African legislation and are subject to numerous Acts and Regulations. In addition the operations themselves, even under care and maintenance, are subject to mine standards and internal codes of practice which cover in detail the ways in which certain activities need to be performed in order to be safe and reliable. These codes are regularly updated to take into account changes in working conditions and the experiences of others in the industry.

Key policies, systems and procedures have been created to manage operating risk, particularly the risk related to the accurate and timely creation of management information.

REMUNERATION COMMITTEE

The group has no formal remuneration committee. At present remuneration of the executive director is handled by the non-executive directors present at the relevant Board meeting.

Directors’ fees and share options granted to executive directors are approved by shareholders in general meeting.

Corporate governance

(continued)

SAFETY, HEALTH, ENVIRONMENTAL AND QUALITY MANAGEMENT (“SHEQ”)

The group has an outsourced primary healthcare function, and all employees have freedom of choice to belong to a medical aid scheme. An occupational health nurse is employed while the function of occupational hygienist is outsourced to a consultant, who visits the mines monthly when the mine is operational, and who compiles the required statutory reports. Retrenched workers are encouraged to visit the nurse who conducts regular clinics in Zeerust.

The potential impact of HIV/AIDS on the workforce is recognised. The mine’s AIDS policy, which was established in 2000, is suspended in view of the suspension of operations but will be revived on resumption of mining operations, with awareness campaigns on an ongoing basis.

A SHEQ manager is appointed and responsible at group level to drive goal setting, strategy development, and performance management, reporting and to monitor and review SHEQ performance.

The group has an integrated SHEQ management system. An external SHEQ audit is done periodically by an international accredited company. This has also been temporarily been suspended.

A joint health and safety committee has oversight of safety, health, environmental and quality performance. Injuries sustained by employees or contractors are investigated thoroughly to prevent recurrence.

No fatal accidents were reported for the year under review. Safe working practices are pursued as a priority above other operational objectives.

Environmental management is implemented as per the approved Environmental Management Programme and forms part of the SHEQ manager’s function.

In August 2008, Witkop re-submitted its application for an Integrated Water Use Licence to the Department of Water Affairs and Forestry (“DWAF”), as prescribed by the National Water Act, 1998 (Act 36 of 1998). Subsequently the DWAF requested additional information which has been supplied. The licence is expected to be issued shortly.

INTERNAL CONTROL

The directors are responsible for maintaining adequate and appropriate accounting records and have the general responsibility for taking reasonable steps to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

In view of the size of the operation and the close control exercised by senior management, it is not considered appropriate to establish a separate internal audit function.

WORKER PARTICIPATION

Until suspension of operations the managements of Witkop Fluorspar Mine and Buffalo Fluorspar each met regularly with representatives of The National Union of Mineworkers as well as with Solidarity representatives in the case of Witkop, together with shop stewards of these unions to share information and address matters of mutual interest.

RELATIONSHIPS WITH STAKEHOLDERS

The group is subject to the JSE Listings Requirements regarding confidential information during closed periods, directors’ share dealings and SENS reports.

The group subscribes to open communications with its stakeholders. Investors and shareholders may direct their comments and questions on issues regarding the group to the management of the company. The company further encourages shareholders to attend its general meetings including the annual general meeting, which provide an opportunity to address questions to the Board.

CODE OF ETHICS

The group has adopted a code of ethics in terms of which directors and employees are required to maintain the highest ethical standards in order to ensure that the group’s business practices are conducted in a manner that is beyond reproach.

Approval of financial statements

The annual financial statements for the company and the group for the year ended 30 June 2010 set out on pages 12 to 51 were approved by the Board of Directors on 25 October 2010 and are signed on its behalf by:



Nicholas Davidoff
Chairman



Patrick Cooke
Financial Director

25 October 2010

Declaration by company secretary

In my capacity as company secretary, I hereby confirm, in terms of the Companies Act, that for the year ended 30 June 2010, the company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of this Act and that such returns are true, correct and up to date.



Richard O'Callaghan
Company secretary

25 October 2010

Report of the independent auditors



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South Africa

TO THE MEMBERS OF SALLIES LIMITED

We have audited the group annual financial statements and annual financial statements of Sallies Limited, which comprise the consolidated and separate statements of financial position as at 30 June 2010, and the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the directors' report, as set out on pages 12 to 51.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, these financial statements present fairly, in all material respects, the consolidated and separate financial position of Sallies Limited as at 30 June 2010, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

EMPHASIS OF MATTER

Without qualifying our opinion above we draw your attention to the paragraph in the directors' report regarding the ability of the company and group to continue as a going concern.

BDO South Africa Incorporated

BDO South Africa Incorporated

Registered Auditors

Per J Lemmer

25 October 2010
Johannesburg

Directors' report

BUSINESS ACTIVITIES

The predominant business of the Sallies group is the production and marketing of acid grade fluorspar and the exploration for additional fluorspar resources.

The company was incorporated in 1903 to mine gold on the East Rand. It has been listed since 1904, making it the longest standing listed company on the Johannesburg Stock Exchange. It ceased mining for gold during the 1990s. The original name, The South African Land and Exploration Company Limited, was changed to Sallies Limited in 1999.

On 1 July 1999, the company acquired the Witkop Fluorspar Mine situated near Zeerust in the North West Province of South Africa. It produces acid grade fluorspar concentrates from opencast mining, predominantly for export. It also produces some metallurgical grade fluorspar and agricultural lime for the local market. This mine was placed on care-and-maintenance on 26 June 2009 and export and local orders are being filled from stock on hand supplemented where necessary by small scale production.

On 31 July 2006 the Buffalo tailings retreatment operation, situated at the original open-pit Buffalo Fluorspar Mine outside Mookgophong in the Limpopo Province of South Africa, was acquired from Transvaal Mining and Finance Company Limited. This operation produces acid grade fluorspar for the export market but was placed on care-and-maintenance on 10 October 2008.

FINANCIAL RESULTS

During the year under review the group made a loss before taxation of R62.6 million (F2009: loss of R53.2 million).

The operating profit from mining regressed by R98.5 million, from R98.3 million profit in F2009 to a loss of R0.2 million in F2010.

The loss before providing for the Honeywell award, interest thereon, notional interest on the convertible debentures, share-based payments and tax was R51.5 million (F2009: profit of R44.4 million).

Composition of results R000	F2010	F2009	Change F2010 from F2009 (%)
Witkop	2 035	104 398	(98.1)
Buffalo	(1 149)	3 124	(136.8)
Forex losses	(1 091)	(9 259)	88.2
Operating (loss)/profit from mining activities	(205)	98 263	(100.2)
Legal fees	(546)	(3 934)	86.1
Other administration expenses	(37 444)	(42 170)	11.2
Finance costs	(13 335)	(7 775)	58.7
(Loss)/ Profit before Honeywell, notional interest, share-based payments and the Buffalo impairment	(51 530)	44 384	(213.8)
Honeywell award and interest thereon	(464)	(11 284)	95.9
Notional interest on convertible debentures	(3 204)	(2 892)	(10.8)
Share-based payments	(920)	(8 779)	89.5
(Loss)/Profit before the Buffalo impairment	(56 118)	21 429	(357.2)
Impairment of Buffalo's assets	(6 464)	(74 592)	91.3
Loss for the year	(62 582)	(53 163)	(15.8)

The operating results for the year under review are fully disclosed in the attached audited financial statements.

GOING CONCERN

The dump retreatment operation at Buffalo was placed on care-and-maintenance on 10 October 2008.

Witkop ceased mining and processing on 26 June 2009.

At present the operations at Buffalo and Witkop only employ key staff required to:

- £ deliver the remaining export orders;
- £ process in-stock fluorspar for the local market;
- £ keep the mothballed operations in a condition to ensure that a restart of operations can be done efficiently if and when needed;
- £ rebuild the organisation if and when the international market for acid grade fluorspar recovers.

Witkop will recommence production once it is able to attract sufficient orders at economic prices. Buffalo is evaluating alternative sources of feedstock and new production processes which could improve the quality of its end product and reduce the cost thereof to levels that could enable it to operate profitably, even at the depressed prevailing price levels for acid grade fluorspar in the international markets.

Directors' report

(continued)

The monthly costs of keeping the operations mothballed are consuming the group's working capital. The group will need to replenish its working capital if and when it recommences production. Such recommencement could create as many as 300 new jobs and it is reasonable to expect that the working capital could be borrowed, provided that the feasibility study, which will shortly be prepared by the remaining staff, confirms its viability.

As disclosed under the Subsequent Events Note, Sallies has agreed to issue shares to Honeywell in settlement of the award and the interest liability and has concluded an agreement to dispose of certain properties for an estimated R3.5 million.

The 10% interest on the 144 million unsecured unsubordinated convertible debentures of R0.50 each in issue is payable at the end of June and December at R3.6 million per payment and, if not converted earlier, the convertible debentures are repayable in an amount of R72 million on 31 December 2012. Unless the group can fund these payments from profits earned from recommenced operations, fresh equity will have to be raised to meet these obligations.

The net realisable value of Sallies assets as estimated by mine management net of its liabilities at 30 June 2010 covered the par value of the debentures by a significant margin.

Against this background, the directors are of the opinion that the Sallies group is a going concern for the foreseeable future as it has adequate cash resources to meet all its commitments until at least the end of F2011.

PROPERTY, PLANT AND EQUIPMENT

There has been no change in the nature of property, plant and equipment, nor any change in policy relating to the use thereof.

SHARE CAPITAL

The table below shows the movement of share capital during the year:

Share capital movement Issued	Number of shares (000)	2010 Share capital (R000)	Share premium (R000)	Number of shares (000)	2009 Share capital (R000)	Share premium (R000)
Balance at beginning of year	642 220	642	284 145	634 981	635	280 418
Debentures converted	-	-	-	7 239	7	3 727
Balance at end of year	642 220	642	284 145	642 220	642	284 145

Ordinary shareholders	Number of shareholders	2010 Quantity (millions)	(%)	Number of shareholders	2009 Quantity (millions)	(%)
Public	2 837	157.2	24.5	3 674	415.8	64.7
Non-public	1	485.0	75.5	6	226.4	35.3
Directors	-	-	-	2	<0.1	<0.1
Directors' associates	-	-	-	2	1.0	<0.1
Strategic holdings (more than 10%)	1	485.0	75.5	2	225.4	35.3
Total	2 838	642.2	100.0	3 680	642.2	100.0

Convertible debentures	Number of holders	2010 Quantity (millions)	(%)	Number of holders	2009 Quantity (millions)	(%)
Public	737	60.8	42.2	965	56.8	39.4
Non-public	1	83.4	57.8	5	87.4	60.6
Directors	-	-	-	1	<0.1	<0.1
Directors' associates	-	-	-	1	<0.1	<0.1
Strategic holdings (more than 10%)	1	83.4	57.8	3	87.4	60.6
Total	738	144.2	100.0	970	144.2	100.0

Directors' report

(continued)

MAJOR SHAREHOLDERS

According to the company's share register and declarations made by directors and nominees at 30 June 2010, the following beneficial shareholder held shares in excess of 5% of the ordinary share capital and convertible debentures of the company:

Shareholder	2010		2009	
	Number of shares/ debentures (millions)	% of issued share capital/ debentures in issue	Number of shares/ debentures (millions)	% of issued share capital/ debentures in issue
Firebird Management LLC:				
Ordinary shares	485.0	75.5	158.9	24.7
Debentures	83.4	57.8	29.1	20.2

DIRECTORS' INTEREST IN SHARE CAPITAL

At 30 June 2010 and at the date of this report, the directors' interest in the share capital was as follows and there have been no subsequent changes.

(000)	2010		2009	
	Shares	Debentures	Shares	Debentures
Direct beneficial				
BC Esterhuyzen	–	–	25	6
DGJ Kerrison	–	–	130	–
Sub-total	–	–	155	6
Indirect beneficial				
BC Esterhuyzen	–	–	63	15
DGJ Kerrison	–	–	807	–
Sub-total	–	–	870	15
Total	–	–	1 025	21

DIRECTORS' INTEREST IN TRANSACTIONS

None of the directors has any interest in any transaction, direct or indirect, which is material to the business of Sallies Limited and which was effected by Sallies Limited or its subsidiaries:

£ during the current or immediately preceding financial year; and there have been no subsequent changes;

£ during an earlier financial year that remain in any respect outstanding or unperformed.

DIRECTORS' EMOLUMENTS

The following emoluments were paid and accrued to directors and key managers during the year:

(R000)	Basic salary	Directors' fees	Total emoluments
2010			
Executive			
£ PR Cooke	500	54	554
£ J Blersch	1 547	–	1 547
£ TG Dale	500	–	500
Non-executive			
£ N Davidoff	–	173	173
£ BC Esterhuyzen	–	37	37
£ DGJ Kerrison	–	37	37
£ A Kamau	–	83	83
£ J Kögl	–	120	120
£ S Morrison	–	104	104
£ FJP Roux	–	77	77
£ S Swana	–	120	120
Total	2 547	805	3 352

Directors' report

(continued)

The following emoluments were paid and accrued to directors during F2009:

(R000)	Basic salary	Notional (non-cash) value of share-based payments*	Directors' fees	Total emoluments
2009				
Executive				
£ TG Dale	1 200	3 389	–	4 589
£ J Blersch	1 200	3 389	–	4 589
Non-executive				
£ BC Esterhuyzen	–	–	120	120
£ DGJ Kerrison	–	–	75	75
£ J Kögl	–	–	115	115
£ Dr VE Msibi	–	–	5	5
£ FJP Roux	–	–	250	250
£ S Swana	–	–	75	75
Total	2 400	6 778	640	9 818

SHARE INCENTIVE SCHEME

The Sallies Limited Share Incentive Scheme was adopted on 10 November 1999 and The Sallies Limited Share Incentive Scheme Trust was established during December 1999 to implement the scheme. At all times the number of shares and options under the control of the trust shall not exceed 10% of the number of ordinary shares in issue and the maximum granted to a single participant shall be limited to 1% of the number of ordinary shares in issue. At the end of the year 60 822 000 options were available to be granted (2009: 53 853 000).

