

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

Action required:

1. This circular is important and should be read with particular attention to pages 9 and 10 – “Action required by shareholders”.
2. If you are in any doubt as to the action you should take, please consult your CSDP, stockbroker, attorney, accountant, banker or other professional advisor immediately.
3. If you have disposed of all your shares in Sallies then this circular, together with the accompanying form of instruction, should be forwarded to the purchaser to whom, or the stockbroker, CSDP or banker through whom, you disposed of your shares.
4. The form of instruction enclosed with this circular in respect of the renounceable letter of allocation (if applicable) is negotiable and may be traded on the JSE. Letters of allocation may only be traded in dematerialised form and, accordingly, Sallies has issued all letters of allocation in dematerialised form. The electronic record of letters of allocation for holders of certificated shares is being maintained by Computershare Investor Services (Pty) Limited.



SALLIES LIMITED

(Incorporated in the Republic of South Africa)
(Registration number 1903/001879/06)
Share code: SAL ISIN: ZAE000022588
("the company" or "Sallies")

CIRCULAR TO SALLIES SHAREHOLDERS

regarding

an underwritten rights offer by Sallies of 151 483 358 (one hundred and fifty-one million four hundred and eighty-three thousand three hundred and fifty-eight) unsubordinated unsecured convertible debentures of R0.50 each at a subscription price of R0.50 per convertible debenture, in the ratio of 24 convertible debentures for every 100 ordinary shares held in Sallies at the close of business on Friday, 11 April 2008;

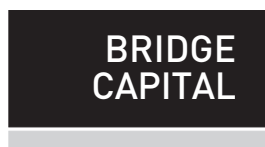
and incorporating

an enclosed form of instruction in respect of a renounceable (nil paid) letter of allocation in respect of the rights offer (for use only by certificated shareholders).

Rights offer opens at 09:00 on Monday, 14 April 2008

Rights offer closes at 12:00 on Friday, 9 May 2008

**Sponsor and
corporate advisor**



Attorneys



BRINK COHEN LE ROUX

**Auditors and independent
reporting accountants**



BDO Spencer Steward (Jhb) Inc
Chartered Accountants (SA)
Registered Auditors

Date of issue: Monday, 14 April 2008

Copies of this circular are available in English only and may be obtained during normal business hours from the registered office of the company, the offices of the sponsor and the transfer secretaries, the addresses of which are set out in the "Corporate information" section of this circular, from Monday, 14 April 2008 until Friday, 9 May 2008.

CORPORATE INFORMATION

Directors

T G Dale* (*Chairman and chief executive*)
J Blersch* (*Commercial director*)
B C Esterhuyzen
Dr V E Msibi (alternate J Kögl)
* Executive

Company secretary

R S O'Callaghan
86 Eighth Avenue
Parktown North, 2193
(PO Box 2889, Saxonwold, 2132)

Sponsor and corporate advisor

Bridge Capital Advisors (Pty) Limited
(Registration number 1998/016302/07)
2nd Floor
27 Fricker Road
Illovo, 2196
(PO Box 651010, Benmore, 2010)

Auditors and independent reporting accountants

BDO Spencer Steward (Jhb) Inc.
Registered Auditors
Chartered Accountants (SA)
(Registration number 1995/002310/21)
BDO House
13 Wellington Road
Parktown, 2193
(Private Bag X50500, Houghton, 2041)

Attorneys

Brink Cohen Le Roux Incorporated
(Registration number 1993/004501/21)
BCLR House
19 West Street
Houghton, 2198
(PO Box 2404, Houghton, 2041)

Sallies website

<http://www.sallies.co.za>

Registered office

Witkop Fluorspar Mine
Farm Wintershoek
Zeerust, 2865
(Private Bag X1315, Zeerust, 2865)

Transfer secretaries

Computershare Investor Services
(Pty) Limited
(Registration number 2004/003647/07)
70 Marshall Street
Johannesburg, 2001
(PO Box 61763, Marshalltown, 2107)

Commercial banker

First National Bank of Southern Africa Limited
(Registration number 1929/001225/06)
Corner President and Church Streets
Zeerust, 2865
(Private Bag X6334, Zeerust, 2865)

Underwriters

Dale Capital Partners Limited
(Registration number 1443428)
6th Floor
Max City Building
21 Remy Ollier Street
Port Louis
Mauritius

Titan Financial Services (Pty) Limited
(Registration number 1996/006040/07)
36 Stellenberg Road
Parow Industria, 7493
(PO Box 6100, Parow East, 7501)

Trinity Asset Managers (Pty) Limited
(Registration number 1996/010864/07)
Trinity Place, The Terraces
1 Silverwood Close
Steenberg Office Park
Tokai, 7945
(PO Box 30848, Tokai, 7966)

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SALIENT DATES AND TIMES

2008

Last day to trade in Sallies shares in order to settle by the record date and to qualify to participate in the rights offer (<i>cum</i> entitlement) on	Friday, 4 April
Listing of letters of allocation on the JSE with JSE Code SALN and ISIN ZAE000117313 commences at commencement of trading on	Monday, 7 April
Sallies shares commence trading <i>ex-rights</i> on the JSE at commencement of trading on	Monday, 7 April
Record date for participation in the rights offer at the close of business on	Friday, 11 April
Rights offer circular posted to shareholders on	Monday, 14 April
Rights offer opens at commencement of trading on	Monday, 14 April
Dematerialised shareholders will have their accounts at their CSDP or stockbroker automatically credited with their entitlement on	Monday, 14 April
Certificated shareholders on the register will have their entitlement credited to an account at Computershare Nominees (Pty) Limited on	Monday, 14 April
The form of instruction in respect of a letter of allocation will be posted to certificated shareholders of Sallies recorded in the register as such on the record date on	Monday, 14 April
Last day to trade in letters of allocation on the JSE on	Wednesday, 30 April
Listing of convertible debentures with JSE Code SALD and ISIN ZAE000117305 commences at commencement of trading on	Monday, 5 May
Rights offer closes – payments to be made and form of instruction in respect of letters of allocation lodged by certificated shareholders by 12:00 (see Notes 1 and 5) on	Friday, 9 May
Record date for letters of allocation on	Friday, 9 May
Dematerialised shareholders' accounts will be updated with entitlements and debited by their CSDP or stockbroker and certificates posted to certificated shareholders on	Monday, 12 May
Results of rights offer released on SENS on	Monday, 12 May
Results of rights offer published in the press on	Tuesday, 13 May

Notes:

1. Dematerialised shareholders are required to notify their duly appointed CSDP or stockbroker of their acceptance of the offer in the manner and time stipulated in the agreement governing the relationship between the shareholder and his CSDP or stockbroker.
2. All times indicated are South African times unless otherwise stated.
3. Share certificates may not be dematerialised or rematerialised between Monday, 7 April 2008 and Friday, 11 April 2008, both days inclusive;
4. Dematerialised shareholders will have their accounts at their CSDP or stockbroker automatically credited with their Sallies shares in respect of which the rights offer has been accepted and certificated shareholders will have their Sallies share certificates in respect of which the rights offer has been accepted posted to them at their own risk, by registered post.
5. CSDPs effect payment in respect of dematerialised shareholders on a delivery versus payment method.

SALIENT FEATURES

The definitions commencing on page 6 of this circular have, where necessary, been used in these salient features.

1. THE RIGHTS OFFER

1.1 Introduction

In the reviewed consolidated results for the year ended 30 June 2007 published on 19 October 2007 it was stated that “the group will have to access additional funding to deliver a turnaround and shareholders will be kept informed”. On 5 February 2008 shareholders were informed that the board of directors of Sallies has resolved to raise approximately R75 million to refinance the company by means of a rights offer.

Shareholders recorded in the register of members at the close of business on Friday, 11 April 2008 are granted the right to subscribe for convertible debentures in terms of the rights offer on the basis of 24 convertible debentures for every 100 Sallies shares held at a subscription price of R0.50 per convertible debenture.

The rights offer is fully underwritten at a total cost of R1 514 833.58. Sallies has entered into three separate underwriting agreements with Dale Capital, Titan and Trinity in terms whereof these underwriters have, respectively, undertaken to severally underwrite 60%, 15% and 25%, of the 151 483 358 convertible debentures to be issued at an issue price of R0.50 per convertible debenture.

1.2 Purpose of the rights offer

During the period 20 December 2007 to 6 March 2008, the underwriters provided bridging finance totalling R34 999 999 to Sallies to ensure that the company is adequately financed during the period prior to the closing date of the rights offer. Dale Capital, Trinity and Titan Share Dealers have provided loans of R13 000 000, R10 333 333 and R11 666 666, respectively, bearing interest at the prime overdraft rate of FNB. The loan by Titan Share Dealers is secured by guarantees from Buffalo and Witkop Fluorspar and pledges by Buffalo and Witkop Fluorspar to Titan Share Dealers of its pipeline stock, being the acid grade fluorspar for export produced by Buffalo and Witkop Fluorspar, which is either in storage at the relevant railway stations, in transit per rail to Durban Harbour or held in storage by South African Bulk Terminals (Pty) Limited at Durban Harbour. The terms and conditions of the guarantees and pledges are set out in an agreement between Titan Share Dealers and Buffalo dated 20 December 2007 and an agreement between Titan Share Dealers and Witkop Fluorspar dated 20 December 2007. The remaining two loans are unsecured. A raising fee of 1.5% of the capital amount is payable to each of the underwriters for the respective loans made available by each of them. The loans provided are to be repaid from the proceeds of the rights offer.

The balance of the proceeds of the rights offer will be utilised to fund capital expenditure and to provide Sallies with adequate working capital.

1.3 Terms of the underwriting agreements

1.3.1 In terms of an underwriting agreement concluded on 29 January 2008, Dale Capital has agreed to underwrite the allotment and issue of 90 890 015 Sallies convertible debentures (60% of the convertible debentures to be issued in terms of the rights offer) at an issue price of R0.50 per convertible debenture. Sallies has agreed to pay Dale Capital an underwriting fee of R908 900.15 (exclusive of VAT), being the equivalent of 2% of the aggregate value of the convertible debentures underwritten by Dale Capital.

1.3.2 In terms of an underwriting agreement concluded on 31 January 2008, Titan has agreed to underwrite the allotment and issue of 22 722 504 Sallies convertible debentures (15% of the convertible debentures to be issued in terms of the rights offer) at an issue price of R0.50 per convertible debenture. Sallies has agreed to pay Titan an underwriting fee of R227 225.04 (exclusive of VAT), being the equivalent of 2% of the aggregate value of the convertible debentures underwritten by Titan.

1.3.3 In terms of an underwriting agreement concluded on 29 January 2008, Trinity has agreed to underwrite the allotment and issue of 37 870 839 Sallies convertible debentures (25% of the convertible debentures to be issued in terms of the rights offer) at an issue price of R0.50 per convertible debenture. Sallies has agreed to pay Trinity an underwriting fee of R378 708.39 (exclusive of VAT), being the equivalent of 2% of the aggregate value of the convertible debentures underwritten by Trinity.

1.3.4 In compliance with the Listings Requirements, each of the underwriters has agreed to amend each of their underwriting agreements in terms of a second addendum thereto entered into with Sallies, dated 20 March 2008. In terms thereof:

1.3.4.1 the principal amount will on **Repayment**, include the obligation on Sallies to pay all accrued but unpaid interest, if any; and/or

1.3.4.2 the obligation on the part of Sallies to allot and issue, credited as fully paid, shares at a subscription price of R0.50 on **Conversion**, will only apply to the principal amount. All accrued but unpaid interest on the principal amount will be paid in cash.

The terms and conditions which appear in Annexure 7 have been amended to reflect this amendment.

1.4 Excess applications and shares not taken up

Sallies shareholders will not be entitled to apply for a greater number of convertible debentures in excess of those offered to them in terms of the rights offer.

Convertible debentures not taken up under the rights offer will be subscribed for and issued to the underwriters in terms of the underwriting agreements.

2. FINANCIAL EFFECTS OF THE RIGHTS OFFERS

The table below sets out the *pro forma* financial effects of the rights offers based on Sallies' audited results for the year ended 30 June 2007. These financial effects are the responsibility of the directors of Sallies and they have been prepared for illustrative purposes only, in order to provide information about the financial position and results of Sallies, assuming that the rights offers had been implemented on 1 July 2006 (results) or 1 July 2007 (net asset value). Due to its nature, the *pro forma* financial information may not give a fair reflection of Sallies' financial position, changes in equity, results of operations or cash flows subsequent to the rights offer. The *pro forma* consolidated balance sheets and income statements of Sallies are set out in Annexure 1 to this circular. The independent reporting accountants' report on the *pro forma* financial information is set out in Annexure 2 to this circular.

	Audited results for the year ended 30 June 2007	After the July 2007 Rights Offer and before this Rights Offer	After the July 2007 Rights Offer and this Rights Offer	Change (%)
Basic loss per share (cents)				
– undiluted	(8.4)	(5.7)	(5.7)	
– diluted	(8.3)	(5.6)	(4.5)	(21.0)
Headline loss per share (cents)				
– undiluted	(8.5)	(5.7)	(5.7)	
– diluted	(8.4)	(5.7)	(4.6)	(19.2)
Net asset value per share (cents)	15.1	24.2	28.9	19.4
Tangible net asset value per share (cents)	12.1	21.2	26.5	25.0
Issued shares ('000)	506 264	631 181	782 664	
Weighted average number of shares in issue ('000)	494 968	619 885	619 885	
Diluted weighted average number of shares in issue ('000)	499 430	624 347	775 830	

Please refer to Annexure 1 for notes.

3. OPINIONS, RECOMMENDATIONS AND UNDERTAKINGS

The directors have considered the terms and conditions of the rights offer and are unanimously of the opinion that the terms of the rights offer are fair and reasonable to Sallies shareholders. They accordingly recommend that all shareholders follow their rights in terms of the rights offer.

Each of Sallies' advisors, namely its sponsor and corporate advisor, attorneys, commercial banker, transfer secretaries and the auditors and independent reporting accountants, has consented in writing to act in the capacities stated and to their names appearing in this circular and have not withdrawn such consent prior to the issue of this circular.

The independent reporting accountants have given and have not withdrawn their consent to the inclusion of their report in the form and context in which it is included in this circular.

DEFINITIONS

In this circular, unless otherwise stated or the context otherwise indicates, the words in the first column shall have the meanings stated opposite them in the second column and words in the singular shall include the plural and *vice versa*. Words importing natural persons shall include corporations and associations of persons and an expression denoting any gender shall include the other genders.

“auditors and independent reporting accountants”	BDO Spencer Steward (Johannesburg) Incorporated;
“BVI”	British Virgin Islands;
“Buffalo”	Buffalo Fluorspar Mine (Pty) Limited (Registration number 2006/016554/07), a company incorporated in South Africa;
“business day”	any day other than a Saturday, Sunday or official public holiday in South Africa;
“certificated shareholders”	Sallies shareholders who hold Sallies shares in certificated form;
“circular”	all the documents and annexures contained in this bound circular, dated 14 April 2008, including the enclosed form of instruction;
“common monetary area”	South Africa, the Republic of Namibia and the Kingdoms of Lesotho and Swaziland;
“Companies Act”	the Companies Act, 1973 (Act 61 of 1973), as amended from time to time;
“convertible debentures”	the 151 483 353 unsubordinated unsecured convertible debentures with a nominal value of R0.50 which are subject of the rights offer;
“CSDP”	Central Securities Depository Participant, appointed by the individual shareholder for purposes of, and in regard to, dematerialisation;
“Dale Capital”	Dale Capital Partners Limited (Registration number 1443428), one of the underwriters, the further details of which are set out in Annexure 6 to this circular;
“debenture holder”	the holder of a convertible debenture;
“dematerialisation”	the process by which certificated shares are converted to an electronic form as uncertificated shares and recorded in the sub-register of shareholders maintained by a CSDP;
“dematerialised shareholders”	Sallies shareholders who hold Sallies shares which have been uncertificated, are incorporated into the Strate system and which are no longer evidenced by physical documents of title in terms of the Securities Services Act, 2004;
“directors”	the board of directors of Sallies;
“documents of title”	share certificates and/or certificated transfer deeds and/or balance receipts or any other documents of title in respect of Sallies shares in certificated form;
“DWAF”	Department of Water Affairs and Forestry;
“emigrants”	former residents of the common monetary area;

“FNB”	First National Bank of Southern Africa Limited (a division of FirstRand Bank Limited) (Registration number 1929/001225/06), a public company listed on the JSE and a registered bank in terms of the Banks Act 1990;
“form of instruction”	a form of instruction in respect of a letter of allocation reflecting the rights of certificated shareholders and on which certificated shareholders are entitled to indicate whether they wish to take up, sell or renounce all or part of their rights;
“Honeywell”	Honeywell International Inc., a company registered in the United States of America and whose registered address is 101 Columbia Road, Morris Township, New Jersey;
“IFRS”	International Financial Reporting Standards, which comprise standards and interpretations approved by the International Accounting Standards Board, International Financial Reporting Interpretations Committee and International Accounting Standards and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee;
“JSE”	the JSE Limited (Registration number 2005/022939/06), a public company duly incorporated in South Africa and licensed as an exchange under the Securities Services Act, 2004;
“July 2007 Rights Offer”	the renounceable rights offer of 124 916 922 Sallies shares at an issue price of R0.60 per share in the ratio of 25 new shares for every 100 shares held at the close of business on Friday, 8 June 2007;
“last practicable date”	the last practicable date prior to the finalisation of this circular, being 10 March 2008;
“letters of allocation”	renounceable (nil paid) letters of allocation to be issued to Sallies shareholders, conferring a right on the holder to subscribe for convertible debentures in terms of the rights offer;
“Listings Requirements”	Listings Requirements of the JSE Limited;
“record date”	Friday, 11 April 2008;
“Registrar”	the Registrar of Companies in South Africa;
“right”	the renounceable right to subscribe for convertible debentures in terms of the rights offer;
“rights offer” or “this rights offer”	the renounceable rights offer by Sallies of 151 483 358 unsubordinated unsecured convertible debentures at an issue price of R0.50 per convertible debenture in the ratio of 24 convertible debentures for every 100 shares held at the close of business on Friday, 11 April 2008;
“rights offers”	the July 2007 Rights Offer and this rights offer;
“rights participant”	a shareholder entitled to participate in the rights offer;
“Sallies” or “the company”	Sallies Limited (Registration number 1903/001879/06), a public company incorporated in South Africa whose shares are listed on the JSE;
“Sallies group”	collectively, Sallies and all its subsidiaries;
“Sallies shareholders” or “shareholders”	the registered holders of Sallies shares from time to time;

“Sallies shares” or “ordinary shares” or “shares”	ordinary shares of a par value of 0.1 cent each in the issued share capital of Sallies;
“SARS”	the South African Revenue Services;
“SENS”	Securities Exchange News Service of the JSE;
“South Africa”	the Republic of South Africa;
“Strate”	Strate Limited (Registration number 1998/022242/06), a custody and clearing settlement system introduced by the JSE for all share transactions concluded on the JSE;
“terms and conditions”	the terms and conditions attaching to the convertible debentures and attached hereto as Annexure 7 to this circular;
“Titan”	Titan Financial Services (Pty) Limited (Registration number 1996/006040/07), one of the underwriters, the further details of which are set out in Annexure 6 to this circular;
“Titan Share Dealers”	Titan Share Dealers (Pty) Limited (Registration number 1969/003884/07), a company incorporated in South Africa;
“transfer secretaries”	Computershare Investor Services (Pty) Limited (Registration number 2004/003647/07);
“Trinity”	Trinity Asset Management (Pty) Limited (Registration number 1996/010864/07), one of the underwriters, the further details of which are set out in Annexure 6 to this circular;
“underwriters”	Dale Capital, Trinity and Titan, the further details of which are set out in Annexure 6 to this circular;
“underwriting agreements”	the three underwriting agreements between Sallies on the one hand and the underwriters on the other, in terms whereof Dale Capital, Titan and Trinity have severally underwritten 60%, 15% and 25% of the rights offer dated 29, 31 and 29 January 2008, respectively as amended in terms of first addendums thereto dated 28 February 2008, 4 March 2008 and 29 February 2008, as well as second addendums thereto dated 20 March 2008;
“VAT”	Value-Added Tax levied in terms of the Value-Added Tax Act (89 of 1991), as amended;
“Witkop Fluorspar”	Witkop Fluorspar Mine (Pty) Limited (Registration number 1972/006392/07), a private company incorporated in South Africa, a subsidiary of Sallies; and
“ZAR” or “Rand” or “R”	South African Rand.