Number of share options (000)	2010	2009
Opening balance	10 369	5 656
Share options granted during the year	–	9 400
Share options cancelled	(6 969)	(4 687)
Balance at end of year	3 400	10 369
Maximum number of options that may be issued	60 822	53 853

Management (000)	Options over shares						Balance at 30 June 2010
	Balance at 30 June 2008	New 2009	Cancelled 2009	Balance at 30 June 2009	New 2010	Cancelled 2010	
Directors of subsidiaries	4 687	4 500	(4 687)	4 500	–	–	–
£ CH Badenhorst	–	3 000	–	3 000	–	(3 000)	–
£ GP Bleeker	–	1 500	–	1 500	–	(1 500)	–
£ IJ Marais	4 687	–	(4 687)	–	–	–	–
Employees	969	4 900	–	5 869	–	(2 469)	3 400
Total	5 656	9 400	(4 687)	10 369	–	(6 969)	3 400

Directors' report

(continued)

Management (000)	Options over convertible debentures		Options over convertible debentures		Balance at 30 June 2010
	Balance at 30 June 2008	Cancelled 2009	Balance at 30 June 2009	Cancelled 2010	
AB Smal	232	-	232	(232)	-
Total	232	-	232	(232)	-

OPTIONS GRANTED TO MESSRS DALE AND BLERSCH (NOT IN TERMS OF THE SHARE INCENTIVE SCHEME)

Options over ordinary shares were granted to TG Dale and J Blersch, former CEO and Financial Director respectively, in F2008 and approved by shareholders on 27 February 2008. Options over 4 504 005 convertible debentures to each of Messrs Dale and Blersch at a strike price of 50 cents were proposed in F2009 but not granted.

The options over the ordinary shares became exercisable in July 2009 as a result of the change in control of the company.

Number of options (000)	TG Dale	J Blersch	Total
Options over ordinary shares granted during F2008	18 769	18 769	37 538

The options remain exercisable until 22 October 2011 (Dale) and 31 January 2012 (Blersch) being the second anniversary of termination of service.

DIRECTORS

The directors in office during the year under review were:

Dr FJP Roux*† (Chairman)	Appointed 1 July 2008, removed by shareholders' resolution 22 October 2009
N Davidoff* (Chairman)	Appointed 22 October 2009
TG Dale (Chief Executive Officer)	Appointed 16 February 2007, resigned 22 October 2009
J Blersch (Financial Director)	Appointed 16 February 2007, resigned 31 January 2010
BC Esterhuyzen*†	Appointed 27 June 2007, resigned 22 October 2009
J Kögl*	Appointed 8 August 2008
DGJ Kerrison*†	Appointed 14 November 2008, removed by shareholders' resolution 22 October 2009
S Swana*†	Appointed 14 November 2008
SP Morris*†	Appointed 18 August 2009
PR Cooke	Non-executive, independent from date of appointment (18 August 2009) until appointment as financial director on 31 January 2010
A Kamau*†	Appointed 22 October 2009

*Non-executive †Independent

SECRETARY

The company secretary is RS O'Callaghan.

Postal address: PO Box 2889, Saxonwold, 2132

Physical address: 86, 8th Avenue, Parktown North, 2193

BORROWINGS

Borrowings are limited to convertible debentures and finance leases as described in notes 18 and 20 to the financial statements.

The company's Articles of Association place no restriction on the directors' borrowing powers.

DIVIDENDS

No dividends were declared or are proposed in respect of the company's financial year ended 30 June 2010 (30 June 2009: Nil).

SUBSEQUENT EVENTS

Sallies, Witkop and Buffalo have entered into a collection of interrelated agreements in terms of which ARI will become a 26% beneficial shareholder in each of Witkop and Buffalo subject to shareholder approval. ARI will subscribe for shares in Witkop at an aggregate price of R83 million which funds Witkop will advance to ARI. This funding will be repaid from future dividends which will only be declared once all funds advanced by Sallies to Witkop have been repaid. ARI has undertaken that 31% of any funds received by it from Witkop will be distributed to the community from which Witkop draws its employees.

Directors' report

(continued)

ARI will acquire from Sallies 26% of its shares in Buffalo at par for cash. Similarly, ARI has undertaken that 31% of any funds received by it from Buffalo will be distributed to the community from which Buffalo draws its employees.

Sallies will subscribe for preference shares in both Witkop and Buffalo which preference shares shall pay a dividend based on the after tax interest costs on the funds lent to Witkop and Buffalo respectively by Sallies.

As reported previously, the Swiss Arbitral Tribunal awarded Honeywell USD1 243 824 plus interest at 5% per annum. Honeywell and Sallies have entered into an agreement to settle the award and interest by the issue of Sallies shares. The shares will be issued at a price of 13.5 cents per share and the liability converted into Rands at an exchange rate of R7.80 to the USD which equates to the issue of 83 million shares. This issue is a specific issue of shares for cash and is permissible in terms of the general authority granted by shareholders.

MINERAL RESOURCES AND MINERAL RESERVES

Witkop Fluorspar Mine

The mineral resources for the Witkop Fluorspar Mine have been estimated by Peter Siegfried, Principal Geological Consultant with GeoAfrica Prospecting Services cc. Peter is a geologist registered with the Australian Institute of Mining and Metallurgy (registration number 221116). Written representation was obtained from him that the summary below has been defined according to the guidelines of the SAMREC Code and may be published.

The mineral reserve was undertaken by Coffey Mining. The Competent Person is Mr Ken Lomborg (Pr.Sci.Nat.) (Reg. No 400038/01), Principal Consultant Resources with the firm of Coffey Mining (Pty) Limited of 604 Kudu Avenue, Allen's Nek 1737, Gauteng, South Africa.

Mr Lomborg has some 25 years' experience in the minerals industry. He has been involved in exploration and mine geology and has had the privilege of assisting in bringing a mine to full production. His expertise is especially in the project management, mineral reserve and resource estimation.

Mr Lomborg has undertaken mineral resource and reserve estimations and reviews for platinum, gold, copper, uranium and fluorite projects. He has assisted with the reviews or estimation of diamond and coal projects. He has assisted or compiled Competent Person's Reports/NI 43-101 for various projects that have been listed on the TSX, JSE and AIM stock exchanges.

	30 June 2010		30 June 2009	
	Tonnage (mt)	CaF ₂ (%)	Tonnage (mt)	CaF ₂ (%)
Summary of Mineral Resources				
Measured resources	19.97	11.60	16.90	15.50
Indicated resources	33.11	13.80	29.00	14.10
Inferred resources	2.27	31.50	22.40	13.00
	55.35	13.73	68.30	14.10
Summary of Mineral Reserves				
Probable reserves	16.10	10.30	1.05	29.3
Proved reserves	–	–	19.80	11.9
	16.10	10.30	20.85	12.78

Mineral Resources are reported inclusive of mineral reserves.

Note: Mineral resources are estimates for which uncertainties are conveyed through rounding of the figures presented in the table.

The majority of the decrease in Inferred resource was due to the previous interpretation in which assumptions were made regarding the presence of fluorite which does not exist. The Indicated and Measured resources have both increased using a tighter borehole spacing and hence better confidence in the original data.

The revision of the mineral reserve is part of a process that included a revised mineral resource estimate completed in January 2010 and a new mine plan in May 2010. In addition the current economic situation and the suspension of operations at Witkop have been considered in classifying the mineral reserve as probable.

A material factor that could impact this statement is *inter alia*, that Witkop, in the period March to September 2009, implemented a reverse circulation drill programme with state of the art sampling equipment to drill in between the original 25m x 50m grid in the current mining area.

Directors' report

(continued)

As the results of this programme are analysed the conclusions will be incorporated in the Witkop geological model. Further in-fill drilling will be done when the mine re-opens.

Witkop has converted its mining licence held under the Minerals Act to new order mining rights under the MPRDA for the Wintershoek and Buffelshoek deposits. Witkop owns the surface rights to all the properties held under the mining licences. There are no legal proceedings against Witkop that could influence the right to explore or exploit fluorspar on these properties.

Rehabilitation and mine closure

As of 30 June 2010, the environmental and decommissioning liability (rehabilitation, pollution controls and mine closure) for Witkop is estimated at R23 029 400 with the decommissioning obligation estimated at a further R2 762 000. The total rehabilitation and decommissioning obligation costs of R7 465 000 have been estimated by Digby Wells and Associates using guidelines for the calculation of rehabilitation and closure costs published by the Department of Mineral Resources ("DMR"). The DMR has approved the rehabilitation plan used as the basis of the calculation. The mine has made financial provision in the form of a guarantee from an insurance company in the order of R1 932 000. The investments are ceded to Lombard Insurance Co Limited who have in turn issued a R2.2 million guarantee to the DMR on behalf of Witkop in respect of the mine's rehabilitation obligations. This guarantee expires on 31 July 2011. Currently a further R50 000 is invested monthly.

Rehabilitation is an ongoing process whereby worked out areas are rehabilitated as part of the normal production process, the costs of which are accounted for as production costs. The estimated cost of rehabilitation and decommissioning is reviewed annually and adjusted as appropriate. Rehabilitation costs are not reduced by the potential proceeds from the sale of assets or from plant clean-up at closure, in view of the uncertainty of estimating the potential future proceeds.

Geological setting

Fluorspar mineralisation at the Witkop and surrounding areas is hosted in the middle Frisco Formation that occurs near the top of the Malmani dolomite sequence of the Chuniespoort Group of the Transvaal Supergroup. The most important mineralisation type, termed the Main Mineralised Zone, occurs in a distinctive Conophyton stromatolite zone which lies near the base of the Middle Frisco Formation of the Malmani dolomite. The fluorite at WFM is considered to be a Mississippi Valley type of deposit.

Mineral resource estimation

A total of 780 drill holes were used in the mineral resource estimation comprising 174 diamond drill holes and 606 percussion holes. Twenty eight (28) areas underlain by the Algal Ore were delineated. A further eight (8) areas of Wad Ore were delineated. The areas are defined by location and Calcium Fluoride ("CaF₂") grades observed in the raw assay data with areas excluded being identified as previously mined or sterilised as a result of surface infrastructure.

The borehole data relating to each of these areas was selected. Within each area the mining cut was selected based on a 9% CaF₂ grade over a minimum width of 2m. The assay data for each borehole was composited to a single CaF₂ value.

Wad Ore and Algal Ore data were separated in the compositing process. Where mineral resources for Wad Ore are being estimated, the Algal Ore data was filtered out.

The estimation was undertaken utilising the composites and effectively creating a geological model based on the top and bottom of the composites. The underlying assumption is that the mineralisation represented by the composites is continuous. The grade was then determined by averaging the intersections in this area. The estimation utilised an Inverse distance Weighted (Cubed) method.

Mineral reserve estimation

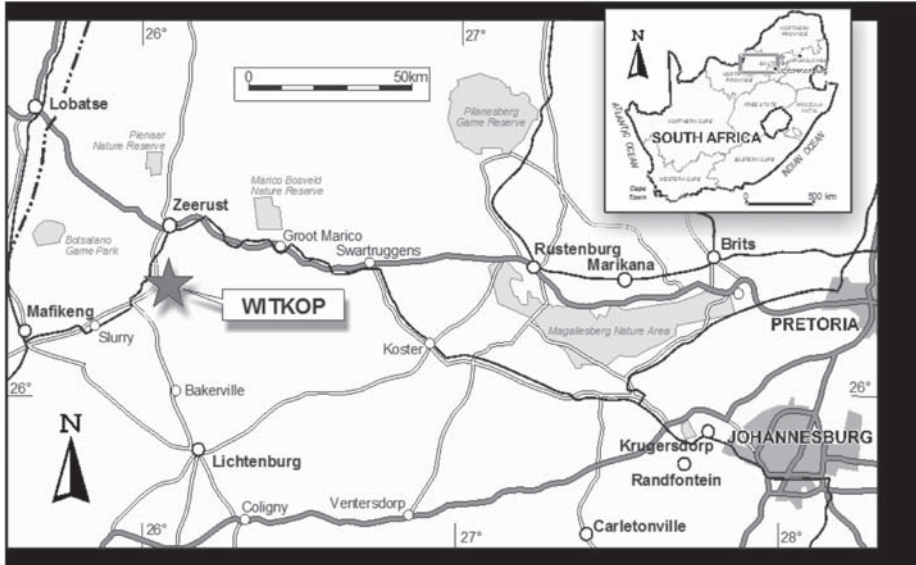
The modifying factors as applied to the mineral resources in the estimation of the mineral reserves have been determined from historical results and the FY2011 business plan. The following parameters (modifying factors) were used:

- £ A mining and geological loss of 5% has been applied; this is mainly due to mineralised material being either lost during drilling and blasting operations, loading and hauling, or for material left behind.
- £ A dilution is estimated at 17.5% at a grade of 4% CaF₂.
- £ Overall plant recovery of 77%.

Directors' report

(continued)

Location of Witkop Fluorspar Mine

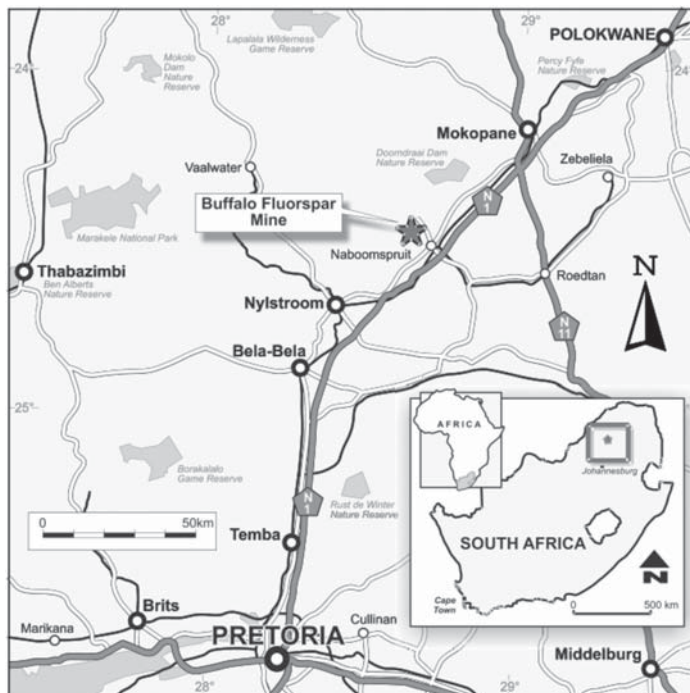


Buffalo Fluorspar Mine

At Buffalo Fluorspar Mine operations were suspended on 10 October 2008. Since no processing of tailings dumps 5 and 6 has taken place, the figures shown below have been extracted from the Competent Person's Report of RSG Global dated August 2006. The Competent Person for this mineral resource estimate is also Mr Ken Lomborg.