ACTION REQUIRED BY SHAREHOLDERS

The definitions commencing on page 6 of this circular apply, where necessary, to this information on action required by shareholders.

Shareholders should not construe anything in this circular as legal, business or tax advice. Shareholders who are in any doubt as to what action to take should consult their CSDP, stockbroker, banker, accountant, attorney or other professional advisor immediately.

Action required by holders of certificated Sallies shares

If you are a holder of certificated Sallies shares to whom the rights offer is made and you wish to accept the number of rights shares offered, you must complete the enclosed form of instruction in accordance with the instructions contained therein and forward it to the transfer secretaries at the address set out below, so as to be received by no later than 12:00 on Friday, 9 May 2008. Once received by the transfer secretaries, the acceptance is irrevocable and may not be withdrawn.

Should you wish to subscribe for the convertible debentures offered or renounced to you, a banker's draft drawn on a registered bank or a cheque drawn on a South African bank (each of which should be crossed and marked "not transferable" and, in the case of a cheque, with the words "or bearer" deleted) in favour of "**Sallies Limited – Rights Offer**" in respect of the amount due, together with a properly completed form of instruction should be placed in an envelope clearly marked "**Sallies Limited – Rights Offer**" and delivered to:

Sallies Limited – Rights offer

c/o Computershare Investor Services (Pty) Limited
Ground Floor
70 Marshall Street
Johannesburg, 2001

so as to be received by no later than 12:00 on Friday, 9 May 2008, or may be posted, at the risk of the shareholder concerned, to:

Sallies Limited – Rights offer

c/o Computershare Investor Services (Pty) Limited
PO Box 61763
Marshalltown, 2107

so as to be received by the transfer secretaries by no later than 12:00 on Friday, 9 May 2008.

If the required documentation and payment has not been received in accordance with the instructions contained in the enclosed form of instruction (either from the qualifying Sallies shareholders or from any person in whose favour the rights have been renounced) by 12:00 on Friday, 9 May 2008, then the rights to those unsubscribed rights shares will be deemed to have been declined and the rights offer entitlement will lapse. The amount due on acceptance of the rights offer is payable in Rand.

Holders of certificated Sallies shares are advised to take into consideration postal delivery times when posting their forms of instruction, as no late postal deliveries will be accepted. Shareholders are advised to deliver their completed form of instruction together with their cheques or banker's drafts by hand or by courier, where possible.

All cheques or banker's drafts received by the transfer secretaries will be deposited immediately for payment. The payment as referred to above will constitute an irrevocable acceptance of the rights offer upon the terms and conditions set out in this circular and in the enclosed form of instruction. In the event that any cheque or banker's draft is dishonoured, Sallies, in its sole discretion, may treat the relevant acceptance as void or may tender delivery of the relevant convertible debentures to which it relates against payment in cash of the subscription price for such convertible debentures.

Money received in respect of an application which is rejected or otherwise treated as void by Sallies, or which is otherwise not validly received in accordance with the terms stipulated, will be posted, by registered post, by way of a cheque drawn (without interest) in Rand to the applicant concerned, at the applicant's risk, on or about Monday, 12 May 2008. If the applicant concerned is not a shareholder and gives no address in the enclosed form of instruction, then the relevant refund will be held by Sallies until collected by the applicant and no interest will accrue to the applicant in respect thereof.

If you are a holder of certificated Sallies shares and do not wish to subscribe for all of the rights allocated to you as reflected in the form of instruction, you may either dispose of or renounce all or part of your entitlement, as follows:

- if you wish to sell all or part of your entitlement, you must complete Form A in the enclosed form of instruction and return it to the transfer secretaries to be received by no later than 12:00 on Friday, 25 April 2008. Note that the transfer secretaries will endeavour to procure the sale of rights on the JSE on your behalf and to remit the net proceeds thereof in accordance with your instructions. In this regard, the transfer secretaries will not have any obligation or be responsible for any loss or damage whatsoever in relation to or arising from the timing of such sales, the price obtained or the failure to dispose of such entitlements; and
- if you wish to renounce your entitlement in favour of any named renounee, you must complete Form B in the enclosed form of instruction and deliver it to the renounee.

Certificates in respect of rights shares will be posted, by registered post, by the transfer secretaries to holders of Sallies shares who subscribed for rights shares in certificated form, at the risk of the holders of certificated Sallies shares concerned, on or about Monday, 12 May 2008.

Recipients of rights shares in certificated form must note that such certificated Sallies shares are not good for delivery and may not be traded on the JSE until they have been dematerialised.

Action required by holders of dematerialised Sallies shares

The CSDP or stockbroker appointed by holders of dematerialised Sallies shares will contact you to ascertain:

- whether you wish to follow your rights in terms of the rights offer and, if so, in respect of how many rights shares; or
- if you do not wish to follow all or any of your rights, whether you wish to sell your rights and, if so, how many rights you wish to sell or whether you wish your rights to lapse.

Should a CSDP or stockbroker not obtain instructions from you, a holder of dematerialised shares, they are obliged to act in terms of the mandate granted to them by you or, if the mandate is silent in this regard, not to accept the rights.

Payment will be effected on the shareholders' behalf in Rand by the CSDP or stockbroker. The CSDP or stockbroker will make payment to Sallies in respect of holders of dematerialised Sallies shares on a delivery versus payment basis. Payment by the shareholder to the CSDP or stockbroker will be according to contractual terms between the shareholder and the CSDP or stockbroker.

If you have dematerialised your Sallies shares and you wish to sell or renounce some or all of the rights allocated to you, you should make the necessary arrangements with your CSDP or stockbroker before the final time and date stated in the advice sent to you by the CSDP or stockbroker in this regard.

If you, being a holder of dematerialised Sallies shares, follow your rights in terms of the rights offer, you will have your accounts held with your CSDP or stockbroker updated and debited on Monday, 12 May 2008.

If you have dematerialised your Sallies shares, you will **not** receive a printed form of instruction. You should receive notification from your CSDP or stockbroker regarding the rights to which you are entitled in terms of the rights offer.

Sallies does not take responsibility and will not be held liable for any failure on the part of any CSDP or stockbroker to notify you of the rights offer or to obtain instructions from you to subscribe for the rights shares or to sell the rights allocated.



SALLIES LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 1903/001879/06)

Share code: SAL ISIN: ZAE000022588

CIRCULAR TO SALLIES SHAREHOLDERS

Directors

T G Dale* (*Chairman and chief executive*)

J Blersch* (*Commercial director*)

B C Esterhuyzen

Dr V E Msibi (alternate J Kögl)

* Executive

1. INTRODUCTION

- 1.1** In the reviewed consolidated results for the year ended 30 June 2007 published on 19 October 2007 it was stated "the group will have to access additional funding to deliver a turnaround and shareholders will be kept informed". On 5 February 2008 shareholders were informed, by way of an announcement in the press, that the board of directors of Sallies has resolved to raise approximately R75 million to refinance the company by means of a rights offer.

Shareholders recorded in the register of members at the close of business on Friday, 11 April 2008 are granted the right to subscribe for convertible debentures in terms of the rights offer on the basis of 24 convertible debentures for every 100 Sallies shares held at a subscription price of R0.50 per convertible debenture.

The rights offer is fully underwritten. Sallies has entered into three separate underwriting agreements with Dale Capital, Titan and Trinity in terms whereof these underwriters, respectively, have undertaken to severally underwrite 60%, 15% and 25% of the 151 483 358 convertible debentures to be issued at an issue price of R0.50 per convertible debenture.

- 1.2** On Wednesday, 27 February 2008, at an annual general meeting of Sallies, ordinary resolutions were passed by the requisite majority in terms of the Companies Act and the Listings Requirements, placing the authorised but unissued share capital under the control of the directors of the company with specific approval to allot and issue the convertible debentures on the terms and conditions detailed in Annexure 7.
- 1.3** The enclosed form of instruction in respect of the letter of allocation contains details of the rights to which certificated shareholders are entitled, as well as the procedures for acceptance or renunciation of the rights offer. Dematerialised shareholders will be advised of the rights to which they are entitled as well as the procedure for acceptance or renunciation of the rights offer by their CSDP or stockbroker.
- 1.4** The JSE has approved the listing of the letters of allocation from the commencement of business on Monday, 7 April 2008 to the close of business on Wednesday, 30 April 2008.

2. PURPOSE OF THE RIGHTS OFFER

2.1 During the period 20 December 2007 to 6 March 2008, the underwriters provided bridging finance totalling R34 999 999 to Sallies to ensure that the company is adequately financed during the period prior to the closing date of the rights offer. Dale Capital, Trinity and Titan Share Dealers have provided loans of R13 000 000, R10 333 333 and R11 666 666, respectively, bearing interest at the prime overdraft rate of FNB. The loan by Titan Share Dealers is secured by guarantees from Buffalo and Witkop Fluorspar and pledges by Buffalo and Witkop Fluorspar to Titan Share Dealers of its pipeline stock, being the acid grade fluorspar for export produced by Buffalo and Witkop Fluorspar, which is either in storage at the relevant railway stations, in transit per rail to Durban Harbour or held in storage by South African Bulk Terminals (Pty) Limited at Durban Harbour. The terms and conditions of the guarantees and pledges are set out in an agreement between Titan Share Dealers and Buffalo dated 20 December 2007 and an agreement between Titan Share Dealers and Witkop Fluorspar dated 20 December 2007. The remaining two loans are unsecured.

A raising fee of 1.5% of the capital amount is payable to each of the underwriters for the respective loans made available by each of them. The loans provided are to be repaid from the proceeds of the rights offer.

2.2 The balance of the proceeds of the rights offer will be utilised to fund capital expenditure and to provide Sallies with adequate working capital.

3. TERMS OF THE RIGHTS OFFER

3.1 Particulars of the rights offer

Sallies is offering for subscription, upon the terms and conditions set out in this circular by way of renounceable rights, to Sallies shareholders and/or their renoucees, a total of 151 483 358 convertible debentures at a price of R0.50 per convertible debenture payable in full on acceptance by certificated shareholders, or on a delivery versus payment basis by the CSDP or stockbroker of dematerialised shareholders, in Rand, in the ratio of 24 convertible debentures for every 100 Sallies shares held at the close of business on Friday, 11 April 2008.

3.2 terms and conditions attaching to the unsubordinated unsecured convertible debentures

Pursuant to the subscriptions of the convertible debentures outlined in 3.1, a debenture holder shall have the following five options available to him:

A debenture holder shall have the following *five options* available to him:

In the absence of an event of default:

- to elect **early non-default conversion** any time prior to 31 December 2012, in terms of which some or all of the convertible debentures are repaid through the allotment and issue, credited as fully paid, of the maximum whole number of Sallies shares at a subscription price of R0.50, which is equal to the aggregate principal amount as defined in 1.3.3, read with 1.4.7 of the terms and conditions of one convertible debenture being repaid. Accrued but unpaid interest will be paid in cash;
- to elect **maturity cash repayment** in terms of which some or all of the convertible debentures are repaid in cash at their aggregate principal amount as defined in 1.3.3, read with 1.4.7 of the terms and conditions of one convertible debenture being repaid, on 31 December 2012;
- to elect **maturity conversion** in terms of which some or all of the convertible debentures are repaid through the allotment and issue, credited as fully paid, of one Sallies ordinary share per convertible debenture at the aggregate principal amount as defined in 1.3.3, read with 1.4.7 of the terms and conditions of one convertible debenture being repaid, on 31 December 2012. Accrued but unpaid interest will be paid in cash.

If an event of default has occurred:

- to elect **default cash repayment** in terms of the convertible debentures shall be repaid at their principal amount as defined in 1.3.3, read with 1.4.7 of the terms and conditions;
- to elect **default conversion** in terms of which the principal amount as defined in 1.3.3, read with 1.4.7 of the terms and conditions of all of the convertible debentures outstanding are repaid through the allotment and issue, credited as fully paid, of the maximum whole number of Sallies shares at a subscription price per Sallies share equal to R0.50 per Sallies share. Accrued but unpaid interest will be paid in cash.

3.3 Opening and closing dates of the rights offer

The rights offer will open at 09:00 on Monday, 14 April 2008 and will close at 12:00 on Friday, 9 May 2008.

3.4 Entitlement

Sallies shareholders are granted the renounceable right to subscribe for 24 convertible debentures for every 100 Sallies shares held on the record date. Sallies shareholders are referred to the table of entitlements set out in Annexure 3 hereto. The allocation of convertible debentures will be such that only whole numbers of convertible debentures will be issued and shareholders will be entitled to rounded numbers of convertible debentures. Fractional entitlements of 0.5 or greater will be rounded up and less than 0.5 will be rounded down.

3.4.1 Certificated shareholders will have their rights credited to an account in electronic form, which will be administered by Computershare Nominees (Pty) Limited on their behalf. The enclosed form of instruction reflects the number of convertible debentures for which the certificated shareholder is entitled to subscribe. The procedure that the shareholder should follow for the acceptance, sale or renunciation of his rights is reflected in the form of instruction.

3.4.2 Dematerialised shareholders will have their rights to convertible debentures for which they are entitled to subscribe, credited to their accounts by their appointed CSDP or stockbroker in electronic form. The CSDP or stockbroker will advise the dematerialised shareholders of the procedures they need to follow for the acceptance, sale or renunciation of rights.

3.4.3 The letters of allocation to which the form of instruction relates are negotiable and can be traded on the JSE.

3.5 Excess applications and shares not taken up

Sallies shareholders may not apply for convertible debentures in excess of those allocated to them in terms of the rights offer.

Convertible debentures not taken up under the rights offer will be subscribed for and issued to the underwriters in terms of the underwriting agreements.

3.6 JSE listings

The JSE has granted listings for the letters of allocation and convertible debentures, as follows:

- letters of allocation in respect of 151 483 358 convertible debentures will be listed from the commencement of trade on Monday, 7 April 2008 to the close of trade on Wednesday, 30 April 2008, both days inclusive; and
- 151 483 358 convertible debentures will be listed with effect from the commencement of business on Monday, 5 May 2008.

4. PROCEDURE FOR ACCEPTANCE, RENUNCIATION AND SALE OF RIGHTS

4.1 Certificated shareholders

4.1.1 Acceptance

Full details of the procedure for acceptance of the rights offer by certificated shareholders are contained in the form of instruction enclosed with this circular. It should be noted that:

4.1.1.1 acceptances are irrevocable and may not be withdrawn;

4.1.1.2 acceptances may be made only by means of the form of instruction;

4.1.1.3 any instruction to sell or renounce all or part of the rights may only be made by means of the form of instruction;

4.1.1.4 the properly completed form of instruction and a banker's draft or cheque in Rand crossed "not transferable" and "or bearer" deleted in payment of the subscription

price payable for the relevant convertible debentures must be received by the transfer secretaries at either of the addresses referred to in paragraph 4.1.3.2 below by no later than 12:00 on Friday, 9 May 2008. No late postal acceptances will be considered;

- 4.1.1.5 the form of instruction to take up the rights in question will be regarded as complete only when the cheque or banker's draft has been cleared for payment;
- 4.1.1.6 such payment will constitute an irrevocable acceptance of the rights offer upon the terms and conditions set out in this circular and in the form of instruction once the cheque or banker's draft has been cleared for payment;
- 4.1.1.7 if any form of instruction is not received as set out above, the rights offer will be deemed to have been declined and the right to subscribe for the convertible debentures in terms of the form of instruction will lapse, regardless of who holds it.

4.1.2 Renunciation or sale of rights

- 4.1.2.1 Sallies has issued all letters of allocation in dematerialised form and the electronic record for certificated shareholders is being maintained by Computershare Nominees (Pty) Limited. This has made it possible for certificated shareholders to enjoy the same rights and opportunities as dematerialised shareholders.
- 4.1.2.2 Certificated shareholders not wishing to subscribe for all, or some of the convertible debentures allocated to them as reflected in the form of instruction, may sell or renounce or lapse their rights.
- 4.1.2.3 In addition, certificated shareholders who wish to sell all, or some of the convertible debentures allocated to them as reflected in the form of instruction, should complete the relevant section of the form of instruction and return it to the transfer secretaries in accordance with the instructions contained therein, to be received by no later than 12:00 on Friday, 9 May 2008.
- 4.1.2.4 Computershare Investor Services (Pty) Limited will endeavour to procure the sale of the rights on the JSE on behalf of such certificated shareholders and will remit the proceeds in accordance with the payment instructions reflected in the form of instruction, net of brokerage charges and associated expenses. Neither the transfer secretaries nor the company nor any stockbroker appointed by either of them will have any obligation or be responsible for any loss or damage whatsoever in relation to, or arising out of, the timing of such sales, the price obtained or any failure to sell such rights. References in this paragraph to a certificated shareholder include references to the person or persons executing the form of instruction and any person or persons on whose behalf such person or persons executing the form of instruction is/are acting and in the event of more than one person executing the form of instruction, the provisions of this paragraph shall apply to them, jointly and severally.
- 4.1.2.5 Certificated shareholders who do not wish to sell all or some of the rights allocated to them as reflected in the form of instruction, and who do not wish to subscribe for convertible debentures offered in terms of the form of instruction but who wish to renounce their rights, should complete the relevant section of the form of instruction and return it to the transfer secretaries in accordance with the instructions contained therein.
- 4.1.2.6 Certificated shareholders who wish to subscribe for only a portion of the convertible debentures allocated to them must indicate the number of convertible debentures for which they wish to subscribe on the form of instruction.
- 4.1.2.7 Certificated shareholders wishing to sell or renounce all, or part of, their rights will be liable to pay a cost of R115 (all inclusive) for trades of less than R40 000 and 0.25% of the value of trades for amounts greater than R40 000.

4.1.3 Payment

4.1.3.1 Currency

The amount due on acceptance of the rights offer is payable in Rand.

4.1.3.2 Payment terms

A banker's draft drawn on a registered bank or a cheque drawn on a South African bank (each of which should be crossed and marked "not transferable" and, in the case of a cheque, with the words "or bearer" deleted) in favour of "**Sallies – Rights Offer**" in respect of the amount due, together with a properly completed form of instruction, must be lodged by certificated shareholders and/or their renounees by no later than 12:00 on Friday, 9 May 2008 in accordance with the instructions contained in the form of instruction and clearly marked "**Sallies – Rights Offer**" as follows:

By hand to:

Computershare Investor Services (Pty) Limited
Ground Floor
70 Marshall Street
Johannesburg
2001

or sent by post, at the risk of the shareholder or renounee concerned, to:

Computershare Investor Services (Pty) Limited
PO Box 61763
Marshalltown
2107

All cheques or banker's drafts received by the transfer secretaries will be deposited immediately for payment. In the event that any cheque or banker's draft is dishonoured, Sallies, in its sole discretion, may treat the relevant acceptance as void or may tender delivery of the relevant convertible debentures to which it relates against payment in cash of the subscription price for such convertible debentures. Money received in respect of an application which is rejected or otherwise treated as void by Sallies, or which is otherwise not validly received in accordance with the terms stipulated in this paragraph, will be posted, by registered mail (without interest), by way of a cheque drawn in Rand to the applicant concerned, at the applicant's risk on or about Monday, 12 May 2008. If the applicant concerned is not a Sallies shareholder and gives no address in the form of instruction, then the relevant refund will be held by Sallies until collected by the applicant.

4.1.3.3 Sallies convertible debenture certificates

Where applicable, share certificates in respect of convertible debentures will be posted, by registered post, by the transfer secretaries, at the risk of the certificated shareholders concerned, on or about Monday, 12 May 2008. As Sallies uses the "certificated transfer deeds and other temporary documents of title" procedure approved by the JSE, only "block" certificates will be issued in respect of convertible debentures.

Certificated shareholders receiving convertible debentures in certificated format must note that such convertible debentures cannot trade on the JSE until they have been dematerialised. This could take between one and ten days.

4.2 Dematerialised shareholders

4.2.1 Acceptance, renunciation or sale of rights

The CSDP or stockbroker appointed by dematerialised shareholders should contact such shareholders to ascertain:

- whether such dematerialised shareholders wish to follow their rights in terms of the rights offer (in which case CSDPs effect payment on a delivery versus payment basis) or renounce their rights and in respect of how many convertible debentures; and
- if such dematerialised shareholders do not wish to follow all or any of their rights, whether they wish to sell their rights and how many rights they wish to sell.

If you are not contacted, you should contact your CSDP or stockbroker and furnish them with your instruction. Should a CSDP or stockbroker not obtain instructions from a dematerialised shareholder, they are obliged to act in terms of the mandate granted to them by such dematerialised shareholder, or if the mandate is silent in this regard, not to accept the rights on behalf of such shareholder.

4.2.2 Payment

Your CSDP or stockbroker will effect payment directly on your behalf in respect of rights followed, in Rand, on Monday, 12 May 2008 on a delivery versus payment basis.

4.2.3 New convertible debentures

Dematerialised shareholders will have their accounts credited with the convertible debentures subscribed for in terms of the rights offer, on Monday, 12 May 2008.

5. UNDERWRITING

5.1 The rights offer is fully underwritten at a total cost of R1 514 833.58. Dale Capital, Titan and Trinity have, respectively, underwritten 60%, 15% and 25% of the issue, as follows:

5.1.1 In terms of an underwriting agreement concluded with Sallies on 29 January 2008, Dale Capital has agreed to underwrite the allotment and issue of 90 890 015 Sallies convertible debentures (60% of the convertible debentures to be issued in terms of the rights offer) at an issue price of R0.50 per convertible debenture. Sallies has agreed to pay Dale Capital an underwriting fee of R908 900.15 (exclusive of VAT), being the equivalent of 2% of the aggregate value of the convertible debentures underwritten by Dale Capital.

5.1.2 In terms of an underwriting agreement concluded with Sallies on 31 January 2008, Titan has agreed to underwrite the allotment and issue of 22 722 504 Sallies convertible debentures (15% of the convertible debentures to be issued in terms of the rights offer) at an issue price of R0.50 per convertible debenture. Sallies has agreed to pay Titan an underwriting fee of R227 225.04 (exclusive of VAT), being the equivalent of 2% of the aggregate value of the convertible debentures underwritten by Titan.

5.1.3 In terms of an underwriting agreement concluded with Sallies on 29 January 2008, Trinity has agreed to underwrite the allotment and issue of 37 870 839 Sallies convertible debentures (25% of the convertible debentures to be issued in terms of the rights offer) at an issue price of R0.50 per convertible debenture. Sallies has agreed to pay Trinity an underwriting fee of R378 708.39 (exclusive of VAT), being the equivalent of 2% of the aggregate value of the convertible debentures underwritten by Trinity.

5.1.4 In compliance with the Listings Requirements, each of the underwriters has agreed to amend each of their underwriting agreements in terms of a second addendum thereto entered into with Sallies, dated 20 March 2008. In terms thereof:

5.1.4.1 the principal amount will on **Repayment**, include the obligation on Sallies to pay all accrued but unpaid interest, if any; and/or

5.1.4.2 the obligation on the part of Sallies to allot and issue, credited as fully paid, shares at a subscription price of R0.50 on **Conversion**, will only apply to the principal amount. All accrued but unpaid interest on the principal amount will be paid in cash.

The terms and conditions which appear in Annexure 7 have been amended to reflect this amendment.

5.2 All of the underwriting agreements will become irrevocable upon fulfilment of the suspensive conditions set out in those agreements, which is expected to occur after the finalisation date being, 25 March 2008 but by no later than Wednesday, 30 April 2008.

5.3 In terms of the underwriting agreements the underwriting commission will not be paid until the underwriter commitments have been met.

Please refer to Annexure 6 for full details of the underwriters.

6. AUTHORISATIONS

At the annual general meeting of Sallies held on Wednesday, 27 February 2008, the necessary ordinary resolutions placing the authorised but unissued share capital under the control of the directors of the company with specific approval to allot and issue the convertible debentures on the terms and conditions, were passed.

7. FINANCIAL EFFECTS OF THE RIGHTS OFFER

The table below sets out the *pro forma* financial effects of the rights offers based on Sallies' audited results for the year ended 30 June 2007. These financial effects are the responsibility of the directors of Sallies and they have been prepared for illustrative purposes only, in order to provide information about the results and financial position of Sallies assuming that the rights offers had been implemented on 1 July 2006 results and 1 July 2007 (net asset value). Due to its nature, the *pro forma* financial information may not give a fair reflection of Sallies' financial position, changes in equity, results of operations or cash flows subsequent to the rights offer.

The *pro forma* consolidated balance sheet and income statement of Sallies are set out in Annexure 1.

The auditors and independent reporting accountants' report on the *pro forma* financial information is set out in Annexure 2.

	Audited results for the year ended 30 June 2007	After the July 2007 Rights Offer and before the Rights Offer	After the July 2007 Rights Offer and this Rights Offer	Change (%)
Basic loss per share (cents)				
– undiluted	(8.4)	(5.7)	(5.7)	
– diluted	(8.3)	(5.6)	(4.5)	(21.0)
Headline loss per share (cents)				
– undiluted	(8.5)	(5.7)	(5.7)	
– diluted	(8.4)	(5.7)	(4.6)	(19.2)
Net asset value per share (cents)	15.1	24.2	28.9	19.4
Tangible net asset value per share (cents)	12.1	21.2	26.5	25.0
Issued shares ('000)	506 264	631 181	782 664	
Weighted average number of shares in issue ('000)	494 968	619 885	619 885	
Diluted weighted average number of shares in issue ('000)	499 430	624 347	775 830	

Please refer to Annexure 1 for notes.

8. SHARE CAPITAL

The authorised and issued share capital of Sallies, before and after the rights offer, is set out below:

	R
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<i>Authorised share capital</i>	
1 000 000 000 ordinary shares of 0.1 cent each	1 000 000
<hr/>	
<i>Issued share capital, before the July 2007 Rights Offer (Note 1)</i>	
506 263 665 ordinary shares of 0.1 cent each	506 264
Share premium	209 601 676
<hr/>	
210 107 940	
<hr/>	
<i>Issued share capital, after the July 2007 Rights Offer (Note 2)</i>	
631 180 657 ordinary shares of 0.1 cent each	631 181
Share premium	281 835 518
<hr/>	
282 466 699	
<hr/>	
<i>Issued share capital, after the issue of the convertible debentures in terms of this rights offer (Note 3 and 4)</i>	
782 664 015 ordinary shares of 0.1 cent each	782 664
Share premium	390 549 343
<hr/>	
391 332 008	
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Notes:

1. Share capital before the renounceable rights offer of 124 916 992 ordinary shares at an issue price of R0.60 per share in the ratio of 25 new ordinary shares for every 100 shares held made by Sallies in July 2007.
2. Share capital after the renounceable rights offer of 124 916 992 ordinary shares at an issue price of R0.60 per share in the ratio of 25 new ordinary shares for every 100 shares held made by Sallies in July 2007.
3. After the rights offer detailed in this circular 151 483 358 convertible debentures will be in issue. The convertible debentures will be convertible on a 1-for-1 basis, or if an event of default occurs, conversion will take place at a subscription price equal to R0.50 per Sallies share. At the election of the debenture holder, the convertible debentures will be convertible or repayable on maturity, in an event of default convertible debenture payment or any time before maturity will be convertible. The convertible debentures will be repayable at their principal amount. Full details of the five options appear in paragraph 3.1 above.
4. It is assumed that all convertible debentures will be converted into ordinary shares on maturity and that there will be no cash repayment and no default conversion before maturity.

9. EXCHANGE CONTROL REGULATIONS

The following summary is intended only as a guide and is therefore not comprehensive. Sallies shareholders who are in any doubt as to the appropriate course of action to take should consult their professional advisors.

The convertible debentures to be issued pursuant to the rights offer are not freely transferable from South Africa and must be dealt with in terms of the Exchange Control Regulations of South Africa.

Sallies shareholders who are not resident in the common monetary area should obtain advice as to whether any governmental and/or other legal consent is required and/or whether any other formality must be observed to follow their rights in terms of the rights offer.

In terms of the Exchange Control Regulations of South Africa, non-residents of the common monetary area will be allowed to:

- take up rights allocated in terms of the offer;
- purchase letters of allocation on the JSE; and
- subscribe for convertible debentures arising from letters of allocation purchased on the JSE.

provided that payment is received in foreign currency or in Rand from a non-Resident account.

All applications by non-residents for the above purposes must be made through an Authorised Dealer in foreign exchange. Convertible debentures subsequently converted into Sallies shares that are rematerialised and issued in certificated form, will be endorsed "non-Resident".

Where a right in terms of the rights offer falls due to a former resident of the common monetary area, which right is based on shares controlled in terms of the Exchange Control Regulations of South Africa, only emigrant's blocked funds may be used to take up this right. In addition, emigrant's blocked funds may also be used to:

- purchase letters of allocation on the JSE; and
- subscribe for convertible debentures arising from the letters of allocation purchased on the JSE;

Applications by emigrants using emigrant's blocked funds for the above purposes must be made through the Authorised Dealer in foreign exchange controlling their blocked assets. Any debentures issued pursuant to the use of emigrant blocked funds will be credited to their blocked share accounts at the CSDP controlling their blocked portfolios. The sale proceeds of letters of allocation, if applicable, will be returned to the Authorised Dealer in foreign exchange for credit to such emigrants' blocked accounts.

10. TAX CONSEQUENCES

Sallies shareholders are advised to consult their professional advisors regarding the tax consequences of the rights offer and Sallies makes no representation and give no warranty in regard to the tax consequences of the rights offer insofar as individual shareholders are concerned.

11. JURISDICTION

- 11.1** The rights offer is not being made, directly or indirectly, in or into or by the use of mails of, or by any means or instrumentality (including, without limitation, telephonically or electronically) of inter-state or foreign commerce of, or any facility of a national securities exchange of, the United States of America, Australia, Canada, Italy, Luxembourg or Japan. Accordingly, copies of this circular, the form of instruction/letters of allocation and any related documents are not being and must not be mailed or otherwise distributed or sent in or into the United States of America, Australia, Canada, Italy, Luxembourg or Japan, including to Sallies shareholders with registered addresses in the United States, Australia, Canada or Japan or to persons whom Sallies shareholders know to be custodians, nominees or trustees holding Sallies shares for persons in the United States of America, Australia, Canada, Italy, Luxembourg, Japan or any other jurisdiction in which the new convertible debentures may not be offered. The renounceable rights which would, but for this exclusion, have been offered to such shareholders shall be aggregated and sold on their behalf and for their benefit on the JSE.
- 11.2** Persons receiving such documents (including, without limitation, custodians, nominees and trustees) shall not distribute or send them in, into or from the United States of America, Australia, Canada, Italy, Luxembourg or Japan or use such mails or such other means, instrumentality or facility in connection with the rights offer and in doing so, will render invalid any related purported acceptance of the rights offer.
- 11.3** In addition, the distribution of this circular and/or accompanying documents and/or the transfer of the rights shares and/or the rights to subscribe for rights shares in jurisdictions other than South Africa, excluding those jurisdictions already referred to in paragraphs 11.1 and 11.2 above, may be restricted by law and failure to comply with any of those restrictions may constitute a violation of the laws of any such jurisdiction. Neither this circular nor any form of instruction/letter of allocation may be regarded as an offer in any jurisdiction in which it is illegal to make such an offer. In those circumstances, this circular and any form of instruction/letter of allocation are sent for information purposes only.

12. GENERAL INFORMATION ON SALLIES AND ITS DIRECTORS

12.1 History

Sallies was established as a gold mining company in 1903. It produced gold on the East Rand until the nineteen nineties, when the gold mining assets were sold.

On 1 July 1999 Sallies acquired a 100% interest in Phelps Dodge Mining (Proprietary) Limited (renamed Witkop Fluorspar Mine (Proprietary) Limited) for R78.964 million. This company owns the Witkop Fluorspar Mine.

On 31 July 2006, Sallies purchased all of the fluorspar assets of Transvaal Mining and Finance Company (Proprietary) Limited (formerly trading as Buffalo Fluorspar) for R65 million, and transferred such assets into a company named Buffalo Fluorspar Mine (Proprietary) Limited, in which it now holds a 100% stake.

12.2 Nature of business

The Witkop Fluorspar Mine, located near Zeerust in the North West Province, mines fluorspar ore from which it produces acid grade filter cake fluorspar, a product which contains 97% fluorspar or CaF₂. The bulk of its output is exported to international customers across the globe, active mainly in the production of hydrofluoric acid, which is then further processed by such customers into refrigerant gases, fluoro-polymers and aluminium fluoride.

Small quantities of metallurgical grade fluorspar and agricultural lime are produced by Witkop Fluorspar Mine as by-products and sold to the local market.

The Buffalo Fluorspar mine, located near Mookgopong in the Limpopo Province, treats material from tailings dams to produce acid grade filter cake fluorspar. Although no by-products are currently produced, investigations into the production of monazite are in progress. Acid grade fluorspar is exported to international customers who are mainly active in the production of hydrofluoric acid.

12.3 Prospects

The following are extracts from the Statement of Chairman and Chief Executive dated 30 January 2008, which forms part of the Sallies Limited Annual Report 2007:

“Future profits will depend upon

- (i) a sustainable operating turnaround at Witkop which delivers higher product volumes than in F2007 whilst maintaining product specifications and tight control of costs and capex;*
- (ii) successful re-engineering for the Buffalo project; and*
- (iii) fluorspar prices which are significantly higher than existing contracts.*

Certain existing major shareholders and a prospective new major shareholder have once again resolutely stepped into the breach to financially support the company. The new management group is committed to delivery of operating improvements and is addressing the identified priorities. Prices achieved in the export contracts agreed to date for C2008 delivery indicate that the market is moving rapidly towards the sharply higher levels required by your company.

The environment for mining companies in South Africa is becoming increasingly challenging on several fronts. Disruptions to electricity supply are disastrous for extraction plants. According to current projections by Eskom, the national electricity supplier, regular interruptions in power supply will be experienced over the next five years, whilst current capacity is being upgraded, expanded or maintained. This could have a negative impact on the company's ability to achieve its production targets. In addition, it is vitally important that a partnership is established with all stakeholders to ensure that issues such as safety management and the security of tenure of mining rights does not place unwarranted burdens on management or abnormal risks on shareholders.”

Sallies has, as yet, no clear competitive edge, and it is incumbent upon management to develop such an edge and establish a track record for mining low grade, variable fluorspar deposits.”

12.4 Minerals Resources and Reserves Statement

12.4.1 Witkop Fluorspar Mine

Mineral resources and reserves for the Witkop Fluorspar Mine have been compiled by Engelbertus Jansen MSc, South Africa's leading fluorspar geologist and a registered geological scientist with SACNASP (registration number 400073/02) and are summarised below. These have been defined according to the guidelines of the SAMREC code.

Summary of Mineral Resources at 31 December 2007

	Tonnage (t)	CaF ₂ (%)
Inferred resources	22 400 000	13.0
Indicated resources	29 000 000	14.1
Measured resources	18 900 000	15.4

Summary of Mineral Reserves at 31 December 2007

	Tonnage (t)	CaF ₂ (%)
Probable reserves	1 100 000	29.3
Proved reserves	22 250 000	12.4

Note: Mineral Resources are reported inclusive of Mineral Reserves.

12.4.2 Buffalo Fluorspar Mine

At Buffalo Fluorspar Mine mining of Tailings Dumps 1 to 4 is substantially complete. Until the necessary metallurgical, mechanical and electrical re-engineering design and construction to process Dumps 5 and 6 is completed early in F2009, mechanical selective mining of the Mill Hill tailings dam and the residue of Tailings Dams 1 to 4 will be utilised as plant feed.

Since no mining of Tailings Dumps 5 and 6 have taken place, the figures shown below have been extracted from the Competent Person's Report of RSG Global dated August 2006.

Summary of Mineral Reserves at August 2006

	Tonnage (t)	CaF ₂ (%)
Probable reserves	5 668 000	7.32

12.5 Production

Production of all grades of fluorspar at Witkop increased from 92 677 wet metric tonnes in F2006 to 117 841 wet metric tonnes in F2007 (27%). Production at Buffalo between August 2006 and June 2007 was 16 340 wet metric tonnes excluding some 4 500 wet metric tonnes purchased from the previous owners of Buffalo. These production volumes were significantly below budget.

At Witkop the initial challenge to increasing output is to create mining flexibility in the pits through implementing the following:

- increasing waste stripping and re-establishing mineable reserves to ensure that economic cut off grades can be implemented and that the optimum blend of ore required by the plant to achieve good recoveries can be delivered;
- minimising ore losses and dilution through effective supervision of good drilling and loading standards; and
- optimising fragmentation through accurate drilling and blasting.