	Tonnage (mt)	CaF ₂ (%)
Summary of Mineral Reserves at August 2006		
Probable reserves	5.7	7.3

Locality of Buffalo Fluorspar Mine



Statement of comprehensive income

for the year ended 30 June 2010

(R000)	Note	Group		Company	
		2010	2009	2010	2009
Revenue	3	60 815	251 928	73 707	-
Net foreign exchange losses		(1 091)	(9 259)	-	-
Cost of sales		(59 929)	(144 406)	-	-
(Loss)/Profit from mining activities		(205)	98 263	73 707	-
Less: Depreciation	11	(19 451)	(16 862)	(2)	-
Amortisation of mineral rights	11	-	(1 850)	-	-
Operating (loss)/profit from mining activities		(19 656)	79 551	73 705	-
(Loss)/Profit on disposal of plant and equipment		(611)	257	-	-
Administrative expenses		(17 927)	(27 650)	(6 719)	(10 013)
Finance costs on borrowings	4	(6 432)	(1 654)	(2 190)	-
Investment income	3	320	1 087	-	-
Interest on convertible debentures	4	(7 224)	(7 207)	(7 224)	(7 207)
(Loss)/Profit before Honeywell, share-based payments and the Buffalo impairment		(51 530)	44 384	57 572	(17 220)
Honeywell settlement award provision	24	-	(9 626)	-	(9 626)
Honeywell award interest provision	4	(464)	(1 658)	(464)	(1 658)
Notional interest on convertible debentures	20	(3 204)	(2 892)	(3 204)	(2 892)
Share-based payments	30	(920)	(8 779)	(11)	(6 777)
Impairment of inter company loans and investments	12	-	-	(36 305)	(90 960)
(Loss)/Profit before the Buffalo impairment		(56 118)	21 429	17 588	(129 133)
Buffalo impairment		(6 464)	(74 592)	-	-
(Loss)/Profit before taxation	5	(62 582)	(53 161)	17 588	(129 133)
Taxation	7	-	-	-	-
(Loss)/Profit for the year		(62 582)	(53 163)	17 588	(129 133)
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		(62 582)	(53 163)	17 588	(129 133)
Loss per share (cents)	8				
Basic					
Undiluted		(9.8)	(8.3)	-	-
Diluted		(9.8)	(8.3)	-	-

Statement of financial position

at 30 June 2010

(R000)	Note	Group		Company	
		2010	2009	2010	2009
ASSETS					
Non-current assets		102 561	104 292	113 888	82 139
Investment properties	9	3 143	3 167	3 143	3 167
Goodwill	10	10 175	10 175	–	–
Property, plant and equipment	11	86 464	89 018	6	8
Interest in subsidiaries	12	–	–	110 739	78 964
Restricted investments	13	2 779	1 932	–	–
Current assets		72 609	114 546	4	3 202
Inventories	14	31 576	64 022	–	–
Trade and other receivables	15	13 543	12 974	–	3 175
Taxation prepaid	23.2	2 789	2 789	–	–
Cash and cash equivalents	16	24 701	34 761	4	27
Total assets		175 170	218 838	113 892	85 341
EQUITY AND LIABILITIES					
Capital and reserves		35 672	99 288	28 087	11 533
Share capital and premium	17	284 787	284 787	284 787	284 787
Portion of unsecured unsubordinated convertible debentures deemed to be equity	20	17 102	17 102	17 102	17 102
Share-based payment reserve		18 947	19 981	18 947	19 981
Accumulated loss		(285 164)	(222 582)	(292 749)	(310 337)
Non-current liabilities		109 053	81 148	61 234	58 030
Long-term loan	18	1 287	3 926	–	–
Provision for environmental rehabilitation	19	46 532	19 192	–	–
Portion of unsecured unsubordinated convertible debentures deemed to be debt	20	61 234	58 030	61 234	58 030
Current liabilities		30 445	38 402	24 571	15 778
Trade and other payables	21	27 805	30 642	24 571	15 778
Bank overdraft	16	–	3 730	–	–
Current portion of long-term loans	18	2 640	4 030	–	–
Total equity and liabilities		175 170	218 838	113 892	85 341

Statements of changes in equity

for the year ended 30 June 2010

(R000)	Share capital	Share premium	Portion of convertible debentures deemed to be equity	Share-based payment reserve	Accumulated loss	Total
GROUP						
Balance at 30 June 2008	635	280 418	17 960	11 191	(169 419)	140 785
Debentures converted to shares	7	3 727	(858)	–	–	2 876
Share-based payments	–	–	–	8 790	–	8 790
Total comprehensive income for the year	–	–	–	–	(53 163)	(53 163)
Balance at 30 June 2009	642	284 145	17 102	19 981	(222 582)	99 288
Share-based payments	–	–	–	(1 035)	–	(1 035)
Total comprehensive income for the year	–	–	–	–	(62 582)	(62 582)
Balance at 30 June 2010	642	284 145	17 102	18 946	(285 164)	35 671
COMPANY						
Balance at 30 June 2008	635	280 418	17 960	11 191	(181 202)	129 002
Debentures converted to shares	7	3 727	(858)	–	–	2 876
Share-based payments	–	–	–	8 790	–	8 790
Total comprehensive income for the year	–	–	–	–	(129 135)	(129 135)
Balance at 30 June 2009	642	284 145	17 102	19 981	(310 337)	11 533
Share-based payments	–	–	–	(1 035)	–	(1 035)
Total comprehensive income for the year	–	–	–	–	17 588	17 588
Balance at 30 June 2010	642	284 145	17 102	18 946	(292 749)	28 086
Note	17	17	20			

Statement of cash flows

for the year ended 30 June 2010

(R000)	Note	Group		Company	
		2010	2009	2010	2009
Net cash (outflow)/inflow from operating activities		(2 770)	39 802	68 035	(15 943)
Cash receipts from customers		60 247	256 458	-	-
Cash paid to suppliers and employees		(53 422)	(209 715)	73 708	(5 953)
Cash generated/(utilised by) operations	29	6 825	46 743	73 708	(5 953)
Finance cost		(9 915)	(8 028)	(5 673)	(9 990)
Interest income		320	1 087	-	-
Net cash inflow/(outflow) from investing activities		470	(29 556)	(68 058)	15 398
Additions to mine plant, equipment and buildings		(311)	(30 390)	-	-
Proceeds from disposal of plant and equipment		1 381	1 434	24	-
Increase in investments		(600)	(600)	-	-
(Increase)/decrease in loans to group companies		-	-	(68 082)	15 398
Net cash outflow from financing activities		(4 030)	(4 595)	-	-
Finance lease obligations		(4 030)	(4 595)	-	-
Net (decrease)/increase in cash and cash equivalents		(6 330)	5 651	(23)	(545)
Cash and cash equivalents at beginning of year		31 031	25 380	27	572
Cash and cash equivalents at end of year	16	24 701	31 031	4	27

Notes to the financial statements

for the year ended 30 June 2010

ACCOUNTING POLICIES

1. PRESENTATION OF FINANCIAL STATEMENTS

Statement of compliance

The annual financial statements have been prepared in accordance with International Financial Reporting Standards, the Companies Act of South Africa and the JSE Listings Requirements.

Basis of measurement

The annual financial statements have been prepared on the historical cost basis, except for the measurement of certain financial instruments and investment properties at fair value or amortised cost, and incorporate the principal accounting policies set out below.

These accounting policies are consistent with the previous period.

1.1 Significant judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Significant judgements include:

Loans and receivables (refer notes 12 and 15)

The company assesses its loans and receivables for impairment at each reporting date. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the company makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Fair value estimation (refer note 15 and 21))

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair cash flows at the current market interest rate that is available to the company for similar financial instruments.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values. These calculations require the use of estimates and assumptions.

Rehabilitation provision

Long-term environmental obligations are based on the company's environmental plans, in compliance with current environmental and regulatory requirements.

Full provision is made based on the net present value of the estimated cost of restoring the environmental disturbance that has occurred up to the statement of financial position date. Increases due to additional environmental disturbances are capitalised and amortised over the remaining lives of the mines. Annual increases in the provisions relating to the change in the net present value of the provision and inflationary increases are shown separately in the statement of comprehensive income.

The estimated cost of rehabilitation is reviewed annually and adjusted as appropriate for changes in legislation or technology. Cost estimates are not reduced by the potential proceeds from the sale of assets or from plant clean-up at closure, in view of the uncertainty of estimating the potential future proceeds.

Taxation (refer note 7)

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Functional and presentation currency

These financial statements are presented in the South African Rand (ZAR), which is the company's functional currency. All financial information presented in ZAR has been rounded to the nearest 1 000 ZAR. It is the directors' judgement that primary economical environment in which the company operates is the South African Rand based on the fact that expenditure incurred is mainly in South African Rand.

Notes to the financial statements

for the year ended 30 June 2010 (continued)

Fair value of investment properties

The company obtains the assistance of professional property valuers in order to assist with the valuation assumptions. This is mainly based on the sale of similar properties in the specified location of the properties.

Share-based payments

The fair value of share options is estimated by using valuation models, such as Black-Scholes and binomial lattice, on the date of grant based on certain assumptions. Those assumptions are described in note 30 and include, among others, the dividend growth rate, expected volatility, expected life of the options and number of options expected to vest. More details including carrying values are disclosed in note 30.

Useful life of intangible assets and property, plant and equipment

Intangible assets and property, plant and equipment are amortised or depreciated over their useful lives. Useful lives are based on the management's estimates of the period that the assets are expected to be available for use by the entity. These periods are reviewed for continued appropriateness. More details including carrying values are included in notes 9 and 11.

1.2 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods in these financial statements.

1.2.1 Consolidation

The consolidated financial statements include those audited financial statements of the company and its subsidiaries for the same accounting period.

Subsidiaries are defined as those companies in which the company, either directly or indirectly, has more than one half of the voting rights, has the right to appoint more than half the board of directors or otherwise has the power to control the financial and operating activities of the entity.

At the date of acquisition of a subsidiary, the cost of the investment is allocated to the fair value of individual identifiable assets and liabilities. The excess of the purchase price over the fair value of the assets and liabilities is capitalised as goodwill and is tested annually for impairment.

Unrealised income arising from transactions within the group and inter-company balances are eliminated.

1.2.2 Goodwill

Goodwill is measured at cost less accumulated impairment losses.

Goodwill is allocated to cash-generating units and is no longer amortised but tested annually for impairment. Previously goodwill arising on each acquisition was amortised over its useful life on a straight-line basis subject to annual impairment testing.

Gain on a bargain purchase arising on an acquisition is recognised directly in the statement of comprehensive income.

1.2.3 Investment properties

Investment property is property that is held to earn rentals or capital appreciation, or both.

Investment property is recognised as an asset when, and only when, it is probable that the future economic benefits that are associated with the investment property will flow to the enterprise, and the cost of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

A gain or loss arising from a change in fair value is included in net profit or loss for the period in which it arises.

1.2.4 Property, plant and equipment

Mine property and housing stands are stated at historical cost and are not depreciated.

Mineral rights of the mining operation are stated at historical cost and are amortised over the useful life of the mine, using the units of production method.

The company believes that mineral rights should be disclosed under property, plant and equipment.

Plant and equipment are initially recognised at cost, being the cash price equivalent at the recognition date. The cost of an asset comprises any costs incurred in bringing the asset to the location and condition necessary for it to operate as intended by management. Plant and equipment are subsequently stated at cost, less accumulated depreciation and any accumulated impairment. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other expenditures are charged to the statement of comprehensive income during the financial period in which they are incurred. Expenditure incurred to replace or modify a significant component of plant is capitalised and any remaining carrying value of the replaced component is derecognised.

Notes to the financial statements

for the year ended 30 June 2010 (continued)

Depreciation commences when the assets are available for their intended use. The depreciation expense is recognised through the statement of comprehensive income. Property, plant and equipment are depreciated on a straight-line basis over the expected useful lives of the various classes of assets, after taking into account residual values.

Annual rates of depreciation are as follows:

Mine plant and equipment	3% – 33.3%
Furniture and equipment	5% – 10%
Decommissioning assets	based on units of production method
Mineral rights	based on units of production method

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is derecognised.

The asset's residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, annually.

1.2.5 Environmental rehabilitation

Estimated long-term environmental obligations, comprising pollution control, rehabilitation and mine closure, are based on the company's environmental management plans in compliance with current technology, environmental and regulatory requirements.

Ongoing rehabilitation cost

Expenditure on ongoing rehabilitation costs is recognised as an expense.

1.2.6 Investment in subsidiaries

Investment in subsidiary companies is accounted in the company accounts at initial cost, being the fair value of the consideration given, less any impairment. The carrying value of subsidiaries is assessed for impairment where there are indicators of impairment.

1.2.7 Financial instruments

Initial recognition

The company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial assets and financial liabilities are recognised on the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Derecognition

Financial assets are derecognised if the group's contractual rights to the cash flows from the financial assets expire or if the group transfers the financial asset to another company without retaining control or substantially all risks and rewards of the asset.

Financial liabilities are derecognised if the group's obligations specified in the contract expire or are discharged or cancelled.

Loans to/(from) group companies

These include loans to holding companies, fellow subsidiaries, subsidiaries, joint ventures and associates and are recognised initially at fair value plus direct transaction costs.

Subsequently these loans are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts.

On loans receivable an impairment loss is recognised in profit or loss when there is objective evidence that it is impaired. The impairment is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Notes to the financial statements

for the year ended 30 June 2010 (continued)

Derivative instruments

The group uses derivative financial instruments to manage its exposure to foreign exchange and commodity price risks arising from operational, financing and investment activities. The group does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments comprise forward exchange contracts. Subsequent to initial recognition they are measured at fair value. Fair value adjustments are recognised in the income statement. Fair value is determined by comparing the contracted forward rate to the present value of the current forward rate of an equivalent contract with the same maturity date. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in the statement of comprehensive income.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Bank overdrafts and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at fair value. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the company's accounting policy for borrowing costs.

Restricted investments

Investments are measured initially and subsequently at fair value, gains and losses arising from changes in fair value are included in profit or loss for the period.

1.2.8 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities and assets are measured at the amount expected to be paid to or recovered from the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction which:

£ is not a business combination and

£ at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction which, at the time of the transaction, affects neither accounting profit nor taxable profit nor loss except for business combination transaction.

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused STC credits can be utilised.

Notes to the financial statements

for the year ended 30 June 2010 (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the statement of financial position date.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- £ transaction or event which is recognised, in the same or a different period, directly in other comprehensive income; or
- £ business combination.

1.2.9 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases – lessee

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease accrual. This liability is not discounted. Any contingent rents are expensed in the period they are incurred.

1.2.10 Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

The company reviews the net realisable value of, and demand for, its inventory on a quarterly basis to provide assurance that recorded inventory is stated at the lower of cost or net realisable value. Factors that could impact estimated demand and selling prices include the timing and success of future technological innovations, competitor actions, supplier prices and economic trends.