12.6 Information on directors

12.6.1 Details of directors

The full names, ages, addresses and occupations of the directors of Sallies and its subsidiaries are outlined below:

Name of director	Age	Business address	Occupation and Curriculum Vitae
Thomas Graham Dale*	57	Buffelskloof, 511 IQ Potchefstroom	<i>Chairman and chief executive</i> Tom is a former managing director of Gold Fields Limited and of Gengold, the gold division of Gencor/Billiton Limited. In addition to gold mining experience in South Africa, he has executive experience in local coal and granite operations. He was also CEO of a substantial copper and cobalt group in Zambia. He holds a BSc (Honours) Mining Engineering degree from the University of Newcastle upon Tyne and a MBA from the University of the Witwatersrand.
Johann Blersch*	66	5, 14th Avenue Houghton Estate	<i>Commercial director</i> Johann has some 40 years' experience in corporate finance and stockbroking in South Africa. During his career he was the chief executive of three major South African stockbrokerages. He is a Chartered Accountant and holds a BComm degree from the University of Stellenbosch and an MBA from the University of Cape Town. He attended the Stanford Executive Program.
Dr Vincent Elijah Msibi +	52	421 Pretorius Street Pretoria	<i>Non-executive director</i> Dr Msibi is a director of companies. He is the chairman of African Renaissance Investments Holdings Limited, the holding company of the Black Economic Empowerment partner of Sallies. He holds a BSc degree from the University of Zululand and obtained his medical degree at Medunsa. He completed a Senior Executive Program at Harvard Business School.
Jürgen Kögl +	51	30 Jan Smuts Avenue Parktown	<i>Alternate to V E Msibi</i> 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. He holds degrees in Civil Engineering and Economic History from the University of Cape Town.

Name of director	Age	Business address	Occupation and Curriculum Vitae
Barend Christoffel Esterhuyzen +	48	28th Floor No. 1 Thibault Square Long Street Cape Town	<i>Non-executive director</i> Barney is an advocate and entrepreneur. He has chaired and served as director on many boards, including the JSE listed SAIL Group Limited for which he was executive chairman until 2003. He is also the executive chairman of Luna Group (Pty) Limited, a private equity investment company headquartered in Cape Town for the past 30 years.
Petrus Renier Prinsloo Potgieter*	38	Witkop Fluorspar Mine Farm Wintershoek Zeerust	<i>Director of all of Sallies' subsidiaries</i> Prinsloo joined Sallies at the end of 2006 as group financial manager. He has 13 years' experience in accounting and financial management, most recently as manager finance of the Amandelbult Section of Rustenburg Platinum Mines. He holds a Hons B Compt degree from the University of South Africa.
Gerrit Pieter Bleeker*	57	Buffalo Fluorspar Mine Farm Buffelsfontein Naboomspruit	<i>Director of Buffalo Fluorspar Mine (Pty) Limited</i> Gerrit joined Sallies at the beginning of June 2007 and is the general manager of Buffalo Fluorspar Mine. He has 25 years' experience in both surface and underground mining. Prior to joining Sallies, he was mine manager at Marico Chrome Corporation (Pty) Limited. He holds a certificate of competency as manager on metalliferous mines.
Casper Hendrik Badenhorst*	40	Witkop Fluorspar Mine Farm Wintershoek Zeerust	<i>Director of Witkop Fluorspar Mine (Pty) Limited</i> Casper rejoined Sallies in October 2007 as general manager of the Witkop Fluorspar Mine. Casper has 15 years' experience in geology and mining of which 4½ years were at Witkop, initially as geologist and later as mineral resources manager. He holds a degree in geology B-Tech from Pretoria Technikon and diploma in Mineral Resources Management obtained at Bloemfontein University and is registered as a Pr.Sci.Nat.

* Executive director.

+ Independent

All the directors are South African.

12.6.2 Directors' interests in Sallies' shares

As at the date of this circular, Barney Esterhuyzen indirectly held 60 000 contracts (single stock futures) representing 6 000 000 ordinary shares of 0.1 cent each.

At the annual general meeting of the company held on 27 February 2008, Messrs T G Dale ("Dale") and J Blersch ("Blersch") were granted, subject to the Listings Requirements and pursuant to section 223 of the Companies Act, the following options upon and subject to the following terms and conditions:

- 12.6.2.1** each of Dale and Blersch shall have the irrevocable right and option to purchase 18 768 774 ordinary par value shares of 0.1 cent each in the issued share capital of the company ("Shares") at a strike price of R0.60 per Share, exercisable, cumulatively, as to 12 512 516 Shares on or after 31 August 2008 (as to two-thirds) and subject to Dale or Blersch, as the case may be, still remaining a consultant or in the employ of Sallies at the following exercise dates, on or after 31 December 2008 (as to five-sixths) and 31 December 2009 (as to all the Shares forming the subject matter of the options);
- 12.6.2.2** If either Dale or Blersch ceases to be a consultant or to remain in the employ of Sallies, any of the options that may have become exercisable on 31 August 2008 or subsequently become exercisable by the affected director, as the case may be, will continue to be exercisable as follows after date of termination of his consultancy or employment:
- 12.6.2.2.1 if termination occurs on or before 31 July 2008: 31 August 2008;
- 12.6.2.2.2 if termination occurs between 31 August 2008 and 30 June 2009: one year thereafter; and
- 12.6.2.2.3 if termination occurs after 30 June 2009: two years thereafter.
- 12.6.2.3** All or any of the options may be exercised immediately by Dale and/or Blersch if at any time whilst any option remains unexercised there is a change in control in Sallies (within the meaning of the Securities Regulation Code on Take-overs and Mergers of the Securities Regulation Panel).

After the Rights Offer, each of Dale and Blersch will have options in respect of 18 768 774 Sallies shares each, as well as the further option to acquire such convertible debentures as would have accrued to each of Dale and Blersch in terms of the rights offer if they had been the registered holders of shares forming the subject matter of the options granted to them.

Save as disclosed above, none of the directors currently hold any beneficial or non-beneficial interests directly or indirectly in the company and there has been no other change in directors' shareholdings owned, beneficially or non-beneficially, directly or indirectly, since the last financial year-end.

12.6.3 Directors' interests in transactions

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

- during the current or immediately preceding financial year; or
- during an earlier financial year that remains in any respect outstanding or unperformed.

12.6.4 Directors' remuneration

Other than as set out in 12.6.2 above there will be no variation in the remuneration receivable by the directors as a consequence of the rights offer.

The following emoluments were paid and accrued to directors during the 2007 financial year:

All figures in R'000	Basic salary	Expense allowances	Retirement benefits	Fees, bonuses and other benefits	Medical aid	Directors' fees	Total
Executive							
I J Marais* (Resigned – 1 October 2007)	720	409	88	2	35	–	1 254
Non-executive							
J Blersch	225	–	–	–	–	45	270
T G Dale	225	–	–	–	–	56	281
B C Esterhuyzen	–	–	–	–	–	–	–
P H Flack* (Resigned – 8 January 2007)	–	–	–	95	–	75	170
A D Moffat* (Resigned – 16 January 2007)	–	–	–	–	–	75	75
Dr V Msibi (Alt: J Kögl)	–	–	–	–	–	120	120
J J Nel* (Resigned – 16 April 2007)	–	–	–	–	–	60	60
L B Robertson* (Resigned – 16 January 2007)	–	–	–	249	–	75	324
J E Woods* (Resigned - 27 February 2008)	–	–	–	–	–	50	50
Total	1 170	409	88	346	35	556	2 604

*Since resigned

12.7 Sallies' share price history

A table setting out the price history of Sallies shares on the JSE has been included in Annexure 4.

12.8 Financial information

The *pro forma* income statement and balance sheet of Sallies and income statement and the report of the independent reporting accountants thereon are set out in Annexures 1 and 2 to this circular.

12.9 Litigation statement

12.9.1 Honeywell dispute

Sallies is currently involved in arbitration proceedings with Honeywell, a former customer. An amount of USD1 067 327 is owed by Honeywell to Sallies for fluorspar delivered by Witkop Fluorspar to Honeywell in 2005. Sallies sent a letter, dated 21 November 2005, to Honeywell, demanding payment of the outstanding invoices.

Sallies was advised to obtain a Swiss legal opinion on the interpretation of the contract with Honeywell before proceeding with possible cancellation, which it did.

A letter informing Honeywell of a "material breach" was forwarded to Honeywell on 11 January 2006. Honeywell did not respond to this letter and Sallies cancelled the contract on 19 January 2006, to which Honeywell responded on the same date, claiming unjustified cancellation. Sallies responded on 25 January 2006 confirming the contractual basis on which the termination was justified.

Honeywell referred the matter to arbitration in terms of the Rules of the International Chamber of Commerce. Honeywell is claiming an amount of USD6 847 305 from Sallies for damages which it alleges it suffered as a result of a breach of contract by Sallies.

On Monday, 14 January 2008, the Arbitral Tribunal in Zurich dealing with the Honeywell arbitration gave its preliminary, non-binding assessment on the evidence it heard at the witness hearings during the last week of September 2007. Its most important conclusions were:

- (i) that the termination of the Witkop contract with Honeywell, by Sallies, was legal according to Swiss law; and

- (ii) that the foundation upon which Honeywell based its USD6.9 million claim against Sallies is unsustainable in Swiss law.

Honeywell submitted a motivation for a change in the basis of their claim by 4 February 2008 and Sallies responded to their argument on 25 February 2008.

If a change in the basis of the claim is accepted by the Tribunal, Honeywell can present evidence supporting a revised claim by 7 April 2008. Sallies will then have the opportunity to respond to this in due course.

12.9.2 South African Revenue Service (“SARS”) dispute

SARS and Sallies have a dispute with regard to an interest claim. SARS claimed that interest on the USD loan raised through RMB Resources, Australia, at the time of acquisition of Witkop was not interest incurred in the production of income. This matter came to trial in August 2006. Judgment has gone in favour of SARS. Management has taken this judgment on appeal and it is still in a judicial process. The potential exposure of Sallies is approximately R4 million.

12.9.3 Other litigations

Save as detailed above, there are no legal or arbitration proceedings or proceedings that are pending or threatened of which Sallies is aware which may have or have, during the 12 months preceding the date of this circular, had a material effect on the financial position of the Sallies group.

12.10 Corporate governance

The board of directors is currently managing the company's business operations to achieve a turnaround. The company is currently not possessed of adequate human and financial resources to fully comply with the Code of Corporate Practices and Conduct as contained in the King Report on Corporate Governance. In particular the positions of chairman and chief executive are currently held by the same person. The chairman was appointed on 16 February 2008 to assist with the company's turnaround and assumed the position of chief executive on 1 October 2007 when the previous incumbent resigned.

It is the intention of the board to appoint a non-executive chairman before the end of the financial year.

The board considers that the group complies in the main with the provisions of the code.

The company has a unitary board comprising four members of whom two are non-executive. During F2007 the board comprised six members of whom five were non-executive. The non-executive directors are independent of management.

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.

The board further monitors the activities of management within the group. This is through attendance at monthly management meetings and the formal review of monthly management reports and accounts.

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.

13. EXPENSES

At the last practicable date being 10 March 2008, estimated expenses of R857 000 have been provided for in connection with the rights offer and will be settled out of the proceeds of the rights offer. In addition

to the above an underwriting commission of R1 514 833.58 is payable in respect of the rights offer. Details of the expenses (excluding VAT) are set out below:

	R'000
Corporate advisory and sponsor fees – Bridge Capital Advisors (Pty) Limited	200
Auditors' and independent reporting accountants' fees – BDO Spencer Steward (Jhb) Inc.	20
Attorneys' fees – Brink Cohen Le Roux Inc.	190
Transfer secretaries fees – Computershare Investor Services (Pty) Limited	85
Printing costs and related announcements – Ince (Pty) Limited	140
JSE documentation inspection fees	16
JSE listing fees	56
Contingency for other costs	150
Underwriting commission – Dale Capital, Titan and Trinity	1 515
	2 372

14. REGISTRATION OF DOCUMENTS

A signed copy of this circular, together with a copy of the form of instruction, has been registered by the Registrar in terms of section 146A of the Companies Act, accompanied by:

- the written consents of the corporate advisor and sponsor, commercial banker, transfer secretaries, attorneys and auditors and independent reporting accountants to act in the capacities stated and to their names and reports being referred to in this circular in the form and context in which they appear;
- the written consent of the Competent Person, Engelbertus Jansen in respect to the Witkop Fluorspar Mine Mineral Resources and Reserve Statement;
- signed copy of the independent reporting accountants' report on the *pro forma* financial information relating to Sallies;
- copies of all documents required and approved by the JSE, including a copy of the letter from the JSE confirming its approval of such documents;
- the Exchange Control approval for the rights offer;
- where applicable, powers of attorney granted by the directors of Sallies;
- a copy of the form of instruction with respect to the letters of allocation to be issued in relation to the rights offer.

15. CONSENTS

Each of Sallies' advisors, namely the corporate advisor and sponsor, commercial banker, transfer secretaries, attorneys, Competent Person and the independent reporting accountants have consented in writing to act in the capacities stated and to their names appearing in this circular and have not withdrawn such consent prior to the issue of this circular.

The independent reporting accountants have given and have not withdrawn their consent to the inclusion of their report in the form and context in which it is included in this circular. An auditors and independent reporting accountants' report on the *pro forma* balance sheet, income statement and financial effects of the rights offer is included as Annexure 2.

16. OPINIONS AND RECOMMENDATIONS

The directors have considered the terms and conditions of the rights offer and are of the unanimous opinion that the rights offer is in the interests of the company and its shareholders. They recommend that all shareholders follow their rights in terms of the rights offer.

17. SOUTH AFRICAN LAW

All transactions arising from the provisions of this circular and the enclosed form of instruction shall be governed by and be construed in accordance with the laws of South Africa.

18. DIRECTORS' RESPONSIBILITY

The directors of Sallies, whose names appear in paragraph 12.6 above, collectively and individually, accept full responsibility for the accuracy of the information given in this circular and certify that to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this circular contains all the information required by law and the Listings Requirements.

19. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents, or copies thereof, will be available for inspection during normal business hours at the registered offices of Sallies and Bridge Capital (the addresses of which appear on the inside front cover of this circular), from Monday, 14 April, up to and including Friday, 9 May 2008:

- the memorandum and articles of association of Sallies;
- copies of the Sallies group audited financial statements for the financial years ended 30 June of each of 2005, 2006 and 2007;
- the Sallies group *pro forma* financial statements for the year ended 30 June 2007;
- this circular, signed by or on behalf of the directors and the form of instruction, registered by the Registrar;
- the letters of consent of the corporate advisor and sponsor, attorneys, commercial banker, transfer secretaries and the auditors and independent reporting accountants;
- the auditors' and independent reporting accountants' report on the *pro forma* financial information;
- a signed copy of each of the underwriting agreements;
- a copy of the guarantee and pledge agreements between Titan Share Dealers and Buffalo and Witkop Fluorspar dated 20 December 2007;
- the Sallies Limited Share Incentive Scheme; and
- a copy of the Minerals Resource and Reserve Statement on Witkop Fluorspar dated 3 March 2008.

By order of the board

Johann Blersch
Commercial director

Signed at Johannesburg on 25 March 2008 by Mr Johann Blersch in his capacity as director in terms of separate powers of attorney granted to him by each of the directors of Sallies.

PRO FORMA CONSOLIDATED FINANCIAL INFORMATION OF SALLIES

The unaudited *pro forma* consolidated income statement and consolidated balance sheet for the year ended 30 June 2007, before and after the rights offer, are set out below. The unaudited *pro forma* consolidated income statement and consolidated balance sheet are the responsibility of the directors of Sallies and they have been prepared for illustrative purposes only, in order to provide information about the financial position and results of Sallies assuming that the rights offer had been implemented on 1 July 2006 and 30 June 2007, respectively. Due to its nature, the *pro forma* financial information may not give a fair reflection of Sallies' financial position and results of operations subsequent to the rights offer. The independent reporting accountants' report on the *pro forma* financial effects of the rights offer is set out in Annexure 2.

Pro forma consolidated income statement

	30 June 2007 audited	July 2007 rights offer	Adjustments after the July 2007 rights offer	This rights offer	After the July 2007 rights offer and this rights offer
	R'000	R'000	R'000	R'000	R'000
Revenue – mining	109 315		109 315		109 315
Cost of sales	(118 187)		(118 187)		(118 187)
Loss from mining operations	(8 872)		(8 872)		(8 872)
Administrative and other operating expenses	(20 639)		(20 639)		(20 639)
Depreciation of mineral rights	(2 564)		(2 564)		(2 564)
Finance cost	(6 480)	6 480 ¹		–	–
Investment income	282		282		282
Profit on disposal of property, plant and equipment	583		583		583
Net foreign exchange profit	1 639		1 639		1 639
Depreciation and impairments	(11 184)		(11 184)		(11 184)
Net loss before taxation	(47 235)	6 480	(40 755)	–	(40 755)
Taxation	5 600		5 600		5 600
Net loss for period	(41 635)	6 480	(35 155)	–	(35 155)

	30 June 2007 audited	July 2007 rights offer	Adjustments after the July 2007 rights offer	This rights offer	After the July 2007 rights offer and this rights offer
	R'000	R'000	R'000	R'000	R'000
Weighted average number of shares in issue ('000)	494 968	124 917	619 885		619 885
Diluted weighted average number of shares in issue ('000)	499 430	124 917	624 347	151 483 ³	775 830
Basic loss per share (cents)					
– undiluted	(8.4)		(5.7)		(5.7)
– diluted	(8.3)		(5.6)		(4.5) ³
Headline loss per share (cents)					
– undiluted	(8.5)		(5.7)		(5.7)
– diluted	(8.4)		(5.7)		(4.6) ³
<i>Reconciliation of headline loss:</i>					
Net loss for period (R'000)	(41 635)	6 480	(35 155)	–	(35 155)
Profit on disposal of assets, net of tax (R'000)	(414)		(414)		(414)
Headline loss (R'000)	(42 049)	6 480	(35 569)	–	(35 569)

Notes:

1. The adjustments represent the reduced interest charge (equal to the interest paid for the year) as a result of the repayment of all interest bearing debt at the beginning of the period from the proceeds of the July 2007 Rights Offer.
2. It is assumed that all convertible debentures will be converted into ordinary shares on maturity and that there will be no cash payment and no default conversion before maturity. No provision has been made for the options to be issued to T G Dale and J Bliersch.
3. Full conversion of the convertible debentures will result in the issuing of a further 151 483 358 ordinary shares.

Pro forma consolidated balance sheet

	30 June 2007 audited	July 2007 rights offer	Adjustments After the rights offer	Convertible Debenture offer	After the rights offer and Convertible Debenture offer
	R'000	R'000	R'000	R'000	R'000
ASSETS					
Non-current assets	153 449		153 449		153 449
Goodwill	10 175		10 175		10 175
Property, plant and equipment	143 274		143 274		143 274
Current assets	49 556	7 239	56 795	53 783	110 578
Inventories	33 921		33 921		33 921
Accounts receivable	12 239		12 239		12 239
Taxation pre-paid	2 789		2 789		2 789
Cash and cash equivalents	607	7 239 ⁶	7 846	53 783 ⁶	61 629
Total assets	203 005	7 239	210 244	53 783	264 027
EQUITY AND LIABILITIES					
Capital and reserves	80 644	72 359	153 003	27 426	180 429
Share capital and premium	210 108	72 359 ¹	282 467	27 426 ³	309 893
Other reserves	724		724		724
Accumulated loss	(130 188)		(130 188)		(130 188)
Non-current liabilities	28 899	–	28 899	31 985	60 884
Interest bearing debt	13 943		13 943	(13 943) ⁴	
Convertible debentures				45 928 ⁵	45 928
Provision for environmental rehabilitation	14 956		14 956		14 956
Current liabilities	93 462	(65 120)	28 342	(5 628)	22 714
Bank overdraft	29 461	(29 461) ²			–
Accounts payable	30 850	(8 723) ²	22 127		22 127
Provisions	587		587		587
Short-term loans	26 936	(26 936) ²			
Current portion of interest bearing debt	5 628		5 628	(5 628) ⁴	
Total equity and liabilities	203 005	7 239	210 244	53 783	264 027
Number of shares in issue ('000)	506 264	124 917	631 181	151 483	782 664
Net asset value per share (cents)	15.1		24.2		28.9
Tangible net asset value per share (cents)	12.1		21.2		26.5
<i>Reconciliation of tangible net asset value:</i>					
Net asset value	80 644		153 003		226 357
Goodwill	(10 175)		(10 175)		(10 175)
Decommissioning assets	(9 118)		(9 118)		(9 118)
Tangible net asset value	61 351		133 710		207 064

Notes:

1. The adjustment represents the share capital and share premium arising from the issue of 124 916 992 ordinary shares of 0.1 cent each at 60 cents per share, net of the estimated transaction costs related to this July 2007 rights offer of R2.591 million which has been written off against share premium.
2. The adjustment represents the application of the net proceeds of the rights offers to settle all interest bearing debt, except for finance leases, as well as the accounts payable that were overdue at 30 June 2007.
3. The adjustment represents the portion of the net proceeds of the Convertible Debentures Rights Offer (R73 369 679 being gross proceeds of R75 741 679 less estimated cost of the rights offer amounting to R2 372 000) notionally apportioned to equity to reflect the hybrid nature of the convertible debentures.
4. This adjustment represents the application of the net proceeds of the rights offer to settle all remaining interest bearing debt.
5. This adjustment represents the calculated liability portion of the convertible debentures issued as a result of the rights issue.
6. No interest is assumed to have been earned on the net cash balances remaining after the application of the proceeds of the rights offers as all surplus cash will be used for working capital purposes. The liability portion of the convertible debentures is added for net asset value calculations as all convertible debentures are assumed will be converted to ordinary shares.

INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE *PRO FORMA* FINANCIAL INFORMATION RELATING TO SALLIES

"The Directors
Sallies Limited
Witkop Fluorspar Mine
Farm Wintershoek
Zeersut
2865

12 March 2008

Dear Sirs

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE *PRO FORMA* FINANCIAL INFORMATION OF SALLIES**INTRODUCTION**

The definitions contained in the circular of which this report forms part have been used throughout this report.

We have performed our limited assurance engagement in respect of the *pro forma* financial information set out on Annexure 1 to the circular to shareholders, to be dated 14 April 2008, which has been issued in connection with the rights offer. The *pro forma* financial information has been prepared in accordance with the JSE Listings Requirements, for illustrative purposes only, to provide information about how the rights offer might have affected the reported historical financial information presented, had that corporate action been undertaken at the commencement of the financial period or at the date of the *pro forma* balance sheet being reported on.

DIRECTORS' RESPONSIBILITY

The directors of Sallies are responsible for the compilation, contents and presentation of the *pro forma* financial information contained in the circular of which this annexure forms part and for the financial information from which it has been prepared. Their responsibility includes determining that: the *pro forma* financial information has been properly compiled on the basis stated; the basis is consistent with the accounting policies of Sallies and that the *pro forma* adjustments are appropriate for the purposes of the *pro forma* financial information disclosed in terms of the JSE Listings Requirements.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express our limited assurance conclusion on the *pro forma* financial information included in the circular to Sallies shareholders. We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements applicable to Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and the Guide on Pro Forma Financial Information issued by The South African Institute of Chartered Accountants.

This standard requires us to obtain sufficient appropriate evidence on which to base our conclusion.

We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the *pro forma* financial information, beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

SOURCES OF INFORMATION AND WORK PERFORMED

Our procedures consisted primarily of comparing the unadjusted financial information with the source documents, considering the *pro forma* adjustments in light of the accounting policies of Sallies, considering the evidence supporting the *pro forma* adjustments and discussing the adjusted *pro forma* financial information with the directors of Sallies in respect of the proposed rights offer which forms the subject matter of this circular.

In arriving at our conclusion, we have relied upon financial information prepared by the directors of Sallies in addition to other information from various public, financial and industry sources.

While our work performed has involved an analysis of the historical published audited financial information and other information provided to us, our assurance engagement does not constitute an audit or review of any of the underlying financial information conducted in accordance with *International Standards on Auditing or International Standards on Review Engagements* and, accordingly, we do not express an audit or review opinion.

In a limited assurance engagement, the evidence-gathering procedures are more limited than for a reasonable assurance engagement and therefore less assurance is obtained than in a reasonable assurance engagement. We believe that the evidence obtained by us is sufficient and appropriate to provide a basis for our conclusion.

The *pro forma* financial information has been prepared, for illustrative purposes only, to provide information about how the proposed rights offer might have affected the financial position, changes in equity, results of operations or cash flows as presented by Sallies. Because of its nature the *pro forma* financial information may not present a fair reflection of the financial position of Sallies, after the relevant transaction, nor of its effect on earnings.

At your request and for the purpose of the proposed rights offer we present our report on the *pro forma* financial information relating to those transactions in compliance with the JSE Listings Requirements.

CONCLUSION

Based on our examination of the evidence obtained, nothing has come to our attention which causes us to believe that:

- the *pro forma* financial information has not been properly compiled on the basis stated;
- such basis is inconsistent with the accounting policies of the Sallies group;
- the adjustments are not appropriate for the purposes of the *pro forma* financial information as disclosed pursuant to paragraph 8.17 and paragraph 8.30 of the JSE Listings Requirements.

We consent to the inclusion of this letter and the reference to our opinion in the circular in the form and context in which it appears.

Yours faithfully

BDO Spencer Steward (Jhb) Inc

Registered Auditors

Chartered Accountants (SA)

BDO House
13 Wellington Road
Parktown, 2193"

TABLE OF ENTITLEMENT TO CONVERTIBLE DEBENTURES

The rounded number of rights to convertible debentures to which a rights participant will become entitled will be as follows:

Number of existing ordinary shares held	Number of rights convertible debentures to which a rights participant is entitled	Number of existing ordinary shares held	Number of rights convertible debentures to which a rights participant is entitled	Number of existing ordinary shares held	Number of rights convertible debentures to which a rights participant is entitled
1	–	35	8	69	17
2	–	36	9	70	17
3	1	37	9	71	17
4	1	38	9	72	17
5	1	39	9	73	18
6	1	40	10	74	18
7	2	41	10	75	18
8	2	42	10	76	18
9	2	43	10	77	18
10	2	44	11	78	19
11	3	45	11	79	19
12	3	46	11	80	19
13	3	47	11	81	19
14	3	48	12	82	20
15	4	49	12	83	20
16	4	50	12	84	20
17	4	51	12	85	20
18	4	52	12	86	21
19	5	53	13	87	21
20	5	54	13	88	21
21	5	55	13	89	21
22	5	56	13	90	22
23	6	57	14	91	22
24	6	58	14	92	22
25	6	59	14	93	22
26	6	60	14	94	23
27	6	61	15	95	23
28	7	62	15	96	23
29	7	63	15	97	23
30	7	64	15	98	24
31	7	65	16	99	24
32	8	66	16	100	24
33	8	67	16	1 000	240
34	8	68	16		

PRICE HISTORY OF SALLIES SHARES ON THE JSE

PRICE HISTORY OF SALLIES SHARES ON THE JSE

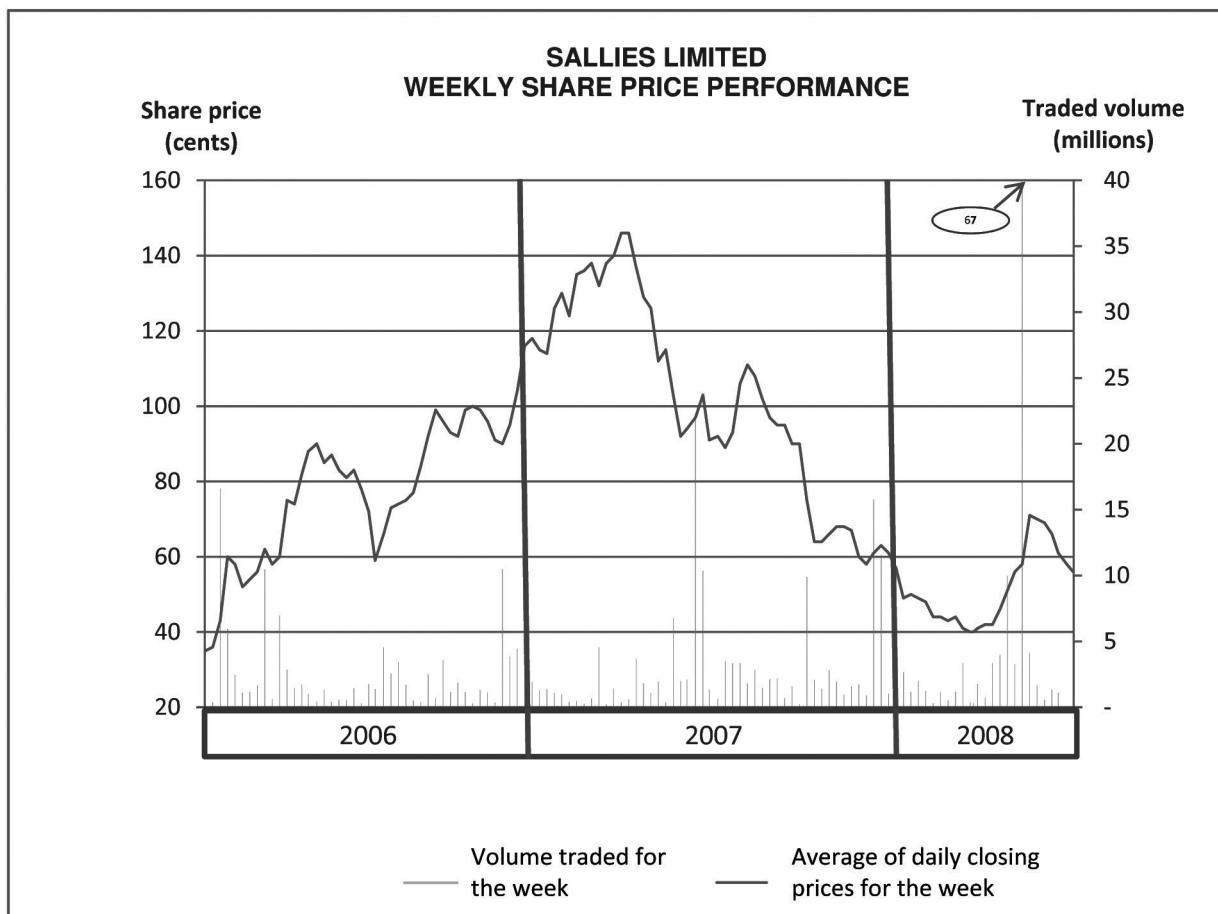
The convertible debentures will rank *pari passu* in all respects with listed Sallies ordinary shares of 0.1 cent each that are currently in issue. Set out below is a table showing the aggregate volumes and values traded and the highest and lowest prices traded in Sallies shares for:

- each month over the twelve months prior to the date of issue of the circular;
- each quarter over the two years prior to the twelve month period; and
- each day over the 30 days preceding the last practicable date prior to the date of issue of the circular

	High (cents)	Low (cents)	Volume	Traded value R
Quarterly				
March 2006	67	28	217 455 966	105 511 099
June 2006	80	50	109 681 220	76 588 721
September 2006	106	70	111 690 507	98 121 304
December 2006	140	84	126 496 428	138 238 871
March 2007	149	86	152 152 637	180 258 110
June 2007	119	85	169 250 008	167 832 215
September 2007	98	52	175 588 054	120 896 539
December 2007	140	84	126 496 428	138 238 871
March 2008	78	36	233 467 441	139 197 699
Monthly				
March 2007	126	86	77 258 468	78 303 251
April 2007	115	85	77 134 174	75 766 444
May 2007	116	86	51 155 816	50 500 051
June 2007	119	90	40 960 018	41 565 719
July 2007	98	59	71 061 128	56 343 568
August 2007	75	59	51 759 390	32 969 736
September 2007	69	52	52 767 536	31 583 234
October 2007	67	40	91 584 415	49 785 218
November 2007	51	36	36 200 951	15 754 214
December 2007	45	38	15 089 633	6 179 269
January 2008	54	36	36 471 193	16 172 851
February 2008	78	46	182 553 116	113 444 621
Daily				
February 2008				
Friday 1	55	52	5 982 534	3 174 834
Monday 4	57	54	1 537 194	860 198
Tuesday 5	54	46	6 798 730	3 423 204
Wednesday 6	55	48	2 369 335	1 216 186
Thursday 7	62	51	50 715 637	29 044 580
Friday 8	61	55	3 255 852	1 862 291
Monday 11	57	55	1 590 118	877 400
Tuesday 12	59	54	1 402 483	790 075
Wednesday 13	60	56	1 075 181	617 316
Thursday 14	58	56	837 576	473 532
Friday 15	67	55	64 708 219	41 576 790
Monday 18	75	63	4 238 448	2 892 484
Tuesday 19	78	70	6 431 789	4 707 497

	High (cents)	Low (cents)	Volume	Traded value R
Wednesday 20	73	68	2 462 342	1 750 638
Thursday 21	72	65	1 783 445	1 228 836
Friday 22	69	65	4 144 000	2 785 190
Daily				
February 2008				
Monday 25	71	65	10 802 012	7 552 065
Tuesday 26	72	70	740 349	523 348
Wednesday 27	74	69	786 704	563 116
Thursday 28	72	63	9 247 723	6 383 939
Friday 29	71	67	1 643 445	1 141 102
March 2008				
Monday 3	70	68	155 921	107 266
Tuesday 4	70	67	864 230	594 817
Wednesday 5	69	67	645 960	437 082
Thursday 6	68	66	397 115	263 136
Friday 7	69	66	556 139	372 163
Monday 10*	68	65	977 900	644 638

*Last practicable date



STATEMENT OF COMPLIANCE WITH THE KING II REPORT

COMPLIANCE WITH THE CODE OF CORPORATE PRACTICES AND CONDUCT

The board of directors is currently managing the company's business operations to achieve a turnaround. The company currently does not have adequate human and financial resources to fully comply with the Code of Corporate Practices and Conduct as contained in the King Report on Corporate Governance. In particular the positions of chairman and chief executive are currently held by the same person. The chairman was appointed on 16 February 2008 to assist with the turnaround and assumed the position of chief executive on 1 October 2007 when the previous incumbent resigned.

It is the intention of the board to appoint a non-executive chairman before the end of the financial year.

The board considers that the group complies in the main with the provisions of the Code.

PREPARATION OF ANNUAL FINANCIAL STATEMENTS

In terms of the Companies Act, the directors are responsible for the preparation of annual financial statements; which fairly present the state of affairs of the company and the group as at the end of the financial year; the income and cash flow statements; and the statement of changes in shareholders' equity for the year under review, in accordance with IFRS.

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 IFRS, the group has used appropriate accounting policies supported by reasonable and prudent judgment and estimates and that all applicable accounting standards have been followed.

BOARD AND COMMITTEE STRUCTURE

The company has a unitary board comprising five members of whom three are non-executive. During the financial year 2007, the board comprised six members of whom four were non-executive. The non-executive directors are independent of management.

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 company has a clear policy detailing the appointment of new directors. The process of identification of suitable candidates to fill vacancies on the board and to re-appoint directors in termination of their term of office is concluded by the board. Any person appointed to fill a casual vacancy or as an addition to the board shall retain office only until the next following annual general meeting of the company and shall then retire and be eligible for re-election.

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.

The board further monitors the activities of management within the group. This is through attendance at monthly management meetings and the formal review of monthly management reports and accounts.

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.

BOARD ATTENDANCE

Director	Designation	Date of appointment	Number of meetings attended	Number of board meetings held
• J Blersch	Non-executive	Appointed 16 February 2007	2	2
• T G Dale	Chairman and Chief Executive	Appointed 16 February 2007 and 1 October respectively	2	2
• B C Esterhuyzen	Non-executive	Appointed 27 June 2007	1	1
• P H Flack	Non-executive	Appointed 13 February 2003 and resigned 8 January 2007	3	3
• Dr V Msibi (Alt: J Kögl)	Non-executive	Appointed 30 June 2006		
• I J Marais	Chief Executive	Appointed 24 June 2003 and resigned 1 October 2007	6	6
• A D Moffat	Non-executive	Appointed 13 February 2003 and resigned 16 January 2007	4	4
• Dr V Msibi (Alt: J Kögl)	Non-executive	Appointed 30 June 2006	6	6
• J J Nel	Non-executive	Appointed 15 August 2006, and resigned 16 April 2007	3	3
• L B Robertson	Non-executive	Appointed 13 February 2003 and resigned 16 January 2007	4	4
• J E Woods	Non-executive	Appointed 5 February 2007 and resigned 27 February 2008	3	3

EXECUTIVE COMMITTEE

An Executive Committee has been established to review operational and financial results on a monthly basis. Once information has been discussed and verified by the committee, it is sent out to the rest of the board of directors.

Members of the committee are:

- C H Badenhorst (*General manager: Witkop*)
- G P Bleeker (*General manager: Buffalo*)
- J Blersch (*Commercial director*)
- T G Dale (*Chairman and chief executive*)
- P R P Potgieter (*Group financial manager*)

AUDIT COMMITTEE

An Audit Committee meets at least twice each year to discuss accounting, auditing, internal accounting control and financial matters. It provides a forum through which the independent external auditors report to the board of directors.

The Audit Committee also sets the principles for recommending the use of the external auditors for non-audit services.

Members of the committee are:

- J Blersch (*Chairman*)
- T G Dale
- J J Nel (Resigned 16 April 2007)
- L B Robertson (Resigned 5 February 2007)

The Audit Committee will be reconstituted to comply with the current corporate governance guidelines as soon as practicably possible.

RISK MANAGEMENT

Operating risk is the potential for loss to occur through a breakdown in control information, business processes and compliance systems.

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.