1.2.11 Impairment of assets

The company assesses at each reporting date whether there is any indication that an asset may be impaired. An impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in profit and loss. Any impairment loss of a revalued asset is treated as a revaluation decrease. If any such indication exists, the company estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

1.2.12 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. If the company reacquires its own equity instruments, those treasury shares are deducted from equity. No gain or loss is recognised on the purchase, sale, issue or cancellation of the company's own equity instruments. Consideration paid or received shall be recognised directly in equity.

1.2.13 Employee benefits

Short-term employee benefits

The cost of all short-term employee benefits is recognised during the period in which the employee renders the related service.

Notes to the financial statements

for the year ended 30 June 2010 (continued)

The provisions for employee entitlements to wages, salaries, annual and sick leave represent the amount which the company has a present obligation to pay as a result of employees' services provided to the statement of financial position date. The provisions have been calculated at undiscounted amounts based on current wage and salary rates.

Defined contribution plans

The company contributes to a defined contribution plan, the assets of which are held in a separate trustee administered fund. The provident plan is funded by payments from employees and the company. Contributions to defined contribution pension funds are charged against income as incurred.

1.2.14 Contingent assets and liabilities

The contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company. Contingent assets are not recognised as assets.

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company, or a present obligation that arises from past events that is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are not recognised as liabilities.

1.2.15 Dividend policy

Dividends to equity holders are only recognised as a liability when declared and are included in the statement of changes in equity. Secondary tax on companies in respect of dividends is recognised as a liability and is included in the tax charge in profit and loss.

1.2.16 Segment reporting

The segment information has been prepared in accordance with IFRS 8 – Operating Segments, which defines requirements for the disclosure of financial information of an entity's operating segments.

Identification of reportable segments

The group discloses its reportable segments according to the group's components that management monitor regularly in making decisions about operating matters. The reportable segments comprise various operating segments primarily located in South Africa based on the group's lines of business.

Segment information is prepared in conformity with the basis that is reported to the Executive Committee in assessing segment performance and allocating resources to segments. These values have been reconciled to the consolidated financial statements. The basis reported by the group is in accordance with the accounting policies adopted for preparing and presenting the consolidated financial statements.

Segment revenue excludes value added taxation and includes intersegment revenue. Net revenue represents segment revenue from which intersegment revenue has been eliminated. Sales between segments are made on a commercial basis. Segment expenses include direct and allocated expenses. Depreciation and amortisation have been allocated to the segments to which they relate.

The segment assets comprise all assets of the different segments that are employed by the segment and that either are directly attributable to the segment, or can be allocated to the segment on a reasonable basis.

1.2.17 Provisions

Provisions are recognised when:

- £ the company has a present obligation as a result of a past event;
- £ it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- £ a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Provisions are discounted using pre-tax rates that reflect, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as borrowing cost.

Notes to the financial statements

for the year ended 30 June 2010 (continued)

£ Environmental rehabilitation

Provision is made for environmental rehabilitation costs where either a legal or constructive obligation is recognised as a result of past events.

Estimates are based upon the company's environmental management plans in compliance with current technology, environmental and regulatory requirements. Costs are regularly reviewed and adjusted as appropriate for new circumstances.

Where a provision is made for dismantling and site restoration costs, an asset of similar initial value is raised and amortised in accordance with the group's accounting policy for property, plant and equipment.

The group has restricted investments to which contributions are made to the funding of the estimated cost of pollution control and rehabilitation during, and at the end of, the life of mines.

£ Decommissioning costs

The present value of estimated future decommissioning costs, which embody the future economic benefits, are capitalised as property, plant and equipment and concomitant decommissioning obligation is raised.

These estimates are reviewed annually and discounted using a pre-tax rate that reflects current market assessment of the time value of money.

Decommissioning assets include mine plant, equipment and buildings, and are amortised on a straight-line basis over the expected useful life of the mine.

The unwinding of the decommissioning obligation, due to the passage of time, is charged to finance cost.

£ Restoration costs

Estimated restoration costs are charged against income during the period in which such restoration obligation arises. These estimates are reviewed annually and any increases in such revised estimates are charged against income.

£ Ongoing rehabilitation costs

Expenditure on ongoing rehabilitation costs is recognised as an expense when incurred.

1.2.18 Revenue

Revenue comprises net invoiced sales to customers excluding value added taxation.

Revenue from the sale of fluorspar concentrates and briquettes as well as agricultural lime is recognised when the significant risks and rewards of ownership are transferred to the buyer.

When the outcome of a transaction involving the sale of goods can be estimated reliably, revenue is recognised at the financial year-end date.

The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- £ The amount of revenue can be measured reliably;
- £ It is probable that the economic benefits associated with the contract will flow to the company;
- £ The stage of completion of the transaction at the financial year-end date can be measured reliably; and
- £ The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the sale of goods cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods provided in the normal course of business net of trade discounts and volume rebates and value added tax.

1.2.19 Cost of sales

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Notes to the financial statements

for the year ended 30 June 2010 (continued)

1.2.20 Borrowing costs

Interest on borrowings directly relating to the financing of qualifying capital projects under construction is added to the capitalised cost of those projects during the construction phase, until such time as the assets are substantially ready for their intended use or sale which, in the case of mining properties, is when they are capable of commercial production. Where funds have been borrowed specifically to finance a project, the amount capitalised represents the actual borrowing costs incurred. Where the funds used to finance a project form part of general borrowings, the amount capitalised is calculated using the weighted average of rates applicable to relevant general borrowings of the group during the period.

Other borrowing costs are recognised as an expense in the period in which they are incurred.

1.2.21 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in ZAR, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At each statement of financial position date:

- £ non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction, and
- £ foreign currency monetary items are translated using the closing rate; and
- £ non-monetary items that are measured at fair value in a foreign currency are translated at historical cost using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in profit or loss in the period in which they arise.

Cash flows arising from transactions in a foreign currency are recorded in ZAR by applying to the foreign currency amount the exchange rate between the ZAR and the foreign currency at the date of the cash flow.

1.2.22 Investment income or expense

Interest is recognised in profit or loss, using the effective interest rate method.

1.2.23 Share-based payment transactions

Goods or services received or acquired in a share-based payment transaction are recognised when the goods or as the services are received. A corresponding increase in equity is recognised if the goods or services were received in an equity-settled share-based payment transaction or a liability if the goods or services were acquired in a cash-settled share-based payment transaction.

When the goods or services received or acquired in a share-based payment transaction do not qualify for recognition as assets, they are recognised as expenses.

For equity-settled share-based payment transactions, the goods or services received and the corresponding increase in equity, directly, are measured at the fair value of the goods or services received, unless that fair value cannot be estimated reliably.

If the fair value of the goods or services received cannot be estimated reliably, their value and the corresponding increase in equity, indirectly, are measured by reference to the fair value of the equity instruments granted.

If the share-based payments do not vest until the counterparty completes a specified period of service, the company accounts for those services as they are rendered by the counterparty during the vesting period (or on a straight-line basis over the vesting period).

If the share-based payments vest immediately the services received are recognised in full.

For share-based payment transactions in which the terms of the arrangement provide either the entity or the counterparty with the choice of whether the entity settles the transaction in cash (or other assets) or by issuing equity instruments, the components of that transaction are recorded, as a cash-settled share-based payment transaction if, and to the extent that, a liability to settle in cash or other assets has been incurred, or as an equity-settled share-based payment transaction if, and to the extent that, no such liability has been incurred.

1.2.24 Convertible debentures

Convertible debentures are recognised at fair value and the difference between the fair value and the nominal value is classified as equity in respect of the conversion rights.

Notes to the financial statements

for the year ended 30 June 2010 (continued)

2. STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

New standards issued but not yet effective, comprise:

IFRS 9 – Financial Instruments

This standard forms part of the first phase of the three phase project to replace IAS 39 – Financial Instruments: Recognition and Measurement. This standard is effective for annual periods beginning on or after 1 January 2013. The company does not intend to adopt this standard early. Management is of the opinion that the adoption of this standard will not have a significant impact on the consolidated financial statements.

Interpretations issued but not yet effective, comprise:

IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments

The Interpretation addresses divergent accounting by entities issuing equity instruments in order to extinguish all or part of a financial liability (often referred to as “debt for equity swaps”). This interpretation is effective for annual periods beginning on or after 1 July 2010. The company does not intend to adopt this interpretation early. Management is of the opinion that the adoption of this interpretation will not have a significant impact on the consolidated financial statements.

Amendments to existing standards and interpretations issued but not yet effective, comprise:

IFRS 1 – First-time Adoption of International Financial Reporting Standards

This amendment deals with the measurement of the cost of investments in subsidiaries, jointly controlled entities and associates when adopting IFRS for the first time. This amendment to the standard is effective for annual periods beginning on or after 1 July 2009. A further amendment was made relating to oil and gas assets and determining whether an arrangement contains a lease. This amendment to the standard is effective for annual periods beginning on or after 1 January 2010. A further amendment has been made that relieves the first-time adopters of IFRS from providing the additional disclosures introduced through the amendment of IFRS 7 in March 2009. This amendment to the standard is effective for annual periods beginning on or after 1 July 2010.

More recently, amendments were made to further clarify that changes in accounting policies in the year of adoption fall outside the scope of IAS 8, the use of revaluation carried out after the date of transition as a basis for deemed cost is now permitted and the use of carrying amount under previous GAAP as deemed cost for operations subject to rate regulation is also now permitted. These more recent amendments are effective for annual periods beginning on or after 1 January 2011. The company does not intend to adopt these amendments early. Management is of the opinion that the adoption of these amendments will not have a significant impact on the consolidated financial statements.

IFRS 3 – Business Combinations

This amendment deals with the accounting for business combinations. This amendment to the standard is effective for annual periods beginning on or after 1 July 2009. Further amendments have been made that deal with the transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS 3, provide clarity on the measurement of non-controlling interest and provide additional guidance on un-replaced and voluntary replaced share-based payment awards. These amendments are effective for annual periods beginning on or after 1 January 2011. The company does not intend to adopt this amendment early. Management is of the opinion that the adoption of this amendment will not have a significant impact on the consolidated financial statements.

IFRS 7 – Financial Instruments: Disclosures

This amendment deals with presentation of finance costs. A further amendment has been made that deals with enhanced disclosures about fair value measurements and liquidity risk as well as dealing with improving disclosures about financial instruments. These amendments to the standard are effective for annual periods beginning on or after 1 January 2009. Further amendments were made that clarify the intended interaction between qualitative and quantitative disclosures of the nature and extent of risks arising from financial instruments and removed disclosure items which were seen to be superfluous or misleading. These amendments are effective for annual periods beginning on or after 1 January 2011. The company does not intend to adopt these amendments early. Management is of the opinion that the adoption of these amendments will not have a significant impact on the consolidated financial statements.

IAS 1 – Presentation of Financial Statements

This amendment deals with amendments to structure of Financial Statements and current/non-current classification of derivatives. This amendment to the standard is effective for annual periods beginning on or after 1 January 2009. A further amendment has been made to clarify that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. This further amendment is effective for annual periods beginning on or after 1 January 2010 with earlier application permitted. A more recent amendment provides clarification on the statement of changes in equity. This amendment is effective for annual periods beginning on or after 1 January 2011. The company does not intend to adopt these amendments early. Management is of the opinion that the adoption of these amendments will not have a significant impact on the consolidated financial statements.

Notes to the financial statements

for the year ended 30 June 2010 (continued)

IAS 21 – The Effects of Changes in Foreign Exchange Rates

This is a consequential amendment that arose from changes to Business Combinations. This amendment to the standard is effective for annual periods beginning on or after 1 July 2009. A further amendment arose as a consequence from amendments to IAS 27 which provides clarity on the transitional rules in respect of the disposal or partial disposal of an interest in a foreign operation. This further amendment is effective for annual periods beginning on or after 1 July 2010. The company does not intend to adopt this amendment early. Management is of the opinion that the adoption of this amendment will not have a significant impact on the consolidated financial statements.

IAS 24 – Related Party Disclosure

This amendment deals with the simplification of the disclosure requirements for government related entities and the clarification of the definition of a related party. This amendment to the standard is effective for annual periods beginning on or after 1 January 2011. The company does not intend to adopt this amendment early. Management is of the opinion that the adoption of this amendment will not have a significant impact on the consolidated financial statements.

IAS 27- Consolidated and Separate Financial Statements

This amendment deals with the measurement of the cost of investments when adopting IFRS for the first time, consequential amendments from changes to Business Combinations and measurement of a subsidiary held for sale in the separate financial statements. The first amendment to the standard is effective for annual periods beginning on or after 1 January 2009. The latter two amendments are effective for annual periods beginning on or after 1 July 2009. A more recent amendment has been made that deals with the transition requirements for previous amendments arising from changes to IAS 27. This amendment is effective for annual periods beginning on or after 1 July 2010. The company does not intend to adopt these amendments early. Management is of the opinion that the adoption of these amendments will not have a significant impact on the consolidated financial statements.

IAS 28 – Investments in Associates

This amendment deals with consequential amendments from changes to Business Combinations, required disclosures when investments in associates are accounted for at fair value through profit or loss and impairment of investment in associate. The first amendment to the standard is effective for annual periods beginning on or after 1 July 2009. The latter amendments are effective for annual periods beginning on or after 1 January 2009. A further amendment arose as a consequence from amendments to IAS 27 which provides clarity on the transitional rules in respect of the disposal or partial disposal of an interest in a foreign operation. This further amendment is effective for annual periods beginning on or after 1 July 2010. The group does not intend to adopt these amendments early. Management is of the opinion that the adoption of these amendments will not have a significant impact on the consolidated financial statements.

IAS 31 – Interests in Joint Ventures

This amendment deals with consequential amendments from changes to Business Combinations and required disclosures when interests in jointly controlled entities are accounted for at fair value through profit or loss. The first amendment to the standard is effective for annual periods beginning on or after 1 July 2009 and the later amendment to the standard is effective for annual periods beginning on or after 1 January 2009. A further amendment arose as a consequence from amendments to IAS 27 which provides clarity on the transitional rules in respect of the disposal or partial disposal of an interest in a foreign operation. This further amendment is effective for annual periods beginning on or after 1 July 2010. The group/company does not intend to adopt these amendments. Management is of the opinion that the adoption of these amendments will not have a significant impact on the consolidated financial statements.