HEALTH, SAFETY AND ENVIRONMENT

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 practitioner is employed on a part-time basis, visiting the mine regularly to ensure that compliance with legislation is achieved, while the function of Occupational Hygienist is outsourced to a consultant, who visits the mine monthly and who compiles the statutory reports.

The potential impact of HIV/AIDS on the workforce is recognised with the mine having established an HIV/AIDS policy in 2000. Awareness campaigns are operated on an ongoing basis.

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 outsourced.

In May 2005, Witkop 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). To date, no feedback has been received and the mine continues to engage the department.

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.

To enable the directors to meet these responsibilities, management has embarked on a programme to revise the systems of internal accounting control and to streamline the monthly reporting process aimed at reducing the risk of error or loss.

WORKER PARTICIPATION

A Workers' Committee and forum have been established at the mine to ensure worker participation. Management and worker representatives meet formally and informally at the operational level to share information and to address matters of mutual interest.

RELATIONSHIPS WITH STAKEHOLDERS

The group, subject to certain confidential information during closed periods, 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 annual general meetings and results announcements, which provide an opportunity for shareholders to address questions to the board. A high value is placed on internal communication with all employees.

CODE OF ETHICS

The group has adopted a Code of Ethics. In terms of this Code, directors and employees are required to maintain the highest ethical standards, ensuring that the group's business practices are conducted in a manner that is beyond reproach.

The group further operates a "closed period" prior to the publication of its results at half-year and year-end. This period commences from the end of the report period until the results are announced.

INFORMATION ON THE UNDERWRITERS

Dale Capital Partners Limited

Main business	Private Equity
Directors	Robert Arien Engels (<i>Non Executive Chairman</i>) Norman Theodore Noland (<i>Executive Deputy Chairman</i>) John Whatley (<i>Chief Executive Officer</i>) Charles Edward Pettit (<i>Executive Director</i>) – (responsible for investments) Kee Chong Li Kwong Wing (<i>Non-executive Director</i>) Quinton James George (<i>Non-executive Director</i>) Dr Jürg P (Giorgio) Blum (<i>Non-executive Director</i>) Nigel Hampton McGowan (<i>Non-executive Director</i>)
Date and place of incorporation	7 November 2007, British Virgin Islands
Registration number	1443428
Registered office	Bella Administrative Services Limited 6th Floor, Max City Building 21 Remy Ollier Street Port Louis Mauritius
Auditors	PKF Fisher Hoffman
Banker	Bankers Barclays Bank Plc
Authorised share capital	Unlimited
Issued share capital	5 940 000 ordinary shares of no par value

Titan Financial Services (Pty) Limited

Main business	Investment in Securities
Public officer	Isak Hendrik Johannes Visagie
Directors	Caro Wiese Christoffel Hendrik Wiese
Date and place of incorporation	20 May 1996, South Africa
Registration number	1996/006040/07
Registered office	36 Stellenberg Road Parow Industria, 7493 (PO Box 6100, Parow East, 7501)
Auditors	Rademeyer Wesson (Chartered Accountant)
Banker	Nedbank Limited
Authorised share capital	500 ordinary shares of R1.00 each
Issued share capital	100 ordinary shares of R1.00 each

Trinity Asset Management (Pty) Limited

Main business	Financial Portfolio and Asset Management
Public officer	Quinton James George
Directors	Quinton James George Sandile Swana
Date and place of incorporation	17 August 1996, South Africa
Registration number	1996/010864/07
Registered office	Block D, The Terraces, 1 Silverwood Close, Steenberg Office Park, Tokai, 7945 (PO Box 30848, Tokai, 7966)
Auditors	CAP Chartered Accountants
Banker	Standard Bank Limited
Authorised share capital	100 000 ordinary shares of R0.01 each
Issued share capital	10 000 ordinary shares of R0.01 each 150 000 cumulative preference shares of R1.00 each

TERMS AND CONDITIONS ATTACHING TO THE UNSUBORDINATED UNSECURED CONVERTIBLE DEBENTURES

The terms and conditions attaching to the 151 483 358 unsubordinated unsecured convertible debentures with a nominal value of R0.50 each, to be issued by Sallies, are as follows:

1. INTERPRETATION

In these Terms and Conditions, unless clearly inconsistent with or otherwise indicated by the context:

- 1.1** "Applicable Procedures" the rules and operating procedure for the time being of the Central Depository, Settlement Agent and the JSE, as the case may be;
- 1.2** "Beneficial Interest" the undivided share of a co-owner of the Debentures represented by the Global Certificate, as provided in the Securities Services Act, 2004;
- 1.3** "Business Day" a day (other than a Saturday or Sunday or public holiday in South Africa), which is a day on which commercial banks settle Rand payments in Johannesburg;
- 1.4** "Central Depository" Strate Limited (Registration number 1998/022242/06), or its nominee, operating pursuant to the Securities Services Act, 2004, or any successor Act thereto;
- 1.5** "Certificate" a Global Certificate or Individual Certificate;
- 1.6** "Conversion" in relation to any Debenture Holder, means any one or more of:

1.6.1 Maturity Conversion; or

1.6.2 Early Non-Default Conversion,

in which event, the Principal Amount of some and/or all of the Debentures then outstanding (rounded to the nearest whole number) as specified in a Holder's Conversion Notice, will be repaid by the Issuer on the Conversion Date through the allotment and issue, credited as fully paid, of the maximum whole number of Shares at a subscription price per Share equal to R0.50, which is equal to the aggregate Principal Amount of one Debenture being repaid; or

1.6.3 Default Conversion,

in which event, the Principal Amount of all the Debentures then outstanding (rounded to the nearest whole number) as specified in a Holder's Conversion Notice will be repaid by the Issuer on the Conversion Date through the allotment and issue, credited as fully paid, of the maximum whole number of Shares at a subscription price per Share equal to R0.50 per Share.

1.7 "Conversion Date" means in relation to:

1.7.1 Maturity Conversion, 31 December 2012; or

1.7.2 Early Non-Default Conversion, any Business Day after the Issue Date but prior to 31 December 2012, selected by the Debenture Holder in a Holder's Conversion Notice given to the Issuer, if *no Event of Default has occurred*; or

1.7.3 Default Conversion, any Business Day after the Issue Date but prior to 31 December 2012, selected by the Debenture holder in a Holder's Conversion Notice given to the Issuer, *but only if an Event of Default has occurred*;

1.8 "Conversion Ratio"	one fully paid-up Share for every one Debenture held on the Conversion Date;
1.9 "Debenture Holder"	the holder of a Debenture as recorded in the Register;
1.10 "Debenture"	the unsubordinated unsecured convertible debentures having a nominal value equal to the Principal Amount, allotted and issued or to be allotted and issued by the Issuer on the Terms and Conditions pursuant to the Rights Offer;
1.11 "Default Cash Repayment"	the repayment by the Issuer to the Debenture Holders who so elect by giving the Issuer a Holder's Repayment Notice, in respect of such or all of the Debentures, on the happening of an Event of Default, of the Principal Amount of all the Debentures then outstanding (rounded to the nearest whole number) and in respect of which a Holder's Repayment Notice has been given to the Issuer, at their nominal value of R0.50 for each Debenture, together with all accrued but unpaid interest thereon;
1.12 "Default Conversion"	a Conversion of the Debentures of the nature described in Condition 1.6.3 but only if an Event of Default has occurred and the Debenture Holder has given a Holder's Conversion Notice to the Issuer in prescribed form;
1.13 "Early Non-Default Conversion"	an early Conversion of the Debentures of the nature described in Condition 1.6.2 if no Event of Default has occurred;
1.14 "Event of Default"	any event of default by the Issuer set out in Condition 10;
1.15 "Extraordinary Resolution"	a resolution passed at a meeting, duly convened, of the Debenture Holders by a majority consisting of not less than 75% of the persons voting thereat upon a show of hands or, if a poll be duly demanded, then by a majority consisting of not less than 75% of the votes eligible to vote on such poll;
1.16 "Global Certificate"	the single certificate registered in the name of the Central Depository and representing those Debentures allotted and issued in terms of the Terms and Conditions which are lodged and immobilised in the Central Depository, other than those Debentures represented by the individual Certificates;
1.17 "Holder's Conversion Notice"	means in relation to:
1.17.1	Early Non-Default Conversion , a notice given by any Debenture Holder to the Issuer in accordance with these Terms and Conditions at any time after the Issue Date but prior to 30 November 2012, being a date not less than 30 clear days prior to the date selected in terms of such notice as the Conversion Date, specifying whether all or part (and if so, which part) of his Debentures are to be converted and which will, if he is a certificated Debenture Holder, include a Form of Surrender for his Individual Certificates; or
1.17.2	Maturity Conversion , a notice given by any Debenture Holder to the Issuer in prescribed form, in accordance with these Terms and Conditions, whether and to what extent (in whole or in part) such Debenture Holder requires his Debentures to be converted in terms of Maturity Conversion , and which will include a Form of Surrender for use by certificated Debenture Holders to surrender any individual certificates; or

1.17.3	Default Conversion , a notice given by any Debenture Holder to the Issuer in prescribed form, in accordance with these Terms and Conditions on the happening of an Event of Default, being a date not less than 30 clear days prior to the date selected by the Debenture Holder in terms of such notice as the Conversion Date, specifying whether and to what extent (in whole or in part) the Debenture Holder has elected Default Conversion in respect of some or all of his Debentures, in which event such conversion shall take place at a subscription price equal to R0.50 per Share;
1.18 “Holder’s Repayment Notice”	means in relation to:
1.18.1	Maturity Cash Repayment , a notice of election given to the Issuer in prescribed form by any Debenture Holder who elects after receipt of an Issuer’s Notice, that some or all the Debentures registered in the name of such Debenture Holder should be repaid in cash on the relevant Repayment Date in Condition 1.36.1;
1.18.2	Default Cash Repayment , a notice of election given to the Issuer in prescribed form by any Debenture Holder who elects, if an Event of Default has occurred, that some or all the Debentures registered in the name of such Debenture Holder should be repaid at the Principal Amount of such Debentures then outstanding, in cash on the relevant Repayment Date in Condition 1.36.2;
1.19 “Individual Certificates”	a Debenture in the definitive registered form of a single Certificate exchanged for a Beneficial Interest in the Debentures represented by the Global Certificate in accordance with Condition 11 and any further Certificate issued in consequence thereof;
1.20 “Interest Due Date”	the date on which interest is due in respect of the Debentures by the Issuer, being 31 December and 30 June of each year, commencing on 30 June 2008, provided that the last due date shall be on 31 December 2012;
1.21 “Interest Payment Date”	the first Business Day following a Record Date;
1.22 “Interest Period”	each six-month period commencing on and including any Interest Due Date and ending on but excluding the following Interest Due Date, during the period from and including the Issue Date but excluding 31 December 2007, provided that the first Interest Period shall be from and including the Issue Date but excluding the first Interest Due Date thereafter and the last Interest Period shall be from and including 30 June 2012 but excluding 31 December 2012;
1.23 “Interest Rate”	a fixed interest rate of 10%, nominal annual compounded semi-annually, which interest rate will remain fixed for the term of the Debentures;
1.24 “Issue Date”	the day when the Issuer issues the Debentures;
1.25 “Issue Price”	the price at which the Issuer has or will allot and issue the Debentures, being an amount equal to the Principal Amount per Debenture;
1.26 “Issuer”	Sallies Limited (Registration number 1903/001879/06), a public company with limited liability incorporated under the laws of South Africa, which is listed on the JSE;

1.27 "Issuer's Notice"	means a notice given by the Issuer to all the Debenture Holders in accordance with these Terms and Conditions, not later than 30 November 2012, inviting each Debenture Holder to elect:
1.27.1	in terms of a Holder's Conversion Notice, whether such Debenture Holder elects that all or part of his Debentures be converted in terms of Maturity Conversion; or
1.27.2	in terms of a Holder's Repayment Notice, whether such Debenture Holder requires all or part of his Debentures to be repaid in terms of a Maturity Cash Repayment, together with a Form of Surrender for use by certificated Debenture Holders to surrender any Individual Certificates;
1.28 "JSE"	the JSE Limited;
1.29 "Last Day to Trade"	the last date or dates to trade on the JSE, being five Business Days before a Record Date;
1.30 "Maturity Cash Repayment"	a repayment on 31 December 2012 in respect of some and/or all the Debentures registered in the names of all the Debenture Holders who elect, in terms of a Holder's Repayment Notice given to the Issuer in prescribed form, following receipt of an Issuer's Notice, that some and/or all of the Debentures registered in their respective names are to be repaid in cash at a repayment price per Debenture of R0.50, which will be equal to the Principal Amount of one Debenture being repaid;
1.31 "Maturity Conversion"	a conversion on 31 December 2012 of some and/or all the Debentures registered in the names of all the Debenture Holders who elect, in terms of a Holder's Conversion Notice given to the Issuer in prescribed form, following receipt of an Issuer's Notice, that some and/or all the Debentures registered in their respective names are to be repaid by the allotment and issue on the Conversion Date, credited as fully paid, of the maximum whole number of Shares at a subscription price per Share of R0.50, which is equal to the Principal Amount of the Debentures being converted;
1.32 "Participant"	a custodial member of the Central Depository;
1.33 "Principal Amount"	R0.50 in respect of each Debenture;
1.34 "Record Date"	the last date immediately preceding an Interest Payment Date in respect of an Interest Period:
1.34.1	on which the Transfer Secretaries will accept Transfer Forms and record the transfer of Debentures in the Register; and
1.34.2	after which date the Register is closed in accordance with the provisions of Condition 13.2 for further transfer or entries until such Interest Payment Date or Repayment Date or Conversion Date;
1.35 "Repayment"	in relation to any Debenture Holder, means:
1.35.1	Maturity Cash Repayment; and/or
1.35.2	Default Cash Repayment;
1.36 "Repayment Date"	means in relation to:
1.36.1	Maturity Cash Repayment, 31 December 2012; or
1.36.2	Default Cash Repayment, any Business Day after the Issue Date but prior to 31 December 2012, selected by the Debenture Holder in a Holder's Repayment Notice in prescribed form, given to the Issuer, <i>but only if an Event of Default has occurred;</i>
1.37 "Register"	the register of Debenture Holders maintained by the Transfer Secretaries in terms of Condition 13;

- 1.38** "Rights Offer" the rights offer to be made by the Issuer to its Shareholders during, or about, February 2008, for a total of 151 483 358 Debentures in the ratio of 24 Debentures for each 100 Shares held on the Record Date, *pro rata* to their holdings of Shares and subject to the JSE Listings Requirements;
- 1.39** "SENS" the Securities Exchange News Service of the JSE:
- 1.40** "Settlement Agent" a Participant, approved by the JSE in terms of the Rules of the JSE, to perform electronic net settlement of both funds and scrip on behalf of market participants;
- 1.41** "Shares" ordinary par value shares of 0.1 cent each in the issued share capital of the Issuer, ranking *pari passu* with all the remaining ordinary par value shares of 0.1 cent each in the issued share capital of the Issuer;
- 1.42** "Terms and Conditions" the terms and conditions set out in this document and in accordance with which the Debentures will be allotted and issued;
- 1.43** "Transfer Form" the written form for the transfer of any Debenture, in the form approved by the Issuer, and signed by the transferor and transferee;
- 1.44** "Transfer Secretaries" Computershare Investor Services (Pty) Limited, (Registration number 2004/003647/07), or any successor transfer secretaries appointed by the Issuer;
- 1.45** "Rand" or "R" the lawful currency of South Africa, being South African Rand or any successor currency; and
- 1.46** "Underwriting Agreements" the individual underwriting agreements to be entered into contemporaneously between the Issuer and:
- 1.46.1** Dale Capital Partners Limited (Registration number 1443428), a BVI company with limited liability incorporated under the laws of the British Virgin Islands, for the underwriting of 90 890 015 Debentures;
- 1.46.2** Titan Financial Services (Pty) Limited (Registration number 1996/006040/07), a private company with limited liability incorporated under the laws of South Africa, for the underwriting of 22 722 504 Debentures;
- 1.46.3** Trinity Asset Management (Pty) Limited (Registration number 1996/010864/07), a private company with limited liability incorporated under the laws of South Africa, for the underwriting of 37 870 839 Debentures.
- 1.47** General
- Whenever the phrase "Principal Amount" is used in relation to:
- 1.47.1** **Repayment**, the obligation on the part of the Issuer to re-pay the Principal Amount shall also include the obligation to pay all accrued but unpaid interest, if any; and
- 1.47.2** **Conversion**, the obligation on the part of the Issuer to allot and issue credited as fully paid, the maximum whole number of Shares at a subscription price of R0.50 will only apply to the aggregate Principal Amount so that all accrued but unpaid interest on that Principal Amount, will be paid in cash.

ISSUE

- 1.48** A total number of 151 483 358 Debentures will be allotted and issued by the Issuer after closing of the Rights Offer, at the Issue Price per Debenture pursuant to the provisions of the Underwriting Agreements.

1.49 The Debentures will remain in existence until all the Debentures have been:

1.49.1 converted; or

1.49.2 repaid; or

1.49.3 purchased or cancelled pursuant to Condition 8.6 or 8.7.

1.50 A Debenture Holder will have the following *five* options available to him:

1.50.1 In the absence of an Event of Default:

1.50.1.1 at any time, to elect **Early Non-Default Conversion** (*option 1*) by the giving of a Holder's Conversion Notice to the Issuer in prescribed form in respect of some or all of the Debentures held by him; and/or

1.50.1.2 if and to the extent to which, the Early Non-Default Conversion has not been elected by him, and following receipt of an Issuer's Notice, to elect:

1.50.1.2.1 by way of a Holder's Repayment Notice, the number of Debentures to be repaid on 31 December 2012 as a **Maturity Cash Repayment** (*option 2*); and/or

1.50.1.2.2 by way of a Holder's Conversion Notice, the number of Debentures to be converted on 31 December 2012 as a **Maturity Conversion** (*option 3*);

1.50.2 If an Event of Default has occurred:

the Debenture Holder shall have the right to elect:

1.50.2.1 by way of a Holder's Repayment Notice, the number of Debentures to be repaid as a **Default Cash Repayment** (*option 4*); and/or

1.50.2.2 by way of a Holder's Conversion Notice, the number of Debentures to be converted as a **Default Conversion** (*option 5*).

1.51 Any Debentures held at 31 December 2012 in respect of which the Debenture Holder has failed to make an election in terms of Condition 2.3.1.2, will:

1.51.1 if the volume weighted average price of the Shares on the JSE for the 30-day period preceding 31 December 2012 exceeds R0.50 per Share, be converted into Shares on the basis of one fully paid-up Share for every Debenture held; or

1.51.2 if the volume weighted average price of the Shares on the JSE for the 30-day period preceding 31 December 2012 is equal or less than R0.50 per Share, be repaid at R0.50 per Debenture on 31 December 2012.

2. FORM AND DENOMINATION

2.1 The Debentures are as defined in Condition 1.10, being unsubordinated unsecured convertible Debentures having a nominal value per Debenture equal to the Principal Amount.

2.2 The Debentures will be allotted and issued in the form of the Global Certificate which will be deposited with and registered in the name of, and for the account of, the Central Depository. An owner of a Beneficial Interest in the Debentures represented by the Global Certificate shall be entitled to exchange such Beneficial Interest for an Individual Certificate in accordance with Condition 11.

3. TITLE

3.1 Title to the Debentures will pass upon registration of transfer in the Register in accordance with Condition 12. Subject to these Terms and Conditions, the Issuer and the Transfer Secretaries shall recognise a Debenture Holder as the sole and absolute owner of the Debentures registered in that Debenture Holder's name in the Register, notwithstanding any notice of change of ownership or otherwise, or writing thereon, or notice of any previous loss or theft thereof, and shall not be bound to enter any trust in the Register or to take notice of or to accede to the execution of any trust, express, implied or constructive, to which any Debenture may be subject.

- 3.2** Beneficial Interests in Debentures lodged in the Central Depository in the form of the Global Certificate may, in terms of existing law and practice, be transferred through the Central Depository by way of book entry in the securities accounts of the Participants. Such transfers will not be recorded in the Register and the Central Depository will continue to be reflected in the Register as the Debenture Holder in respect of the Global Certificate, notwithstanding such transfers.

4. STATUS OF DEBENTURES

- 4.1** The Debentures are direct, unsubordinated and unsecured obligations of the Issuer and rank *pari passu* among themselves and, save for certain debts required to be preferred by law, rank equally with all other present and future unsecured and unsubordinated obligations of the Issuer from time to time outstanding.
- 4.2** The Issuer shall be at liberty from time to time without the consent of the Debenture Holders to create, allot and issue further Debentures and to raise further borrowings without limit, provided that the Issuer shall not create, allot and issue further debentures or raise further borrowings, ranking prior to the Debentures without the prior consent of the Debenture Holders by way of an Extraordinary Resolution.

5. INTEREST

- 5.1** The Debentures shall bear interest at the Interest Rate from and including the Issue Date up to but excluding any Conversion Date or Repayment Date.
- 5.2** Interest in respect of the Interest Period shall be payable in arrears on the Interest Payment Date. If any Interest Payment Date falls upon a day which is not a Business Day, the interest payable upon such Interest Payment Date shall be payable upon the first following day that is a Business Day, provided that no adjustment shall be made to the interest due on such Interest Payment Date.
- 5.3** Each Debenture will cease to bear interest from the Conversion Date or the Repayment Date, as the case may be, unless, upon due presentation thereof, payment of the Principal Amount is improperly withheld or refused.
- 5.4** In the event that the Issuer fails to punctually make payment of any amounts owing in accordance with these Terms and Conditions, the amounts so owing shall continue to bear interest at the Interest Rate in accordance with these Terms and Conditions.
- 5.5** The amount of interest payable per Debenture in respect of each Interest Period shall be calculated by multiplying the Interest Rate by the Principal Amount of such Debenture and then dividing such product by 365 and multiplying the resultant product by the number of days in the relevant Interest Period.

6. PAYMENTS

- 6.1** The Principal Amount together with all payments of interest on the Debentures pursuant to Condition 6 or otherwise, shall be paid by the Issuer in Rand.
- 6.2** All monies payable on or in respect of each Debenture shall be paid by electronic funds transfer to the account of the relevant Debenture Holder as set forth in the Register on the first Business Day following the Record Date or Repayment Date or the Conversion Date, as the case may be, or in the case of joint Debenture Holders, the account of that one of them who is first named in the Register in respect of that Debenture, provided that no payment in respect of the cancellation, conversion or repayment of such Debenture shall be made by the Issuer until seven days after the date on which the Global Certificate or Individual Certificate, as the case may be, in respect of the Debenture to be repaid has been surrendered to the Transfer Secretaries.
- 6.3** Any Debenture Holder entitled to receive payment in accordance with Condition 7.2 may, if he is the holder of an Individual Certificate and subject to the then banking regulations and practice, upon written notice to the Transfer Secretaries, request that all payments to that Debenture Holder be made by cheque instead of electronic funds transfer. All such written requests for payment by cheque by a Debenture Holder shall reach the Transfer Secretaries on or before the relevant Record Date to Register. All monies so payable by cheque shall, unless the Debenture Holder requests that the cheque be made available for collection as set out below, be sent by post to:

- 6.3.1** the address of that Debenture Holder as set forth in the Register on the Record Date; or
 - 6.3.2** in the case of joint Debenture Holders, the address set forth in the Register of that one of them who is first named in the Register in respect of that Debenture; or
 - 6.3.3** such other address as may be designated to the Transfer Secretaries in writing by that Debenture Holder; or
 - 6.3.4** if the amount in question is legally payable to anyone else, the address designated by that person for that purpose.
- 6.4** Each such cheque shall be made payable to the relevant Debenture Holder or, in the case of joint Debenture Holders, the first one of them named in the Register and each such cheque shall be dated at the Interest Payment Date or the Conversion Date or the Repayment Date, as the case may be.
- 6.5** Payment of a cheque sent in terms of Condition 7.3 or 7.4 shall be a complete discharge by the Issuer of the amount of the cheque.
- 6.6** If several persons are entered into the Register as joint Debenture Holders then, without affecting the provisions of Condition 7.5, payment to any one of them of any monies payable on or in respect of the Debenture shall be an effective and complete discharge by the Issuer of the amount so paid, notwithstanding any notice (express or otherwise) which the Issuer may have of the right, title and interest or claim of any other person to or in any Debenture of interest therein.
- 6.7** Subject to these Terms and Conditions, cheques shall be posted to the registered address set forth in the Register of the Debenture Holder entitled thereto:
 - 6.7.1** in the case of interest, on the first Business Day after the Record Date; or
 - 6.7.2** in the case of Conversion or Repayment, as the case may be, the first Business Day after the Conversion Date or the Repayment Date, as the case may be, or seven days after the date on which the Global Certificate or Individual Certificate, as the case may be, in respect of the Debenture to be redeemed or cancelled has been surrendered to the Transfer Secretaries (whichever is the later date).
- 6.8** If written notice of the intention to collect a cheque is given to and received by the Transfer Secretaries at least 10 days prior to the relevant Interest Payment Date or Conversion Date or Repayment Date, as the case may be, the cheque shall be made available for collection during business hours by the Debenture Holder or such other person entitled thereto in terms of Condition 7.4, as the case may be, or their duly authorised representatives at the office of the Transfer Secretaries:
 - 6.8.1** in the case of interest, on the first Business Day after the Record Date; or
 - 6.8.2** in the case of Conversion or Repayment, as the case may be, on the first Business Day after the Conversion Date or the Repayment Date, as the case may be, or seven days after the date on which the Global Certificate or Individual Certificate, as the case may be, in respect of the Debenture to be converted or repaid, as the case may be, has been surrendered to the Transfer Secretaries (whichever is the later date),provided that, if a cheque is not collected on the day on which it becomes available for collection in terms of this Condition 7.8, or within two Business Days after that day, the cheque shall be posted to the address of the Debenture Holder set forth in the Register.
- 6.9** Subject to these Terms and Conditions, cheques may be posted, by ordinary mail, provided that neither the Issuer nor its agent shall be responsible for any loss in transmission and the postal authorities shall be deemed to be the agent of the Debenture Holders for the purposes of all cheques posted in terms of this Condition 7.

7. CONVERSION, REPAYMENT, PURCHASE AND CANCELLATION

7.1 Conversion

The Issuer shall be obliged to carry out, on any relevant Conversion Date, a Conversion in respect of which a Holder's Conversion Notice in prescribed form, in relation to the Debentures specified in such Conversion Notice, shall have been given:

- 7.1.1** in the case of **Maturity Conversion**, by the relevant Debenture Holders, electing that the Debentures specified therein be converted into fully paid Shares pursuant to Condition 1.6.1;
- 7.1.2** in the case of **Early Non-Default Conversion**, by the relevant Debenture Holders, electing that the Debentures specified therein be converted into fully paid Shares pursuant to Condition 1.6.2; and
- 7.1.3** in the case of **Default Conversion**, by the relevant Debenture Holders, electing that the Debentures specified therein be converted into fully paid Shares pursuant to Condition 1.6.3.

7.2 Default Cash Repayment

- 7.2.1** Unless previously converted, purchased or cancelled as specified in terms of this Condition 8, all Debentures then in issue as held by each Debenture Holder who shall have elected a Default Cash Repayment if an Event of Default has occurred, by furnishing the Issuer with a Holder's Repayment Notice in prescribed form, indicating which number of Debentures are required to be repaid in cash by the Issuer, shall be repaid by the Issuer on the relevant Repayment Date referred to in Condition 1.36.2 at their Principal Amount. Interest will for purposes of calculating the Principal Amount, be accrued from the last Interest Due Date to such Repayment Date.

7.3 Maturity Cash Repayment

- 7.3.1** Unless previously converted, repaid, purchased or cancelled as specified in terms of this Condition 8, all Debentures then in issue as held by each Debenture Holder shall be repaid on 31 December 2012 at their Principal Amount. Interest will for purposes of calculating the Principal Amount, be accrued from the last Interest Due Date to such Repayment Date.
- 7.3.2** The Issuer shall not less than 42 clear days prior to any repayment on 31 December 2012 send a notice in terms of these Terms and Conditions to each Debenture Holder advising of such Repayment Date and reminding Debenture Holders to surrender their Certificates (if any).

7.4 Procedure for Repayment

- 7.4.1** Payments in respect of the repayment or conversion of Debentures shall be made in accordance with Condition 7 and, in relation to Debentures represented by the Global Certificate and Individual Certificates held in the Central Depository, the Applicable Procedures relating to the repayment of debt securities.
- 7.4.2** Debenture Holders shall surrender their Certificates in respect of Debentures held by them to the Transfer Secretaries at least 10 days prior to the Repayment Date.
- 7.4.3** Any repayment of Debentures in terms of this Condition 8 shall take place in units and not in the reduction of the nominal value of the Debentures.

7.5 Procedure for Conversion

- 7.5.1** Subject to compliance with Condition 8.4.2, on the Conversion Date the Issuer shall carry out the Conversion relevant to that Conversion Date.
- 7.5.2** Affected Debenture Holders shall surrender their Certificates in respect of Debentures held by them to the Transfer Secretaries at least 10 days prior to the Conversion Date, failing which any certificate to be issued by the Issuer for the Shares issued by it in terms of a Conversion, and any benefits accruing in respect of such Shares, shall be retained and held by the Issuer until such surrender.

7.6 Purchases

The Issuer may at any time purchase Debentures in the open market or otherwise, provided that the purchase price shall not be higher than the market price as quoted on the JSE. If the Issuer purchases Debentures before the Conversion Date or the Repayment Date, such Debentures shall be cancelled and the Issuer's liability to repay the Principal Amount shall be simultaneously cancelled.

7.7 Cancellation

All Debentures which are repaid or converted will forthwith be cancelled. Where only a portion of Debentures represented by a Certificate are cancelled, the Issuer shall deliver a Certificate to such Debenture Holder in respect of the balance of the Debentures.

8. PRESCRIPTION

The Debentures will become void unless presented for payment of the Principal Amount within a period of five years after 31 December 2012.

9. EVENTS OF DEFAULT

9.1 An Event of Default in relation to the Debentures shall arise if any one or more of the following events shall have occurred and be continuing:

9.1.1 the Issuer fails to pay any interest or principal in respect of any of the Debentures on due date for payment and the failure to pay has continued for more than 10 days following the service on the Issuer, by any one Debenture Holder of a written notice requiring that breach to be remedied; or

9.1.2 the Issuer fails to perform or observe any of its other obligations under the Debentures and such failure has continued for the period of 10 days following the service on the Issuer of a written notice requiring that breach to be remedied; or

9.1.3 the Issuer is placed in liquidation, dissolved or is wound-up, whether provisionally or finally and whether voluntarily or otherwise, or is placed under judicial management, whether provisionally or finally or any process similar thereto, or an order is made or an effective resolution of the Issuer's members is passed for the winding-up, dissolution or liquidation of the Issuer or the Issuer initiates or consents to judicial proceedings relating to itself under any applicable compromise with creditors, liquidation, winding-up or insolvency or other similar laws or compromises or attempts to compromise with its creditors generally (or any significant class of creditors), save for the purposes of a merger, amalgamation, consolidated, reconstruction or reorganisation, in solvent circumstances; and/or

9.1.4 if proceedings are initiated against the Issuer such that a person takes possession of the whole or a material part of the undertaking or assets of the Issuer, or an execution or attachment or other process is levied, enforced upon, sued out or put in force against the whole or a material part of the undertaking or assets of the Issuer and such is not discharged within 30 days; or

9.1.5 if the listing of the Debentures or any shares of the Issuer is suspended or terminated by the JSE or a resolution is adopted at a general meeting of the shareholders of the Issuer proposing the deletion of such securities from the list.

9.2 Upon the happening of such an Event of Default, then any Debenture Holder may:

9.2.1 by giving a Holder's Conversion Notice to the Issuer in prescribed form, at its registered office, effective upon the date of receipt thereof by the Issuer, elect that some or all of the Debentures held by such Debenture Holder be converted forthwith in terms of a Default Conversion whereupon those Debentures shall become forthwith convertible at their Principal Amount. Interest will for purposes of calculating the Principal Amount, be accrued from the last Interest Due Date to such Conversion Date; or

9.2.2 by giving a Holder's Repayment Notice to the Issuer in prescribed form, at its registered office, effective upon the date of receipt thereof by the Issuer, elect that some or all of the Debentures held by such Debenture Holder be repaid forthwith in terms of a Default Cash Repayment, whereupon those Debentures shall become forthwith repayable in cash pursuant to Condition 1.11, provided that no such action may be taken by a Debenture Holder if the Issuer withholds or refuses to make any such payment in order to comply with any law or regulation of South Africa or to comply with any order of a court of competent jurisdiction.

10. DELIVERY, EXCHANGE AND REPLACEMENT OF DEBENTURES

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

- 10.2** A person holding a Beneficial Interest in the Debentures represented by the Global Certificate may, in terms of the Applicable Procedures and through its nominated Participant, direct a written request to the Transfer Secretaries for an Individual Certificate representing the number of Debentures to be delivered by the Transfer Secretaries in exchange for such Beneficial Interest. The aggregate of the Principal Amounts of the Debentures represented by such Individual Certificate shall be equivalent to the amount of such Beneficial Interest. The Transfer Secretaries shall deliver such Individual Certificate upon written request no later than 14 days after receiving the written request of the holder of such Beneficial Interest in accordance with the Applicable Procedures, provided that joint holders of a Beneficial Interest shall be entitled to receive only one Individual Certificate in respect of that joint holding and delivery to one of those joint holders shall be delivered to all of them.
- 10.3** Upon the receipt of a written request for delivery of an Individual Certificate in terms of Condition 11.2, the Global Certificate shall, in terms of the Applicable Procedures, be presented to the Transfer Secretaries for splitting and a new Global Certificate for the balance of the Debentures still held by the Central Depository shall be delivered to the Central Depository. The old Global Certificate will be cancelled and retained by the Transfer Secretaries.
- 10.4** Certificates shall be provided, whether by way of issue, delivery or exchange by the Issuer without charge, save as otherwise provided in these Terms and Conditions. Separate costs and expenses relating to the provision of Certificates and/or the transfer of Debentures may be levied by other persons, such as a Settlement Agent, under the Applicable Procedures and such costs and expenses shall not be borne by the Issuer. The costs and expenses of delivery of Certificates by other than ordinary mail, if any, and if the Issuer shall so require, taxes or governmental charges or insurance charges that may be imposed in relation to such mode of delivery shall be borne by the Debenture Holder.
- 10.5** If any Certificate is mutilated, defaced, stolen, destroyed or lost it may be replaced at the office of the Transfer Secretaries on payment by the claimant of such costs and expenses as may be incurred in connection therewith and against the furnishing of such indemnity as the Transfer Secretaries may reasonably require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.
- 10.6** Any person becoming entitled to Debentures in consequence of the death or insolvency of the relevant Debenture Holder may, upon producing evidence to the satisfaction of the Issuer that he holds the position in respect of which he proposes to act under this paragraph or of his title, require the Issuer and the Transfer Secretaries to register such person as the holder of such Debentures or, subject to the requirements of this Condition 11, to transfer such Debentures to such person.

11. TRANSFER OF DEBENTURES

- 11.1** Beneficial Interests in the Debentures may be transferred in terms of the Applicable Procedures in the Central Depository.
- 11.2** In order for any transfer of Debentures to be effected through the Register and for the transfer to be recognised by the Issuer, each transfer of a Debenture:
- 11.2.1** must be embodied in the usual Transfer Form;
 - 11.2.2** must be signed by the relevant Debenture Holder and the transferee, or any authorised representatives of that registered Debenture Holder and/or transferee;
 - 11.2.3** must be made by way of the delivery of the Transfer Form to the Transfer Secretaries together with the Certificate in question for cancellation or, if only part of the Debentures represented by a Certificate is transferred, a new Certificate for the balance will be delivered to the transferor and the cancelled Certificate will be retained by the Transfer Secretaries.
- 11.3** The transferor of any Debentures represented by a Certificate shall be deemed to remain the owner thereof until the transferee is registered in the Register as the holder thereof.
- 11.4** Before any transfer is registered, all relevant transfer taxes (if any) must have been paid and such evidence must be furnished as the Transfer Secretaries reasonably require as to the identity and title of the transferor and the late transferee.

- 11.5** The Debentures may not be dematerialised or rematerialised between five Business Days prior to either the Last Day to Trade or the Record Date and no transfer will be registered while the Register is closed.
- 11.6** If a transfer is registered then the Transfer Form and cancelled Certificate will be retained by the Transfer Secretaries.
- 11.7** All authorities to sign Transfer Forms granted by Debenture Holders for the purposes of transferring Debentures, which may be lodged, produced or exhibited with or to the Issuer at its registered office shall, as between the Issuer and the grantor of such authorises, be taken and deemed to continue and remain in force and effect, and the Issuer may allow the same to be acted upon until such time as expressed by notice in writing of the revocation of the same shall have been given and lodged with each of the Transfer Secretaries and the Issuer. Even after the giving and lodging of such a notice of revocation, the Issuer shall be entitled to give effect to any instrument signed under any such authorised where any officer of the Issuer has certified the authority as being an order before the giving and lodging of such notice of revocation.

12. REGISTER

- 12.1** The Register shall be kept at the offices of the Transfer Secretaries. The Register shall contain the name, address and bank account details of the registered Debenture Holders. The Register shall set out the Principal Amount and number of the Debenture allotted and issued to any Debenture Holder and shall show the date of such allotment and issue and the date upon which the Debenture Holder became registered as such. The Register shall show the serial numbers of Certificates issued. The Register shall be open for inspection during the normal business hours of the Transfer Secretaries to any Debenture Holder or any person authorised in writing by any Debenture Holder. The Transfer Secretaries shall not record any transfer while the Register is closed.
- 12.2** During the period from and including the Issue Date but excluding 31 December 2012, the Register shall be closed:
- 12.2.1** from and including 20 June to, but excluding, 30 June each year;
- 12.2.2** from and including 20 December to, but excluding, 31 December each year; and
- 12.2.3** for the period of 10 days preceding a Repayment Date or Conversion Date, if such Repayment Date or Conversion Date does not fall on an Interest Due Date.
- All periods referred to in this Condition 13.2 may be shortened by the Issuer from time to time, upon notice to the Debenture Holders.
- 12.3** The Transfer Secretaries shall alter the Register in respect of any change of name, address or bank account number of any of the Debenture Holders of which it is notified in accordance with these Terms and Conditions.