IAS 34 – Interim Financial Reporting

This amendment deals with earnings per share disclosures in interim financial reports. This amendment to the standard is effective for annual periods beginning on or after 1 January 2009. A more recent amendment has been made that deals with the clarification of disclosure requirements around significant events and transactions including financial instruments. This amendment is effective for annual periods beginning on or after 1 January 2011. The company does not intend to adopt this amendment early. Management is of the opinion that the adoption of this amendment will not have a significant impact on the consolidated financial statements.

Notes to the financial statements

for the year ended 30 June 2010 (continued)

(R000)	Group		Company	
	2010	2009	2010	2009
3. REVENUE				
Mining revenue				
Acid grade fluorspar concentrate	50 687	243 345	-	-
Metallurgical grade fluorspar concentrate	8 641	8 045	-	-
Agricultural lime	1 014	538	-	-
Crushed stone	473	-	-	-
	60 815	251 928	-	-
Other revenue				
Management fee	-	-	73 707	-
	-	-	73 707	-
Investment income				
Interest received	320	1 087	-	-
	320	1 087	-	-
4. FINANCE COST				
Bank overdraft and finance leases	701	1 372	-	-
Unwinding of decommissioning obligation	3 540	282	-	-
Honeywell	464	1 658	464	1 658
Convertible debentures	7 224	7 207	7 224	7 207
SARS	2 190	-	2 190	-
	14 119	10 519	9 878	8 865
5. LOSS BEFORE TAXATION				
Is stated after taking into account:				
Auditors' remuneration: audit fee	502	577	167	336
Depreciation of mining assets	17 328	16 499	-	-
Depreciation of office furniture and equipment	2	2	2	2
Depreciation of decommissioning asset	2 121	361	-	-
Foreign exchange losses/(gains)	1 091	9 259	(182)	-
£ Realised losses/(profits)	1 091	9 259	(182)	-
Salaries and wages	24 365	54 082	2 547	9 833
Professional services	2 768	801	2 662	244
£ Managerial and technical services	2 425	-	2 319	-
£ Secretarial and administration	343	801	343	244
Buffalo impairment	-	74 592	-	-
£ Property, plant and equipment	-	68 072	-	-
£ Inventory	-	6 520	-	-
Legal fees	546	3 934	372	3 921

Notes to the financial statements

for the year ended 30 June 2010 (continued)

(R000)	Directors' fees	Salary	Share-based payments	2010	2009
6. DIRECTORS' EMOLUMENTS					
Paid by company					
Executive					
£ J Blersch	–	1 547	–	1 547	4 589
£ TG Dale	–	500	–	500	4 589
£ PR Cooke	54	500	–	554	–
Non-executive					
£ N Davidoff	173	–	–	173	–
£ BC Esterhuyzen*	37	–	–	37	120
£ DGJ Kerrison*	37	–	–	37	75
£ A Kamau*	83	–	–	83	–
£ J Kögl	120	–	–	120	115
£ SP Morris*	104	–	–	104	–
£ Dr VE Msibi	–	–	–	–	5
£ FJP Roux*	77	–	–	77	250
£ S Swana*	120	–	–	120	75
Paid by subsidiaries					
£ CH Badenhorst	–	835	–	835	1 877
£ GP Bleeker	–	–	–	–	1 243
Total	805	3 382	–	4 187	12 938

* Independent

(R000)	Group		Company	
	2010	2009	2010	2009
7. TAXATION				
South African normal taxation				
Prior year	–	–	–	–
Deferred tax liability offset against unrecognised assets	–	–	–	–
	–	–	–	–
Reconciliation of tax rate				
Current year's credit as a percentage of net loss before taxation	–	–	–	–
Unutilised tax losses	28	28	28	28
Standard tax rate (%)	28	28	28	28

The company has a tax loss of R150.9 million (2009: R169.5 million) to set-off against future taxable income. The group has tax losses of R375.9 million (2009: R338.1 million) of which R261.1 million (2009: R166.0 million) can only be offset against taxable income from mining. Disputed items are referred to in note 23.2.

8. LOSS PER SHARE

Basic loss per share amounts are calculated by dividing loss after taxation for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares in issue during the year.

Headline (loss)/profit per share is calculated by eliminating the re-measurements and impairment of assets.

Diluted loss per share amounts are calculated by dividing the loss after taxation by the weighted average number of ordinary shares in issue during the year plus the weighted average number of ordinary shares that would be issued if:

- £ all options had been exercised on the date such options became exercisable; and
- £ the convertible debentures had been converted on the date such convertible debentures were issued; and
- £ a dilutive effect exists.

The calculation of loss per share is based on:

- £ an undiluted weighted average of 642 220 007 (2009: 640 725 134) ordinary shares in issue during the year; and
- £ a diluted average of 642 220 007 (2009: 640 725 134) ordinary shares in issue, assuming that all the options granted had been exercised with effect from the date they were vested.

Notes to the financial statements

for the year ended 30 June 2010 (continued)

(R000)	2010	Group 2009
8. LOSS PER SHARE (continued)		
Reconciliation of earnings		
Net loss attributable to shareholders for basic earnings per share	(62 582)	(53 163)
Loss/(gain) on disposal of assets (net of tax)	611	(257)
Impairment of Buffalo fixed assets	6 464	68 072
Net (loss)/profit attributable to shareholders for headline earnings per share	(55 507)	14 652
Basic loss		
Undiluted (cents)	(9.8)	(8.3)
Diluted (cents)	(9.8)	(8.3)
Headline (loss)/profit		
Undiluted (cents)	(8.7)	2.3
Diluted (cents)	(8.7)	2.3

(R000)	2010	Group 2009	2010	Company 2009
9. INVESTMENT PROPERTIES				
Valuation	3 167	3 167	3 167	3 167
Carrying value	3 167	3 167	3 167	3 167
<i>Reconciliation of investment property:</i>				
Opening balance	3 167	3 167	3 167	3 167
Additions	-	-	-	-
Disposals	(24)	-	(24)	-
Balance at 30 June	3 143	3 167	3 143	3 167

The properties consist of vacant land and no income is derived from the properties.

The effective date of the revaluations was 19 August 2008. Revaluations were performed by an independent valuer, Mr Peter Lin, of Pam Golding Properties East Rand. Pam Golding Properties East Rand are not connected to the group and have recent experience in location and category of the investment property being valued.

The valuation was based on open market value for existing use.

These assumptions are based on current market conditions at the time.

The directors are of the opinion that there were no significant changes to the value of these properties.

A register containing the information required by paragraph 22 (3) of Schedule 4 of the Companies Act is available for inspection at the registered office of the group.

(R000)	2010	Group 2009	2010	Company 2009
10. GOODWILL				
Carrying value	10 175	10 175	-	-

Based on a review of forecast profits, goodwill is not impaired.

Goodwill arose on acquisition of the equity of Witkop Fluorspar Mine (Pty) Limited.

Notes to the financial statements

for the year ended 30 June 2010 (continued)

(R000)	Mineral rights	Furniture and equipment	Mine properties	Mine plant and equipment	Decommissioning asset	Total
11. PROPERTY, PLANT AND EQUIPMENT GROUP						
2010						
Cost	36 619	42	9 349	176 823	12 200	235 033
Accumulated depreciation and impairment	(19 098)	(34)	(9 349)	(106 892)	(10 642)	(146 015)
Carrying amount at 30 June 2009	17 521	8	–	69 931	1 558	89 018
Additions	–	–	–	311	23 799	24 110
Depreciation	–	(2)	–	(17 331)	(2 121)	(19 454)
Disposals at cost	–	–	–	(746)	–	(746)
Impairment	–	–	–	–	(6 464)	(6 464)
Movement over year	–	(2)	–	(17 766)	15 214	(2 554)
Cost	36 619	42	9 349	176 388	26 019	248 417
Accumulated depreciation and impairment	(19 098)	(36)	(9 349)	(124 223)	(9 247)	(161 953)
Carrying amount at 30 June 2010	17 521	6	–	52 165	16 772	86 464
GROUP						
2009						
Cost	36 619	42	9 349	150 874	12 200	209 084
Accumulated depreciation and impairment	(17 248)	(32)	–	(43 177)	(1 798)	(62 255)
Carrying amount at 30 June 2008	19 371	10	9 349	107 697	10 402	146 829
Additions	–	–	–	30 390	–	30 390
Depreciation	(1 850)	(2)	–	(16 499)	(361)	(18 712)
Disposals at cost	–	–	–	(4 441)	–	(4 441)
Disposals accumulated depreciation	–	–	–	3 271	–	3 271
Impairment	–	–	(9 349)	(50 487)	(8 483)	(68 319)
Movement over year	(1 850)	(2)	(9 349)	(37 766)	(8 844)	(57 811)
Cost	36 619	42	9 349	176 823	12 200	235 033
Accumulated depreciation and impairment	(19 098)	(34)	(9 349)	(106 892)	(10 642)	(146 015)
Carrying amount at 30 June 2009	17 521	8	–	69 931	1 558	89 018
(R000)					2010	2009
COMPANY (all furniture)						
Cost					42	42
Accumulated depreciation and impairment					(34)	(32)
Carrying amount at beginning of the year					8	10
Additions					–	–
Depreciation					(2)	(2)
Movement over year					(2)	(2)
Cost					42	42
Accumulated depreciation and impairment					(36)	(34)
Carrying amount at end of the year					6	8

The carrying value of mine plant, equipment held under finance leases at 30 June 2010 is R4 275 513 (2009: R7 546 834) (refer note 18).

A register containing the information required by paragraph 22 (3) of Schedule 4 of the Companies Act is available for inspection at the registered office of the company.

Notes to the financial statements

for the year ended 30 June 2010 (continued)

(R000)	Note	Company 2010	Company 2009
12. INTEREST IN SUBSIDIARIES			
Unlisted shares at cost – Witkop Fluorspar Mine (Proprietary) Limited		78 964	78 964
Unlisted shares at cost – Buffalo Fluorspar (Proprietary) Limited		60 000	60 000
Amounts due from:			
£ Witkop Fluorspar Mine (Proprietary) Limited		221 253	153 587
£ Buffalo Fluorspar (Proprietary) Limited		23 377	22 963
		383 594	315 514
Impairment		(272 855)	(236 550)
	28	110 739	78 964

These inter-group amounts are unsecured, interest free and have no fixed terms of repayment. These loans have been subordinated in favour of the other creditors of the company until such time as the assets, fairly valued, exceed the liabilities.

(R000)	Sanlam	Glacier	Total
13. RESTRICTED INVESTMENTS			
Restricted investments consist of units in collective investments and are accounted for at market values.			
Opening balance	1 330	602	1 932
Additions at fair value	600	–	600
Revaluation	219	28	247
Closing balance	2 149	630	2 779

The investments are ceded to Lombard Insurance Co Limited who have in turn issued a R2.2 million guarantee to the DMR on behalf of Witkop Fluorspar Mine (Proprietary) Limited in respect of its rehabilitation obligations. This guarantee expires on 31 July 2011. Currently a further R50 000 is invested monthly.

(R000)	Group		Company	
	2010	2009	2010	2009
14. INVENTORIES				
Ore stockpiles (at cost)	3 713	4 066	–	–
Acid grade fluorspar (at cost and net realisable value)	9 205	41 341	–	–
Metallurgical grade fluorspar (at cost)	395	131	–	–
Consumables (at cost)	18 263	18 484	–	–
	31 576	64 022	–	–

The amount of write-down of inventories to net realisable value recognised as an expense in the income statement is R861 832 (2009: R1 731 312). This expense is included in cost of sales.

Notes to the financial statements

for the year ended 30 June 2010 (continued)

(R000)	Group		Company	
	2010	2009	2010	2009
15. TRADE AND OTHER RECEIVABLES				
Trade debtors	1 783	4 684	-	-
Sundry debtors	1 383	598	-	-
Value added tax	10 377	7 692	-	3 175
Impairment of trade debtors	-	-	-	-
£ Balance at beginning of the year	-	(7 545)	-	-
£ Utilised	-	7 545	-	-
	13 543	12 974	-	3 175
Trade receivables are non-interest bearing and are generally on 30 days.				
Please refer to note 26 for details on the group's exposure to credit and currency risk.				
16. CASH AND CASH EQUIVALENTS				
Current bank account	12 550	(3 730)	4	27
Cash on call and on hand	5	10	-	-
US Dollar account	12 146	34 751	-	-
	24 701	31 031	4	27
Current assets	24 701	34 761	4	27
Current liabilities	-	(3 730)	-	-
	24 701	31 031	4	27
Current accounts bear interest at floating rates. Please refer to note 26 for details on the group's exposure to credit and currency risk.				
17. SHARE CAPITAL AND PREMIUM				
Share capital				
Authorised				
1 000 000 000 ordinary shares of 0.1 cent each	1 000	1 000	1 000	1 000
Issued and fully paid				
Opening balance: 634 980 657 shares	642	635	642	635
Conversion of debentures: 7 239 350 shares	-	7	-	7
642 220 007 ordinary shares of 0.1 cent each	642	642	642	642
Share premium (arising from the allotment and issue of ordinary shares)				
Opening balance	284 145	280 418	284 145	280 418
Debentures converted to shares	-	3 727	-	3 727
	284 145	284 145	284 145	284 145
Total share capital and premium	284 787	284 787	284 787	284 787
Share options				

Options to subscribe for 40 937 548 shares (2009: 47 906 548 shares) have been granted to former executive directors and senior employees. Refer note 30.

Notes to the financial statements

for the year ended 30 June 2010 (continued)

(R000)	Group		Company	
	2010	2009	2010	2009
18. LONG TERM LOAN				
18.1 Finance leases				
Balance at 30 June	3 927	7 956	-	-
Current portion included in current liabilities	(2 640)	(4 030)	-	-
	1 287	3 926	-	-

The finance lease liability is secured by various items of plant and equipment (refer note 11).

The present value of the net minimum lease payment is as follows:

(R000)	Minimum payments		Present value of minimum payments	
	2010	2009	2010	2009
GROUP				
Within 1 year	2 957	4 722	2 640	4 030
After 1 year but not greater than 5 years	1 320	4 276	1 287	3 926
	4 277	8 998	3 927	7 956
Less: Future finance charges	(350)	(1 042)	-	-
	3 927	7 956	3 927	7 956

The carrying value of mine plant and equipment held under finance leases at 30 June 2010 is R4 275 513 (2009: R7 547 834). Interest is charged at a rate of 13%.

(R000)	Group		Company	
	2010	2009	2010	2009
19. PROVISION FOR ENVIRONMENTAL REHABILITATION				
Rehabilitation provision				
Balance at beginning of year	16 430	18 263	-	-
Inflationary adjustment	-	680	-	-
Change in DMR requirements	27 084	(2 513)	-	-
Additional provision	-	-	-	-
Balance at 30 June	43 514	16 430	-	-
Decommissioning obligation				
Balance at beginning of year	2 762	2 520	-	-
Inflationary adjustment	-	242	-	-
Change in assumption	256	-	-	-
Balance at 30 June	3 018	2 762	-	-
Total	46 532	19 192	-	-
Key assumptions:				
Discount rate (original risk free rate R153)	7.19%	9.26%	-	-
Inflation rate (original PPI)	9.4%	10.4%	-	-

Environmental rehabilitation and decommissioning provisions

These provisions are raised to ensure adequate provision has been made for the environmental rehabilitation and decommissioning obligation of the mines. During the year under review the group re-assessed its environmental liability due to changes in the requirements from the DMR. The re-assessment was performed by Digby Wells & Associates, environmental solutions provider.

The assessment of both the Buffalo and Witkop liabilities on closure of the mines was based on the MPRDA as well as the relevant regulations and guidelines.

The rehabilitation of waste deposits and evaporation ponds has increased significantly due to the need to rehabilitate their footprint.

The increase in these provisions resulted in a significant increase in the general provision.

Notes to the financial statements

for the year ended 30 June 2010 (continued)

20. UNSECURED UNSUBORDINATED CONVERTIBLE DEBENTURES (the “convertible debentures”)

The convertible debentures consist of 151 483 358 convertible debentures at a price of R0.50, which were issued by the company on 12 May 2008. 7 239 350 of these convertible debentures were converted to ordinary shares during the year ended 30 June 2009.

Convertible debentures are recognised at fair value and the difference between the fair value and the nominal value is classified as equity in respect of the conversion rights.

The net proceeds received from the issue of the convertible debentures has been split between the liability element and an equity component, representing the residual attributable to the option to convert the liability into equity of the group, as follows:

(R000)	Group		Company	
	2010	2009	2010	2009
Proceeds on issue date	75 741	75 741	75 741	75 741
Liability component				
At date of issue	(57 781)	(57 781)	(57 781)	(57 781)
Cumulative notional interest	(6 329)	(3 125)	(6 329)	(3 125)
Conversion of debentures	2 876	2 876	2 876	2 876
Total	(61 234)	(58 030)	(61 234)	(58 030)
Equity component				
Equity component at date of issue	17 960	17 960	17 960	17 960
Conversion of debentures	(858)	(858)	(858)	(858)
Total	17 102	17 102	17 102	17 102

The equity component of R17 101 983 has been classified as equity.

The interest rate is fixed at 10%, nominal annual compounded semi-annually. The liability component is measured at amortised cost. The difference between the carrying amount of the liability component at the date of issue (R57 781 000) and the amount reported in the statement of financial position at 30 June 2010 (R60 808 773) represents the effective interest rate plus interest accrued to that date.

Summarised terms and conditions attaching to the unsubordinated unsecured convertible debentures

A debenture holder shall have the following options available to him, which may be applied to all or part of his holding:

Where no default occurred:

- £ to elect early conversion any time prior to 31 December 2012, in terms of which debentures may be converted for shares on a one for one basis, subject to certain conditions. Accrued interest will be paid in cash;
- £ to elect maturity cash repayment of R0.50 per debenture plus accrued interest at 31 December 2012; or
- £ to elect maturity conversion in terms of which debentures are converted into ordinary shares on a one for one basis on 31 December 2012. Accrued interest will be paid in cash.

If an event of default has occurred:

- £ to elect default cash repayment of R0.50 per debenture plus accrued interest.

Accrued interest will be paid in cash.

(R000)	Group		Company	
	2010	2009	2010	2009
21. TRADE AND OTHER PAYABLES				
Trade creditors	859	8 529	–	–
Accrual relating to Honeywell	11 745	11 284	11 745	11 284
Accrual for interest on debentures	3 596	3 616	3 596	3 616
Value added tax	9 119	–	9 119	–
Other creditors	2 486	7 213	109	878
Total	27 805	30 642	24 569	15 778

Please refer to note 24 for details relating to Honeywell.

Please refer to note 26 for details on the group's exposure to risk.

Notes to the financial statements

for the year ended 30 June 2010 (continued)

22. CAPITAL COMMITMENTS

There were no capital commitments at 30 June 2010 (2009: Nil).

23. CONTINGENT LIABILITIES AND LITIGATION

23.1 South African Revenue Services ("SARS") – value added tax ("VAT")

Sallies is currently involved in a dispute with SARS regarding the refunding of VAT totalling R3 457 000. Failure in its dispute would result in a charge of R2 563 000 to Sallies' income statement.

23.2 South African Revenue Services – income tax

Witkop is currently involved in disputes with SARS regarding the 2000 to 2003 years of assessment. SARS has disallowed the deduction of certain inter-company expenditure and has rejected the timing of revenue recognised.

If Witkop is successful in its disputes, provisional payments amounting to R6.7 million (excluding interest) will be refunded to the company.

If Witkop is unsuccessful in all of the disputes, the total amount payable will amount to approximately R0,7 million (excluding interest). As taxation pre-paid amounting to R2 789 000 is currently carried as a current asset in Witkop's balance sheet, there will be a charge of R3.5 million (excluding interest) to the income statement of Witkop if Witkop fails in all its disputes.

A court date of 8 and 9 November 2010 has been set to hear these matters.

23.3 Eskom power supply

In the event of Witkop Fluorspar Mine closing down, the group is contractually bound to reimburse Eskom the costs incurred by them in upgrading an electrical substation. The original cost of R528 460 is proportionately reduced from the year 2002 to the year 2012. At 30 June 2010, the potential liability is R105 692 (2009: R158 538).

24. SUBSEQUENT EVENTS

Sallies, Witkop and Buffalo have entered into a collection of interrelated agreements in terms of which ARI will become a 26% beneficial shareholder in each of Witkop and Buffalo subject to shareholder approval. ARI will subscribe for shares in Witkop at an aggregate price of R83 million which funds Witkop will advance to ARI. This funding will be repaid from future dividends which will only be declared once all funds advanced by Sallies to Witkop have been repaid. ARI have undertaken that 31% of any funds received by it from Witkop will be distributed to the community from which Witkop draws its employees.

ARI will acquire from Sallies 26% of its shares in Buffalo at par for cash. Similarly, ARI have undertaken that 31% of any funds received by it from Buffalo will be distributed to the community from which Buffalo draws its employees.

Sallies will subscribe for preference shares in both Witkop and Buffalo which preference shares shall pay a dividend based on the after tax interest costs on the funds lent to Witkop and Buffalo respectively by Sallies.

Honeywell and Sallies have entered into an agreement to settle the award and interest by the issue of Sallies shares. The shares will be issued at a price of 13.5 cents per share and the liability converted into Rands at an exchange rate of R7.80 to the USD which equates to the issue of 82 335 700 shares. This issue is a specific issue of shares for cash and is permissible in terms of the general authority granted by shareholders.

Sallies has entered into a sale of land agreement to dispose of the properties that it still retains from when it operated as a gold mine. These properties are surplus to the Sallies group's requirements and have been disposed of at the current market value for undeveloped land situated in that geographic location.

The directors are not aware of any post-balance sheet events that occurred between year-end and the date of authorisation of the annual financial statements that require any adjustments or additional disclosure to the annual financial statements.

25. RETIREMENT BENEFITS

All the employees of the company are members of either the Witkop Fluorspar Provident Fund or the Witkop Fluorspar Mine Provident Fund, which are both defined contribution funds governed by the Pension Fund Act of 1956. The assets of these schemes are held in administered trust funds separated from the company's assets. Scheme assets primarily consist of listed shares and property trust units and fixed income securities. No other post-retirement benefits are available to employees. Contributions amounted to R1 340 946 (2009: R2 959 240).

Notes to the financial statements

for the year ended 30 June 2010 (continued)

26. RISK MANAGEMENT

26.1 General

In the normal course of its operations, the group is exposed to capital availability and liquidity, credit, market, interest rate and foreign exchange risk. This note describes the group's objectives, policies and processes for managing those risks and methods used to measure them. In order to manage these risks, the group has developed a comprehensive risk management process to facilitate control and monitoring. The board has overall responsibility for the determination of the group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the group's finance and treasury functions. These functions provide services to the businesses, co-ordinate access to domestic financial markets and monitor and manage the financial risks relating to the operations of the group. Operational and business risks are reviewed and addressed on an ongoing basis.

The group does not enter into or trade any financial instruments, including derivative financial instruments, for speculative purposes.

The fair value of financial instruments traded in active markets (such as restricted investments) is based on quoted market prices at balance sheet date. The quoted market price used for the financial assets held by the company is the current bid price.

26.2 Capital availability and liquidity risk

The board's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business.

After issuing convertible debentures ("CDs") to raise R75 million in May 2008, the group possessed adequate capital for normal trading conditions.

The unanticipated collapse in the international demand for fluorspar has resulted in the group placing its operations on care and maintenance to minimise losses, but the ongoing care and maintenance costs are depleting the group's liquidity and capital.

If and when the international fluorspar market recovers to levels at which Sallies' operations can be economically restarted, the group will have to replenish working capital either from borrowings or by the injection of fresh equity capital.

In addition any CDs not converted by 31 December 2012 will have to be repaid at that date. The maximum cash required for the capital repayment is R72 million, which will have to be generated from fresh borrowings, retained earnings or the issue of new shares.

Liquidity risk arises from the group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the group will encounter difficulty in meeting its financial obligations as they fall due. The group's policy is to ensure that, to the extent it is possible, it will always have sufficient cash to allow it to meet its liabilities when they become due. The group manages liquidity risk via its centralised finance and treasury functions, by maintaining adequate reserves, banking facilities and reserve borrowings facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following tables detail the group's remaining contractual maturity for its non-derivative financial liabilities.

These tables have been drawn up based on the undiscounted cash flows of financial liabilities.

Notes to the financial statements

for the year ended 30 June 2010 (continued)

(R000)	Finance leases	Bank overdraft	Trade and other payables	Convertible debentures
26. RISK MANAGEMENT (continued)				
26.2 Capital availability and liquidity risk (continued)				
GROUP				
At 30 June 2010				
Carrying amount	(3 926)	–	(18 685)	(61 234)
Contractual cash flows	(4 276)	–	(18 685)	(72 122)
Payable within 6 months	–	–	(18 685)	–
Payable within 12 months	(2 956)	–	–	–
Payable within 1 to 2 years	(1 320)	–	–	–
Payable within 3 years	–	–	–	(72 122)
GROUP				
At 30 June 2009				
Carrying amount	(7 956)	(3 730)	(30 642)	(58 030)
Contractual cash flows	(8 998)	(3 730)	(30 642)	(72 122)
Payable within 6 months	(2 361)	(3 730)	(30 642)	–
Payable within 12 months	(2 361)	–	–	–
Payable within 1 to 2 years	(4 276)	–	–	–
Payable within 4 years	–	–	–	(72 122)
COMPANY				
At 30 June 2010				
Carrying amount	–	–	(15 450)	(61 234)
Contractual cash flows	–	–	(15 450)	(72 122)
Payable within 6 months	–	–	(15 450)	–
Payable within 3 years	–	–	–	(72 122)
At 30 June 2009				
Carrying amount	–	–	(15 779)	(58 030)
Contractual cash flows	–	–	(15 779)	(72 122)
Payable within 6 months	–	–	(15 779)	–
Payable within 4 years	–	–	–	(72 122)

26.3 Credit risk

Credit risk is the risk of financial loss to the group if a customer or a counterparty fails to meet its contractual obligations. The group is mainly exposed to credit risk from credit sales and this risk is mitigated by dealing with creditworthy counterparties and a few major clients. It is the group policy to assess the credit risk of new customers before entering into contracts and the credit risk attaching to individual customers is monitored on an ongoing basis.

Exposure to credit risk

The ageing of trade receivables at the reporting date was:

Trade receivables ageing (R000)	Gross	2010 Impairment	Total	Gross	2009 Impairment	Total
GROUP						
Not past due	1 632	–	1 632	2 555	–	2 555
Past due 31 to 60 days	58	–	58	–	–	–
Past due 61 to 120 days	93	–	93	2 129	–	2 129
	1 783	–	1 783	4 684	–	4 684

Notes to the financial statements

for the year ended 30 June 2010 (continued)

26. RISK MANAGEMENT (continued)

26.3 Credit risk (continued)

Trade receivables – Listing of major customers (R000)	Total 2010	Total 2009
Customer A	794	2 128
Customer B	493	1 017
Customer C	227	958
Customer D	224	319
Other	45	262
	1 783	4 684

26.4 Market risk

The group is highly exposed to the overseas market for acid grade fluorspar as it constitutes the bulk of its sales (76.2% of total sales in F2010 and 94.5% in F2009). Because the prices in and demand from this market collapsed during Q2 of F2009, both operations were placed on care and maintenance.

Fair value hierarchy

The table below sets out the fair value measurements using the IFRS 7 fair value hierarchy.

(R000)	Total	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss				
At 30 June 2010				
Fixed interest investments	2 778	2 778	–	–
Total	2 778	2 778	–	–
At 30 June 2009				
Fixed interest investments	1 932	1 932	–	–
Total	1 932	1 932	–	–

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset as follows:

Level 1 – valued using quoted prices in active markets for identical assets

Level 2 – valued by reference to valuation techniques using observable inputs other than quoted prices included within Level 1

Level 3 – valued by reference to valuation techniques using inputs that are not based on observable market data

The valuation techniques used by the company are explained in the accounting policies note 1.2.7.

There have been no transfers during the year between Levels 1, 2 and 3.

26.5 Interest rate risk

The group is exposed to interest rate risk from short-term borrowings and cash investments at variable rates.

In the ordinary course of business the entities within the group receive cash proceeds from its operations and are required to fund working capital and capital expenditure requirements. All entities within the group are not permitted to borrow long-term from external sources. The cash is managed to ensure that all surplus funds held within the group are invested with the centralised treasury. The surplus funds are invested to maximise returns whilst ensuring that the capital is safeguarded to the maximum extent possible by investing only with top financial institutions.

Contractual arrangements for committed borrowing facilities have in the past been maintained with one banking counterparty to meet the group's funding requirements, but as the group does not currently require external funding, these have been cancelled.

At the reporting date the interest rate profile of the group's interest bearing financial instruments was:

(R'000)	Interest rate %	2010	2009
Convertible debentures fixed at	10.0	(61 234)	(58 030)
Finance lease obligation fixed at	13.0	(3 927)	(7 956)
Restricted investments	6.5 – 8.0	2 779	1 932

If the interest rate had been 1% higher-lower and all the other variables held constant, the group's profit after tax would have decreased-increased by R0 (2009: R0) as use was not made of variable interest rate financing.

Notes to the financial statements

for the year ended 30 June 2010 (continued)

26. RISK MANAGEMENT (continued)

26.6 Foreign exchange risk

The group's sales are predominantly made to overseas customers and are US dollar denominated. Foreign currency risk arises when these transactions are entered into. It is group policy to evaluate prevailing conditions in the foreign exchange market on an ongoing basis and, if deemed advisable, to hedge incoming US Dollars by entering into forward exchange contracts with the group's banker.

The Honeywell award amounts to USD1 242 824 plus interest at 5 percent per annum from 19 January 2006. Payment of the award is subject to the approval of South African regulatory authorities. The award and interest thereon have been provided for under "Trade and other payables" in these accounts at the exchange rate prevailing at the close of business on 30 June 2010 (see note 21).

The group's exposure to foreign exchange risk at year-end was:

(R000)	Currency	2010	2009
Accounts receivable	USD	-	275
Accounts payable	CHF	-	(116)
Accounts payable	USD	-	(1 458)
Cash and cash equivalents	USD	12 146	4 490
	1 CHF =	-	7.16
	1 USD =	7.61	7.74

If the Rand/USD exchange rate had been R1 higher-lower and all the other variables held constant, the group's profit after tax would have decreased-increased by R5.8 million (2009: R26.0 million).

(R000)	2010 Carrying amount	2010 Fair value	2009 Carrying amount	2009 Fair value
Financial assets				
Financial assets held for trading				
Cash and cash equivalents	24 701	24 701	34 761	34 761
Fair value through profit and loss				
Restricted investment	2 778	2 778	1 932	1 932
Loans receivable				
Trade and other receivables	3 163	3 163	12 974	12 974
Financial liabilities				
Financial liabilities measured at amortised cost				
Trade and other payables	(19 683)	(19 683)	(30 642)	(30 642)
Other financial liabilities	(3 926)	(3 926)	(7 956)	(7 956)
Convertible debentures	(61 234)	(61 234)	(58 030)	(58 030)

Notes to the financial statements

for the year ended 30 June 2010 (continued)

27. RELATED PARTIES

The consolidated financial statements include the financial statements of Sallies Limited and the subsidiaries listed in the following table:

(R000)	Country of incorporation	% equity interest 2010	% equity interest 2009
Directly held			
£ Witkop Fluorspar Mine (Proprietary) Limited	South Africa	100	100
£ Pypklip Mining Holdings (Proprietary) Limited	South Africa	100	100
£ Buffalo Fluorspar (Proprietary) Limited	South Africa	100	100
Indirectly held through Witkop Fluorspar Mine (Proprietary) Limited			
£ Marico Fluorspar (Proprietary) Limited	South Africa	100	100
£ Mosega Fluorspar Works (Proprietary) Limited	South Africa	100	100

(R000)	Investment in related parties	Transactions with related parties	Amounts owed by related parties	Amounts owed to related parties
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The following table provides the total amount of transactions which have been entered into with related parties:

Subsidiary companies

2010

£ Buffalo Fluorspar (Proprietary) Limited	-	-	23 377	-
£ Witkop Fluorspar Mine (Proprietary) Limited	78 964	73 707	221 253	-
£ Pypklip Mining Holdings (Proprietary) Limited	-	-	-	-

2009

£ Buffalo Fluorspar (Proprietary) Limited	-	-	-	-
£ Witkop Fluorspar Mine (Proprietary) Limited	78 964	-	-	-
£ Pypklip Mining Holdings (Proprietary) Limited	-	26 139	-	-

Terms and conditions of transactions with related parties

Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. During F2009 the old order mining rights were transferred from Pypklip Mining Holdings (Proprietary) Limited to Witkop Fluorspar (Proprietary) Limited at net book value.

(R000)	2010	2009
Compensation of key management of the group		
Key management besides the executive directors whose compensation is declared in directors' emoluments includes the mine manager of Witkop and the group financial manager.		
Remuneration	1 834	2 387
Allowances and benefits	650	413
Share options granted	70	1 108
Total compensation paid to key personnel	2 554	3 908

Key management interests in an employee share incentive plan

The following options have been granted to key management.

Key management (000)	Balance at 30 June 2008	Options granted 2009	Options cancelled 2009	Balance at 30 June 2009	Options cancelled 2010	Balance at 30 June 2010
Directors of subsidiaries	4 687	4 500	(4 687)	4500	(4 500)	-
£ CH Badenhorst	-	3 000	-	3 000	(3 000)	-
£ GP Bleeker	-	1 500	-	1 500	(1 500)	-
£ IJ Marais	4 687	-	(4 687)	-	-	-
Employees	969	4 900	-	5 869	(2 469)	3 400
	5 656	9 400	(4 687)	10 369	(6 969)	3 400

Notes to the financial statements

for the year ended 30 June 2010 (continued)

28. SEGMENTAL REPORTING

Primary reporting format

During the year the group conducted operations in two main business areas, Witkop (NW Province) and Buffalo (Limpopo). Transactions between business segments are on normal commercial terms and conditions.

Secondary reporting format

Secondary geographical segment information is disclosed as the group's business for the year ended 30 June 2010 was conducted in Europe, USA and Asia.

(R000)	Witkop NW Province	Buffalo Limpopo	Sallies Other	Total
Year ended 30 June 2010				
<i>Business segment information</i>				
Revenue				
External sales	57 665	3 150	–	60 815
Inter segmental revenue	–	–	73 707	73 707
Total revenue from operations	57 665	3 150	73 707	134 522
Results				
Segment results from operations	1 345	(1 550)	73 705	73 500
Operating loss from operations	(102 953)	(9 118)	66 493	(45 578)
Finance income	320	–	–	320
Finance cost	(2 786)	(1 457)	(13 081)	(17 324)
(Loss)/Profit before tax	(105 419)	(10 575)	53 412	(62 582)
Income tax expense	–	–	–	–
(Loss)/Profit for the year from operations	(105 419)	(10 575)	53 412	(62 582)
Other information				
Capital expenditure	24 110	–	–	–
Depreciation	(19 451)	–	–	–
Statement of financial position				
Assets	169 147	3 326	2 697	175 170
Liabilities	(33 668)	(20 025)	(85 806)	(139 499)

(R000)	Europe	USA	Export sales Asia	Total	Local sales	Total
<i>Geographical segment information</i>						
Revenue 2010						
Acid grade fluorspar	43 349	–	3 150	46 499	4 188	50 687
Metallurgical grade fluorspar	–	–	–	–	8 641	8 641
Crushed stone	–	–	–	–	473	473
Agricultural lime	–	–	–	–	1 014	1 014
Total	43 349	–	3 150	46 499	14 316	60 815
% of total	71.3	0.0	5.2	76.5	23.5	100.0

(R000)	Acid grade fluorspar	Other	Total
2010			
Assets	175 170	–	175 170
Liabilities	(138 498)	–	(138 498)

Notes to the financial statements

for the year ended 30 June 2010 (continued)

(R000)	Witkop NW Province	Buffalo Limpopo	Sallies Other	Total
28. SEGMENTAL REPORTING (continued)				
Year ended 30 June 2009				
<i>Business segment information</i>				
Revenue				
External sales	235 036	16 892	–	251 928
Total revenue from operations	235 036	16 892	–	251 928
Results				
Segment results from operations	95 500	2 763	–	98 263
Operating loss from operations	61 991	(77 532)	(25 298)	(40 839)
Finance income	1 085	2	–	1 087
Finance cost	(1 496)	(158)	(11 757)	(13 411)
Loss before tax	61 580	(77 688)	(37 055)	(53 163)
Income tax expense	–	–	–	–
Loss for the year from operations	61 580	(77 688)	(37 055)	(53 163)
Other information				
Capital expenditure	30 390	–	–	–
Depreciation	(15 445)	(1 415)	(2)	(16 862)
Statement of financial position				
Assets	204 556	6 345	7 937	218 838
Liabilities	(33 439)	(11 563)	(74 548)	(119 550)

(R000)	Europe	USA	Export sales Asia	Total	Local sales	Total
<i>Geographical segment information</i>						
Revenue 2009						
Acid grade fluorspar	135 916	97 466	4 635	238 017	5 327	243 344
Metallurgical grade fluorspar	–	–	–	–	8 045	8 045
Agricultural lime	–	–	–	–	538	538
Total	135 916	97 466	4 635	238 017	13 910	251 927
% of total	54.0	38.7	1.8	94.5	5.5	100.0

(R000)	Acid grade fluorspar	Other	Total
2009			
Assets	218 838	–	218 838
Liabilities	(119 550)	–	(119 550)

Notes to the financial statements

for the year ended 30 June 2010 (continued)

(R000)	Group		Company	
	2010	2009	2010	2009
29. CASH FLOW INFORMATION				
Reconciliation of net loss before taxation to cash generated/(utilised) by operations				
(Loss)/Profit before taxation	(62 582)	(53 163)	17 588	(129 135)
Adjustments for:				
Amortisation of mineral rights	-	1 850	-	-
Depreciation	19 259	16 492	2	2
Depreciation of decommissioning asset	195	361	-	-
Provision for environmental rehabilitation	27 340	(1 591)	-	-
Increase in decommissioning asset	(23 799)	-	-	-
Share-based payments	(1 034)	8 779	(1 034)	6 777
Finance cost	13 119	13 411	8 879	11 757
Investment income	(320)	(1 087)	-	-
(Profit) from the sale of plant and equipment	(610)	(257)	-	-
Revaluation of investments	(247)	297	-	-
Impairment	6 464	74 592	36 305	90 960
Operating cash flow before changes in working capital	(22 215)	59 684	61 740	(19 639)
Decrease/(Increase) in working capital:				
Inventories	32 446	(23 890)	-	-
Accounts receivable	(569)	5 028	3 175	(562)
Accounts payable	(2 837)	5 921	8 793	14 248
Cash generated/(utilised) by operations	6 825	46 743	73 708	(5 953)

30. SHARE OPTIONS GRANTED

The Sallies Limited Share Incentive scheme was adopted on 10 November 2010. In terms of the scheme participants are incentivised by means of the award of options.

The option price is determined with reference to the share price of Sallies Limited. Participants may exercise their options in three equal tranches after one, two and three years, respectively, from grant date.

The award and allocation of options are governed by Sallies' Board.

Options expire ten years after grant date or on the holder's resignation but may be extended for up to two years after termination of employment at the discretion of the Board. Options are equity settled.

There were no options awarded during 2010. Options awarded during 2009 were offered at an average price of 64 cents.

In addition to options granted in terms of the share incentive scheme, options over 18 768 744 ordinary shares at a strike price of 60 cents per share to each of Messrs TG Dale (former CEO) and J Blersch (former financial director) have been approved by the shareholders. The final 1/6 of these options vested on Firebird's acquisition of a controlling interest in the company in July 2009.

TG Dale's options remain exercisable until 22 October 2011 and J Blersch's until 31 January 2012, being the second anniversary of termination of service. Options over 4 504 005 convertible debentures to each of Messrs Dale and Blersch at a strike price of 50 cents were proposed in F2009 but not granted.

Notes to the financial statements

for the year ended 30 June 2010 (continued)

Options over ordinary shares (000)	Group		Company	
	2010	2009	2010	2009
30. SHARE OPTIONS GRANTED (continued)				
Outstanding at beginning of year	47 907	43 194	47 907	43 194
Granted during the year	-	9 400	-	9 400
Cancelled	(6 969)	(4 687)	(6 969)	(4 687)
Outstanding at end of year	40 938	47 907	40 938	47 907
Outstanding options vested	38 671	32 250	38 671	32 250
Weighted average exercise price of issued options	60 cents	60 cents	60 cents	60 cents
Weighted average exercise price of outstanding options	60 cents	60 cents	60 cents	60 cents
Weighted average exercise price of forfeited options	64 cents	34 cents	64 cents	34 cents
Weighted average exercise price of exercisable options	60 cents	60 cents	60 cents	60 cents
Fair value of options granted	-	64 cents	-	64 cents
Average remaining life	2 years	4 years	2 years	4 years
Options over convertible debentures				
(000)	Group		Company	
	2010	2009	2010	2009
Outstanding at beginning of year	9 240	11 037	9 240	11 037
Cancelled	(232)		(232)	
Conditions not met	(9 008)	(1 797)	(9 008)	(1 797)
Outstanding at end of year	-	9 240	-	9 240
Outstanding options vested	-	232	-	232
Weighted average exercise price of issued options	-	50 cents	-	50 cents
Weighted average exercise price of outstanding options	-	50 cents	-	50 cents
Weighted average exercise price of exercisable options	-	50 cents	-	50 cents
Average remaining life	-	8 years	-	8 years



Notice of annual general meeting

Sallies Limited

(Registration number 1903/001879/06)

Share code: SAL ISIN: ZAE000022588

("Sallies" or "the company")

NOTICE OF THE 108th ANNUAL GENERAL MEETING OF THE COMPANY TO BE HELD AT 14:30 ON TUESDAY, 30 NOVEMBER 2010 AT BLOCK 1, FREESTONE OFFICE PARK, 135 PATRICIA ROAD, ATHOLL, SANDTON.

Notice is hereby given that the 108th Annual General Meeting ("AGM") of members will be held at 14:30 on **Tuesday, 30 November 2010 at Block 1, Freestone Office Park, 135 Patricia Road, Atholl, Sandton** to transact the following business:

To consider and, if thought fit, pass, with or without modification the following resolutions:

1. ORDINARY RESOLUTION NUMBER ONE

To receive and adopt the Annual Financial Statements for the company and the group for the year ended 30 June 2010 together with the directors' report and the independent auditor's report.

2. ORDINARY RESOLUTION NUMBER TWO

To resolve that the appointment of Mr J Kögl as a non-executive director of the company be authorised and confirmed, in accordance with article 81 of the company's articles of association. (Mr Kögl retires by rotation but, being eligible, offers himself for re-appointment.)

(A brief CV appears on page 1 of the annual report.)

3. ORDINARY RESOLUTION NUMBER THREE

To resolve that the appointment of Mr S Swana as a non-executive director of the company be authorised and confirmed, in accordance with article 81 of the company's articles of association. (Mr Swana retires by rotation but, being eligible, offers himself for re-appointment.)

(A brief CV appears on page 1 of the annual report.)

4. ORDINARY RESOLUTION NUMBER FOUR

To resolve that the re-appointment of BDO South Africa Inc (responsible partner: JC Lemmer) as auditors until the next Annual General Meeting in accordance with section 270 (1) of the Companies Act of South Africa, be authorised and confirmed.

5. ORDINARY RESOLUTION NUMBER FIVE

To resolve that the auditors' remuneration be determined by the directors in their sole discretion.

6. ORDINARY RESOLUTION NUMBER SIX

To resolve that with effect from 1 July 2010, the annual directors' fees be set at R120 000 each, with the chairman receiving an additional R130 000.

7. ORDINARY RESOLUTION NUMBER SEVEN – CONTROL OF AUTHORISED BUT UNISSUED SHARES

To resolve that all the unissued shares in the authorised share capital of the company be and are hereby placed under the control of the directors of the company, who are authorised to allot and issue the same to such persons and on such terms and conditions as they may determine in their sole and absolute discretion, subject to the provisions of the Companies Act of South Africa and the JSE Listings Requirements.

A majority of the votes cast by all shareholders present or represented by proxy will be required to approve ordinary resolutions numbers one to seven.

8. ORDINARY RESOLUTION NUMBER EIGHT – GENERAL AUTHORITY TO ISSUE SHARES, OPTIONS OR CONVERTIBLE SECURITIES FOR CASH

To resolve that the directors be given the general authority to allot and issue unissued shares of a class already in issue held under their control, for cash, and/or issue any options/convertible securities when the directors consider it appropriate in the circumstances, subject to the provisions of the Companies Act of South Africa, the provisions of the Banks Act, No. 94 of 1990 (as amended), the JSE Listings Requirements and to the following limitations, that:

£ the authority shall be valid until the next Annual General Meeting of the company (provided it shall not extend beyond 15 months from the date of this resolution);

£ an announcement giving full details, including the impact on net asset value, net tangible asset value, earnings and headline earnings per share, will be published at the time of any issue representing, on a cumulative basis within one financial year, 5% or more of the number of shares in issue prior to such issue;

Notice of annual general meeting

(continued)

8. ORDINARY RESOLUTION NUMBER EIGHT – GENERAL AUTHORITY TO ISSUE SHARES, OPTIONS OR CONVERTIBLE SECURITIES FOR CASH (continued)

- £ issues for cash in any one financial year may not exceed 15% of the company's issued share capital;
- £ the issues must be made to public shareholders as defined by the JSE Listings Requirements;
- £ in determining the price at which an issue of shares may be made in terms of this authority, the maximum discount permitted will be 10% of the volume weighted average traded price as determined over the 30 business days prior to the date that the price of the issue is determined or agreed by the directors of the company.

In terms of the JSE Listings Requirements, the approval of this resolution is subject to achieving a 75% majority of the votes cast in favour by shareholders present or represented by proxy.

9. SPECIAL RESOLUTION NUMBER 1: REPLACEMENT OF THE ARTICLES OF ASSOCIATION

"RESOLVED that the existing articles of association of the company be and they are hereby deleted in their entirety and that the draft new articles of association, the principal effects of which are detailed below, be and are adopted in their stead. Further the new articles of association will be available for inspection on the website of Sallies."

Reason and effect of special resolution number 1

The reason for special resolution number 1 is to bring the existing articles of association in line with the recent amendments to the Companies Act, 1973, and the JSE Listings Requirements. The effect of the special resolution is to amend the company's articles of association so as to ensure compliance with the latest amendments to the Companies Act and JSE Listings Requirements, the principal changes being:

- £ the company is now able to provide financial assistance for the purchase of its shares in line with recent amendments to the Companies Act effected by the Corporate Laws Amendment Act, 2006, which came into effect on 14 December 2007;
- £ the articles now provide for the pro rata issue of authorised but unissued shares to the existing members of the company unless otherwise authorised by a general meeting, or issued for the acquisition of assets or reduction of debt, which is required in terms of the JSE Listings Requirements;
- £ additional provisions have been inserted dealing with certificates in terms of the Security Services Act, 2004, as amended, in particular it provides for uncertificated forms of securities (shares) and for the payment and recovery of expenses in respect of lost securities;
- £ the articles of association now provide for the transfer of shares on an unrestricted basis in line with the JSE Listings Requirement;
- £ in relation to directors the articles have been amended to provide for a more flexible regime for the remuneration of executive directors to be determined by a sub-committee of non-executive directors;
- £ a new article has been inserted to provide for directors to form part of a quorum regarding the appointment of additional directors;
- £ a new article has been inserted to provide for the removal of directors on a majority basis, as opposed to a unanimous basis;
- £ a new article provides for nominations for the appointment of a director to reach the company 28 days before an annual general meeting, as required in terms of the JSE Listings Requirements;
- £ the articles no longer provide for a casting vote on the part of the Chairman, as required in terms of the JSE Listings Requirements;
- £ a new article has been inserted to provide for video conferencing in the event that certain directors are unable to attend in person;
- £ the articles now provide for "round robin" resolutions;
- £ the articles now provide for additional remuneration for directors who are required to devote additional time to special matters;
- £ the disposal by the directors of the whole or greater part of the assets of the company or the sale of the undertaking by the company has been amended in accordance with section 228 of the Companies Act, now requiring a special resolution;
- £ a new article has been inserted to facilitate and provide for electronic communication;
- £ the articles now provide for scrip dividends to be paid in lieu of cash dividends and to provide for other cash payments to members in lieu of dividends in line with the recently abolished capital maintenance rule;
- £ a new article provides for a forfeiture of dividends after a three-year period, as required in terms of the JSE Listings Requirements; and
- £ new articles have been inserted to provide for the repurchase of share capital contemplated in section 85 to 90 of the Companies Act."

The approval of this resolution is subject to achieving a 75% majority of the votes cast in favour by shareholders present or represented by proxy.

Notice of annual general meeting

10. ORDINARY RESOLUTION NUMBER NINE

“RESOLVED that any one of the directors of the company and the company secretary be and are hereby authorised to do all such things and sign all such documents as may be necessary to implement special resolution number 1 and ordinary resolution number eight.”

A majority of the votes cast by all shareholders present or represented by proxy will be required to approve ordinary resolution nine.

NOTES:

If you have disposed of all your shares in Sallies Limited then this annual report, together with the accompanying notice of annual general meeting and form of proxy, should be forwarded to the purchaser to whom, or the stockbroker, Central Securities Depository Participant (“CSDP”) agent or banker through whom, you disposed of your shares.

Any shareholders wishing to attend the AGM who have already dematerialised their shares in Sallies, and such dematerialised shares are not recorded in the electronic sub-register of Sallies in their own names, should request letters of representation from their duly appointed CSDP or stockbroker, as the case may be, to authorise them to attend and vote at the AGM in person.

Any shareholders entitled to attend and vote at the AGM are entitled to appoint proxies to attend, speak and vote at the AGM in their stead. The proxies so appointed need not be members of the company.

If you have not yet dematerialised your shares in Sallies and are unable to attend the AGM, but wish to be represented thereat, you must complete the attached proxy form in accordance with the instructions therein and lodge it with the transfer secretaries of Sallies namely, Computershare Investor Services (Pty) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107) to be received by no later than 15:00 on Tuesday, 23 November 2010.

If you have already dematerialised your shares in Sallies:

£ and such dematerialised shares are recorded in the electronic sub-register of Sallies in your own name and you are unable to attend the AGM, but wish to be represented thereat, you must complete the attached proxy form in accordance with the instructions therein and lodge it with the transfer secretaries of Sallies, namely Computershare Investor Services (Pty) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107) to be received by no later than 14:30 on Friday, 26 November 2010; or

£ where such dematerialised shares are not recorded in the electronic sub-register of Sallies in your own name, you should notify your duly appointed CSDP or stockbroker, as the case may be, in the manner and cut-off time stipulated in the agreement governing your relationship with your CSDP or broker of your instructions as regards voting your shares at the AGM.

By order of the Board



Richard O'Callaghan
Company Secretary

Registered office

BDO Place
457 Rodericks Road, Lynnwood, Pretoria, 0081
(PO Box 95436, Waterkloof, 0145)

Transfer secretaries

Computershare Investor Services (Pty) Limited
70 Marshall Street, Johannesburg, 2001
(PO Box 61051, Marshalltown, 2107)



Proxy form

FOR USE AT THE ANNUAL GENERAL MEETING OF THE COMPANY TO BE HELD AT 14:30 ON TUESDAY, 30 NOVEMBER 2010 AND AT ANY ADJOURNMENT THEREOF

For use by the holders of the company's certificated ordinary shares ("certificated shareholder") and/or dematerialised ordinary shares held through a Central Securities Depository Participant ("CSDP") who have selected own-name registration ("own-name dematerialised shareholders").

Not for the use by holders of the company's dematerialised ordinary shares who are not own-name dematerialised shareholders. Such shareholders must contact their CSDP or broker timeously if they wish to attend and vote at the annual general meeting and request that they be issued with the necessary authorisation to do so, or provide the CSDP or broker timeously with their voting instructions should they not wish to attend the annual general meeting in order for the CSDP or broker to vote thereat in accordance with their instructions.

I/We _____ (full name in BLOCK LETTERS)

of (please print address) _____

being a shareholder of Sallies and holding ordinary shares in the company, hereby appoint:

1. _____ of _____ or failing him/her,

2. _____ of _____ or failing him/her,

3. the chairman of the annual general meeting, _____

as my/our proxy to act for me/us and on my/our behalf at the annual general meeting which will be held for the purpose of considering and, if deemed fit, passing, with or without modification, the ordinary and special resolutions to be proposed thereat and at any adjournment thereof; and to vote for and/or against the resolutions and/or abstain from voting in respect of the Sallies ordinary shares registered in my/our name(s), in accordance with the following instructions:

	For	Against	Abstain
1. Ordinary resolution number one Adopt annual financial statements for the year to 30 June 2010			
2. Ordinary resolution number two Appointment of J Kögl as non-executive director			
3. Ordinary resolution number three Appointment of S Swana as non-executive director			
4. Ordinary resolution number four Re-appointment of BDO South Africa Inc as auditors			
5. Ordinary resolution number five Authorise the directors to determine the auditors' remuneration			
6. Ordinary resolution number six Approve the directors' fees			
7. Ordinary resolution number seven Place authorised but unissued shares under the control of the directors			
8. Ordinary resolution number eight General authority to issue shares, options or convertible debentures for cash			
9. Special resolution number 1 Replacement of articles of association			
10. Ordinary resolution number nine Authority to directors and secretary to implement ordinary resolution number eight and special resolution number 1			

* Please indicate with an "X" in the appropriate spaces above how you wish your votes to be cast.

Unless otherwise instructed, my/our proxy may vote as he/she thinks fit.

Signed at _____ on _____
 (place) (date)

Member's signature _____

Assisted by (if applicable) _____

Please read the notes on the reverse hereof.

Notes

1. This proxy form is to be completed only by those members who are:
 - a. holding shares in a certificated form; or
 - b. recorded in the sub-register in electronic form in their "own name".
2. Members who have dematerialised their shares other than own-name dematerialised shareholders, and who wish to attend the annual general meeting must contact their Central Securities Depository Participant ("CSDP") or broker who will furnish them with the necessary authority to attend the annual general meeting, or they must instruct their CSDP or broker as to how they wish to vote in this regard. This must be done in terms of the agreement entered into between the members and their CSDP or broker.
3. Each member is entitled to appoint one or more proxies (who need not be a member(s) of the company) to attend, speak and, on a poll, vote in place of that member at the annual general meeting.
4. A member may insert the name of a proxy or the names of two alternative proxies of the member's choice in the space provided, with or without deleting "the chairman of the annual general meeting". The person whose name stands first on the proxy form and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow.
5. A member's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that member in the appropriate box(es) provided. Failure to comply with the above will be deemed to authorise the chairman of the annual general meeting, if the chairman is the authorised proxy, to vote in favour of the ordinary and special resolutions at the annual general meeting, or any other proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit, in respect of all the member's votes exercisable thereat.
6. A member or his/her proxy is not obliged to vote in respect of all the ordinary shares held by such member or represented by such proxy, but the total number of votes for or against the ordinary and special resolutions and in respect of which any abstention is recorded may not exceed the total number of votes to which the member or his/her proxy is entitled.
7. Documentary evidence establishing the authority of a person signing this proxy form in a representative capacity must be attached to this form of proxy, unless previously recorded by the company's transfer office or waived by the chairman of the annual general meeting.
8. The chairman of the annual general meeting may reject or accept any proxy form which is completed and/or received, other than in accordance with these instructions and notes, provided that the chairman is satisfied as to the manner in which a member wishes to vote.
9. Any alterations or corrections to this proxy form must be initialled by the signatory(ies).
10. The completion and lodging of this proxy form will not preclude the relevant member from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such member wish to do so.
11. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the company's transfer secretaries.
12. Where there are joint holders of any shares, only that holder whose name appears first in the register in respect of such shares need sign this form of proxy.
13. Forms of proxy must be lodged with the transfer secretaries at the address given below by no later than 14:30 local time on Friday, 25 November 2010. They may be faxed to +27 (11) 638 5321.

Transfer Secretaries

Computershare Investor Services (Pty) Limited
Ground Floor, 70 Marshall Street
Johannesburg, 2001
PO Box 61051, Marshalltown, 2107



SALLIES LIMITED
Reg No 1903/001879/06

Corporate information

DIRECTORS

Nicholas Davidoff* (USA; Chairman)
Patrick Cooke (Financial Director)
Andrew Kamau** (Kenyan)
Jürgen Kögl*
Stephen Morris** (British)
Sandile Swana**†

* *Non-executive* † *Independent*

COMPANY SECRETARY

Richard O'Callaghan

SPONSOR

Bridge Capital Advisors (Pty) Limited

AUDITORS

BDO South Africa Incorporated

ATTORNEYS

DLA Cliffe Dekker Hofmeyr
Fullard Mayer Morrison Inc.

BANKERS

First National Bank of Southern Africa Limited

TRANSFER SECRETARIES

Computershare Investor Services (Proprietary) Limited

INVESTOR AND MEDIA RELATIONS

Timothy Shultz
Meropa Communications (Proprietary) Limited
Telephone +27 (11) 506 7300
Telefax +27 (11) 086 688 7849
e-mail: timothys@meropa.co.za

REGISTERED OFFICE

Block C
Riverwalk Office Park
41 Matroosberg Road
Ashlea Gardens
Pretoria
0145

POSTAL ADDRESS

Private Bag X1315
Zeerust 2865

WEBSITE

www.sallies.co.za

Shareholders' diary

Financial year-end	30 June 2010
Annual general meeting	30 November 2010
Interim results	March 2011