13. NOTICES

- 13.1** All notices, including all demands or requests under these Terms and Conditions, to the Debenture Holders, including the holders of Beneficial Interests, will be valid if:
- 13.1.1** mailed by registered post or hand delivered to their addresses appearing in the Register or published in a leading English language daily newspaper of general circulation in South Africa; and
- 13.1.2** for so long as the Debentures are listed on the JSE, published on SENS.
- Any such notice shall be deemed to have been given on the earlier of the day of first publication and hand delivery or on the seventh day after the day on which it is mailed, as the case may be.
- 13.2** For so long as the Debentures are held in their entirety by the Central Depository, there may be substituted for publication as contemplated in Condition 14.1, the delivery of the relevant notice to the Central Depository, the Settlement Agents and the JSE for communication by them to the holders of Beneficial Interests in the Debentures represented by the Global Certificates.
- 13.3** Notices, including all demands or requests under these Terms and Conditions, to be given by any Debenture Holder shall be in writing and given by delivering the notice, together with a certified copy of the relevant Certificate to the Issuer. While any of the Debentures are represented by the

Global Certificate, notice may be given by any holder of a Beneficial Interest to the Issuer only through the holder's relevant Settlement Agent in accordance with the Applicable Procedures and in such manner as the Issuer and the relevant Settlement Agent may approve for this purpose.

- 13.4** Any notice to the Issuer shall be deemed to have been received by the Issuer, on the second Business Day after being hand delivered to the registered office of the Issuer or on the seventh Business Day after the day on which it is mailed by registered post to the registered office of the Issuer, as the case may be.

14. AMENDMENT OF THESE TERMS AND CONDITIONS

These Terms and Conditions set out all the rights and obligations relating to the Debentures. No addition, variation or consensual cancellation shall be of any force or effect unless reduced to writing: and

- 14.1** signed by or on behalf of Debenture Holders holding not less than 75% in number of the Debentures outstanding from time to time; or
- 14.2** authorised by an Extraordinary Resolution of a meeting of Debenture Holders; or
- 14.3** authorised by a simple majority at a general meeting of the ordinary shareholders of the Issuer, save that any change to any provisions regarding Repayment or Conversion shall require an Extraordinary Resolution,

provided that no such amendment shall be of any force or effect unless notice of the intention to make such amendment shall have been given to the Debenture Holders.

15. MEETINGS OF DEBENTURE HOLDERS

- 15.1** The Issuer may at any time convene a meeting of Debenture Holders upon at least 21 days' prior written notice to such Debenture Holders. Such notice shall specify the date, place and time of the meeting to be held, which place shall be in South Africa.
- 15.2** Every director or duly appointed representative of the Issuer may attend and speak at a meeting of Debenture Holders, but shall not be entitled to vote in respect of Debentures (if any) held by the Issuer. The Issuer shall have no entitlement to vote as a Debenture Holder in respect of any Debentures held by it.
- 15.3** Debenture Holders holding not less than 10% in nominal amount of the outstanding Debentures shall be able to request the Issuer to convene a meeting of Debenture Holders. Should the Issuer fail to requisition such a meeting within 10 Business Days of such a request being received by the Issuer, the Debenture Holders requesting such a meeting may convene such meeting upon at least 21 days' prior written notice to the Issuer and the Debenture Holders. Such notice shall specify the date, place and time of the meeting to be held, which place shall be in South Africa.
- 15.4** At any meeting of Debenture Holders, each Debenture Holder shall on a show of hands have one vote and on a poll have one vote for each Debenture held by such Debenture Holder. The Debenture Holder in respect of the Debentures represented by the Global Certificate shall vote at any such meeting on behalf of the holders of Beneficial Interests in such Debentures in accordance with the Applicable Procedures.
- 15.5** The chairman of any meeting of Debenture Holders shall be appointed by the Issuer. In the event of an equality of votes, the chairman shall have a casting vote. The procedures to be followed at the meeting shall be as determined by the chairman subject to the remaining provisions of this Condition 16. Should a Debenture Holder request a meeting, and the Issuer fails to call such a meeting within 10 Business Days of the request, then the chairman of the meeting held at the instance of the Debenture Holders shall be selected by a majority of Debenture Holders present in person or duly represented.
- 15.6** At any such meeting, one or more Debenture Holders present in person or duly represented holding in aggregate not less than one-third of the Principal Amount of the Debentures for the time being outstanding, shall form a quorum for the transaction of business. The quorum at a meeting for the passing of an Extraordinary Resolution shall be one or more Debenture Holders present in person or duly represented and holding in aggregate not less than a clear majority of the Principal Amount of Debentures outstanding for the time being. If such quorum should not be obtained, the meeting of Debenture Holders shall be adjourned for not less than 14 days, in which event, notice of the adjourned meeting shall state that, if a quorum as required is not present at the adjourned meeting, the Debenture Holders then present will form a quorum.

16. ENTIRE TERMS AND CONDITIONS

These Terms and Conditions constitute all the Terms and Conditions of the Convertible Debentures as to the subject matter thereof and no terms and conditions, representations or warranties, other than those set out herein, are binding and/or valid.

17. GOVERNING LAW

The provisions of the Debentures are governed by, and shall be construed in accordance with, the laws of South Africa.

Salient dates and times of the rights offer**2008**

Last day to trade in Sallies shares in order to qualify to participate in the rights offer (<i>cum</i> entitlement) on	Friday, 4 April
Sallies shares trade <i>ex</i> the rights offer entitlement from commencement of trade on	Monday, 7 April
Listing and trading of letters of allocation on the JSE with the JSE Code SALN and ISIN: ZAE000117313 from commencement of trade on	Monday, 7 April
Record date for shareholders to participate in the rights offer on	Friday, 11 April
Circular posted and form of instruction issued to certificated shareholders on	Monday, 14 April
Rights offer open at 09:00 on	Monday, 14 April
Last day for trading in letters of allocation on the JSE on	Wednesday, 30 April
Listing and trading of new convertible debentures on the JSE with the JSE Code SALD and ISIN: ZAE000117305 at commencement of trading on	Monday, 5 May
Rights offer close at 12:00 on	Friday, 9 May
Forms of instruction to be lodged by 12:00 on (see note 4)	Friday, 9 May
Record date for letters of allocation on	Friday, 9 May
Entitlements in respect of the rights offer available on	Monday, 12 May
New convertible debentures issued and posted to certificated shareholders on or about	Monday, 12 May
Accounts of dematerialised shareholders updated and debited at their CSDP or stockbroker on	Monday, 12 May
Results of the rights offer released on SENS on	Monday, 12 May
Results of the rights offer published in the press on	Tuesday, 13 May

Notes:

- The definitions commencing on page 6 of the accompanying circular apply, where necessary to this information on salient dates and times in respect of the rights offer.
- Share certificates in respect of Sallies shares may not be dematerialised or rematerialised between Monday, 7 April 2008 and Friday, 11 April 2008, both days inclusive.
- CSDPs effect delivery on a "delivery against payment method" in respect of holders of dematerialised Sallies shares.
- If you are a dematerialised shareholder of Sallies shares, you are required to notify your duly appointed CSDP or stockbroker of your acceptance of the rights offer in the manner and time stipulated in the custody agreement.
- Dematerialised shareholders will have their accounts at their CSDP or stockbroker credited with their rights entitlement on Monday, 14 April 2008. Certificated shareholders will have their rights entitlements generated in electronic form and held at Computershare Nominees (Pty) Limited on Monday, 14 April 2008.

Dear shareholder

1. THE RIGHTS OFFER

Sallies shareholders recorded in the share register of the company at the close of business on Friday, 11 April 2008 are offered new convertible debentures at a subscription price of R0.50 per new convertible debenture in the ratio of 24 new convertible debentures for every 100 Sallies ordinary shares held.

The subscription price is R0.50 per new convertible debenture payable in full on acceptance in the currency of South Africa.

2. ALLOCATION

The new convertible debentures stated in Block (3) have been provisionally allocated for subscription at a subscription price of R0.50 per new convertible debenture to the shareholder whose name is stated in Block (1).

3. ACCEPTANCE AND PAYMENT

If you wish to accept the rights offer you must complete Blocks (5), (6) and (7).

- If you are the person(s) in whose name(s) this form of instruction was issued and wish to subscribe for all the new convertible debentures allocated to you, complete the applicable blocks as stated above. Forms B and C of this form of instruction need not be completed.
- If you are the person(s) in whose favour this form of instruction has been renounced and you wish to subscribe for the new convertible debentures, complete the applicable blocks as stated above as well as Form C of this form of instruction.
- If you wish to subscribe for the new convertible debentures, a properly completed form of instruction, together with a cheque (crossed "not transferable" and with the words "or bearer" deleted) or banker's draft (drawn on a registered bank) payable to "**Sallies – Rights offer**" for the amount due in the currency of South Africa, must be lodged by certificated shareholders with the transfer secretaries, as follows:

*delivered to***or** *posted to*

Computershare Investor Services (Pty) Limited
Ground Floor
70 Marshall Street
Johannesburg, 2001

Computershare Investor Services (Pty) Limited
P O Box 61763
Marshalltown, 2107

so as to reach the transfer secretaries by no later than 12:00 on Friday, 9 May 2008.

- Such payment, when the cheque or banker's draft has been paid, will constitute acceptance of the rights offer upon the terms and conditions set out in the accompanying circular and in this form of instruction, subject to the memorandum and articles of association of Sallies.
- No acknowledgement of receipt will be given for a cheque or banker's draft received in accordance with the rights offer.
- If this form of instruction and the cheque/banker's draft is not received as set out above, then the rights offer will be deemed to have been declined and the right to subscribe for the new convertible debentures to the addressee or renounced in favour of his/her renounee will lapse, no matter who then holds it.
- The rounded number of new convertible debentures to which Sallies shareholders will become entitled will be determined by the ratio of entitlement and is set out in the accompanying circular with which this form of instruction is enclosed.

4. RENUNCIATION OR SALE

If you are a holder of certificated Sallies ordinary shares and you do not wish to subscribe for the new convertible debentures allocated to you in terms of the rights offer you may renounce your rights entitlement by signing Form B, and the renounee who wishes to subscribe for the new convertible debentures in terms of the rights offer must complete Form C, lodge this form of instruction and make payment, in terms of paragraph 3.3 above for the number of the new convertible debentures in respect of which the rights offer is accepted.

The lodging of this form of instruction, with Form B purporting to be signed by the shareholder whose name appears thereon, will be taken to be conclusive evidence of the right of the holder:

- to deal with this form of instruction; or
- to have the new convertible debentures in question allotted and to receive a certificate for those debentures.

Therefore, Sallies will not be obliged to investigate whether Forms B and C have been properly signed or completed or to investigate any fact surrounding the signing or lodging of either Form.

If you wish to sell all or part of your entitlement, you must complete Form A of this form of instruction and return it to the transfer secretaries to be received by no later than 12:00 on Friday, 25 April 2008. Note that the transfer secretaries will endeavour to procure the sale of your entitlement on the JSE on your behalf and to remit the net proceeds thereof in accordance with your instructions. In this regard, the transfer secretaries will not have any obligation or be responsible for any loss or damage whatsoever in relation to or arising from the timing of such sales, the price obtained, or the failure to dispose of such entitlements.

5. EXCHANGE CONTROL REGULATIONS

The following summary is intended only as a guide and is, therefore, not comprehensive. If shareholders are in any doubt as to the appropriate course of action they are advised to consult their professional advisers.

In terms of the Exchange Control Regulations of South Africa, non-residents of the common monetary area will be allowed to:

- take up rights allocated in terms of the offer;
- purchase letters of allocation on the JSE; and
- subscribe for new convertible debentures arising from letters of allocation purchased on the JSE,

provided that payment is received in foreign currency or in Rand from a non-Resident account.

All applications by non-residents for the above purposes must be made through an Authorised Dealer in foreign exchange. Shares subsequently rematerialised and issued in certificated form, will be endorsed "non-Resident".

Where a right in terms of the offer falls due to a former resident of the common monetary area, which right is based on shares controlled in terms of the Exchange Control Regulations, only emigrant's blocked funds may be used to take up this right. In addition, emigrant's blocked funds may also be used to:

- purchase letters of allocation on the JSE; and
- subscribe for new convertible debentures arising from the letters of allocation purchased on the JSE.

Applications by emigrants using emigrant's blocked funds for the above purposes must be made through the Authorised Dealer in foreign exchange controlling their blocked assets. Any debentures issued pursuant to the use of emigrant blocked funds will be credited to their blocked accounts at the CSDP controlling their blocked portfolios. The sale proceeds of letters of allocation, if applicable, will be returned to the Authorised Dealer in foreign exchange for credit to such emigrants' blocked accounts.

6. LISTINGS ON THE JSE

The JSE has granted listings for the:

- letters of allocation in respect of 151 483 358 new convertible debentures with effect from the commencement of trading on Monday, 7 April 2008, to the close of trade on Wednesday, 30 April 2008, both days inclusive;
- 151 483 358 new convertible debentures with effect from the commencement of trade on Monday, 5 May 2008.

By order of the board

SALLIES LIMITED

R S O'Callaghan
Company Secretary

14 April 2008

Registered office

Witkop Fluorspar Mine
Farm Wintershoek
Zeerust, 2865
(Private Bag X1315, Zeerust, 2865)

Transfer secretaries

Computershare Investor Services (Pty) Limited
Ground Floor
70 Marshall Street, Johannesburg, 2001
(PO Box 61763, Marshalltown, 2107)
Telephone: +27 11 370 5000

GENERAL INSTRUCTIONS AND CONDITIONS

- Married persons:** Married persons wishing to exercise their rights offer entitlement must comply with the provisions of the Matrimonial Property Act (No. 88 of 1984), and proof of such persons' capacity to exercise such rights offer entitlement may be required by the transfer secretaries.
- Powers of attorney:** If this form of instruction is signed under a power of attorney, then the original, or certified copy thereof, must be sent to the transfer secretaries for noting unless it has already been registered with Sallies or the transfer secretaries.
- Companies or Close Corporations:** A company or close corporation wishing to exercise its rights offer entitlement must send the original or certified copy of the directors' or members' resolution authorising the exercise of such entitlement to the transfer secretaries for noting.
- Stamp of broking member of the JSE:** If any signature to Form B is confirmed by the stamp of a broking member of the JSE then (a), (b) or (c) above (as the case may be) will not apply.
- Deceased estates and trusts:** New convertible debentures will not be allotted in the name of an estate or a trust. Therefore, where the rights offer entitlement to the new convertible debentures in Sallies has accrued to the estate of a deceased holder or a trust, the executor or administrator or trustee (as the case may be) must complete Form B in his/her representative capacity and Form C must be completed by the person in whose name the new convertible debentures are to be allotted without any reference to the estate or the trust.
- Joint holders:** Where applicable, all joint holders of letters of allocation must sign.
- Receipts and documents:** No receipts will be given for completed letters of allocation and remittances. Documents accompanying applications will be returned by the transfer secretaries in due course, at the risk of the applicant.
- Convertible debenture certificates:** Sallies uses the "certified transfer deeds and other temporary documents of title" procedure approved by the JSE and, therefore, will issue only one "block" convertible debenture for the new convertible debentures allotted by it to each acceptor of the rights offer.

FORM A: INSTRUCTION TO SELL

This form is to be signed by the offeree if the rights entitlements to the new convertible debentures are to be sold.

Sallies Limited

I/We hereby instruct Computershare Investor Services (Pty) Limited to pay the proceeds, if any, of the sale of the entitlement allocated to me/us in terms of this form of instruction (less R115 (all inclusive) for trades of less than R40 000 and 0.25% of the value of trades for amounts greater than R40 000).

Signed _____

Date _____

2008

Payment instructions

Tick appropriate box

1. By cheque, which should be posted at my/our own risk to the following address:

2. By electronic funds transfer to the following bank account:

Name of bank _____
Account number _____
Branch code _____

PLEASE NOTE THAT IF THE ABOVE INFORMATION IS NOT COMPLETE OR IF CONFLICTING INSTRUCTIONS ARE GIVEN, A CHEQUE PAYMENT OF THE AMOUNT DUE WILL BE SENT TO THE ADDRESS RECORDED IN SALLIES'S SHARE REGISTER.

Signed

Signature(s) of offeree selling his/her rights offer entitlement _____

Date

Assisted by me (where applicable) (all joint holders must sign) _____

Stamp of selling broker (if any) or
stamp or name and address of
lodging agent

FORM B: FORM OF RENUNCIATION

(To be signed by the shareholder named in Block (1) if the rights offer entitlement to the new convertible debentures is renounced.)

To the directors,

Sallies Limited

I/We hereby renounce my/our rights offer entitlement to subscribe for the new convertible debentures allocated to me/us as stated in Block (3) in favour of the person(s) completing the Registration Application Form (Form C) in relation to such shares

Signed

Signature(s) of person renouncing _____

Date

Assisted by me (where applicable) (all joint holders must sign) _____

Stamp and endorsement of selling
broker (if any)

FORM C: REGISTRATION APPLICATION FORM

(to be accompanied by a cheque or banker's draft)

This form is to be completed in respect of the person(s) (i.e. the renounee(s)) in whose name(s) the new convertible debentures are to be issued.

ONCE THIS FORM HAS BEEN COMPLETED THIS FORM OF INSTRUCTION WILL NO LONGER BE NEGOTIABLE.

Sallies Limited

I/We hereby request you to issue the new convertible debentures comprised in this form of instruction in the following name(s) upon the conditions set out in the accompanying circular, dated 14 April 2008, and contained herein and subject to the memorandum and articles of association of Sallies.

I/We authorise you to place such name(s) on the register of Sallies members in respect thereof.

Surname(s) or Name of company _____

*Mr/Mrs/Miss _____

First names in full _____

Postal address (preferably a PO Box address) _____

Postal code _____

Telephone number (office hours) () _____

Date _____

2008

Stamp of buying broker (if any) or
stamp or name and address of
lodging agent

POSTAL INSTRUCTIONS

Holders of certificated Sallies ordinary shares accepting any/all of the rights offer entitlement allocated to them in terms of the rights offer will receive their new convertible debentures in certificated form, which will not be good for delivery until they have been dematerialised.

A holder of certificated Sallies ordinary shares should complete the section below.

Kindly post the relevant convertible debenture certificate to the following address, by registered post:

Name _____

Address _____

(If no specific instructions are given here, the certificated convertible debentures will be forwarded to the address as shown on page 1 of this form of instruction.)

A shareholder wishing to collect his/her/their new convertible debenture certificate from the transfer secretaries must tick this block: