

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The definitions commencing on page 9 of this circular have, where necessary, been used on this front cover. If you are in any doubt as to the action you should take, please consult the sponsor, your Central Securities Deposit Participant ("CSDP"), broker, banker, accountant, attorney or other professional advisor immediately.

ACTION REQUIRED

All shareholders

If you have disposed of all your shares in Sallies, this document should be handed to the purchaser of such shares or to the broker, CSDP, banker or other agent through whom the disposal was effected.

Certificated shareholders and "own name" dematerialised shareholders

Certificated shareholders and "own name" dematerialised shareholders who are unable to attend the Company's General Meeting to be held at the offices of Meropa Communications, Block 1, Freestone Office Park, 135 Patricia Road, Atholl, Sandton, Johannesburg at 12:00 on Tuesday, 11 January 2011 and wish to be represented thereat, must complete the attached form of proxy in accordance with the instructions therein and return it to the relevant transfer secretaries to be received by no later than 12:00 on Friday, 7 January 2011.

Dematerialised shareholders other than those with "own name" registration

Shareholders who have dematerialised their shares, other than by "own name" registration, with a CSDP or broker must advise their CSDP or broker as to what action they wish to take. This must be done in terms of the agreement entered into between them and their CSDP or broker. Shareholders who have dematerialised their shares must not return the attached form of proxy to the transfer secretaries. Their instructions must be sent to their CSDP or broker for action. Should they wish to be present or be represented at the General Meeting, they must advise their broker or CSDP timeously and request a Letter of Representation from their broker or CSDP to enable them to attend the General Meeting.



Sallies Limited

(Incorporated in the Republic of South Africa)

(Registration number 1903/001879/06)

Share code: SAL ISIN: ZAE000022588

JSE code: SALD ISIN: ZAE000117305

("Sallies" or "the Company")

CIRCULAR TO SALLIES SHAREHOLDERS

regarding

- **the introduction of African Renaissance Holdings Limited ("African Renaissance") as an empowerment partner by way of a subscription by African Renaissance for 1 581 ordinary shares in Witkop Fluorspar Mine (Proprietary) Limited ("Witkop") at R54 128.40 each for a total amount of R85 577 000, and the purchase by African Renaissance of 260 ordinary shares in Buffalo Fluorspar (Proprietary) Limited ("Buffalo") at par value of R1.00 each for a total of R260, thereby resulting in African Renaissance owning 26% of each of the previously wholly owned subsidiaries of Sallies ("the Transaction"), the Transaction being a disposal to an associate of a related party, is classified as a category one transaction in terms of the Listings Requirements of the JSE Limited ("Listings Requirements");**

and incorporating

- **notice of General Meeting; and**
- **form of proxy to be used by certificated ordinary shareholders and "own name" dematerialised shareholders.**

The Directors whose names are set out on page 13, accept, collectively and individually, full responsibility for the accuracy of the information given herein and certify that, to the best of their knowledge and belief, no facts have been omitted which make any statement false or misleading and that they have made all reasonable enquiries to ascertain such facts and that this circular contains all information required by law and the Listings Requirements.

Sponsor



Reporting Accountant
and Auditor



Banker



Independent Expert



Legal Advisor



Transfer Secretaries



Competent Person



15 December 2010

Additional copies of this circular are available in English and may be obtained from Wednesday, 15 December 2010 during normal business hours from the registered office of the Company, the offices of the sponsor and the transfer secretaries, the details of which are set out in the "Corporate Information" section of this circular.

CORPORATE INFORMATION

Registered Office of Sallies

Block C
Riverwalk Office Park
41 Matroosberg Road
Pretoria, 0081
South Africa
(PO Box 94536, Waterkloof, 0145)
Telephone: +27 11 480 2091

Reporting Accountant and Auditor

BDO South Africa Incorporated
Block C, Riverwalk Office Park
41 Matroosberg Road
Pretoria, 0081
South Africa
(PO Box 94536, Waterkloof, 0145)
Telephone: +27 12 433 0160

Sponsor

Bridge Capital Advisors (Proprietary) Limited
2nd Floor, 27 Fricker Road
Illovo Boulevard
Illovo, 2196
South Africa
(PO Box 651010, Benmore, 2010)
Telephone: +27 11 268 6231

Transfer Secretaries

Computershare Investor Services (Proprietary) Limited
Ground Floor
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Johannesburg, 2001
South Africa
(PO Box 61051, Marshalltown, 2107)
Telephone: +27 11 370 5000

Company Secretary

RS O'Callaghan
Qualifications: FCA: Fellow of the Institute of
Chartered Accountants in England and Wales,
MBA (Wits)
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South Africa
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Telephone: +27 11 442 9592

Legal Advisor to Sallies

Cliffe Dekker Hofmeyr Inc.
1 Protea Place
Sandton, 2196
South Africa
(Private Bag X7, Benmore, 2010)
Telephone: +27 11 562 1000

Banker

First National Bank of Southern Africa Limited
(Registration number 1929/001225/06)
Corner President and Church Streets
Zeerust, 2865
South Africa
(Private Bag X6334, Zeerust, 2865)
Telephone: +27 18 642 1091

Competent Person

Coffey Mining SA (Proprietary) Limited
Block D, Somerset Office Estate
604 Kudu Street
Allen's Nek
Roodepoort, 1737
South Africa
Telephone: +27 11 679 3331

Independent Expert

BDO Corporate Finance (Proprietary) Limited
13 Wellington Road
Parktown, 2193
South Africa
(Private Bag X60500, Houghton, 2041)
Telephone: +27 11 488 1700

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SALIENT DATES AND TIMES

Circular and Notice of General Meeting posted to shareholders on	Wednesday, 15 December 2010
Last day for lodging forms of proxy at 12:00 on	Friday, 7 January 2011
General meeting held at 12:00 on	Tuesday, 11 January 2011
Results of the General Meeting released on SENS on	Tuesday, 11 January 2011
Results of the General Meeting published in press on	Wednesday, 12 January 2011

Note:

The above dates and times are subject to change. Any such changes will be released on SENS and published in the press.

ACTION REQUIRED BY SHAREHOLDERS

The definitions commencing on page 9 of this circular have, where necessary, been used below.

THIS ACTION REQUIRED IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you have dematerialised your ordinary shares without “own name” registration:

Voting at the General Meeting

Your CSDP or broker should contact you in the manner stipulated in the agreement concluded between you and your CSDP or broker to ascertain how you wish to cast your vote at the General Meeting and thereafter to cast your vote in accordance with your instructions.

If you have not been contacted by your CSDP or broker, it would be advisable for you to contact your CSDP or broker and furnish it with your voting instructions.

If your CSDP or broker does not obtain voting instructions from you, it will be obliged to vote in accordance with the instructions contained in the agreement concluded between you and your CSDP or broker. You must **NOT** complete the attached form of proxy.

Attendance and representation at the General Meeting

In accordance with the agreement between you and your CSDP or broker, you must advise your CSDP or broker if you wish to attend the General Meeting in person, or if you wish to send a proxy to represent you at the General Meeting and your CSDP will issue the necessary letter of representation for you or your proxy to attend the General Meeting.

If you have not been contacted, it would be advisable for you to contact your CSDP or broker and furnish it with your instruction relating to the election.

If your CSDP or broker does not obtain instructions from you regarding the election, it will be obliged to make an election on your behalf in accordance with the instructions contained in the agreement concluded between you and your CSDP or broker.

If you have dematerialised your ordinary shares with “own name” registration:

Voting, attendance and representation at the General Meeting

You may attend and vote at the General Meeting in person or alternatively, you may appoint a proxy to represent you at the General Meeting by completing the attached form of proxy in accordance with the instructions it contains and returning it to the transfer secretaries, to be received by 12:00 on Friday, 7 January 2011.

If you have not dematerialised your ordinary shares:

Voting, attendance and representation at the General Meeting

You may attend and vote at the General Meeting in person. Alternatively, you may appoint a proxy to represent you at the General Meeting by completing the attached form of proxy in accordance with the instructions it contains and returning it to the transfer secretaries to be received by no later than 12:00 on Friday, 7 January 2011.

If you wish to dematerialise your ordinary shares, please contact your broker. If you have disposed of your ordinary shares, this circular should be handed to the purchaser of such ordinary shares or the broker or the agent who disposed of your ordinary shares for you.

SALIENT FEATURES

This summary contains the salient features of the Transaction detailed in this circular, which should be read in its entirety for a full appreciation thereof. The definitions commencing on page 9 of this circular apply where necessary to this section of the circular.

1. INTRODUCTION

On 26 July 2010 it was announced on SENS that agreements had been entered into with African Renaissance for the subscription by African Renaissance for 1 581 Witkop ordinary shares at an issue price of R54 128.40 per Witkop ordinary share for a total amount of R85 577 000 (“the Witkop subscription consideration”), and the purchase of 260 Buffalo ordinary shares from Sallies at par value of R1.00 each for a total amount of R260.00 (“the Buffalo subscription consideration”) thereby resulting in African Renaissance owning 26% of each of Sallies’ previously wholly owned subsidiaries. The purpose of the circular is to provide shareholders with additional information pertaining to the Transaction and convene a General Meeting to give authority to the Sallies board to implement the Transaction.

2. AFRICAN RENAISSANCE – COMPANY PROFILE

African Renaissance is a Black-empowered investment holding company incorporated in 1993 with the intention of transforming the economic landscape in South Africa and championing active Black participation and ownership in strategic economic sectors. African Renaissance is owned and managed by historically disadvantaged South Africans, as defined in the Mineral and Petroleum Resources Development Act, No 28 of 2002 (“MPRDA”), led by Thero Setiloane, Max Maisela, Jürgen Kögl, Windsor Shuenyane, Gavin Pieterse, Bobby Makwetla and George Negota.

To date African Renaissance has acquired various interests, *inter alia*, in T-Systems SA Limited, Petra Diamonds Limited, NARE Diamonds Limited and in Metaf Investments Holdings (Proprietary) Limited. Given a history of successfully pioneering new black business ventures, African Renaissance aims to build an industrial and service portfolio which will focus on information technology, mining, power generation, manufacturing as well as the retail sectors. The investment opportunity presented in Witkop and Buffalo aligns with African Renaissance’s strategic intents and complements other targeted investment initiatives.

3. SALIENT FEATURES OF THE TRANSACTION

The key terms of the Transaction are as follows:

- African Renaissance will subscribe for 1 581 Witkop ordinary shares of R0.50 each at R54 128.40 each for a total of R85 577 000, which represents an interest of 26% in the issued share capital of Witkop. The issue price of R54 128.40 per Witkop ordinary share is based on the imputed value of Witkop Fluorspar Mine.
- In compliance with the provisions of Section 38 of the Act Witkop will provide financial assistance to African Renaissance amounting to R85 577 000 to enable African Renaissance to effect the payment for the Witkop subscription consideration. Sallies will subscribe for two cumulative non-redeemable preference shares of R1.00 each in the share capital of Witkop, whose dividend rate shall be based on the prime rate reduced by the corporate tax rate per annum, compounded monthly in arrears calculated on each of the amounts owed by African Renaissance to Witkop and Witkop to Sallies from time to time;
- African Renaissance will purchase for cash 260 Buffalo ordinary shares from Sallies at par value of R1.00 each for a total amount of R260. Sallies will subscribe for one cumulative non-redeemable preference share of R1.00 in the share capital of Buffalo, whose dividend rate shall be based on the prime rate reduced by the corporate tax rate per annum, compounded monthly in arrears calculated on the amount owed by Buffalo to Sallies from time to time;
- Subject to approval by Sallies and pursuant to the subscription for Witkop ordinary shares and purchase of Buffalo ordinary shares, African Renaissance will be entitled to appoint a non-executive director to the board of each of Witkop and Buffalo. Following the appointments there will be up to four directors in each of Witkop and Buffalo;

- Upon completion of the Transaction, including the repayment of the R85 577 000 loan facility provided to African Renaissance by Witkop in terms of the Witkop Africa Renaissance Loan Agreement, African Renaissance undertakes to distribute 31% of all shareholder distributions received by African Renaissance from Witkop and Buffalo, to the Witkop Community and the Buffalo Community respectively in order to promote the interests of the Communities from which Buffalo and Witkop draw the majority of their employees; and
- The subscription for Witkop ordinary shares and purchase of Buffalo ordinary shares by African Renaissance as well as Sallies' subscription of preference shares in Witkop and Buffalo and the provision of financial assistance to African Renaissance by Witkop will be implemented simultaneously as an indivisible transaction.

4. RATIONALE OF THE TRANSACTION

The Transaction seeks to improve the Company's BEE empowerment credentials with the objective of complying with the requirements of the MPRDA, the Broad-Based-Economic Charter for the South African Mining Industry and the Codes of Good Practice for the Minerals Industry.

5. CONDITIONS PRECEDENT

The Transaction is subject to the following condition precedent:

- the approval by at least 50% of Sallies shareholders excluding Jürgen Kögl and his associates.

The following corporate actions were approved by way of a resolution of the Sallies Board on 23 July 2010 and approved at the subsequent Witkop and Buffalo general meetings held on 15 October 2010:

- the amendments of the Memorandum and Articles of Association of both Witkop and Buffalo to allow for the increase in authorised share capital, the creation, allotment and issue of the preference shares to Sallies;
- the amendments of the Articles of Association of both Witkop and Buffalo so as to provide that the preference dividends may be paid in accordance with and subject to the provisions of Section 90 of the Act;
- the approval by the shareholders of both Witkop and Buffalo to place the authorised but unissued shares of both companies under the control of the respective directors in terms of Section 221 of the Act; and
- the approval of the special resolution relating to provision of financial assistance amounting to R85 577 000 to African Renaissance by Witkop in accordance with the provisions of Section 38 of the Act for the purpose of enabling African Renaissance to effect the payment for the Witkop subscription consideration.

6. TRANSACTION CLASSIFICATION AND SHAREHOLDER APPROVAL REQUIRED

Given that Jürgen Kögl (a director of African Renaissance holding 3.1% of the shares in African Renaissance) is currently a non-executive director of Sallies and therefore a related party in terms of paragraph 10.1(b)(ii) of the Listings Requirements, the Transaction is classified as a related party transaction in accordance with the Listings Requirements. Accordingly, BDO Corporate Finance has been appointed as the Independent Expert to provide an opinion as to whether the terms and conditions under which the financial assistance is being offered are fair to the Sallies shareholders. The fairness opinion is attached to Annexure 3 to this circular.

The implementation of the Transaction is subject to a simple majority of votes of shareholders being cast in favour of the ordinary resolutions in respect of the Transaction.

7. BOARD OPINION AND RECOMMENDATION

The Sallies board is firmly of the opinion that the Transaction is fair and in the best interests of both the Company and its shareholders. The Directors are in unanimous agreement that the Company is best served by having a strong BEE profile for its public and private sector customers. Furthermore, the controlling shareholder, Firebird, has indicated its full support of the Transaction and will vote in favour of all the resolutions pertaining to the Transaction.

8. FINANCIAL EFFECTS OF THE TRANSACTION

The *pro forma* financial effects of the Transaction on Sallies' earnings, headline earnings, net asset value and net tangible asset value per share are less than 3% and, therefore the *pro forma* financial effects, *pro forma* statement of comprehensive income and *pro forma* statement of financial position have not been presented. The impact of the Transaction on the Sallies financial position has been reviewed by the Reporting accountants and auditors.

9. GENERAL MEETING

The Sallies General Meeting will be held at the offices of Meropa Communications, Block 1, Freestone Office Park, 135 Patricia Road, Atholl, Sandton, Johannesburg at 12:00 on Tuesday, 11 January 2011 to consider and if deemed fit, to pass, with or without modification, the ordinary resolutions necessary to approve and implement the Transaction. A notice convening the General Meeting is attached hereto and forms part of this circular and contains the ordinary resolutions to be considered at the General Meeting.

DEFINITIONS

In this circular, unless the context indicates otherwise, references to the singular include the plural and *vice versa*, words denoting one gender include the other. References to paragraphs and annexures are to paragraphs in and annexures to this circular. References to statute are references to statute as amended from time to time. Expressions denoting natural persons include juristic persons and associations of persons and *vice versa* and the words in the first column hereunder have the meanings stated opposite them in the second column, as follows:

“Acidspar”	Acid grade fluorspar;
“Act”	the Companies Act, No. 61 of 1973;
“African Renaissance”	African Renaissance Holdings Limited (Registration number (1994/001385/06), a public company incorporated in accordance with the Act;
“agreements”	collectively, the Buffalo agreements and the Witkop agreements;
“ARI”	African Renaissance Investments (Proprietary) Limited (Registration number (1995/007672/07), a private company incorporated in accordance with the Act and a wholly owned subsidiary of African Renaissance;
“BDO Corporate Finance”	BDO Corporate Finance (Proprietary) Limited (Registration number 1983/002903/07), a private company incorporated in accordance with the Act;
“BEE”	Black Economic Empowerment as contemplated in the BEE Act;
“BEE Act”	The Broad-Based Black Economic Empowerment Act of 2003;
“Board” or “Sallies board”	the Directors of Sallies whose names appear on page 13 of the circular;
“Buffalo” or “BFM”	Buffalo Fluorspar (Proprietary) Limited (Registration number 2006/016554/07), a private company incorporated in accordance with the Act and a wholly owned subsidiary of Sallies;
“Buffalo agreements”	collectively the Buffalo Sale of Shares Agreement dated 23 July 2010, entered into between Sallies and African Renaissance; the Buffalo Sallies Services Agreement dated 23 July 2010 entered into between Sallies and Buffalo; the Buffalo Sallies Preference Share Subscription Agreement dated 23 July 2010 entered into between Sallies and Buffalo; and the Buffalo Shareholders Agreement dated 23 July 2010 entered into between Sallies, African Renaissance and Buffalo;
“Buffalo Community”	as contemplated in the section 1 of the MPRDA, a coherent, social group of persons with interests or rights in the area of land surrounding the Buffalo Fluorspar, in which the members have or exercise communally in terms of an agreement custom or law and, for the sake of clarity, also includes those persons hosting and supplying or affected by the supplying of labour to the prospecting and mining operations of Buffalo, and also for the benefit of any other communities (whether tribally organised or not) supplying or affected by the supplying of labour to the Buffalo’s operations;
“Buffalo Sale of Shares Agreement”	the Buffalo Sale of Shares Agreement dated 23 July 2010, entered into between Sallies and African Renaissance;

“Buffalo Sallies Preference Share Subscription Agreement”	the Buffalo Sallies Preference Share Subscription Agreement dated 23 July 2010 entered into between Sallies and Buffalo;
“Buffalo Sallies Services Agreement”	the Buffalo Sallies Services Agreement dated 23 July 2010 entered into between Sallies and Buffalo;
“Buffalo Shareholders Agreement”	the Buffalo Shareholders Agreement dated 23 July 2010 entered into between Sallies, African Renaissance and Buffalo;
“Buffalo subscription consideration”	an amount R260.00, being the par value of R1.00 per Buffalo ordinary share in respect of 260 Buffalo ordinary shares;
“CaF₂”	Calcium fluoride;
“Circular Date”	the date of this circular, being Wednesday, 15 December 2010;
“Company secretary”	Richard O’Callaghan, an individual, details of whom are set out in the “Corporate Information” section of this circular;
“CPR”	Competent Person’s Report;
“Competent Person”	Ken Lomberg (MGSSA,Pr Sci.Nat);
“Corporate tax”	the South African corporate tax rate currently being 28% per annum;
“CSDP”	Central Securities Depository Participant;
“Dematerialised shareholders”	shareholders who hold dematerialised shares;
“Dematerialised shares”	shares that have been dematerialised in terms of the requirements of Strate and which are held on the sub-register of shareholders in electronic form in terms of the Securities Services Act;
“DWAF”	Department of Water Affairs and Forestry;
“Directors”	the Directors of Sallies, whose details appear on page 13 of this circular;
“Firebird”	Firebird Global Master Fund Ltd (Registration number CR-124871) and Firebird Global Master Fund II Limited (Registration number OG-166996), companies incorporated and registered in the Cayman Islands and together the current controlling shareholder of Sallies;
“Framework Agreement”	the Framework Agreement dated 23 July 2010 entered into between Sallies, Witkop, Buffalo, African Renaissance, ARI, Mosega, Pypklip and Marico;
“General Meeting”	a meeting of Sallies shareholders to be held at the offices of Meropa Communications, Block 1, Freestone Office Park, 135 Patricia Road, Atholl, Sandton, Johannesburg at 12:00 on Tuesday, 11 January 2011;
“HDSA”	Historically disadvantaged South African as defined in Section 2 of the Charter and refers to any person, category of persons or community, disadvantaged by unfair discrimination before the Constitution of the Republic of South Africa, Act No. 200 of 1993 came into operation;
“HF”	Hydrofluoric acid;
“Honeywell”	Honeywell International Inc., a public company incorporated in the United States of America and whose registered address is 101 Columbia Road Morris Township, New Jersey, USA;
“IFRS”	International Financial Reporting Standards;

“JSE”	JSE Limited (Registration Number 2005/022939/06), a public company registered and incorporated within limited liability in accordance with the company laws of South Africa, licensed to operate as an exchange under the Securities Services Act;
“last practicable date”	the last practicable date prior to the finalisation and publication of this circular, being Thursday, 9 December 2010;
“Legal advisor”	Cliffe Dekker Hofmeyr Inc (Registration number 2008/018923/21), a company incorporated in accordance with section 53(b) of the Act practising as attorneys in accordance with the Attorneys Act No 53 of 1979, being the legal advisor to Sallies;
“Listing Requirements”	the Listings Requirements of the JSE, as amended from time to time;
“Marico”	Marico Fluorspar (Proprietary) Limited (Registration number 1972/000804/07), a private company incorporated in accordance with the Act and a wholly-owned subsidiary of Witkop;
“MPRDA”	Mineral and Petroleum Resources Development Act, No 28 of 2002;
“Mosega”	Mosega Fluorspar Works (Proprietary) Limited (Registration number 1960/003340/07), a private company incorporated in accordance with the Act and a wholly owned subsidiary of Marico;
“ordinary shares”	ordinary shares of 0.1 cent each in the share capital of the Sallies;
“ordinary shareholder”	a holder of ordinary shares;
“Prime rate”	the publicly quoted basic rate of interest, compounded monthly in arrears and calculated on a 365 (three hundred and sixty five) day year irrespective of whether or not the year is a leap year, from time to time published by Nedbank Limited as being its prime overdraft rate, as certified by any representative of that bank whose appointment and designation it will not be necessary to prove;
“Pypklip”	Pypklip Mining Holdings (Proprietary) Limited (Registration number 2000/008179/07), a private company incorporated in accordance with the Act, a wholly-owned subsidiary of Sallies;
“R” or “Rand”	Rand, the lawful currency of the Republic of South Africa;
“Reporting accountant and auditors”	BDO South Africa Incorporated Registered Chartered Accountants and Auditors (Registration number 1999/018618/21);
“SHEQ”	safety, health, environmental and quality management;
“Sallies” or “the Company” or “Group”	Sallies Limited (Registration number 1903/001879/06), a public company incorporated in South Africa in accordance with the Act, and whose shares are listed on the JSE;
“SAMREC”	the South African Mineral Resources Committee;
“SAMREC Code”	the South African code for reporting of mineral resources and mineral reserves, including the guidelines contained therein;
“SENS”	the Securities Exchange News Service of the JSE;
“Securities Services Act”	the Securities Services Act, No 36 of 2004;
“Strate”	Strate Limited (Registration number 1998/022242/06), a company incorporated in accordance with the Act, and registered as a “Central Securities Depository” in terms of the Securities Services Act or, as the context requires, the electronic clearing, settlement and custody system for securities listed on the JSE;

“South Africa”	the Republic of South Africa;
“Sponsor”	Bridge Capital Advisors (Proprietary) Limited (Registration number 1998/016302/07), a company incorporated in accordance with the Act and a Sponsor as contemplated in the Listings Requirements, being the Company’s sponsor and corporate advisor;
“Transaction”	the subscription by African Renaissance of 1 581 Witkop ordinary shares and the purchase by African Renaissance of 260 Buffalo ordinary shares resulting in African Renaissance owning 26% of each of Witkop and Buffalo;
“Transaction agreements”	the agreements entered into between Sallies and African Renaissance pertaining to the Transaction;
“Transfer secretaries”	Computershare Investor Services (Proprietary) Limited (Registration number 2004/003647/07), a company incorporated in accordance with the Act being Sallies’ transfer secretaries;
“Witkop” or “WFM”	Witkop Fluorspar Mine (Proprietary) Limited (Registration number 1972/006392/07) a private company incorporated in accordance with the Act and a wholly owned subsidiary of Sallies;
“Witkop African Renaissance Ordinary Share Subscription Agreement”	the Witkop African Renaissance Ordinary Share Subscription Agreement dated 23 July 2010 entered into between Witkop and African Renaissance; the Witkop Sallies Services Agreement dated 23 July 2010 entered into between Sallies and Witkop;
“the Witkop African Renaissance Loan Agreement”	the Witkop African Renaissance Loan Agreement dated 23 July 2010 entered into between African Renaissance and Witkop;
“Witkop agreements”	collectively, the Witkop African Renaissance Ordinary Share Subscription Agreement, the Witkop Sallies Services Agreement, the Witkop Sallies Preference Share Subscription Agreement, the Witkop African Renaissance Loan Agreement and the Witkop Shareholders Agreement;
“Witkop Community”	as contemplated in the section 1 of the MPRDA, a coherent, social group of persons with interests or rights in the area of land surrounding Witkop, in which the members have or exercise communally in terms of an agreement, custom or law and, for the sake of clarity, also includes those persons hosting and supplying or affected by the supplying of labour to the prospecting and mining operations of Witkop, and also for the benefit of any other communities (whether tribally organised or not) supplying or affected by the supplying of labour to Witkop’s operations;
“Witkop Sallies Preference Share Subscription Agreement”	Witkop Sallies Preference Share Subscription Agreement dated 23 July 2010 entered into between Sallies and Witkop;
“Witkop Sallies Service Agreement”	Witkop African Renaissance Loan Agreement dated 23 July 2010 entered into between Sallies and Witkop;
“Witkop Shareholders Agreement”	the Witkop Shareholders Agreement dated 23 July 2010 entered into between Sallies, African Renaissance and Witkop; and
“Witkop subscription consideration”	an amount R85 577 000, being the issue price of R54 128.40 per share in respect of all 1 581 Witkop ordinary shares.



Sallies Limited

(Incorporated in the Republic of South Africa)
(Registration number 1903/001879/06)
Share code: SAL ISIN: ZAE000022588
JSE code: SALD ISIN: ZAE000117305
("Sallies" or "the Company")

Directors:

Nicholas Davidoff * (*Chairman*)
Andrew Kamau * ^
Jürgen Kögl *
Stephen Morris * ^
Sandile Swana * ^
Patrick Cooke # (*Financial Director*)

* Non-executive; # Executive; ^ Independent

CIRCULAR TO SALLIES SHAREHOLDERS

1. INCORPORATION AND HISTORY OF SALLIES

Sallies was incorporated on 9 March 1903 as The South African Land and Exploration Company Limited to develop a gold mine on the East Rand. It has been listed on the JSE since 1904.

Following the closure of all of its gold mining activities during the 1990s Sallies acquired Witkop and Buffalo in July 1999 and July 2006 respectively. Since then Sallies has produced and marketed acidspar until the suspension of operations as outlined below. Following the suspension of the Witkop and Buffalo operations the Company's revenue has been primarily generated from the sale of metallurgical grade fluorspar and agricultural lime, previously considered by-products. The bulk of Sallies' acidspar output has been exported to produce hydrofluoric acid. This product is converted into HF refrigerant gases, fluoroplastics, aluminium tri-fluoride and products for niche markets.

Witkop

Witkop is a wholly owned subsidiary of Sallies Limited which owns the Witkop Fluorspar Mine. The mine is located near Zeerust in the North West Province and mines fluorspar ore from which it produces acid grade filter cake fluorspar, a product which contains 97% calcium fluoride ("CaF₂"). Witkop exports its output to international customers who produce mainly hydrofluoric acid, which is then further processed into refrigerant gases, fluoro-polymers and aluminium trifluoride. Witkop also produces small quantities of metallurgical grade fluorspar and agricultural lime which are sold to the local market. The Witkop mine is currently on "care and maintenance" – thus temporary halting mineral production due to market conditions.

Buffalo

Buffalo is a wholly owned subsidiary of Sallies which owns the Buffalo Fluorspar Mine. The mine is located near Mookgophong in the Limpopo Province. It produces acid grade filter cake fluorspar by reprocessing the slimes dams created from previous mining operations. As is the case with Witkop Buffalo's product contains 97% CaF₂ which it exports to international customers. Buffalo also produces small quantities of metallurgical grade fluorspar which is sold to the local market. The Buffalo mine is also currently on "care and maintenance".

2. AFRICAN RENAISSANCE

African Renaissance is a Black-empowered investment holding company incorporated in 1993 with the intention of transforming the economic landscape in South Africa and championing active Black participation and ownership in strategic economic sectors. African Renaissance is owned and managed by historically disadvantaged South Africans (as defined in the MPRDA) whose beneficial shareholders are as follows: Kgomotso Moroka, Thero Setiloane, Max Maisela, Jabu Mabuza, Windsor Shuenyane, Gavin Pieterse, Israel Skosana, Lot Ndlovu, Patrice Motsepe, Dawn Mokhobo, Barbara Masekela, Ashley Mabogoane, MacCaps Motimele, George Negota, Dawn Marole, Seth Phalatse, Bobby Makwetla, Louis Skweyiya and Jürgen Kögl.

To date African Renaissance has acquired various interests, *inter alia*, in T-Systems SA Limited, Petra Diamonds Limited, NARE Diamonds Limited and in Metaf Investments Holdings (Proprietary) Limited. Further details pertaining to the profile of investments currently held by African Renaissance are available on www.africanrenaissanceholdings.com. Given a history of successfully pioneering new black business ventures, African Renaissance aims to build an industrial and service portfolio which will focus on information technology, mining, power generation, and manufacturing as well as retail. The investment opportunity presented in Witkop and Buffalo aligns with African Renaissance's strategic intents and complements other targeted investment initiatives.

3. THE TRANSACTION

During 2006 Sallies entered into an agreement with ARI, a wholly owned subsidiary of African Renaissance, in terms of which Sallies sold to ARI a 30% undivided right to the entire business undertaking in respect of the area over which Witkop holds old order mining rights ("the original transaction"). The key terms and conditions of the original transaction are set out below:

- Sallies agreed to sell an undivided 30% share of its assets and liabilities to ARI as a going concern for a cash consideration equivalent to 30% of the Sallies market capitalisation (calculated by using the 60-day weighted average traded price of the shares in Sallies as at the time of the payment multiplied by the number of Sallies shares outstanding at the time).
- There were no provisions precluding any of the parties from carrying on business in competition with Sallies.
- Sallies was to advance a loan to ARI in respect of the purchase consideration at the prevailing market interest rate and such loan was to be repaid as a first charge against the profits and/or other distributions which ARI was to receive from Sallies. The loan was to be secured by ARI's rights, interest and title of its 30% interest.
- One of the conditions precedent to be met by no later than 30 June 2006 was the granting by the Minister of Mineral Resources of mining rights in terms of the MPRDA ("new order rights") in substitution of the mineral rights, mining title and the mining authorisations held by Witkop, either by means of conversion or application.

The conditions precedent stipulated in the original transaction agreements were neither fulfilled nor waived and as a result, no transfer of assets was made to ARI. The Sallies board and ARI identified some shortcomings in the structure of the original transaction and following the restructuring of the original transaction Witkop and Buffalo have since entered into new agreements with African Renaissance dated 23 July 2010 as more fully disclosed in paragraph 3.1 of the circular.

3.1 Salient features of the Transaction

The key terms of the Transaction agreements are as set out below:

3.1.1 Subscription for Witkop ordinary shares

- African Renaissance will subscribe for 1 581 Witkop ordinary shares of R0.50 each at R54 128.40 per share for a total of R85 577 000, which represents an interest of 26% in the issued share capital of Witkop.
- Subject to Sallies shareholder approval, African Renaissance will be entitled to appoint a non-executive director to the Witkop board. After such appointment, the Witkop board will comprise up to four directors of which African Renaissance will be represented by one director.

- In compliance with the provisions of Section 38 of the Act, Witkop will provide financial assistance to African Renaissance amounting to R85 577 000 to enable African Renaissance to effect the payment of the Witkop subscription consideration. Sallies will then subscribe for one cumulative non-redeemable class “A” preference share and one cumulative non-redeemable class “W” preference share of R1.00 each in the share capital of Witkop whose dividend rate shall be based on the prime rate reduced by the Corporate tax rate calculated on each of the amounts owed by African Renaissance to Witkop and Witkop to Sallies, respectively, from time to time. The Witkop class “A” and class “W” preference shares will be issued to Sallies in order to allow Sallies to earn a return on the interest free shareholder loans advanced to Witkop before the Transaction.
- Upon repayment of the R85 577 000 loan facility provided to African Renaissance by Witkop in terms of the Witkop Africa Renaissance Loan Agreement, African Renaissance undertakes to distribute 31% of all shareholder distributions received by African Renaissance from Witkop to the Witkop Community in order to promote the interests of the Witkop Community.

3.1.2 Salient features of the Witkop agreements

The salient features of the Witkop agreements are set out below:

Witkop African Renaissance Ordinary Share Subscription Agreement:

- entered into between Witkop and African Renaissance on 23 July 2010; and
- pertains to the subscription of 1 581 Witkop ordinary shares at R54 128.40 each for a total consideration of R85 577 000 thereby resulting in African Renaissance acquiring an interest of 26% in Witkop.

Witkop Sallies Services Agreement:

- entered into between Sallies and Witkop on 23 July 2010; and
- pertains to the appointment of Sallies to act as an independent contractor to Witkop and to provide such services as financial, managerial and technical advice (“services”) to Witkop at a mark-up of 5% on costs of the services provided.

Witkop Sallies Preference Share Subscription Agreement:

- entered into between Sallies and Witkop on 23 July 2010; and
- in terms of this agreement, Sallies will provide funding to Witkop by way of subscribing for two Witkop preference shares at R1.00 per share.

Witkop African Renaissance Loan Agreement:

- entered into between Witkop and African Renaissance dated 23 July 2010; and
- pertains to the provision of financial assistance of R85 577 000 to African Renaissance by Witkop in compliance with Section 38 of the Act.
- the repayment of the proposed loan will be made from all the distributions that will be made to African Renaissance by Witkop and in order to facilitate this repayment arrangement, African Renaissance undertakes to cede the title and interest on the distributions to Witkop; and
- the loan shall not accrue any interest.

Witkop Shareholders Agreement:

- entered into between Sallies, African Renaissance and Witkop on 23 July 2010;
- the agreement governs the relationship between the Witkop shareholders including the appointment of a director to represent African Renaissance on the Witkop board; and
- African Renaissance undertakes to distribute 31% of all the distributions received by African Renaissance from Witkop to the Witkop Community.

3.1.3 Purchase of Buffalo ordinary shares

- African Renaissance agrees to purchase for cash 260 ordinary shares in Buffalo from Sallies at R1.00 per share for a total consideration of R260.00. Sallies agrees to subscribe for one cumulative non-redeemable class “A” preference share of R1.00 in the share capital

of Buffalo whose dividend rate is based on the prime rate reduced by the Corporate tax rate calculated on the amount owed by Buffalo to Sallies from time to time. The Buffalo class "A" preference shares will be issued to Sallies in order to allow Sallies to earn a return on the interest free shareholder loans advanced to Buffalo before the Transaction.

- Subject to shareholder approval, African Renaissance will be entitled to appoint a non-executive director to the board of Buffalo. After such appointment, the Buffalo board will comprise up to four directors of which one director will represent African Renaissance.
- Upon completion of the Transaction and repayment of the preference shares subscribed for by Sallies in terms of the Buffalo Sallies Preference Share Subscription Agreement, African Renaissance undertakes to distribute 31% of all shareholder distributions received by African Renaissance from Buffalo to the Buffalo Community in order to promote the interests of the Buffalo Community.

3.1.4 Salient features of the Buffalo agreements

The salient features of the Buffalo agreements are set out below:

The Buffalo Sallies African Renaissance Sale of Shares Agreement:

- entered into between Sallies and African Renaissance on 23 July 2010;
- pertains to the sale of 260 Buffalo ordinary shares at R1.00 each by Sallies to African Renaissance for a purchase consideration of R260.00. Such shares constitute 26% of the Buffalo share capital and will result in African Renaissance acquiring an interest of 26% in Buffalo; and
- the purchase consideration of R260.00 is payable in cash once the agreement becomes unconditional.

The Buffalo Sallies Preference Share Subscription Agreement:

- entered into between Sallies and Buffalo on 23 July 2010; and
- in terms of this agreement, Sallies will provide funding to Buffalo by way of subscribing for one Buffalo preference share at R1.00 per share.

The Buffalo Sallies Service Agreement

- entered into between Sallies and Buffalo on 23 July 2010; and
- pertains to the appointment of Sallies to act as an independent contractor to Buffalo and to provide such services as financial, managerial and technical advice ("services") to Buffalo at a mark-up of 5% on costs of the services provided.

The Buffalo Shareholders Agreement

- entered into between Sallies, Buffalo and African Renaissance on 23 July 2010;
- this agreement governs the relationship between the Buffalo shareholders including the appointment of a director to represent African Renaissance on the Buffalo board; and
- African Renaissance undertakes to distribute 31% of all the distributions received by African Renaissance from Buffalo to the Buffalo Community.

3.2 The rationale of the Transaction

In terms of the MPRDA read together with the Broad-Based Economic Charter for the South African Mining Industry all mining companies must have an ownership of at least 26% by historically disadvantaged South Africans by May 2014.

The Transaction seeks to improve the Company's BEE empowerment credentials with the objective of complying with the requirements of the MPRDA, the Broad-Based-Economic Charter for the South African Mining Industry and the Codes of Good Practice for the Minerals Industry. Subsequent to implementation of the Transaction, Sallies will have a level 3 BEE rating as measured in accordance with the BEE Act.

3.3 Transaction classification

Given that Jürgen Kögl (a director of and holds 3.1% shares in African Renaissance) is currently a non-executive director of Sallies and therefore, a related party in terms of paragraph 10.1(b)(ii)

of the Listings Requirements, the Transaction is classified as a related party transaction in accordance with the Listings Requirements. Accordingly, BDO Corporate Finance has been appointed as the Independent Expert to provide an opinion as to whether the terms and conditions of the Transaction as well as the terms and conditions under which the financial assistance is being offered are fair to the Sallies shareholders. This fairness opinion is attached to Annexure 3 to this circular.

The implementation of the Transaction is subject to a simple majority of votes of Sallies shareholders, attending in person or being represented by proxy, being cast in favour of the resolutions in respect of the Transaction at the General Meeting. In compliance with the Listings Requirements, Jürgen Kögl and all his associates will be taken into account in determining a quorum at the General Meeting but their votes will not be taken into account in determining the results of the voting in respect of the resolutions pertaining to the Transaction detailed in this circular.

3.4 Conditions precedent

The Transaction is subject to the condition precedent that it is approved by a 50% majority of Sallies shareholders excluding Jürgen Kögl and his associates;

The following corporate actions were approved by way of resolutions of the Sallies Board on 23 July 2010 and subsequently approved at the Witkop and Buffalo general meetings held on 15 October 2010:

- the amendments of the Memorandum and Articles of Association of both Witkop and Buffalo to allow for the amendment of the authorised share capital, the creation, allotment and issue of the preference shares to Sallies;
- the amendments of the Articles of Association of both Witkop and Buffalo so as to provide that the preference dividends may be paid in accordance with and subject to the provisions of Section 90 of the Act;
- the approval by the shareholders of both Witkop and Buffalo to place the authorised but unissued shares of both companies under the control of the respective directors in terms of Section 221 of the Act; and
- the approval of the special resolution relating to provision of financial assistance amounting to R85 577 000 to African Renaissance by Witkop in accordance with the provisions of Section 38 of the Act for the purpose of enabling African Renaissance to effect the payment for the subscription consideration.

3.5 Effective Date

The effective date of the Transaction is the first business day after the date on which all the conditions precedent detailed in paragraph 3.4 are fulfilled, which date is expected to be on or about 11 January 2011.

3.6 Pro forma financial effects of the Transaction

The *pro forma* financial effects of the Transaction on Sallies earnings, headline earnings, net asset value and net tangible asset value per share are less than 3% and, therefore the *pro forma* financial effects, *pro forma* statement of comprehensive income and *pro forma* statement of financial position, have not been presented. The impact of the Transaction on the Sallies financial position has been reviewed by the Reporting accountants and auditors.

3.7 Directors' opinions and recommendations

On the basis of the Fairness Opinion provided by the Independent Expert as presented in Annexure 3 the independent directors of the Sallies board are firmly of the opinion that the Transaction is fair and in the best interest of both the Company and its shareholders. Shareholders are recommended to vote in favour of the ordinary resolutions presented in the attached Notice of General Meeting. The independent directors are in unanimous agreement that the Company is best served by having a strong BEE profile for its public and private sector customers. Furthermore, the controlling shareholder, Firebird, has indicated its full support of the Transaction and will vote in favour of all the resolutions pertaining to the Transaction.

Shareholders are recommended to consult their professional advisors regarding the action to be taken in relation to the Transaction.

4. PROSPECTS

Sallies has been active on the ground in Zambia and Mozambique during FY2009 and continues to pursue permits on high grade fluorspar deposits with the objective of expanding its operations within the Southern African region.

Witkop operates on a low grade highly variable deposit and as a result is a medium/high cost producer highly geared to the Rand fluorspar price. During the current year, the operational mining equipment and plant has been maintained and serviced and the operation can commence production within a relatively short period should the market environment improve. If the tests at Buffalo succeed in reducing the high phosphorous content in the fluorspar from tailings dams 5 and 6, or if fluorspar can be profitably extracted from the aggregate dump fines, initial calculations suggest that Buffalo could re-enter the market as a low/medium cost producer. Generally, the market for acid grade fluorspar remains challenging. Although the price has improved during the year there is still no firm commitment to place orders of large enough volume to warrant recommissioning either plant.

The implementation of the Transaction is expected to result in a level 3 BEE rating and compliance with the MPRDA empowerment requirements for Sallies which will enable the Company to maintain the security of its mining rights in Witkop as well as to allow Buffalo to apply for mining rights if and when required to do so. The Sallies board is of the view that strong empowerment credentials are a fundamental component of future growth and success of the Company.

5. DETAILS OF SALLIES DIRECTORS

The full names, nationalities, ages, business addresses and functions of the Directors are set out below:

Full name	Age	Nationality	Business address	Function
Nicholas Davidoff	29	American	152 W, 57th Street Floor 24 New York	Non-executive Chairman
Patrick Cooke	57	South African	Tenova Pyromet Building 10 Sherbourne Road Parktown, Johannesburg	Financial Director
Andrew Kamau	43	Kenyan	Khulaco (Proprietary) Limited 354 Rivonia Boulevard Unit 101 Progress House Lillipark, Rivonia 2128 South Africa	Independent non-executive Director
Jürgen Kögl	54	South African	39 Jan Smuts Avenue Park Town Johannesburg	Non-executive Director
Stephen Morris	45	British	8 The Meadows Camps Bay Cape Town	Independent non-executive Director
Sandile Swana	42	South African	Building 3 Visiomed Office Park Northcliff Johannesburg	Lead Independent non-executive Director

Note: No Directors have unlimited liability.

In terms of the declarations lodged by the Directors in accordance with Schedule 21 of the Listings Requirements none of the following applies to any of the Directors listed above for the 12 months preceding the Circular Date: bankruptcies, insolvencies or individual voluntary compromise arrangements, receiverships, compulsory liquidations, creditors' voluntary liquidations, administrations, company voluntary liquidations, or any compromise or arrangement with creditors generally or any class of creditors of any company where such person is or was a director with an executive function of such company at the time of any such event; compulsory liquidations, administrations or partnership voluntary arrangements of any partnerships of which the person is or was a partner at the time of such event; receiverships of

any asset(s) of such person or of a partnership of which the person is or was a partner at the time of such event; public criticisms of such person by statutory or regulatory authorities, including recognised professional bodies; disqualification by a Court from acting as a director of a company or from acting in the management or conduct of the affairs of any company; and any offence involving dishonesty.

In accordance with the Company's articles of association one third of the Directors must retire at each annual general meeting but may offer themselves for re-election. None of the current Directors has been appointed since the previous annual general meeting. There is no person, shareholder, provider of capital or entity with any right in relation to the appointment of any particular director(s).

6. EXPERIENCE OF DIRECTORS

The brief profiles for the Directors are detailed below:

Non-executive directors

Nicholas Davidoff (29)

BSM (Tulane)

Non-executive Chairman

Nicholas is employed by New York based Firebird, the corporation that controls, through two managed funds, 66.9% of the issued share capital of Sallies. His career has been spent in various investment management roles. Nicholas joined the Sallies Board on 22 October 2009.

Andrew Kamau (43)

BSc (Nairobi)

Independent non-executive Director

Andrew was appointed as a non-executive director by shareholders' resolution at a general meeting called in terms of a shareholder's requisition on 22 October 2009. He is a Kenyan citizen resident in South Africa with considerable experience across the African continent in the last decade, having worked for multinationals in East Africa and major trading organisations in Europe. He is on the board of Kewberg Cables (Proprietary) Limited and Braids (Proprietary) Limited, a speciality cable manufacturer, and of Khulaco (Proprietary) Ltd, one of the five private companies licenced to import petroleum into South Africa. He is also chairman of Komati Foundation, a non-profit organisation, working specifically with students and young professionals to nurture leadership skills and service ethics.

Jürgen Kögl (54)

BSc (Civil Eng); BA (Economic History)

Non-executive Director

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

Stephen Morris (45)

Independent non-executive Director

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

Sandile Swana (42)

BCom (Wits); BCom Hons (Unisa); MBA (UP)

Lead Independent non-executive Director

Sandile has played senior managerial roles in Anglo American PLC, The New York Times Inc, Caltex Oil South Africa (Proprietary) Limited and The Don Suite Hotels (Proprietary) Limited, and holds non-executive directorships in several JSE listed companies. He lectures part time at the Wits Business School. Sandile joined the Board on 14 November 2008. He currently chairs the Audit and Risk Committee.

Executive director**Patrick Cooke (57)****BComm, CA(SA)****Financial Director**

As a Chartered Accountant, Patrick has worked as a management consultant with one of the large accounting firms as well as working for a merchant bank he has been an executive director of three companies listed on the JSE and one listed on AIM of the London Stock Exchange and is currently a non-executive director of Great Basin Gold Limited. His industry experience is wide, having been involved in mineral exploration, information technology, wholesale fast moving consumer goods, financial services and professional services companies. Patrick joined the Sallies Board on 18 August 2009 and was appointed Financial Director on 31 January 2010.

7. DIRECTORS' REMUNERATION

The total remuneration paid to the Directors during the financial year preceding the Circular Date was as set out below:

Year ended 30 June 2010	Directors' fees [R'000]	Salary [R'000]	Options granted [R'000]	Total 2010 [R'000]
Executive Directors:				
P R Cooke	54	500	–	554
T G Dale ^	–	500	–	500
J Blersch ^	–	1 547	–	1 547
Non-executive Directors:				
N Davidoff	173	–	–	173
B C Esterhuyzen* ^	37	–	–	37
D G J Kerrison* ^	37	–	–	37
A Kamau	83	–	–	83
J Kögl	120	–	–	120
S P Morris*	104	–	–	104
F J P Roux* ^	77	–	–	77
S Swana*	120	–	–	120
Paid by subsidiaries				
C H Badenhorst	–	835	(103)	732
Total	805	3 382	(103)	4 084

* Independent

^ Resigned

The remuneration paid to Directors in the 2009 financial year is as set out below:

Year ended 30 June 2009	Directors' fees [R'000]	Options granted [R'000]	Bonuses [R'000]	Directors' fees from subsidiaries [R'000]	Total [R'000]
Executive Directors:					
T G Dale	1 200	3 389	–	–	4 589
J Blersch	1 200	3 389	–	–	4 589
Non-executive Directors:					
S Swana	75	–	–	–	75
B C Esterhuyzen	120	–	–	–	120
D G J Kerrison	75	–	–	–	75
J Kögl	115	–	–	–	115
Dr V E Msibi	5	–	–	–	5
F J P Roux	250	–	–	–	250
Total	3 680	6 778	–	–	9 818

Save as disclosed above no other amount has been paid to any of the Directors in form of management, consulting or technical fees in respect of services rendered, directly or indirectly, including payments to management companies, a part of which was then paid to a director. Furthermore, there will be no variation in the remuneration receivable by any of the Directors as a direct consequence of the Transaction.

In compliance with the Listings Requirements, the Directors confirm that:

- no fees were paid or accrued as payable within the three years preceding the Circular Date to a third party *in lieu* of Directors' fees.
- during the preceding three years no sums were paid or agreed to be paid to any director or to any company in which he is beneficially interested, directly or indirectly, or of which he is a director (the "associate company"), or to any partnership, syndicate or other association of which he is a member (the "associate entity"), in cash or securities or otherwise, by any person either to induce him to become or to qualify him as a director, or otherwise for services rendered by him or by the associate company or the associate entity in connection with the promotion or formation of Sallies.
- no director or promoter has any material beneficial interest, direct or indirect, in the promotion of Sallies and in any material property to be acquired in the three years preceding the Circular Date, or proposed to be acquired by Sallies.

8. DIRECTORS' SHAREHOLDINGS

The following Directors have an interest in the Company's issued share capital:

Holdings at 30 June 2010	Indirect beneficial	Direct beneficial
N Davidoff	–	200 000
S P Morris	345 000	–
Total	345 000	200 000

There have been no changes in the interests of Directors or any associates between the end of the last reporting period and the Circular Date.

Save as disclosed above and in paragraph 22 of the circular, no other Director or associate held any interest in the issued share capital of Sallies as at the Circular Date.

The interest of Directors who resigned during the last 18 months preceding the Circular Date are set out below:

Shareholdings as at 30 June 2009	Ordinary shares '000	Debentures '000
Direct beneficial		
B C Esterhuyzen	25	6
D G J Kerrison	130	–
	155	6
Indirect beneficial		
B C Esterhuyzen	63	15
D G J Kerrison	807	–
	870	15
Total	1 025	21

9. DIRECTORS' INTEREST IN TRANSACTIONS

Save for Jürgen Kögl's interest in the Transaction detailed in paragraph 3 and 22 of the circular, there is no other director with any beneficial interest, whether direct or indirect, in any transaction which was effected by the Company during the current year or year preceding the Circular Date or during an earlier year and remains in any respect outstanding or unperformed.

As at the Circular Date Jürgen Kögl did not have any direct or indirect interest in the share capital of Sallies.

10. EXPENSES IN RELATION TO THE TRANSACTION

The total expenses (exclusive of VAT) incurred or to be incurred by the Company in connection with the Transaction (including this circular) are as follows:

Estimated expenses	R
Bridge Capital (Sponsor)	300 000
BDO Corporate Finance (Independent Expert)	50 000
Computershare Investor Services (Proprietary) Limited (transfer secretaries)	30 000
INCE (printing and posting)	140 000
JSE documentation inspection fees	29 500
BDO South Africa Incorporated (Reporting Accountant and auditor)	20 000
Coffey Mining (Competent Person) *	800 000
Faskens Martinel (Legal Advisor)	100 000
Cliffe Dekker Hofmeyr Inc. (Legal Advisor)	350 000
Estimated total	1 819 500

Note:

* Excludes fees charged by the JSE for the inspection of the Competent Person's Report charged at R804.19 per hour.

Save as disclosed above no other expenses have been incurred by the Company in relation to the Transaction. There were no preliminary expenses incurred by the Company within the three years preceding the date of this circular.

11. SERVICE AGREEMENT

The executive Director's service agreement requires six months' notice period and contains no unusual or onerous provisions. The Director's service agreement contains no clauses pertaining to restraints of trade payments. The Director's service agreement is available for inspection in terms of paragraph 31.

12. DIVIDENDS

No dividend has been proposed, declared or paid out in respect of the financial year ended 30 June 2010.

13. MATERIAL CHANGES

Other than the Transaction disclosed in paragraph 3 of this circular, there have been no material changes in the financial or trading position of Sallies and its subsidiaries since the end of the last reporting period, being 30 June 2010.

Save as disclosed in paragraph 3, there have been no material changes to the business of Sallies and its subsidiaries during the preceding five calendar years. The business of Sallies or any part thereof is not managed or proposed to be managed by a third party under any contract or arrangement.

14. MATERIAL LOANS

Save as disclosed in paragraph 16 below no material loans or debentures have been made to Sallies or any of its subsidiaries during the three years preceding the date of the circular.

15. LOANS RECEIVABLES

No material loans have been made by Sallies or any of its subsidiaries, including loans made, cash or security furnished by Sallies to or for the benefit of any promoter, director or manager of Sallies or any of its subsidiaries or any associate of any promoter, director or manager of Sallies or any its subsidiaries within the three years preceding the Circular Date.

16. BORROWINGS AND BORROWING POWERS OF DIRECTORS

In April 2008 the Company issued 151 483 358 10% unsubordinated unsecured convertible debentures of R0.50 each ("debentures") 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. As at the Circular Date there were 144 244 004 debentures in issue. The interest on the issued debentures is payable on or about 30 June and 31 December of each year until 31 December 2012 at approximately R3.6 million per payment and, if not converted earlier, the convertible debentures are repayable in an amount of R72 122 004 on 31 December 2012. Unless Sallies can fund these payments from profits earned from recommenced operations, fresh equity will have to be raised to meet the obligations falling due after June 2011.

The extract of the relevant provisions of the articles of association relating to remuneration and borrowing powers of Directors are set out below. The said borrowing powers may only be varied by special resolution.

" 13. Borrowing powers

13.1 The Directors may exercise all the powers of the Company to borrow money and to mortgage or encumber its undertaking and property or any part thereof and to issue debentures or debenture stock (whether secured or unsecured) and other securities (with such special privileges, if any, as to allotment of shares or stock, attending and voting at general meetings, appointment of Directors or otherwise as may be sanctioned by a general meeting) whether outright or as security for any debt, liability or obligation of the company or of any third party.

13.2 For the purpose of the provisions of Article 13.1 above, the borrowing powers of the Company shall be unlimited."

The Company and its subsidiaries have not exceeded its borrowing powers during the three years preceding the Circular Date.

17. ADEQUACY OF WORKING CAPITAL

The Directors are of the opinion that the working capital available to Sallies and its subsidiaries following the implementation of the Transaction is sufficient for the Company and the Group's requirements, for at least the 12 months following the Circular Date.

18. AUTHORISED AND ISSUED ORDINARY SHARE CAPITAL

The authorised and issued ordinary share capital of Sallies is set out below.

	R'000
Authorised	
1 000 000 000 ordinary shares of 0.1 cent each	1 000
Issued share capital	
724 555 707 ordinary shares of 0.1 cent each	725
Share Premium	295 178

Notes:

1. There has been no sub-division or consolidation of shares during the three years preceding the Circular Date.
2. Save for the Firebird offer detailed in paragraph 22, no offer has been made for the subscription or sale of shares during the three years preceding the Circular Date.
3. There are no preferential conversion and/or exchange rights in the issued share capital above.
4. Issued shares include the general issue of shares to Honeywell as disclosed in paragraph 25.
5. Neither the Company nor any of its subsidiaries has any treasury shares.

19. UNISSUED SHARES

Subject to the provisions of the Act and the Listings Requirements the issue or disposal of unissued shares is placed under the control of the Company's Directors following the granting of authority by shareholders in a general meeting.

20. NON-PUBLIC SHAREHOLDERS

At the last practicable date, Sallies had 2 841 shareholders. The spread of public shareholders as at the last practicable date is as follows.

	Number of shareholders	Ordinary shares '000	Percentage of total
Non-public shareholders			
Directors of the company and subsidiaries	2	545	0.8
Shareholders holding greater than 10% of issued share capital	2	567	77.54
Total non-public shareholders	4	1 112	78.54
Public shareholders			
Public shareholders	2 837	157 261	21.66
Total public shareholders	2 837	157 261	21.66
Total	2 841	724 556	100.0

21. MAJOR SHAREHOLDERS

The details of shareholders with a direct and indirect beneficial interest of 5% or more of Sallies' issued share capital as at the last practicable date are as follows:

Name of shareholder	Number of ordinary shares held	Percentage shareholding
Firebird	484 758 606	66.9%
Maghreb Minerals plc	82 335 700	11.4%

22. CONTROLLING SHAREHOLDER

Firebird became the controlling shareholder of Sallies in August 2009 through the acquisition of shares that resulted in Firebird holding 63% of the Company's issued share capital. On 2 September 2009 Firebird made an unconditional mandatory cash offer to acquire all Sallies shares for a consideration of R0.18 per share. In terms of the mandatory cash offer Firebird's aggregate holding increased to 75.5% of the Company's issued share capital, which has been reduced to 66.9% as a result of the allotment and issue of 82.3 million shares to Honeywell as described in paragraph 25 below.

Save as disclosed above there have been no changes in the controlling shareholders and trading objects of Sallies during the last five years. Furthermore, there will be no material change in the control structure of the Company as a result of the Transaction.

23. MATERIAL CONTRACTS

Save for the Transaction agreements disclosed in paragraph 3 of this circular and the agreement pertaining to the settlement of the Honeywell litigation as detailed in paragraph 25 of this circular, neither Sallies nor any of its subsidiaries has entered into any other oral or written material contracts during the three years preceding the Circular Date nor has Sallies nor any of its subsidiaries entered into any material contracts at any time containing an obligation or settlement that is material to the Group at the Circular Date.

24. MATERIAL ACQUISITIONS

Neither Sallies nor any of its subsidiaries has acquired material assets during the three years preceding the Circular Date.

25. LITIGATION

On 3 April 2009 the International Chamber of Commerce International Court of Arbitration ruled that Sallies and Witkop were to pay to Honeywell International Inc an amount of USD1 243 824 plus interest at 5 per cent per annum from 19 January 2006 (“the claim”), as a result of a breach of contract. Pursuant to this ruling, the Directors resolved to settle the claim through an issue of 82 335 700 ordinary shares at 13.5 cents per share (“the issue”) in terms of the general authority granted by shareholders to Directors to issue shares. The issue, which constituted 12.82% of the Company’s total issued share capital as at 17 September 2010, was implemented at a 19.9% premium on the weighted average traded price of Sallies shares for the 30 business days preceding 20 August 2010, being the date that the issue price was agreed upon by the Directors. The shares were listed on the JSE on Monday, 27 September 2010.

Save for the claim mentioned above neither Sallies nor any of its subsidiaries has any legal or arbitration proceedings that are pending or threatened of which Sallies or any of its subsidiaries are aware which may have, or have had during the twelve month period preceding the Circular Date or have had any material effects on the Group’s financial position at the last practicable date.

Buffalo and Witkop are currently wholly owned subsidiaries of Sallies and are in possession of the necessary legal title to explore and mine the mineral reserves at Buffalo Fluorspar Mine and Witkop Fluorspar Mine as the case may be. The Directors are not aware of any legal proceedings that may have an influence on the rights to explore and/or mine mineral reserves at Buffalo Fluorspar Mine and Witkop Fluorspar Mine. The titles of legal ownership of the mining rights are available for inspection in terms of paragraph 31.

26. INTERESTS OF ADVISORS, DIRECTORS AND DIRECTORS’ ASSOCIATES

None of the advisors, whose particulars are set out in the “Corporate information” section of this circular, holds any shares in the Company or has agreed to acquire any shares in the Company at the Circular Date.

Save as disclosed in paragraph 8 of this circular, no other Director or any associates, Competent Person, Competent Valuator and any related party, has or, within the two years preceding the Circular Date, had any direct or indirect beneficial interest in:

- (i) any asset (including any right to explore for minerals) of Sallies which has been acquired or disposed of by, or leased to or by, Sallies, including any interest in the consideration passing to or from Sallies; and
- (ii) in the share capital of Sallies.

27. CODE OF CORPORATE PRACTICES AND CONDUCT

The Company’s Corporate Governance Report is set out in Annexure 4.

28. EXPERTS’ CONSENTS

The sponsor, independent expert, legal advisor, the reporting accountant and auditor, competent person, bankers and the transfer secretaries have consented in writing to act in the capacities stated and to their names appearing in this circular and have not withdrawn their consents prior to the Circular Date.

The reporting accountants have given and have not withdrawn their written consent to the inclusion of references to, and extracts from, the Buffalo and Witkop reporting accountants’ reports as well as the consent for the Directors to issue the circular, containing the Buffalo and Witkop reporting accountants’ reports in the form and context in which they appear.

The Company has received written confirmation from the Competent Person that the information contained in Annexure 1 and 2 to the circular is in compliance with SAMREC Code and relevant sections of the JSE Listings Requirements and that such information can be published in the circular dated 15 December 2010 in the context in which it appears.

29. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors of the Company, whose names are set out on page 13, 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 other 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 information required by law and the Listings Requirements.

30. GENERAL MEETING

A General Meeting will be held at the offices of Meropa Communications, Block 1, Freestone Office Park, 135 Patricia Road, Atholl, Sandton, Johannesburg at 12:00 on Tuesday, 11 January 2011. The purpose of the General Meeting is to consider and if deemed appropriate, to pass, with or without modification, the ordinary resolutions necessary to approve and implement the Transaction. A notice convening the General Meeting is attached hereto and forms part of this circular.

In compliance with the Listings Requirements, the votes of Jürgen Kögl and all his associates will be taken into account in determining a quorum at the General Meeting but such votes will not be taken into account in determining the results of the voting in respect of the resolutions pertaining to the Transaction detailed in this circular.

A form of proxy, for use by shareholders who have not dematerialised their shares and "own name" dematerialised shareholders, who are unable to attend the General Meeting, is attached to and forms part of this circular. Duly completed forms of proxy must be delivered to the transfer secretaries to be received by no later than 12:00 on Friday, 7 January 2011.

Shareholders who have dematerialised their shares, other than by "own name" registration, with a CSDP or broker must advise their CSDP or broker as to what action they wish to take. This must be done in terms of the agreement entered into between them and their CSDP or broker. Shareholders who have dematerialised their shares must not return the attached form of proxy to the transfer secretaries. Their instructions must be sent to their CSDP or broker for action.

31. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the registered office of the Company and the Sponsor at any time during normal business hours for a period of 21 days from the Circular Date:

- Buffalo Sale of Shares Agreement dated 23 July 2010 entered into between Sallies and African Renaissance;
- Buffalo Sallies Services Agreement dated 23 July 2010 entered into between Sallies and Buffalo;
- Buffalo Sallies Preference Share Subscription Agreement dated 23 July 2010, entered into between Sallies and Buffalo;
- Buffalo Shareholders Agreement dated 23 July 2010 entered into between Sallies, African Renaissance and Buffalo;
- Witkop African Renaissance Ordinary Share Subscription Agreement dated 23 July 2010 entered into between Witkop and African Renaissance;
- Witkop Sallies Services Agreement dated 23 July 2010 entered into between Sallies and Witkop;
- Witkop Sallies Preference Share Subscription Agreement dated 23 July 2010 entered into between Sallies and Witkop;
- Witkop African Renaissance loan agreement dated 23 July 2010 entered into between Witkop and African Renaissance;
- Witkop Shareholders Agreement dated 23 July 2010 entered into between Sallies, African Renaissance and Witkop;
- The Framework Agreement dated 23 July 2010 entered into between Sallies, Witkop, Buffalo, Africa Renaissance, Africa Renaissance Investments, Mosega, Pypklip and Marico;

- the titles of prospecting and mining rights for Buffalo and Witkop;
- the memorandum and articles of association of Sallies; Witkop and Buffalo;
- the signed written consents of the sponsor, independent expert, legal advisor, reporting accountant and auditor, bankers, Competent Person and transfer secretaries to act in those capacities, which consents have not been withdrawn as at the Circular Date;
- the signed Buffalo Competent Person's Report incorporating the executive summary;
- the signed Witkop Competent Person's Report incorporating the executive summary;
- the signed fairness opinion;
- the signed irrevocable undertaking;
- the audited annual financial statements of Sallies for the three financial years ended 30 June 2010, 2009 and 2008;
- the audited annual financial statements of Witkop for the three financial years ended 30 June 2010, 2009 and 2008;
- the audited annual financial statements of Buffalo for the three financial years ended 30 June 2010, 2009 and 2008;
- the reporting accountants' reports on the Buffalo and Witkop three year historical financial information;
- the Executive Director's service agreement; and
- a signed copy of this circular.

For and on behalf of the Company

Patrick Cooke
Financial Director

15 December 2010

WITKOP COMPETENT PERSON'S REPORT – EXECUTIVE SUMMARY SV T2.1

The definitions commencing on page 9 apply, where necessary to the Witkop executive summary.

Scope of Work (12.9h (i)) (SR T1.1)

Coffey Mining Pty Limited (Coffey Mining) has been requested by Sallies Limited (Sallies) to complete a Competent Persons Report (CPR) of the Witkop Fluorspar Mine (Pty) Ltd. (WFM) owned by Sallies Limited (Sallies). It is understood that Sallies and WFM have entered into an agreement with African Renaissance Holdings Limited (ARH) for the subscription by ARH for 1,581 Witkop ordinary shares for a total amount of R85.577 million and the purchase of 260 Buffalo ordinary shares from Sallies at par value which transactions will result in ARH owning 26% of each of the previously wholly owned subsidiaries. The CPR is required as this is a material change in the ownership arrangements.

This report is substantially based on the CPR compiled for Sallies which complies with disclosure and reporting requirements set forth in the Toronto Stock Exchange Manual, National Instrument 43-101 Standards of Disclosure for Mineral Project (NI 43-101), Companion Policy 43-101CP to NI 43-101, and Form 43-101F1 of NI 43-101, all dated 2005 (Lomberg et al, 2010).

Participants (SR T1.1)

The participants consist of a number of technical experts brought together by Coffey Mining to complete the CPR and are "Competent Persons" as defined in the SAMREC code, Section 4.3 (see Appendix A for detailed resumes). The compilation of the SAMREC compliant CPR was supervised by Mr Lomberg. The participants in the review and their individual areas of responsibility are listed as follows:

Ken Lomberg, Coffey Mining Principal Consultant Resources

Project management, mineral resources, geological interpretations, site visits, report preparation.

Peter Siegfried, Associate Consultant

Geology, mineral resource estimation, site visits, report preparation.

Dr Steve Rupprecht, Associate Consultant

Mining engineering, mineral reserve estimation, economic valuation, site visits, report preparation.

Frank Bainbridge, Coffey Mining Senior Metallurgist

Mineral processing, site visits, report preparation.

Dr Rupprecht was assisted by Ralph English, Associate Consultant (SSPA) in respect of general engineering and infrastructure.

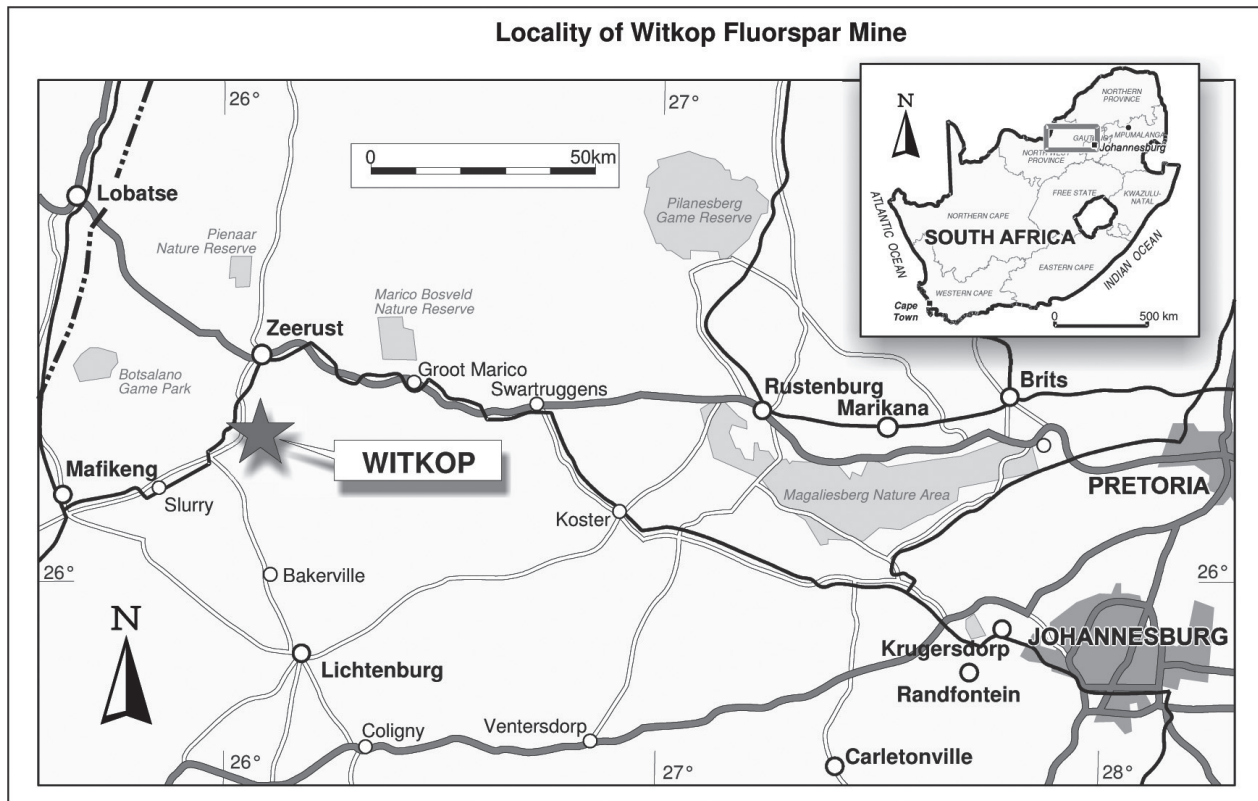
Coffey Mining personnel nominated for the work are familiar with the mine. The qualifications and appropriate experience of each author are detailed in the attached Authors Certificates.

Site visits were made WFM by Mr K Lomberg and Mr R English during March 2010, by Mr F Bainbridge in March and September 2010 and by Dr S Rupprecht in April, May and September 2010. Mr P Siegfried visited site on various occasions with the latest site visit being May 2010. During site visits detailed discussions were held with WMF technical and management personnel.

Previous site visits have been conducted by Mr K Lomberg (2006) and Dr S Rupprecht (2003 and 2006).

Property Description (12.9h(iii)) (SR T1.2, T1.5)

WFM is located some 18 km south of the town of Zeerust in the North Western Province of South Africa, approximately 250 km northwest of Johannesburg as shown in the figure below. The properties held by WFM are some 5 560 ha in extent but are not all contiguous. The mine lies at elevations of 1 350 m to 1 500 m above mean sea level and is associated with an erosional escarpment formed by resistant cherts of the Penge Formation.



Locality of Witkop Fluorspar Mine

History of the Witkop Mine (SR T1.3) (SV T2.4)

The South African Land and Exploration Company Limited (Sallies) was first listed in 1904. The company was initially prospecting for diamonds near Pretoria, Barkly West and Bloemhof and for gold near Bethal. Operations ceased in 1992 when gold exploitation on its properties could no longer be undertaken profitably. The mineral rights were sold by public auctions in 1995 and the company registered on the Mineral Resources – Curtailed Operations Sector of the JSE. In 1999 the company was resuscitated to focus on the "non-traditional metals and minerals" and Sallies acquired Phelps Dodge Mining (Proprietary) Limited which owned and operated the WFM.

In June 2003, Sallies reported a sharp deterioration in its operational and financial results with its decline in profits mainly attributed to lower head grades and recoveries, aggravated by plant breakdowns and inefficiencies. With 90% of its product exported at US dollar denominated prices, the company also suffered from the impact of the strong Rand. In an attempt to improve performance and to restore Sallies profitability, a R30 million expansion project was initiated to increase plant output from 380 to 550 tonnes per day. This was achieved by installing and commissioning two new ball mills to obtain additional regrind capacity and to increase flotation cell capacity. In addition, mining operations returned to the mine, previously being conducted by contract mining, which led to a reduction in operating costs. The expansion project was completed in December 2004 and WFM produced 148,000 tonnes (wmt) of acid grade fluorspar concentrate for the financial year ending in June 2005 (FY2005). However, WFM continued to be negatively affected by the low exchange rate (averaged R6.05 for FY2005) and an onerous contract with Honeywell International which capped the price of Fluorspar at US\$116/tonne, at a time when the world spot price for fluorspar was approximately US\$170/tonne. In November 2005, after obtaining legal advice, Sallies cancelled their

contract with Honeywell International as a result of a dispute over payments. Honeywell took the matter to the Arbitral Tribunal in Zurich. The matter was heard in September 2007 and a non-binding preliminary finding was made in January 2008 that the termination was legal but the amount of damages was unsustainable. Further deliberations occurred in 2008 and a final decision made in 2009. The Swiss Arbitral Tribunal dealing with the Honeywell matter awarded Honeywell USD1 243 824 (18% of their original claim) plus interest at 5% per annum. Sallies requested a re-assessment of the value of the claim but the court rejected this in December 2009.

In May 2006 Sallies obtained shareholder approval for a fully underwritten rights offer and raised R65 million to reduce debt, fund the organic expansion of the WFM and partially finance the proposed acquisition of Buffalo Fluorspar. In June 2006 Sallies raised a further R30 million through a placement of shares with Titan. The proceeds were used to reduce debt, replace mobile plant and for an extensive preventative maintenance programme.

In February 2007 Tom Dale took over Sallies as Chairman at the time of dire financial circumstances within the company. The losses for the financial year 2007 were reported to be a function of poor operating performances combined with uneconomical prices achieved. A further rights issue in July 2007 raised R75 million. The operating loss from mining activities of R21 million during FY2007 was turned around to an operating profit of R7.8 million for FY2008. This performance was thwarted by the 2008 global financial crisis. As the seriousness of the sub-prime market crisis in the USA emerged the prices of commodities and commodity based equities world-wide, collapsed in the latter part of 2008. In tandem with the general market collapse, demand for acid grade fluorspar evaporated as inventories were run down and consequently, in order to conserve cash for as long as possible, operations at WFM were suspended on Friday, 26 June 2009. Limited production of metallurgical grade fluorspar and agricultural lime, previously considered by-products, continues in order to supply local customers.

In September 2009 Firebird Global Master Fund Limited and its affiliate, Firebird Global Master Fund Limited II, New York-based specialist hedge funds, which collectively had about 25% of Sallies ordinary shares since 2008 made an unconditional mandatory cash offer to Sallies shareholders and debenture holders to acquire the Sallies Securities that it did not already own. As a result Firebird's holding increased from 63% to approximately 76.1% of ordinary shares and from 20% to 21% of convertible debentures.

Legal Aspects and Legal Tenure (12.9h(iv)) (SR T1.7, T5.2) (SV T2.3)

WFM has converted its mining licence held under the Minerals Act (1991) to new order mining rights under the MPRDA for the Wintershoek and Buffelshoek deposits. The rights apply to the extraction and processing of fluorspar deposits on a number of properties as listed in Table 4.3_1. Coffey Mining is not aware of any legal proceedings, disputes, risks or impediments against WFM that could influence the right to explore or exploit fluorspar on these properties.

Geology and Mineralisation (12.9h (v)) (SR T4) (SV T25)

Fluorite is present in a wide variety of geological settings and is commonly associated with carbonatites and alkaline complexes, Mississippi Valley type Pb-Zn-F-Ba deposits, F-Ba- (Pb-Zn) veins, hydrothermal Fe (\pm Au, \pm Cu) and REE deposits, precious metal concentrations, fluorite/metal-bearing skarns, Sn polymetallic greissen-type deposits, zeolitic rocks and uranium deposits. The fluorite at WFM is considered to be a Mississippi Valley type of deposit.

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

Exploration Status (12.9h (vi)) (SR T1.3)

Comprehensive exploration drilling programmes have been carried out at the mine and surrounding areas since the 1960s and a large drilling database has been established. From interpretation of this data it has been possible to distinguish three main mineralisation types i.e. Algal Ore, Wad Ore and Paleokarst Ore. The extensive diamond, percussion and reverse circulation drilling programmes have provided a good indication of where Algal Ore can be mined. Drilling data from a series of exploration programmes have also been verified, standardised and loaded into a comprehensive database.

Although of a high grade in some locations, there are difficulties associated with the Wad Ore. The mineralisation is erratic in spatial distribution, and has in many instances been mined out. The future of the mine will therefore depend on the successful delineation and exploitation of well mineralised, relatively shallow areas of Algal Ore in the Main Mineralised Zone.

Special care has been taken in the verification of analytical data that has been obtained using a number of different techniques. Although some analytical problems have been experienced over the years, these have largely been overcome and in some instances correction factors have been applied to bring analytical results to standard. As far as can be ascertained, with the exception of some assay values for Wad Ore, the analytical results used in the estimation of mineral resources and grades are generally reliable.

Mineral Resources (12.9h (ix)) (SR T1.3, T4.1, T4.2, T5.4, T5.7, T7, T8) (SV T2.1)

The mineral resource estimate was undertaken by under the supervision of Mr P Siegfried. Based on the data and the methods used, the mineral resource estimates are considered to represent a fair estimate of the mineralisation. Coffey Mining supports the classifications given in compliance with the SAMREC Code. It may also be noted that WFM has a history of many years of profitable production that in broad terms confirms the confidence in the resource declaration here.

The mineral resource is tabulated below.

Witkop Fluorite Mine Summary of the Mineral Resources (January 2010)* 9% CaF₂ Cut of grade applied			
Resource Category	Tonnage (Mt)	Grade CaF₂%	Ore Type
Measured	19.97	11.6	Algal Ore
Indicated	33.11	13.8	Algal Ore
TOTAL Measured and Indicated Resources	53.08	13.0	Algal Ore
Inferred	0.067	12.23	Algal Ore
Inferred	2.2	32.0	Wad Ore
TOTAL Inferred Resources	2.267	31.5	Algal and Wad Ore

* according to SAMREC Code.

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

Mineral Resources are reported inclusive of mineral reserves.

Coffey Mining reminds the reader that mineral resources that are not mineral reserves do not have demonstrated economic viability.

Mineral Reserves (12.9h (v), 12.9h (vii), 12.9h (ix)) (SR T1.3, T4.1, T4.2, T5.4, T5.7, T7, T8) (SV T2.6)

Coffey Mining undertook a determination of the Mineral Reserves for WFM.

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

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

The results of the economic model indicate that the operation is economically viable at an export fluor spar price (ex Durban) of US\$273 per tonne and exchange rate of ZAR8.0 to US\$1.0. At this price the mineral resource can be converted to mineral reserves provided all other modifying factors are achieved. The reader should note that for valuation purposes an export quality fluor spar (acid spar) price of US\$315/t has been used. This is the average between the price WFM achieved in FY2009 and recent transaction of US\$305/t (September 2010); and is in line with fluor spar prices used in recent Competent Persons Report and Valuation for a South African fluor spar project.

The Mineral Reserve declaration is presented in the table below

Summary of the Mineral Reserve Estimate for WFM (September 2010)*			
	Tonnage (t)	CaF₂ (%)	Contained CaF₂ (t)
Proved Reserves	0	–	–
Probable Reserves	15 742 000	10.5	1 646 000

* according to SAMREC Code.

The tonnage and grade reported for the Mineral Reserves are based on 17.5% dilution at 4% CaF₂ and 5% geological and mining losses as estimated by WFM.

Mineral reserves are estimates for which uncertainties are conveyed through rounding of the figures presented in the table

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

Mining (SR T1.2, T5.4) (SV T2.7)

A LOM plan has been conducted for the potential reopening of the mine based on sourcing ore from the Witkop and Buffelshoek pits. WFM plans to mine at a production rate of approximately 131 000 Run-of-Mine (ROM) tonnes per month at a 10.5% CaF₂ head grade. The control of planned grades is critical to the success of the LOM plan and it is vital that sub-economic material below the mine's cut-off grade of 9% CaF₂ is not introduced to the plant.

Mining will be conducted utilising a typical drill and blast operation utilising excavators and articulated dump trucks (ADTs). An average stripping ratio of 1.4:1 is planned and will coincide with ore production utilising a roll over methodology.

Coffey Mining considers that the mining cost of approximately R39.55 per ROM tonne mined to be achievable. However, in order to meet these targets the mine will need to address current shortcomings such as poor grade control, improved production efficiencies by applying focused mine planning, for example load and haul from specific pits to increase plant efficiency. Further improvements could be realised by integrating the mine plan with a cost benefit model which will enable the mine to maximise profit by modifying the cut-off grade based on the location of the various pits i.e. Buffelshoek pits.

Metallurgy and Processing (SR T1.2, T5.5) (SV T2.7)

The plant equipment is made up of conventional processing units (i.e. crushing, screening, milling, froth flotation, thickening, and filtration) mainly of 1970s vintage. The expanded plant has operated well mechanically and at acceptable availability and utilisation levels, but metallurgical performance has been recorded below target for acid grade concentrate production by some 15% in terms of CaF₂ recovery. Subsequent to the June 2009 shutdown, the plant was started up for a limited period and is currently operating to fulfil an order for 5,500t of acid grade fluor spar product. The plant is functioning adequately and the data for this period indicate recovery figures up to 72%, which are satisfactory.

It is important to diagnose the main problem areas and address any weaknesses that may be present. Provided that the head grade does not fall, and the mineralogy of the ore does not deteriorate from a flotation response aspect, then a return to target recoveries can be expected.

The risk associated with metallurgy and processing is deemed to be low.

Infrastructure (SRT 5.6)

No material risks associated with surface infrastructure and installations were identified.

Environmental and Tailing Disposal (12.9h (viii) SRT 1.2, T5.2)

There are a number of environmental issues that are material to the future of the WFM. These risks would include surface and groundwater contamination associated with the mine and associated infrastructure, the urgent need for the creation of additional tailings storage capacity, and the possibility that the cost of rehabilitation, closure and aftercare of the mine may exceed current estimates, in light of the lack of information on surface and ground water quality. Coffey Mining is of the opinion that a low to moderate risk is associated with the environmental issues.

Capital and Operating Cost Estimates (SR T5.7)

The 10 year capital expenditure estimate for the LOM plan is R166 million with the majority (R115 million) of the capital being expended on mining equipment and a further R30 million for plant equipment, R12.8 million for the tailings dam improvements.

Operating costs are based on largely historical results and account for inflation, location of operating pits and stripping ratio. It must be noted that subsequent to the appointment of a new general manager, the labour complement was reduced from 340 to 253 persons as well as the restructuring of the management of despatching export quality fluorspar, which is now outsourced to a third party. The operating cost changes are based on a needs analysis and based largely on experience based on the general manager's experience at Vergeneog Fluorspar mine and have been incorporated into the September 2010 LOM plan.

Operating Costs		
Description	R/t	Average R'000 per annum
On Mine Costs (Production)	<i>Per ROM tonne</i>	
Mining, Stripping, & Rehabilitation	39.55	62 259
Haulage Buffelshoek Ore	1.09	1 719
Metallurgical Plant	39.10	61 552
Maintenance	21.83	34 373
Rehabilitation	1.46	2 303
Services	10.08	15 875
Despatch (excludes haulage)	1.56	2 451
Contingency	2.83	4 456
On Mine Total Costs	117.51	184 880
Off Mine Costs (Product)	<i>Per Acidspar tonne</i>	
External Charges	545.44	64 888
Export Commission	90.04	10 712
Off Mine Total Costs	635.48	75 600
TOTAL		260 480

The above operating cost represents a total cost of R1,976 per tonne of total fluorspar concentrate produced, which consists of 92.5% acid fluorspar and 7.5% metallurgical fluorspar.

Marketing (SRT 5.8)

WFM sells three products on the domestic market: namely, acid grade, metallurgical grade (concentrate) fluorspar and metallurgical grade (organic briquettes) fluorspar. Metallurgical grade (concentrate) fluorspar accounts for 2.2%, and metallurgical grade (organic briquettes) fluorspar accounts for 5.3% of metallurgical sales (7.5%).

WFM currently holds no contracts to sell acidspar or metallurgical grade fluorspar. In the first half of FY2010 approximately 25,000 tonnes of stock from FY2009 was sold to honour remaining existing contracts which are now complete. Limited production of metallurgical grade fluorspar continues in order to supply the local customers on an ad hoc basis. An order for 5,500t is currently being processed at a cost of US\$310 inclusive of commission.

The mine has a contract in place with Spoornet for the railing of the concentrate to Durban, where product is stored in the Rennies Bulk Terminal (RBT), which RBT is responsible for both the storage and loading of the concentrate. Upon the re-start of the mine, railage and wharfage contracts will need to be re-negotiated. The LOM plan is based on current (September 2010) prices currently negotiated with the various logistic parties i.e. Spoornet, RBT, etc.

Project Economics and Valuation (12.9h (xii)) (SR T5.7) (SV T2.1)

The LOM plan utilises a total of 15.7 million ROM tonnes and has been used to estimate the Probable Mineral Reserves. A total some 39.0 million tonnes at 13% CaF₂ of Indicated and Measured Mineral Resources could potentially extend the life of the operation. The concluding opinion of value for the WFM based on the cash flow approach is a attributable value of R219.3 million with an upper and lower valuation range of R269.7 million and R141.6 million, respectively. The sensitivity analysis shows that the mine is very sensitive to revenue parameters, particularly the Rand/US\$ exchange rate. The economic viability of the mine will therefore be at risk from exchange rate and fluorspar price fluctuations, which are beyond the control of the mine.

Project Risk (12.9h (x)) (SR T6)

Based on the risk summary covered in Section 14 of the CPR, Coffey Mining considers WFM to have an overall **Moderate Risk**.

WFM Technical Risk Summary	
Item	Relative Risk
Geology, Resources, and Reserves	Low to Moderate
Mining	Moderate
Metallurgy and Processing	Low to Moderate
Environmental	Moderate
Manpower and Management	Moderate to High
Infrastructure	Low
Marketing and Sales	Moderate to High
Project Economics	Moderate
Political Risk	Low

Conclusions (12.9h (xi))

Coffey Mining supports WFM's decision to conduct exploration drilling, which will provide additional data for mine planning, grade control, improving future grade estimates and extending the life of the operation. Coffey Mining supports the use of operational geologist/grade control personnel to reduce dilution.

The sensitivity analysis shows that the mine is very sensitive to revenue parameters, particularly the Rand/US\$ exchange rate. The economic viability of the mine will therefore be at risk from exchange rate and fluorspar price fluctuations, which are beyond the control of the mine.

Declaration by Competent Persons (12.9h (xi)) (SR T1.1, T5.1, T5.2)

The Competent Persons Report and Valuation of the WFM is SAMREC compliant and meets all requirements of Section 12.9 of the JSE Listing Requirements, the SAMREC Code (including Table 1) and the SAMVAL Code (including Table 1).

Coffey Mining (Competent Persons Mr Lomborg, Mr Siegfried, Dr Rupprecht and Mr Bainbridge) is of the opinion that the executive summary is a true reflection of the full Competent Persons Report.

BUFFALO COMPETENT PERSON'S REPORT – EXECUTIVE SUMMARY (SV T2.1)

The definitions commencing on page 9 apply, where necessary to the Buffalo executive summary.

Scope of Work [12.9h (i)] [SR T1.1]

Coffey Mining Pty Limited (Coffey Mining) has been requested by Sallies Limited (Sallies) to complete a Competent Persons Report (CPR) of the Buffalo Fluorspar Mine (Pty) Ltd. (BFM) owned by Sallies Limited (Sallies). It is understood that Sallies and BFM have entered into an agreement with African Renaissance Holdings Limited (ARH) for the subscription by ARH for 1,581 Witkop ordinary shares for a total amount of R85.577 million and the purchase of 260 Buffalo ordinary shares from Sallies at par value which transactions will result in ARH owning 26% of each of the previously wholly owned subsidiaries. The CPR is required as this is a material change in the ownership arrangements.

Participants (SR T1.1)

The participants consist of a number of technical experts brought together by Coffey Mining to complete the CPR and are "Competent Persons" as defined in the SAMREC code, Section 4.3. The compilation of the SAMREC compliant CPR was supervised by Mr Lomborg. The participants in the review and their individual areas of responsibility are listed as follows:

Ken Lomborg, Coffey Mining Principal Consultant Resources

Project management, mineral resources, geological interpretations, report preparation.

Dr Steve Rupprecht, Associate Consultant

Mining engineering, mineral reserve estimation, economic valuation, site visits, report preparation.

Frank Bainbridge, Coffey Mining Senior Consultant – Process Engineering

Mineral processing, site visits, report preparation.

Mr Guy Wiid, Associate Consultant

Environmental, site visits, report preparation.

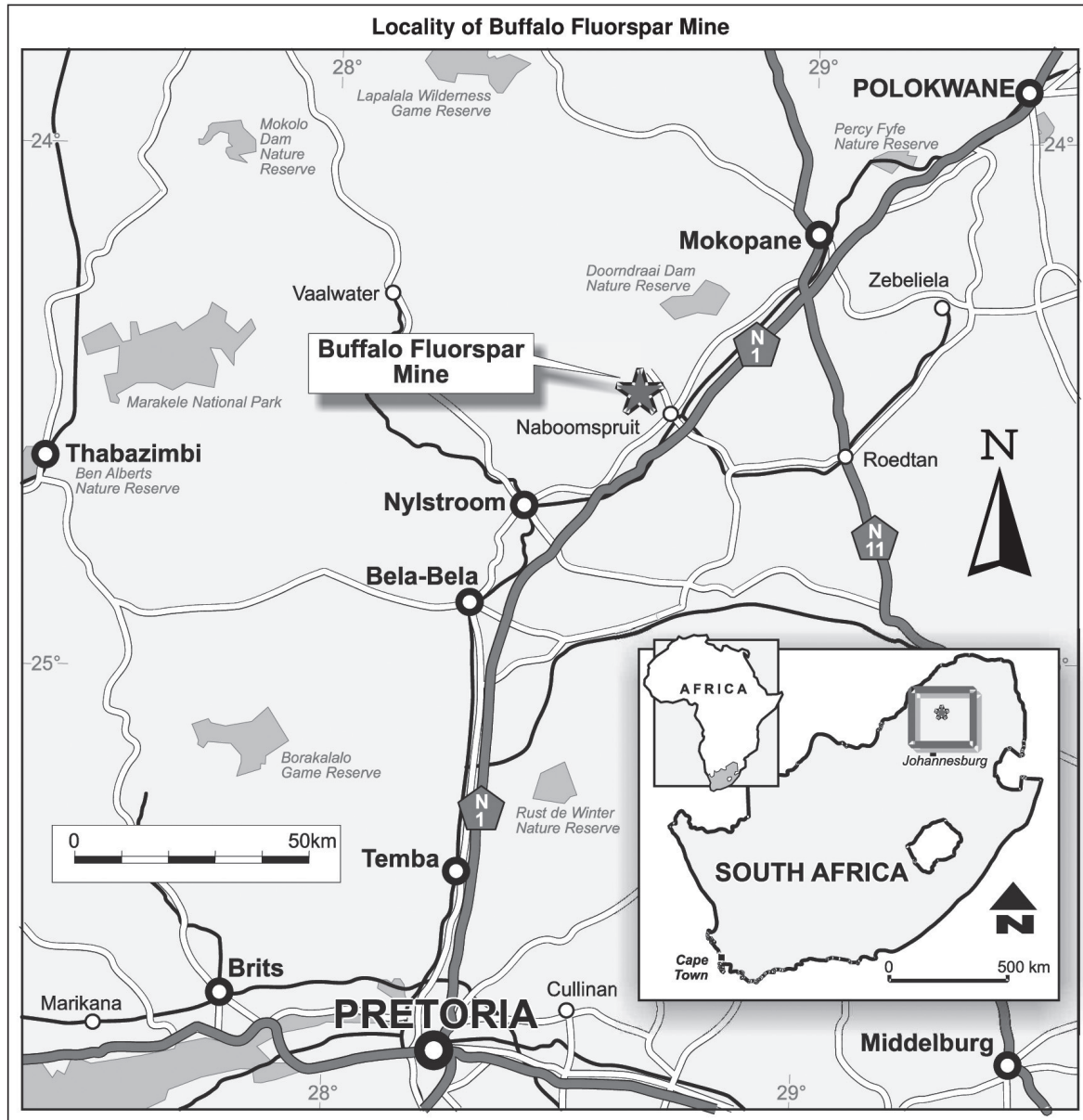
Coffey Mining personnel nominated for the work are familiar with the mine. They have the necessary qualifications and appropriate experience as per the requirement of the SAMREC Code.

Site visits were made BFM by Mr F Bainbridge, Mr G Wiid, and Dr S Rupprecht during July 2010, and discussions were held with Mr H du Plessis of BFM. Previous site visits have been conducted by Dr S Rupprecht (2006).

Coffey Mining is an independent technical consulting group, which managed the compilation of the CPR from its Johannesburg office with assistance from associates where necessary.

Property Description (12.9h (iii)) (SR T1.2, T1.5)

BFM is located some 6 km northwest of the town of Naboomspruit (Mookgopong) in the Limpopo Province of South Africa on the remainder of the farm Buffelsfontein 347KR, approximately 160km north of Pretoria. The property is served by good infrastructure (power and water) and is readily accessible. The climate is typically a summer rainfall (thunderstorms) area with a temperate weather conducive to year round operations. The mine is located in an area of extensive bio-diversity and the surrounding land use is predominantly agricultural and game farming.



The mine comprises a series of inactive open pits, tailings storage facilities (some of which have been partially re-mined), a number of rehabilitated waste dumps and a concentrator plant and related infrastructure. Recent operations on the mine have focussed on the re-mining of the tailings storage facilities and recovery of the residual fluorspar using the existing plant. Tailings arising from the treatment process have been disposed of into one or more of the existing open pits. Re-mining of the existing tailings storage facilities is only partially completed and has resulted in significant disturbances to some of those facilities.

History of the Buffalo Mine

The mine was first established in 1943 as Transvaal Mining and Finance Company Pty Ltd and run on a small scale, until taken over by General Mining and Finance Corporation Limited (Gencor) in 1964. A modernised metallurgical process facility was completed and commissioned in 1973. During the period 1974 to 1994 160 000 tonnes per month (tpm) of ore were crushed in three stages followed by heavy media separation (HMS) and produced over 15 000 t of saleable fluorspar a month.

During the early 1980's China's output of fluorspar was increased leading to over-production and a subsequent collapse in the market price. The impact of the price collapse on BFM was compounded by the application of sanctions against South Africa. As a consequence, production at the mine was deemed no longer profitable, and Gencor closed the operation in 1994.

The mine was subsequently acquired by Technology Partners Limited, an investment company that had a controlling interest in another processing-related plant in South Africa, the International Metal Processing Group (IMP). IMP took control of the operation and identified the potential to reprocess the tailings dumps located within the property. The metallurgical plant was modified and came into production in mid-January 2001.

From 2001 the plant was subsequently operated in more or less its current depleted state to recover fluor spar from high grade tailings adjacent to the concentrator, an operation which lasted through to the end of 2004. From June 2004 until the end of September 2004, some 49 000 t of tailings were processed at feed grades exceeding 20% CaF_2 , producing 10 800 t of concentrate of which 5 684 t were of a suitable quality. Some off-specification material was re-washed into the cleaner flotation circuit for upgrading. In general, plant recovery data was sparse as determined by analysis of plant feed, concentrate and tailings. The plant was adversely affected by poor availability due to mechanical breakdowns.

In 2005, Stravino Properties purchased Transvaal Mining and Finance Company for the purpose of treating an estimated 60 million tonnes of HMS aggregate generated from previous mining operations.

On 31 July 2006, Sallies acquired Transvaal Mining and Finance Company, trading as BFM from Stravino Properties for R65 million.

Legal Aspects and Legal Tenure (12.9h (iv)) (SR T1.7, T5.2) (SV T2.3)

BFM has not converted its mining licence held under the Minerals Act (1991) to new order mining rights under the Mining and Petroleum Resources Development Act (2002) (MPRDA) because of the uncertainty in respect of the MPRDA with reference to tailings dams and dumps. However, a prospecting permit application for BFM has been submitted to the DMR and BFM is currently awaiting Department of Mineral Resources (DMR) approval.

Geology and Mineralisation (12.9h (v)) (SR T4) (SV T2.5)

BFM mines existing tailings dumps that are a result of previous hard rock mining and processing for fluor spar. The main "ore bearing horizon" is confined to those rocks locally known as leptite. The primary mineralogy of the leptite consists of quartz, feldspar and accessory minerals. Quartz and feldspar form part of the uneconomic "gangue" or waste fraction and hence are not considered significant.

Up to 39% (average 18%) of the leptite rock is made up of the accessory minerals, with the main economic industrial mineral being fluorite (CaF_2). Fluorite occurs as veins within the leptite along with a number of other accessory minerals. These are typically as thin parallel to sub-parallel bands varying in thickness from coatings to 150 mm with an average thickness of about 10 mm. The fluor spar veins preferentially utilise paleo-bedding planes and converge and diverge along cross-bedding foresets.

The fluor spar varies in colour from the dominant purple to pale green, yellow and colourless. The grain size of the mineral constituents varies from 0.03 mm to 8 mm.

Other accessory minerals include magnetite, sericite, chlorite, biotite, apatite, monazite, bastnasite, allanite, pyrite and cassiterite. Monazite allanite and apatite contain phosphate (P_2O_5), which potentially may be deleterious to the quality of the final fluorite concentrate. Removal of these accessory heavy minerals is undertaken by use of wet magnetic separation techniques. The heavy mineral concentrate that is generated as a result of this upgrading process contains monazite, which itself contains thorium and uranium, both of which are radioactive. Monazite, allanite and bastnasite are all sources of rare-earth elements including cerium, lanthanum, neodymium, and yttrium.

Coffey Mining considers the mineralogy of the deposit to be well understood. The phosphate bearing monazite is an important mineral in assessment of the reserves. Not only does the monazite potentially impact on the recovery and saleable quality of the fluor spar, it also has some potential to be sold as a rare earth concentrate.

Exploration Status (12.9h (vi)) (SR T1.3)

Tailing Dumps 1 to 4 are contiguous and cover an area of some 100 800 m² with dimensions of 425 m by 250 m and vary in thickness from a few centimetres to 14 m. The dumps lie just south of the plant site in a shallow valley. The dumps are largely free of vegetation and show evidence of reworking and shallow excavation over much of their surface.

Tailing Dumps 5 and 6 are contiguous and occupy a low ridge some 1.3 km north of the plant. They cover an area of approximately 300 000 m² with dimensions of 860 m by 350 m. Dump heights vary from 6 m in the southwest to 33 m in the northeast. The dumps are largely overgrown with a good cover of grass and low bush apart from the shallow areas of standing water representing the two penstocks.

A nominal 50 m by 50 m drill pattern was employed over both dumps, oriented along their long axes. This was modified locally to avoid areas of standing water and irregular topography. Auger drilling was conducted by Dump and Dune (Pty) Ltd who specialise in the auger drilling of tailings using a handheld auger. Auger holes were drilled perpendicular to the surface of the dump. Most holes were drilled to underlying soil or bedrock. Samples of 1.5 m were collected and appropriately logged. All drill samples were dried, de-lumped and riffle split to yield approximately 500 g for assay submission to Performance Laboratories (Pty) Ltd., a SANAS accredited laboratory. A suitable QA/QC programme was implemented and monitored throughout the drilling programme.

A total of 16 surface bulk density samples were taken from the dumps by digging holes in the top surface of the dumps and determined the weight of material removed and the volume excavated.

Mineral Resources (12.9h (ix)) (SR T1.3, T4.1, T4.2, T5.4, T5.7, T7, T8) (SV T2.6)

Two 3D solid wireframes representing the dumps were constructed, one for Tailing Dumps 1 to 4 and one for Tailing Dumps 5 and 6. A mineral resource estimate was conducted using ordinary kriging and a mineral resource declared in 2006. This mineral resource declaration is based on the work undertaken in 2006 and has been depleted based on the reported production of mill tonnages and head grade.

The mineral resources and reserves have been defined according to the definitions and guidelines of the SAMREC Code. These Mineral Resources and Reserves are summarised below.

Buffalo Fluorspar Mine Mineral Resources Statement (June 2010)*				
Type	Tailing Dumps 1 to 4		Tailing Dumps 5 and 6	
	Tonnage (t)	Ca F₂ (%)	Tonnage (t)	CaF₂ (%)
Measured Mineral Resources	0	0	0	0
Indicated Mineral Resources	350 000	7.98	5 668 000	7.32
Inferred Mineral Resources	0	0	0	0

Note:

Mineral Resources are reported inclusive of the Mineral Reserves

* according to SAMREC regulations and guidelines Mineral resource of June 2006 depleted based on reported production for FY 2007, 2008 and 2009.

Mineral Reserves (12.9h (v), 12.9h (vii), 12.9h (ix)) (SR T1.3, T4.1, T5.4, T5.7, T7, T8)

Under the current economic climate, combined with the BFM's price for acidspar also being discounted due to its high levels of phosphorous, BFM's mineral resources cannot be mined and extracted at a profit and therefore no mineral reserve classification has been made at this time.

Mining (12.9h (v)) (SR T1.2, T5.4) (SR T1.2, T5.4) (SV T2.7)

A simple load and haul operation was conducted between August 2006 and October 2008 to mine tailings from Tailing Dumps No. 1 to No. 4 and the Mill Hill Pit. The 2006 life of mine plan intended to upgrade the plant to initially 55 000 tpm (90 tph) and then increase to 215 000 tpm (350 tph) to support hydro-mining of Tailing Dumps 5 and 6. However these upgrades were never carried out. Under current plant conditions a monthly tonnage of 30 000 tonnes (50 tph) is achievable. The treatment of the Tailing Dumps at BFM was achieved at a cost of R29/t in FY2009. An increase in tonnage and the use of hydro-mining (monitoring) could see a reduction in unit costs. However technical studies would be required to confirm this reduction. Coffey Mining associates a low risk with mining operations.

Metallurgy and Processing (12.9h (vii)) (SR T1.2, T5.5) (SV T2.7)

The process plant last operated for the period August 2006 to October 2008 when operations were curtailed due to market conditions. The present plant circuit comprises conventional processing units for treating a fine tailings material to produce an acid grade product – material receiving facility, milling, froth flotation, thickening and filtration. The plant is currently in reasonable condition and may require some maintenance in areas such as reagent handling and WHIMS, prior to being recommissioned on reclaimed tailings material. There are remnants of Tailings Dumps 1-4 which may be mechanically reclaimed for plant start-up, thereafter material from Tailings Dumps 5 and 6 will form the feedstock to the plant.

Infrastructure (SR T5.6)

While no material risks associated with surface infrastructure and installations were identified, comment on water supply for processing and power supply is offered. An unquantified amount of ground water is present in the North, South and Mill Hill Pits which can be used for processing, and a dam on the Tobias stream about 0.5km from the plant may be used. Historically, when the plant treated high tonnage throughput, water supply was adequate and no problem in respect of water supply is envisaged for the operations in the future. Electrical power supply is from an 11kV Eskom line via a 2.5MVA transformer on site. The plant will require a maximum of 1.5MVA but this may be reduced as only one ball mill is installed.

Environmental and Tailing Disposal (12.9h (viii)) (SR T1.2, T5.2)

The current condition of the site presents an opportunity in that there has been significant disturbance of the site since its closure in 1994. There is evidence of deterioration in the condition of the remedial measures applied to the tailings storage facilities as well as contamination of surface and groundwater resources in the area. Unless action is taken to prevent further deterioration in the condition of the tailings storage facilities, this rate of deterioration can be expected to increase. The need for remedial actions to these facilities would therefore form the basis of a strong argument for the permitting of the proposed re-mining and treatment operations.

The risks associated with the mine are mainly due to the uncertainty regarding the environmental and water permitting and the proposed disposal of tailings to the open pit. While permits were previously granted to the mine it is anticipated that in the application for mining rights various permits may be required.

Up until the cessation of operations in October 2008, tailings were deposited in the Mill Hill Pit. The intention is to continue to utilise this facility for tailings disposal once the plant is in operation. It is expected that the potential risks associated with the proposed disposal of tailings will have to be addressed by a specialist investigation of the geohydrology of the area surrounding the Mill Hill Pit.

Notwithstanding the risks outlined, it is believed that the local authorities would be in favour of the re-commencement of operations at the mine. It is believed also that the reclamation and re-processing of the tailings resources will, if properly planned and executed, contribute to the improvement of the environment in and around the mine site.

Marketing (SR T5.8)

BFM produced only export quality fluorspar for the export market, and sold largely to Lanxess, the German chemical company. BFM has been selling fluorspar on the spot market which demands higher prices during constricted periods of supply; however during periods of oversupply, like 2009, sales can be limited.

Because BFM was a newcomer to the market, and both its specifications and delivery credentials had to be established, sold its output at a discount to the Witkop prices. BFM's price for acidspar has also been discounted due to its higher concentrates of P_2O_5 (phosphorous) and monazite, an important rare earth. BFM has been reviewing processing designs to extract rare earths concurrently with fluorspar and is still an ongoing process. In general, Sallies would anticipate a 10% to 15% discount in price as the BFM product traditionally contains a high level of phosphorous and thus has a more restricted market.

Capital and Operating Cost Estimates (SR T5.7)

After assessment of the operation and the lack of a mine plan no determination of operating or capital was undertaken.

A capital expenditure provision of R4 million has been estimated by the current manager of BFM for maintenance, repairs and minor operational improvements to the plant. BFM has not investigated capital requirements to increase the current capacity of the plant nor to conduct hydro-mining of the Tailings Dumps 5 and 6.

Historically operating costs to produce an acid grade concentrate of 97% have been in the order of R200/t tailings. Currently, Sallies has no immediate intentions to re-commence mining operations and therefore there is neither an operating budget nor life of mine plan available.

Project Economics and Valuation (12.9h (xii)) (SR T5.7) (SV T2.1)

The BFM operations have been mothballed since October 2008, as the seriousness of the sub-prime market crisis in the USA emerged, the prices of commodities and commodity based equities world-wide, collapsed. In tandem with the general market collapse, demand for acid grade fluorspar evaporated.

Under the current economic climate, combined with the BFM's price for acidspar also being discounted due to its high levels of phosphorous, BFM's mineral resources are not currently considered economically mineable. Until such time as the market recovers sufficiently to justify mining operations in conjunction with metallurgical process capable of reducing phosphorous levels and also extracting the rare earths from the tailings it is Sallies' opinion that BFM remain closed. Coffey Mining concurs with this opinion under the current economic conditions. Based on the above, Sallies in 2009 impaired BFM's assets to the value of R74.6 million and in 2010 R6.5 million.

The valuation of the BFM was based on the market and cost valuation approaches is presented below with the summary of the "fair", upper and lower values.

"Fair" Value and Ranges Used			
Approach	Attributable Value (R'million)		
	Fair	Upper	Lower
Market	26 017,000	75 142,000	5 994 000
Cost Approach	31 680 000	31 680 000	19 800 000

Relating the BFM to any of the historical arm's length transaction is difficult as there is no true comparables since each asset is unique with respect to key factors such as geology, mineralisation, mining, grade, costs, stage of exploration and infrastructure. Furthermore in the case of fluorspar, unlike other minerals e.g. gold and platinum, there are only a small number of transactions that have taken place over the last few years and none have involved the exploitation of tailing dumps for this reason, Coffey Mining does not support the use of the market approach as an appropriate method for valuing a project proposing to mine a fluorite tailings dump.

The cost approach relies primarily on historical expenditures on exploration and acquisitions, to which can be applied prospectivity enhancement multipliers (PEMs) to arrive at a mineral asset value. This method essentially incorporates the principle of 'successful efforts' and endeavours to capture the change in mineral asset value, mainly for exploration assets, based upon a qualitative assessment of improved or reduced prospectivity. A PEM of 8 to 5 has been used to value the BFM mineral resources.

Consequently, the concluding opinion for the valuation of the BFM should, based on the cost approach, be R31.7 million with an upper and lower valuation range of R31.7 million and R19.8 million, respectively.

It is Coffey Mining's understanding that an application for a new order mining right has not been submitted because of the uncertainty of the legality it would have as the MPRA is unclear as to the rights required for the mining of a tailings dam. Coffey Mining is of the opinion that valuing the fluorite contained in the tailings dam at zero is justified as currently there is no New Order Right to mine the fluorite on the property (including the tailings dams). This combined with the fact that the BFM is currently unable to produce a saleable fluorite concentrate and historically has had difficulty in producing a saleable fluorite concentrate due to the high level of P₂O₅ in the concentrate. It is Coffey Mining's opinion that the value of BFM should be zero.

Project Risk (12.9h (x)) (SR T6)

Based on the risk summary covered in Section 14 of the CPR, Coffey Mining considers BFM to have an overall **Moderate to High Risk**.

Buffalo Technical Risk Summary	
Item	Relative Risk
Geology, Resources, and Reserves	Low to Moderate
Mining	Low
Metallurgy and Processing	Moderate to High
Environmental	Moderate to High
Manpower and Management	Moderate
Infrastructure	Moderate
Marketing and Sales	Moderate to High
Project Economics	High
Political Risk	Low to Moderate

Recommendations and Conclusions (12.9h (xi))

Currently there is no life of mine plan or strategic business plan for BFM. While the concentrator is not operational, it appears in a sound mechanical condition to process 30,000tpm (50tph) reclaimed tailings. However, under the current economic climate, BFM's mineral resources cannot be mined at a profit and therefore no mineral reserve classification has been made at this time.

Significant work will be required to demonstrate the feasibility of mining the Tailings Dumps 5 and 6 at a higher throughput, say 350tph, including determining mining and plant operating costs, capital expenditure requirements, and sourcing sufficient power to accommodate the larger throughput.

BFM should not be recommissioned until the metallurgical process can confirm the removal of sufficient phosphorous and rare earths to ensure the BFM concentrate is within specification. Along these lines, Sallies should investigate the blending of low phosphorous Witkop concentrate with BFM concentrates as a final product.

The environmental issues relating to BFM need to be systematically reviewed to ensure that all regulatory aspects are adhered to.

Declaration by Competent Persons (12.9h (xi)) (SR T1.1, T5.1, T5.2)

The Competent Persons Report and Valuation of the BFM is SAMREC compliant and meets all requirements of Section 12.9 of the JSE Listing Requirements, the SAMREC Code (including Table 1) and the SAMVAL Code (including Table 1).

The Coffey Mining (Competent Persons Mr Lomberg, Mr Wiid, Dr Rupprecht and Mr Bainbridge) is of the opinion that the executive summary is a true reflection of the full Competent Persons Report.

FAIRNESS OPINION

"The Directors
Sallies Limited
Block C
Riverwalk Office Park
41 Matroosberg Road
Pretoria, 0081
(PO Box 94536, Waterkloof, 0145)

9 December 2010

Dear Sirs

REPORT OF THE INDEPENDENT PROFESSIONAL EXPERT IN RESPECT OF THE SALLIES BLACK ECONOMIC EMPOWERMENT TRANSACTIONS**1. INTRODUCTION**

In an announcement released on the Securities Exchange News Service of the JSE Limited ("JSE") ("SENS") on 26 July 2010, shareholders of Sallies Limited ("Sallies") were advised that Sallies has entered into discussions regarding a potential Black Economic Empowerment ("BEE") transaction. Sallies has entered into the following transactions by means of various agreements in terms of which, subject to the fulfilment or waiver of certain suspensive conditions:

- African Renaissance Holdings Limited ("African Renaissance") will subscribe for 1 581 Witkop Fluorspar Mine (Proprietary) Limited ("Witkop") ordinary shares ("the Witkop shares") at R54 128.40 each for a total consideration of R85.6 million ("the Witkop subscription consideration"); and
- Sallies will sell 260 Buffalo Fluorspar (Proprietary) Limited ("Buffalo") ordinary shares ("the Buffalo shares") at R1.00 each by Sallies to African Renaissance for a total purchase consideration of R260.00 ("the Buffalo subscription consideration").

In terms of the above transactions, African Renaissance will acquire an interest of 26% in Witkop and Buffalo. Witkop will facilitate the acquisition by African Renaissance of the Witkop shares by providing financial assistance of R85.6 million to African Renaissance via a loan ("the African Renaissance loan"), in compliance with the provisions of Section 38 of the Companies Act, No. 61 of 1973, as amended ("the Act"), to enable African Renaissance to effect the payment for the Witkop subscription consideration. African Renaissance will pay the Buffalo subscription consideration in cash. Sallies will subscribe for two cumulative non-redeemable preference shares of R1 each in the share capital of Witkop (the "Witkop class "A" preference share" and the "Witkop class "W" preference share"). The Witkop class "A" preference share will pay a dividend calculated on the amounts owed by African Renaissance to Witkop in terms of the African Renaissance loan. The Witkop class "W" preference share will pay a dividend calculated on the amounts owed by Witkop to Sallies. In addition, Sallies will subscribe for one cumulative non-redeemable preference share of R1 in the share capital of Buffalo (the "Buffalo class "A" preference share"). The Buffalo class "A" preference share will pay a dividend calculated on the amounts owed by Buffalo to Sallies.

(collectively, "the BEE Transaction").

The Witkop class "A", the Witkop class "W" and the Buffalo class "A" preference shares have been issued to Sallies in order to allow Sallies to earn a return on the interest free shareholders' loans advanced to Witkop and Buffalo.

2. RATIONALE FOR THE BEE TRANSACTION

In terms of the Mineral and Petroleum Resources Development Act, No 28 of 2002, as amended ("the MPRDA") read together with the Broad-Based Economic Charter for the South African Mining Industry, all mining companies must have an ownership of at least 26% by historically disadvantaged South Africans by May 2014.

The Transaction seeks to improve the Company's BEE empowerment credentials with the objective of complying with the requirements of the MPRDA, the Broad-Based-Economic Charter for the South African Mining Industry and the Codes of Good Practice for the Minerals Industry. Subsequent to implementation of the Transaction, Sallies will have a level 3 BEE rating.

The Company was granted the existing new order mining license on the basis of the original transaction which was not implemented as proposed. In light of this, the Company is at risk of losing its new order mining rights in the event that the proposed Transaction is not approved by Sallies shareholders. The proposed transaction is necessary to keep the BEE status required in terms of the MPRDA. As the Company's operations have been halted, there are no existing contracts at risk of being cancelled.

3. FAIRNESS OPINION REQUIRED IN TERMS OF SECTION 10 OF THE JSE LISTINGS REQUIREMENTS

Given that Jürgen Kögl (a director of African Renaissance and a 3.1% shareholding in African Renaissance) is currently a non-executive director of Sallies, the BEE Transaction is classified as a related party transaction in terms of the JSE Limited ("the JSE") Listings Requirements. Therefore, in terms of section 10.4 of the JSE Listings Requirements, the directors are required to include a statement in the circular to shareholders in respect of the BEE Transaction (the "Circular") confirming whether the terms and conditions of the BEE Transaction are fair insofar as the shareholders of Sallies (excluding related parties) are concerned.

The directors must obtain an independent fairness opinion before making this statement.

4. RESPONSIBILITY

Compliance with the JSE Listings Requirements is the responsibility of the directors of Sallies. Our responsibility is to report to the shareholders on the fairness of the terms and conditions of the BEE Transaction.

5. EXPLANATION AS TO HOW THE TERM "FAIR" APPLIES IN THE CONTEXT OF THE TRANSACTION

Schedule 5.7 of the JSE Listings Requirements states that the "fairness" of a transaction is based on quantitative issues.

The BEE Transaction would be considered fair to the shareholders of Sallies if the value received by Sallies in terms of the BEE Transaction is equal to or greater than the cost of the BEE Transaction. Conversely, the BEE Transaction would be considered unfair to the shareholders of Sallies if the value received by Sallies in terms of the BEE Transaction is less than the cost of the BEE Transaction.

In determining the value received by Sallies in terms of the BEE Transaction we have considered the financial benefit expected to be derived from the BEE Transaction, represented by the present value of the estimated impact on Sallies' future cash flows if the BEE Transaction is not concluded ("the Financial Benefit"). Also, we have considered the cost of the BEE Transaction, represented by the costs of the imputed option inherent in the BEE Transaction funding structure and other relevant transaction expenses ("the Economic Cost").

In opining on whether or not the BEE Transaction is fair to the shareholders of Sallies, we have considered whether the Financial Benefit exceeds the Economic Cost of the BEE Transaction.

6. DETAILS AND SOURCES OF INFORMATION

In arriving at our opinion we have relied upon the following principal sources of information:

- Audited annual financial statements of Witkop and Buffalo for the years ended 30 June 2008, 2009 and 2010;
- The Buffalo Competent Persons' Report incorporating the executive summary to be dated on or about 9 December 2010;
- The Witkop Competent Persons' Report incorporating the executive summary to be dated on or about 9 December 2010;
- Terms and conditions of the BEE Transaction as set out in the draft circular to Sallies shareholders to be dated on or about 15 December 2010;
- The relevant BEE Transaction agreements, *inter alia*:

- Buffalo Sale of Shares Agreement dated 23 July 2010, entered into between Sallies and African Renaissance;
- Buffalo Sallies Services Agreement dated 23 July 2010, entered into between Sallies and Buffalo;
- Buffalo Sallies Preference Share Subscription Agreement dated 23 July 2010, entered into between Sallies and Buffalo;
- Buffalo Shareholders Agreement dated 23 July 2010, entered into between Sallies, African Renaissance and Buffalo;
- Witkop African Renaissance Ordinary Share Subscription Agreement dated 23 July 2010, entered into between Witkop and African Renaissance;
- Witkop Sallies Services Agreement dated 23 July 2010, entered into between Sallies and Witkop;
- Witkop Sallies Preference Share Subscription Agreement dated 23 July 2010, entered into between Sallies and Witkop;
- Witkop African Renaissance loan agreement dated 23 July 2010, entered into between Sallies and African Renaissance;
- Witkop Shareholders Agreement dated 23 July 2010, entered into between Sallies, African Renaissance and Witkop; and
- The Framework Agreement dated 23 July 2010.
- Discussions with Sallies management on findings of the Witkop and Buffalo Competent Persons' Reports, prevailing market, economic, legal and other conditions which may affect underlying value;
- Publicly available information relating to Sallies or the industry in which it operates that we deemed to be relevant; and
- Information obtained from the Standard Bank of South Africa Limited ("Standard Bank") for a South African risk-free rate.

The information above was sourced from:

- Directors of Sallies;
- Sallies' JSE Sponsor;
- Third party sources, insofar as such information related to publicly available economic, market and other data applicable to or potentially influencing Sallies; and
- Standard Bank.

7. ASSUMPTIONS

We arrived at our opinion based on the following assumptions:

- That all agreements that will be entered into in terms of the BEE Transaction will be legally enforceable;
- That reliance can be placed on the audited financial information of Witkop and Buffalo; and
- That reliance can be place on the Competent Persons' Reports of Witkop and Buffalo.

Appropriateness and reasonableness of underlying information and assumptions

We satisfied ourselves as to the appropriateness and reasonableness of the information and assumptions employed in arriving at our opinion by:

- Reliance on audit reports in the financial statements of Witkop and Buffalo;
- Conducting analytical reviews on the financial results and Competent Persons' Reports; and
- Determining the extent to which representations from management were confirmed by documentary evidence as well as our understanding of Witkop and Buffalo and the economic environment in which they operate.

8. LIMITING CONDITIONS

This opinion is provided to the board of directors and shareholders of Sallies in connection with and for the purposes of the BEE Transaction. The opinion does not purport to cater for each individual shareholder's perspective, but rather that of the general body of Sallies shareholders.

Individual shareholders' decisions regarding the transaction may be influenced by such shareholders' particular circumstances and accordingly individual shareholders should consult an independent advisor if in any doubt as to the merits or otherwise of the BEE Transaction.

We have relied upon and assumed the accuracy of the information provided to us in deriving our opinion. Where practical, we have corroborated the reasonableness of the information provided to us for the purpose of our opinion, whether in writing or obtained in discussions with management, by reference to publicly available or independently obtained information. While our work has involved an analysis of, *inter alia*, the annual financial statements, and other information provided to us, our engagement does not constitute an audit conducted in accordance with generally accepted auditing standards.

Where relevant, forward-looking information on Sallies relates to future events and is based on assumptions that may or may not remain valid for the whole of the forecast period. Consequently, such information cannot be relied upon to the same extent as that derived from audited financial statements for completed accounting periods. We express no opinion as to how closely the actual future results of Sallies will correspond to those projected. We have however compared the forecast financial information to past trends as well as discussing the assumptions inherent therein with management.

We have also assumed that the BEE Transaction will have the legal consequences described in discussions with, and materials furnished to us by representatives and advisors of Sallies and we express no opinion on such consequences.

Our opinion is based on current economic, regulatory and market as well as other conditions. Subsequent developments may affect this opinion, and we are under no obligation to update, review or re-affirm our opinion based on such developments.

9. INDEPENDENCE

In terms of schedule 5.1(a) of the JSE Listings Requirements, we confirm that BDO Corporate Finance has no equity interest in Sallies or in any other party to the BEE Transaction. In terms of schedule 5.1(b) of the JSE Listings Requirements, we confirm that there is no existing relationship between BDO Corporate Finance and any of the parties to the BEE Transaction.

Furthermore, we confirm that our professional fees are not contingent upon the success of the proposed transaction.

10. TRANSACTION OVERVIEW

Distribution policies of Witkop and Buffalo

No distributions will be declared or paid by Buffalo or Witkop to ordinary shareholders -

- while preference share dividends are unpaid;
- while Witkop or Buffalo is indebted to the shareholders or any of them on loan account; and
- to the extent that the payment of such distribution is not consistent with the working capital requirements and capital expenditure budgets of Witkop or Buffalo.

Terms of the African Renaissance loan

The repayment of the African Renaissance loan will be made from all the distributions that will be made to African Renaissance by Witkop. In order to facilitate this repayment arrangement, African Renaissance undertakes to cede its rights, title and interest on the distributions to Witkop. Further, the African Renaissance loan shall not accrue any interest in favour of Witkop and it has no specified repayment term.

African Renaissance is entitled to make any additional payments to repay the African Renaissance loan.

In the event of a breach of the terms and conditions of the Witkop African Renaissance loan agreement by African Renaissance, the amount owing to Witkop in terms of the African Renaissance loan shall be immediately due and repayable in one lump sum on written demand by Witkop.

Terms of the Witkop class “A” and class “W” preference shares

The Witkop class “A” preference share will accumulate and pay a dividend calculated on the amounts owed by African Renaissance to Witkop in terms of the African Renaissance loan. The Witkop class “A” preference shares’ dividend rate is based on a variable coupon rate equal to one minus the prevailing corporate tax rate per annum, multiplied by the prevailing prime rate (“the prime interest rate”), compounded monthly in arrears.

The Witkop class “W” preference share will accumulate and pay a dividend calculated on the amounts owed by Witkop to Sallies. The Witkop class “W” preference shares’ dividend rate is based on a variable coupon rate equal to one minus the prevailing corporate tax rate per annum, multiplied by the prevailing prime interest rate, compounded monthly in arrears.

The management of Witkop may at any time at their discretion apply any distributions to pay firstly preference dividends, secondly to pay amounts owed by Witkop to Sallies and then to pay ordinary dividends to ordinary shareholders of Witkop.

There is no specified period for the final redemption of the Witkop class “A” and class “W” preference shares. Witkop cannot pay ordinary dividends until the Witkop class “W” preference share have been redeemed in full.

Witkop will not be obliged to service the preference dividends or to redeem the Witkop class “A” and class “W” preference shares from any source of funds other than distributions made by Witkop.

Terms of the Buffalo class “A” preference share

The Buffalo class “A” preference share will accumulate and pay a dividend calculated on the amounts owed by Buffalo to Sallies. The Buffalo class “A” preference shares’ dividend rate is based on a variable coupon rate equal to one minus the prevailing corporate tax rate per annum, multiplied by the prevailing prime interest rate, compounded monthly in arrears.

The management of Buffalo may at any time at their discretion apply any distributions to pay firstly preference dividends, secondly to pay amounts owed by Buffalo to Sallies and then to pay ordinary dividends to ordinary shareholders of Buffalo.

There is no specified period for the final redemption of the Buffalo class “A” preference share. Buffalo cannot pay ordinary dividends until the Buffalo class “A” preference share have been redeemed in full.

Buffalo will not be obliged to service the preference dividends or to redeem the Buffalo class “A” and preference share from any source of funds other than distributions made by Buffalo.

Economic characteristics of the BEE Transaction (in terms of Witkop)

The economic characteristics of the BEE Transaction, in terms of Witkop, are as follows:

- As there is no obligation for African Renaissance to settle the African Renaissance loan within a specified time period or out of anything but distributions received from Witkop, African Renaissance will not realise any loss even if Witkop does not generate any profits thereby being unable to declare any distributions that will be used to repay the African Renaissance loan. Therefore, African Renaissance can only realise a limited loss on the BEE Transaction.
- Conversely, there is potential unlimited upside to be made by African Renaissance once the African Renaissance loan has been fully paid off, as long as this occurs before the end of the life of the Witkop mine (“the expiry period”).

The economic characteristics of the BEE Transaction are therefore similar to those of a call option issued to African Renaissance. A call option is the right, but not the obligation, to buy an asset at a certain price (“the strike price”) at a future date. African Renaissance holds this right, with the effective strike price being the value of Witkop at the end of the expiry period that sustains BDO Corporate Finance’s assumptions of preference dividends, shareholder’s loan repayments and ordinary dividends. Further, the exercise date of the option will be within the expiry period.

Economic characteristics of the BEE Transaction (in terms of Buffalo)

The economic characteristics of the BEE Transaction, in terms of Buffalo, are as follows:

- We concur with the Buffalo Competent Persons’ Report’s finding that Buffalo has no value in its current state. Therefore, the Buffalo part of the BEE Transaction currently has no meaningful economic characteristics.

11. PROCEDURES

In arriving at our opinion we have undertaken the following procedures and taken into account the following factors in evaluating the fairness of the BEE Transaction:

- Reviewed the terms and conditions of the BEE Transaction;
- Reviewed the relevant BEE Transaction agreements;
- Reviewed the audited financial information related to Witkop and Buffalo;
- Held discussions with management of Sallies and considered such other matters as we consider necessary, including assessing the prevailing economic and market conditions and trends;

- Reviewed Witkop and Buffalo's Competent Persons' Reports and the basis of the assumptions therein including the prospects of the businesses. This review included an assessment of the recent historical performance to date as well as the cyclical nature of the industry in which Witkop and Buffalo operates and the reasonableness of the outlook assumed based on discussions with management;
- Prepared an estimate of the Financial Benefit to Sallies of concluding the BEE Transaction. In determining this benefit, the following procedures were performed:
 - through discussions with management, assessed the risks to Sallies of not concluding the BEE Transaction;
 - identifying the mitigating factors that management could take to minimise the identified risks;
 - based on the above, performed a quantification of the potential cash flow effects to Sallies should the BEE Transaction not be concluded;
 - Compiled a financial model using our forecasts of the potential cash flow effects to Sallies should the BEE Transaction not be concluded and applied BDO Corporate Finance's assumptions of discount rate to the forecast cash flows to produce a discounted cash flow valuation of the Financial Benefit of the BEE Transaction to Sallies;
- Prepared an estimate of the Economic Cost to Sallies of concluding the BEE Transaction. In determining this cost, the following procedures were performed:
 - Compiled a financial model to determine the value that would need to be generated over the life of the Witkop and Buffalo mines to sustain BDO Corporate Finance's assumptions of preference dividends, shareholder loan repayments and ordinary dividends;
 - Reviewed the historic prices and volumes and calculated the historic volatility of a Sallies share;
 - Considered the terms of the Witkop class "A" and class "W" preference shares and Buffalo class "A" preference share;
 - Performed a valuation of the call options inherent in the funding structure by applying the binomial option pricing model;
 - Performed a sensitivity analysis on key assumptions included in the funding structure, specifically relating to volatility;
- Assessed the long-term potential of Witkop and Buffalo;
- Evaluated the relative risks associated with Witkop and Buffalo and the industry in which it operates;
- Reviewed certain publicly available information relating to Sallies or the industry in which it operates that we deemed to be relevant; and
- Where relevant, representations made by directors were corroborated to source documents or independent analytical procedures were performed by us, to examine and understand the industry in which Witkop and Buffalo operates, and to analyse external factors that could influence the business of Witkop and Buffalo.

12. VALUATION APPROACH

The Financial Benefit of the BEE Transaction

No Financial Benefit has been attributed to Buffalo as we concur with the Buffalo Competent Person' Report's finding that it has no value in its current state.

In terms of the MPRDA read together with the Broad-Based Economic Charter for the South African Mining Industry, all mining companies must have an ownership of at least 26% by historically disadvantaged South Africans by May 2014. Therefore if the BEE Transaction is not concluded, it is likely that Sallies would lose its mining license for Witkop and consequently Witkop would not be able to generate cash flows in the foreseeable future.

BDO Corporate Finance has compiled a financial model using our forecasts of the potential cash flow effects to Sallies should the BEE Transaction not be concluded and applied BDO Corporate Finance's assumption regarding a discount rate to the forecast cash flows to produce a discounted cash flow valuation of the Financial Benefit of the BEE Transaction to Sallies.

The discounted cash flow approach indicates the fair value of the company based on the value of the cash flows that the company can be expected to generate in the future. The value is determined by discounting the estimated future cash flows.

The valuation was performed taking cognisance of risk and other market and industry factors affecting Witkop.

Key internal value drivers to the discounted cash flow valuation included the discount rate, capital expenditure requirements and expected future growth in the business. External value drivers, including interest rates and prevailing market and industry conditions were also considered in assessing the forecast cash flows and risk profile of Witkop.

The Economic Cost of the BEE Transaction

In order to arrive at a value of the Economic Cost of the BEE Transaction, we have estimated the value of the implied options granted to African Renaissance in respect of Witkop. In addition, we also considered the BEE Transaction expenses.

No Economic Cost has been attributed to Buffalo as we concur with the Buffalo Competent Person's Report's finding that it has no value in its current state.

BDO Corporate Finance employed the binomial option pricing model to determine the fair value of the implied call options inherent in the funding of the BEE Transaction.

The binomial option pricing model uses an iterative procedure, allowing for the specification of nodes, or points in time, during the time span between the valuation date and the option's expiration date. This model would be appropriate for an American-type option, i.e. if we assume that the African Renaissance loan may be redeemed at any stage prior to the expiry period. While there is a theoretical possibility that distributions from Witkop could result in the African Renaissance loan being redeemed prior to the expiry period (assuming very aggressive growth in the profits of Witkop over the BEE Transaction period), this is unlikely. While distributions will reduce the value of the African Renaissance loan over the BEE Transaction period, it is not considered probable that the African Renaissance loan be fully redeemed prior to the expiry period.

The valuation was performed taking cognisance of risk and other market and industry factors affecting Witkop.

Key value drivers of the binomial option pricing model valuation include the strike price of each option, the expected exercise date of each option, the current market price of Witkop, the prevailing interest rates, the expected volatility of a Sallies share and the expected dividends of a Witkop share.

Relevant BEE Transaction expenses were obtained from the draft circular to Sallies shareholders to be dated on or about 15 December 2010.

13. OPINION

BDO Corporate Finance has considered the terms and conditions of the BEE Transaction and, based on and subject to the conditions set out herein, is of the opinion that the Financial benefit is greater than the Economic Cost of the BEE Transaction and as such the BEE Transaction is fair to the shareholders of Sallies.

Our opinion is necessarily based upon the information available to us up to 19 November 2010, including in respect of the financial information as well as other conditions and circumstances existing and disclosed to us. We have assumed that all conditions precedent, including any material regulatory and other approvals or consents required in connection with the BEE Transaction have been fulfilled or obtained.

Accordingly, it should be understood that subsequent developments may affect this opinion, which we are under no obligation to update, revise or re-affirm.

Yours faithfully

BDO CORPORATE FINANCE (PTY) LIMITED

James Boland

Partner

BDO Corporate Finance (Pty) Ltd
13 Wellington Road
Parktown
2193
(Private Bag X60500 Houghton 2041)"

CORPORATE GOVERNANCE

Corporate governance

The Company complies with the Code of Corporate Practices and Conduct as set out in the King III Report with the exception that the Company does not currently have a Chief Executive Officer. The independent non-executive directors constitute the majority of the Board. Emphasis is placed on good governance and Directors are guided by a Board Charter in addition to the Articles of Association and the Code of Ethics which have been reviewed and adopted by Directors and managers.

Board structures

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

Directors have access to the advice of the Sallies 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 advice concerning the affairs of the group at the group's expense, should they think it would be in the best interest of the group.

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

At present, the Company does not have a Chief Executive Officer and the board intends to make an appointment by no later than 30 June 2011.

Board attendance during the year ended 30 June 2010 were as follows:

Director	Designation	Date appointed	Meetings attended	Comments
F J P Roux	Non-executive Chairman	1 July 2008	1/1	Removed 22 October 2009
T G Dale	Chief Executive Officer	16 February 2007	1/1	Resigned 22 October 2009
N Davidoff	Non-executive Chairman	22 October 2009	5/5	
J Blersch	Financial Director	16 February 2007	4/4	Resigned 31 January 2010
P R Cooke	Financial Director	18 August 2009	6/6	Non-executive until 31 January 2010
J Kögl	Non-executive Director	8 August 2008	6/6	
S Swana	Non-executive Director	14 November 2008	6/6	
A Kamau	Non-executive Director	22 October 2009	5/5	
D G J Kerrison	Non-executive Director	14 November	0/1	Removed 22 October 2009

EXECUTIVE COMMITTEE (EXCO)

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

Members of the committee during the year ended 30 June 2010 were:

- C H Badenhorst (General Manager: Witkop until resignation 31 January 2010)
- N A Bleeker (Acting General Manager: Witkop, from February 2010)
- J Blersch (Financial Director until resignation 31 January 2010) (Chairman of Exco)
- P R Cooke (following appointment as Financial Director 31 January 2010)(Present Chairman of Exco)
- J Cronje (Group Financial Manager)
- T G Dale (Chief Executive Officer, until resignation 22 October 2009))
- H N du Plessis (General Manager: Buffalo)

AUDIT AND RISK COMMITTEE

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

During the year ended 30 June 2010, under review the Audit and Risk Committee has duly complied with its terms of reference and has had three meetings with full attendance.

The group does not have a separate risk committee, as all risk matters are addressed by the Audit and Risk Committee. The Audit and Risk Committee recommends the risk review and risk evaluation to the Board. The committee is satisfied as to the independence of the external auditors, BDO South Africa Inc.

Members of the committee during the year were:

- S Swana* (Chairman)
- F J P Roux* (until termination on 22 October 2009; attended one meeting)
- J Kögl
- A Kamau* (appointed 22 October 2009: attended 2 meetings)

* Independent

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

RISK MANAGEMENT

The group risk management strategy requires that management focuses on identifying all known forms of risk within the Sallies group.

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

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

Sallies' operations fall under the jurisdiction of South African legislation and are subject to numerous Acts and Regulations.

In addition the operations themselves, even under care and maintenance, produce mine standards and internal codes of practice which cover in detail the ways in which certain activities need to be performed in order to be safe and reliable. These codes are regularly updated to take into account changes in working conditions and the experiences of executive directors in the industry.

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

REMUNERATION COMMITTEE

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

Directors' fees and share options granted to Directors are approved by shareholders in General Meeting.

SAFETY, HEALTH, ENVIRONMENTAL AND QUALITY MANAGEMENT ("SHEQ")

The Sallies group has an outsourced primary healthcare function, and all employees have freedom of choice to belong to a medical aid scheme. An occupational health nurse is employed while the function of Occupational Hygienist is outsourced to a consultant, who visits the mines monthly, and who compiles the statutory reports.

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

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

The Sallies group has an integrated SHEQ management system available to employees on the company's intranet. An external SHEQ audit is done periodically by an international accredited company. A joint health and safety committee has oversight of safety, health, environmental and quality performance. Injuries sustained by employees or contractors are investigated thoroughly to prevent recurrence.

No fatal accidents were reported for the year ended 30 June 2010. Safe working practices are pursued as a priority above other operational objectives.

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

In August 2008, Witkop re-submitted its application for an Integrated Water Use Licence to the DWAF, as prescribed by the National Water Act, 1998 (Act 36 of 1998). Feedback from DWAF is expected shortly.

INTERNAL CONTROL

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

The Directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements.

However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

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

WORKER PARTICIPATION

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

RELATIONSHIPS WITH STAKEHOLDERS

The Sallies group is subject to the Listings Requirements regarding confidential information during closed periods, Directors' share dealings and SENS reports.

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

CODE OF ETHICS

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

REPORTING ACCOUNTANTS'S REPORT ON THE HISTORICAL FINANCIAL INFORMATION RELATING TO BUFFALO FLUORSPAR (PROPRIETARY) LIMITED

"The Directors
Sallies Limited
Block C
Riverwalk Office Park
41 Matroosberg Road
Pretoria, 0081

9 December 2010

INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE HISTORICAL FINANCIAL INFORMATION RELATING TO BUFFALO FLOURSPAR (PROPRIETARY) LIMITED**Introduction**

At your request, we present our reporting accountants' report on the historical financial information of Buffalo Fluorspar (Proprietary) Limited ("Buffalo"), which comprises the statements of financial position as at 30 June 2010, 2009 and 2008, the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory notes as set out in Annexure 6 ("Historical Financial Information") to the circular dated 15 December 2010 ("circular"). The Historical Financial Information has been prepared for the purposes of complying with the Listings Requirements of the JSE Limited (the "JSE Listings Requirements") and for inclusion in the circular. We are the independent auditors to Buffalo.

Directors' responsibility for the Historical Financial Information

The directors of Sallies are responsible for the compilation, contents and preparation of the circular in accordance with the JSE Listings Requirements and the Companies Act of South Africa and for the preparation and fair presentation of the Historical Financial Information, in accordance with International Financial Reporting Standards, contained therein to which this independent reporting accountants report relates. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Historical Financial Information that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Independent reporting accountants' responsibility for the Historical Financial Information

Our responsibility is to express an opinion on the Historical Financial Information based on our audit.

We conducted our audit of the Historical Financial Information in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Historical Financial Information is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the abovementioned Historical Financial Information. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Historical Financial Information in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Historical Financial Information. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. The evidence includes that previously obtained by us in the conduct of our audit of the annual financial statements of Buffalo underlying the Historical Financial Information.

Opinion

In our opinion, the Historical Financial Information, included in the circular, present fairly, in all material respects, the financial position of Buffalo as at 30 June 2010, 2009 and 2008 and its financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa and the JSE Listings Requirements.

Emphasis of matter

Without qualifying our opinion, we draw attention to note 20 on going concern and the statement of financial position and statement of comprehensive income, which indicates that the company incurred a loss for the year ended 30 June 2010 amounting to R10 573 870 (2009 R77 054 000; 2008 R16 865 207) and as that date the total liabilities exceeded its total assets by R117 313 573 (2009 R106 739 703; 2008 R29 685 702).

These conditions indicate the existence of a material uncertainty which may cause significant doubt about Buffalo's ability to continue as a going concern. In this regard we refer to the Directors' approval relating to the basis of accounting used in the preparation of the Historical Financial Information indicating that the resumption of profitable operations and the continued support of the shareholders are required in order for Buffalo to continue as a going concern.

BDO South Africa Incorporated

Registered Auditors

BDO South Africa Incorporated

Block C, Riverwalk Office Park

41 Matroosberg Road

Pretoria, 0081

As per: J C Lemmer

9 December 2010"

HISTORICAL FINANCIAL INFORMATION RELATING TO BUFFALO FLUORSPAR (PROPRIETARY) LIMITED

Commentary

The nature of the business of Buffalo Fluorspar (Proprietary) Limited (“Buffalo” or “the company”) is an environmentally and safety conscious, tailings treatment facility , fluorspar resource company, producing regular and consistent quantities of in specification acid grade fluorspar for customers providing hydrofluoric acid , for use in refrigerant gasses, aluminium and steel production, and other industrial products worldwide. The company operates in South Africa.

Mining operations at Buffalo were mothballed during October 2008 due to market conditions. Buffalo will re-open when the Rand price achievable for acidspar sales in the international markets recovers to an economic level (which requires a higher international US dollar price for acidspar and/or a weakening of the Rand) and ongoing empirical test work to reduce the phosphorus content is successful.

Net loss after taxation was for 2010 was R10 573 870; R77 054 000 for 2009 and R16 865 207 for 2008.

The historical financial information set out in this Annexure 6 has been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. The Directors are not aware of any matter or circumstance arising between the end of the financial year and the date of the circular.

Basis of preparation

The statements of comprehensive income, statements of financial position, statements of changes in equity, statements of cash flows and the related notes to the historical financial information for the years ended 30 June 2010, 30 June 2009 and 30 June 2008 have been extracted, without adjustment, other than inclusion of JSE Listing Requirements disclosure, from the statutory annual financial statements of Buffalo.

The statutory annual financial statements for Buffalo for the years ended 30 June 2008, 30 June 2009 and 30 June 2010 have been audited. The statutory annual financial statements were prepared in accordance with International Financial Reporting Standards (“IFRS”) and were reported on without qualification by BDO South Africa Incorporated. They have included in their 2010, 2009 and 2008 audit report an emphasis of matter on the ability of the company to continue as a going concern (Refer note 20 to Annexure 6).

The Directors are responsible for the maintenance of adequate accounting records and the preparation and integrity of the historical financial information and the statutory annual financial statements that underlie it and the related information.

Statements of Financial Position

Figures in Rand	Note(s)	2010	2009	2008
Assets				
Non-current assets		–	–	70 670 260
Property, plant and equipment	3	–	–	70 670 260
Current assets		3 361 282	6 431 272	20 620 170
Inventories	5	3 178 641	5 695 185	13 271 315
Trade and other receivables	6	176 716	720 345	3 343 455
Cash and cash equivalents	7	5 925	15 742	4 005 400
Total assets		3 361 282	6 431 272	91 290 430
Equity and liabilities				
Capital and reserves		(117 313 573)	(106 739 703)	(29 685 702)
Share capital	8	1 000	1 000	1 000
Accumulated loss		(117 314 573)	(106 740 703)	(29 686 702)
Non-current liabilities		19 641 896	11 727 115	11 727 115
Provision for environmental rehabilitation	9	19 641 896	11 727 115	11 727 115
Current liabilities		101 032 959	101 443 860	109 249 017
Loans from group companies	4	100 614 905	100 680 245	106 461 293
Trade and other payables	10	418 054	763 615	2 787 724
Total equity and liabilities		3 361 282	6 431 272	91 290 430
Net asset value per share (cents)		(11 731 357.3)	(10 673 970.3)	(2 968 570.2)
Net tangible asset value per share (cents)		(11 731 357.3)	(10 673 970.3)	(2 968 570.2)
Number of shares in issue		1 000	1 000	1 000
Statements of Comprehensive Income				
Revenue less commission paid		3 150 097	16 891 687	21 638 101
Cost of sales		(4 699 254)	(13 512 183)	(30 043 314)
Gross (loss)/profit		(1 549 157)	3 379 504	(8 405 213)
Other income		35 377	272 286	482 468
Operating expenses		(1 139 566)	(5 956 360)	(8 115 590)
Operating (loss)	11	(2 653 346)	(2 304 570)	(16 038 335)
Finance costs	12	(1 456 580)	(157 909)	(826 872)
Impairment of fixed assets	3	(6 463 944)	(68 067 333)	–
Impairment of inventory	11		(6 524 188)	
(Loss) for the year		(10 573 870)	(77 054 000)	(16 865 207)
Total comprehensive (loss) for the year		(10 573 870)	(77 054 000)	(16 865 207)
Loss per share (cents)	14	(1 057 387)	(7 705 400)	(1 686 521)
Weighted average number of shares in issue		1 000	1 000	1 000

Statements of Changes in Equity

Figures in Rand	Share capital	Accumulated loss	Total equity
Balance at 30 June 2008	1 000	(29 686 703)	(29 685 703)
Changes in loss			
Total comprehensive loss for the year	–	(77 054 000)	(77 054 000)
Balance at 30 June 2009	1 000	(106 740 703)	(106 739 703)
Changes in loss			
Total comprehensive loss for the year	–	(10 573 870)	(10 573 870)
Balance at 30 June 2010	1 000	(117 314 573)	(117 313 573)
Note:	8		

Statements of Cash Flows

Figures in Rand	Note(s)	2010	2009	2008
Net cash outflow from operating activities		55 523	603 494	(14 622 182)
Cash receipts from customers		3 115 291	16 891 687	19 225 587
Cash paid to suppliers and employees		(3 054 025)	(16 130 284)	(33 020 897)
Cash generated/utilised by operations	15	61 266	761 403	(13 795 310)
Finance costs		(5 743)	(157 909)	(826 872)
Net cash inflow/(outflow)/inflow from investing activities	–	1 183 472	(6 697 820)	
Purchase of property, plant and equipment	3	–	(44 652)	(6 887 352)
Sale of property, plant and equipment	3	–	1 228 124	189 532
Net cash (outflow) inflow from financing activities		(65 340)	(5 776 624)	31 323 218
Movement in related party loans		(65 340)	(5 776 624)	31 323 218
Net (decrease)/(increase) in cash and cash equivalents		(9 817)	(3 989 658)	10 003 216
Cash and cash equivalents/(Borrowings) at beginning of year		15 742	4 005 400	(5 997 816)
Cash and cash equivalents at end of the year	7	5 925	15 742	4 005 400

Accounting Policies

1. Presentation of historical financial information

Statement of compliance

The historical financial information has been prepared in accordance with International Financial Reporting Standards, the JSE Listings Requirements and the Companies Act of South Africa.

Basis of measurement

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

These accounting policies are consistent with both the Sallies accounting policies as well as the accounting policies applied in the previous period.

1.1 Significant estimates

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

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

Significant estimates include:

Loans and receivables

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

Fair value estimation

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

Impairment testing

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

Environment rehabilitation

The company is required by law to provide decommissioning and rehabilitation costs. Management determines on a yearly basis what the life of mine is and calculates this provision by taking into account the inflation rate and a discount rate at year end.

Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

The company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Functional and presentation currency

The Historical Financial Information is presented in the South African Rand (ZAR), which is the company's functional currency.

It is the Directors' judgement that primary economical environment in which the company operates is the South African Rand (ZAR) based on the fact that expenditure incurred is mainly in South African Rand.

1.2.1 Property, plant and equipment

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

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

Expenditure incurred to replace or modify a significant component of plant is capitalised and any remaining carrying value of the replaced component is derecognised.

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

Annual rates of depreciation are as follows:

Mining plant and equipment	3% – 33.3%
Decommissioning assets	Based on units of production method.

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

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

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

The asset's residual values, useful lives and methods are reviewed, and adjusted if appropriate, at each financial year end.

1.2.2 Environmental rehabilitation

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

Ongoing rehabilitation cost

Expenditure on ongoing rehabilitation costs is recognised as an expense.

1.2.3 Financial instruments

Initial recognition

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

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

Derecognition

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

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

Loans to/(from) group companies

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

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

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

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

Trade and other receivables

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

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

Trade and other payables

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

Cash and cash equivalents

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

1.2.4 Tax

Current tax assets and liabilities

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

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

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which, at the time of the transaction, affects neither accounting profit nor taxable profit nor loss.

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

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

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

Tax expenses

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

- transaction or event which is recognised, in the same or a different period, directly in equity, or
- business combination.

1.2.5 Inventories

Inventories are measured at the lower of cost and net realisable value. Inventory consisting of ore stockpiles is valued on the FIFO basis.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Processed inventory of acid grade fluorspar concentrate is valued at the lower of average cost of production or estimated net realisable value. Estimated net realisable value is the estimated selling price in the ordinary course of business less any costs of completion and distribution.

Consumables are valued on a moving average cost basis.

1.2.6 Impairment of assets

The company assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset.

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

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

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

1.2.7 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

1.2.8 Employee benefits

Short-term employee benefits

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

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

Retirement benefits

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

1.2.9 Provisions

Provisions are recognised when:

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

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

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

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

Environmental rehabilitation

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

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

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

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

– *Decommissioning costs*

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

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

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

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

– *Restoration costs*

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

– *Ongoing rehabilitation costs*

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

1.2.10 Revenue

Revenue comprises net invoiced sales to customers excluding Value Added Taxation.

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

1.2.11 Cost of sales

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

1.2.12 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when:

- expenditures for the asset have occurred;
- borrowing costs have been incurred, and
- activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

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

1.2.13 Translation of foreign currencies

Foreign currency transactions

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

At each reporting date:

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

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

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

1.2.14 Finance income/expense

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

2. STATEMENTS AND INTERPRETATIONS NOT YET EFFECTIVE

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

New standards issued but not yet effective, comprises:

IFRS 9 – Financial Instruments

This standard forms part of the first phase of the three phase project to replace IAS 39 Financial Instruments: Recognition and measurement. This standard is effective for annual periods beginning on or after 1 January 2013. The company does not intend to adopt this standard early.

Management is of the opinion that the adoption of this standard will not have a significant impact on the financial statements.

Interpretations issued but not yet effective, comprises:

IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments

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

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

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

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

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

IFRS 3 – Business Combinations

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

IFRS 7 – Financial Instruments: Disclosures

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

IAS 21 – The Effects of Changes in Foreign Exchange Rates

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

IAS 24 – Related Party Disclosure

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

IAS 27 – Consolidated and Separate Financial Statements

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

IAS 32 – Financial Instruments: Presentation

This amendment deals with certain financial instruments that will be classified as equity whereas, prior to these amendments, they would have been classified as financial liabilities. This amendment to the standard is effective for annual periods beginning on or after 1 January 2009. A further amendment deals with accounting for rights issues (including rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer. This amendment to the standard is effective for annual periods beginning on or after 1 February 2010. The company does not intend to adopt these amendments early. Management is of the opinion that the adoption of these amendments will not have a significant impact on the financial statements.

IAS 34 – Interim Financial Reporting

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

3. PROPERTY, PLANT AND EQUIPMENT

Rand	Mine plant and equipment	Mine properties	Capex under construction	Decommissioning asset	Total
2010					
Cost	55 533 785	9 348 619	3 901 759	9 980 252	78 764 415
Accumulated depreciation and impairment	(55 533 785)	(9 348 619)	(3 901 759)	(9 980 252)	(78 764 415)
Carrying amount at 30 June 2009	–	–	–	–	–
Additions	–	–	–	6 463 944	6 463 944
Depreciation	–	–	–	(6 463 944)	(6 463 944)
Cost	55 533 785	9 348 619	3 901 759	6 463 944	6 463 944
Accumulated depreciation and impairment	55 533 785)	(9 348 619)	(3 901 759)	(6 463 944)	(6 463 944)
Carrying amount at 30 June 2010	–	–	–	–	–

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Rand	Mine plant and equipment	Mine properties	Capex under construction	Decommissioning asset	Total
2009					
Cost	54 667 929	9 348 619	5 951 087	9 980 252	79 947 887
Accumulated depreciation and impairment	(7 946 927)	–	–	(1 330 700)	(9 277 627)
Carrying amount at 30 June 2008	46 721 002	9 348 619	5 951 087	8 649 552	70 670 260
Reversal of impairments					
Additions	1 841	–	42 811	–	44 652
Transfers	2 092 139	–	(2 092 139)	–	–
Depreciation	(1 253 117)	–	–	(166 338)	(1 419 455)
Impairments	(46 333 741)	(9 348 619)	(3 901 759)	(8 483 214)	(68 067 333)
Disposals at net book value	(1 228 124)	–	–	–	(1 228 124)
Cost	55 533 785	9 348 619	3 901 759	9 980 252	78 764 415
Accumulated depreciation and impairment	(55 533 785)	(9 348 619)	(3 901 759)	(9 980 252)	(78 764 415)
Carrying amount at 30 June 2009	–	–	–	–	–
Cost	54 237 394	9 348 619	1 021 432	8 453 090	73 060 535
Accumulated depreciation and impairment	(3 359 406)	–	–	(563 539)	(3 922 945)
Carrying amount at 30 June 2007	50 877 988	9 348 619	1 021 432	7 889 551	69 137 590
Additions	430 535	–	4 929 655	1 527 162	6 887 352
Depreciation	(4 153 671)	–	–	(665 350)	(4 819 021)
Disposals at net book value	(433 850)	–	–	(101 811)	(535 661)
Cost	54 667 929	9 348 619	5 951 087	9 980 252	79 947 887
Accumulated depreciation and impairment	(7 946 927)	–	–	(1 330 700)	(9 277 627)
Carrying amount at 30 June 2008	46 721 002	9 348 619	5 951 087	8 649 552	70 670 260

Land consists of:

- Remainder of farm Buffelshoek 347 KR District Mookgophong
- Portion 7 of the farm Buffelsfontein 647 KP District Mookgophong
- Portion 8, 10, 11 of the farm Buffelsfontein 347 KR District Mookgophong

There has been no major change in the nature of property, plant and equipment or any change in policy regarding the use thereof during the periods under review.

Rand	2010	2009	2008
4. LOANS (FROM) GROUP COMPANIES			
Holding company			
Sallies Limited ("Sallies")	(83 376 642)	(82 962 754)	(81 221 542)
Fellow subsidiaries			
Witkop Fluorspar Mine (Proprietary) Limited	(17 238 263)	(17 717 491)	(25 239 751)
The loans are unsecured, bear no interest and have no fixed terms of repayment.			
The loan from Sallies has been subordinated in favour of other creditors until such time as the company's assets fairly valued exceeds its liabilities. The loan was originally granted to fund the purchase of mining assets. Subsequently the loan funded operating losses of the company.			
Current assets	–	–	–
Current liabilities	(100 614 905)	(100 680 245)	(106 461 293)
	(100 614 905)	(100 680 245)	(106 461 293)
5. INVENTORIES			
Ore stockpiles (at cost)	–	–	4 706 982
Acid grade fluorspar (at cost and net realisable value)	2 573 356	4 933 489	5 560 638
Consumables (at cost)	605 285	761 696	3 003 695
	3 178 641	5 695 185	13 271 315
6. ACCOUNTS RECEIVABLE			
Trade debtors	34 806	–	2 412 514
Prepayments	62 417	85 837	190 117
Deposits	15 600	19 200	19 200
Sundry debtors	63 893	615 308	721 624
	176 716	720 345	3 343 455
Trade receivables are non-interest bearing and are generally on 30 days.			
Please refer to note 18 for details on the company's exposure to credit and currency risk.			
7. CASH AND CASH EQUIVALENTS			
Cash on hand	2 478	4 729	3 975
Bank balances	3 447	11 013	4 001 425
	5 925	15 742	4 005 400
Current assets	5 925	15 742	4 005 400
Current liabilities	–	–	–
	5 925	15 742	4 005 400
8. SHARE CAPITAL			
Share capital			
Authorised			
1 000 Ordinary shares of R1.00 each	1 000	1 000	1 000
Issued and fully paid			
1 000 Ordinary shares of R1.00 each	1 000	1 000	1 000
9. PROVISION FOR ENVIRONMENTAL REHABILITATION			
Rehabilitation provision			
Balance at 1 July	11 727 115	11 727 115	8 453 090
Raised during the year	7 914 781	–	3 274 025
Balance at 30 June	19 641 896	11 727 115	11 727 115

Environmental rehabilitation and decommissioning provision

These provisions are raised to ensure that adequate provision has been made for the environmental rehabilitation of the mine.

During the year under review the company re-assessed its environmental liability due to changes in the requirements of the DMR. The re-assessment was performed by Digby Wells & Associates, environmental solutions provider.

The assessment on closure of the mine was based on the MPRDA as well as the relevant regulations and guidelines.

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

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

Rand	2010	2009	2008
10. TRADE AND OTHER ACCOUNTS PAYABLE			
Trade creditors	7 207	109 603	1 896 023
Accrued leave pay	90 329	50 263	624 482
Sundry creditors	–	–	102 900
Workman's compensation, statutory and other employee benefits	160 518	363 749	79 319
Accrued audit fees	160 000	240 000	85 000
	418 054	763 615	2 787 724

Please refer to note 18 for details of the company's exposure to risk.

11. OPERATING LOSS

Operating profit for the year is stated after accounting for the following:

Operating lease charges

Equipment

Contractual amounts	–	1 196	1 196
Loss on sale of property, plant and equipment	–	–	346 129
(Profit)/Loss on exchange differences	400 682	360 703	(407 894)
Depreciation on property, plant and equipment	–	1 419 455	6 667 695
Employee costs	926 559	2 158 643	7 629 628
Unwinding of decommissioning obligation	–	–	1 747

12. FINANCE COSTS/(INCOME)

Bank balances	5 749	20 377	826 872
Bank balances	(6)	(2 257)	–
Interest raised from SARS	–	139 789	–
Unwinding of decommissioning obligation	1 450 837	–	–
	1 456 580	157 909	826 872

13. TAXATION

No provision has been made for tax as the company has no taxable income.

Rand	2010	2009	2008
14. LOSS PER SHARE			
Reconciliation of earnings			
Net loss attributable to shareholders for basic earnings per share	(10 573 870)	(77 054 000)	(16 865 207)
Loss/(Gain) on disposal of assets (net of tax)	–	–	(346 129)
Impairment of fixed assets	6 463 944	68 067 333	–
Impairment of inventory	–	6 524 188	–
	(4 109 926)	(2 462 479)	(17 211 336)
Basic loss			
Undiluted (cents)	(1 057 387)	(7 705 400)	(1 686 521)
Diluted (cents)	(1 057 387)	(7 705 400)	(1 686 521)
Headline (loss)/profit			
Undiluted (cents)	(410 992.6)	(246 247.9)	(1 721 133.6)
Diluted (cents)	(410 992.6)	(246 247.9)	(1 721 133.6)
15. CASH USED IN OPERATIONS			
Loss before taxation	(10 573 870)	(77 054 000)	(16 865 207)
<i>Adjustments for:</i>			
Depreciation and amortisation	–	1 419 455	4 819 021
Loss on sale of assets	–	–	346 129
Finance costs	1 456 580	157 909	826 872
Impairment	6 463 944	68 067 333	–
Movement in provisions	–	–	3 274 025
Changes in working capital			
Inventories	2 516 544	7 576 130	(5 121 709)
Trade and other receivables	543 629	2 623 109	(3 202 301)
Trade and other payables	(345 561)	(3 551 339)	2 127 860
	61 266	(761 403)	(13 795 310)
16. RELATED PARTIES			
Relationships			
Holding company	Sallies		
Fellow Subsidiaries	Witkop Fluorspar Mine (Pty) Ltd Pypklip Mining Holdings (Pty) Ltd Marico Fluorspar Mine (Pty) Ltd		
Related party balances			
Loan accounts – owing (to) related parties			
Sallies	(83 376 642)	(82 962 754)	(81 221 542)
Witkop Fluorspar Mine (Proprietary) Limited	(17 238 263)	(17 717 491)	(17 794 580)
Related party transactions			
There have been no related party transactions during the year.			

17. DIRECTORS' EMOLUMENTS

Executive

2010	Emoluments	Allowance and benefits	Share based payments	Total
For services as a director	–	–	–	–
2009				
For services as a director	803 209	92 209	339 048	1 234 466
2008				
For services as a director	–	384 170	114 583	498 753

18. RISK MANAGEMENT

Exposure to interest rate and credit risk arises in the normal course of the company's business.

Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities.

The company manages its cash position and future outflows on an ongoing basis. The company ensures that it has sufficient cash on demand to meet expected operational expenses and liabilities, as they fall due.

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting arrangements:

Rand	Unsecured loans	Trade and other payables
At 30 June 2010		
Carrying amount	(100 614 905)	(418 054)
Contractual cash flows	(100 614 905)	(418 054)
Payable within 6 months	–	(418 054)
Payable within 12 months	(100 614 905)	–
Payable within 1 to 2 years	–	–
Payable after 5 years	–	–
At 30 June 2009		
Carrying amount	(100 680 245)	(763 615)
Contractual cash flows	(100 680 245)	(763 615)
Payable within 6 months	–	(763 615)
Payable within 12 months	(100 680 245)	–
Payable within 1 to 2 years	–	–
Payable after 5 years	–	–
At 30 June 2008		
Carrying amount	(106 461 293)	(2 787 724)
Contractual cash flows	(106 461 293)	(2 787 724)
Payable within 6 months	–	(2 787 724)
Payable within 12 months	(106 461 293)	–
Payable within 1 to 2 years	–	–
Payable after 5 years	–	–

Capital management

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

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The company only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a relatively widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount.

At 30 June the company did not consider there to be any significant concentration of credit risk which had not been adequately provided for.

Rand	Gross	Gross	Gross
Trade receivables ageing	2010	2009	2008

18. RISK MANAGEMENT

Trade receivables ageing

Not past due	34 806	–	2 412 514
Past due 31 to 60 days	–	–	–
Past due 61 to 120 days	–	–	–
Trade receivables – Listing of major customers			
Customer A	32 250	–	2 412 514
Customer B	2 556	–	–
	34 806	–	–

Interest rate risk

The company adopts a policy of ensuring that its borrowings are at market related rates to address its interest rate risk.

As the company has no significant interest bearing assets, the company's income and operating cash flows are substantially independent of changes in market interest rates.

19. SEGMENTAL REPORTING

Primary reporting format

No primary segmental reporting has been presented as the entity has no primary reportable segments.

Secondary reporting format

Secondary geographical segment information is disclosed as the group's business for the historical financial period in Europe, USA and Asia.

Year ended 30 June 2010

Geographical segment information

	Europe	USA	Asia	Total	Local	Total
	R'000	R'000	R'000	R'000	sales	R'000
					R'000	
Revenue 2010						
Acid grade fluorspar	–	–	3 150	3 150	–	3 150
Total	–	–	3 150	3 150	–	3 150
Percentage of total			100.0	100.0		100.0

	Europe R'000	USA R'000	Asia R'000	Total R'000	Local sales R'000	Total R'000
Year ended 30 June 2009						
Geographical segment information						
Revenue 2009						
Acid grade fluorspar	12 257	–	4 635	16 892	–	16 892
Total	12 257	–	4 635	16 892	–	16 892
Percentage of total	72.6		27.4	100.0		100.0
Year ended 30 June 2008						
Geographical segment information						
Revenue 2008						
Acid grade fluorspar	19 200	–	2 438	21 638	–	21 638
Total	19 200	–	2 438	21 638	–	21 638
Percentage of total	88.7		11.3	100.0		100.0

20. GOING CONCERN

The company incurred a loss for the year ended 30 June 2010 amounting to R10 573 870 (2009: R77 054 000; 2008: R16 865 207) and as of that date its total liabilities exceeded its total assets by R117 313 573 (2009: R106 739 703; 2008: R 29 685 702).

The company discontinued its operation in the prior year.

The ability of the company to continue as a going concern depends on the ability to resume profitable operations and the continued support of the holding company. In this regard Sallies has subordinated their loan account in favour of other creditors until such time as the company's assets fairly valued exceeds its liabilities.

Save as disclosed above, there have been no material changes in the nature of the business of Buffalo.

21. POST REPORTING DATE EVENTS

Sallies and Buffalo have entered into a collection of interrelated agreements in terms of which ARI will become a 26% beneficial shareholder in Buffalo subject to shareholder approval.

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

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

The Directors are not aware of any other post reporting date events that occurred between the date of authorisation of the annual financial statements and the date of the circular that require any adjustments or additional disclosure to the historical financial information.

REPORTING ACCOUNTANTS' REPORT ON THE HISTORICAL FINANCIAL INFORMATION RELATING TO WITKOP FLUORSPAR MINE (PROPRIETARY) LIMITED

"The Directors
Sallies Limited
Block C
Riverwalk Office Park
41 Matroosberg Road
Pretoria, 0081

9 December 2010

INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE HISTORICAL FINANCIAL INFORMATION RELATING TO WITKOP FLOURSPAR MINE (PROPRIETARY) LIMITED

Introduction

At your request, we present our reporting accountants' report on the historical financial information of Witkop Fluorspar Mine (Proprietary) Limited ("Witkop"), which comprises the statements of financial position as at 30 June 2010, 2009 and 2008, the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory notes as set in Annexure 7 ("Historical Financial Information") to the circular dated 15 December 2010 ("circular"). The Historical Financial Information has been prepared for the purposes of complying with the Listings Requirements of the JSE Limited (the "JSE Listings Requirements") and for inclusion in the circular. We are the independent auditors to Witkop.

Directors' responsibility for the Historical Financial Information

The Directors of Sallies are responsible for the compilation, contents and preparation of the circular in accordance with the JSE Listings Requirements and the Companies Act of South Africa and for the preparation and fair presentation of these Historical Financial Information in accordance with International Financial Reporting Standards, contained therein to which this independent reporting accountants report relates. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Historical Financial information that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Independent reporting accountant's responsibility for the Historical Financial Information

Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit of the Historical Financial Information in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Historical Financial Information is free from material misstatement.

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

audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. The evidence includes that previously obtained by us in the conduct of our audit of the annual financial statements of Witkop underlying the Historical Financial Information.

Opinion

In our opinion, the Historical Financial Information included in the circular present fairly, in all material respects, the financial position of Witkop as at 30 June 2010, 2009 and 2008 and its financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa and the JSE Listings Requirements.

Emphasis of matter

Without qualifying our opinion, we draw attention to note 26 on going concern and the statement of financial position and statement of comprehensive income, which indicates that the company incurred a loss for the year ended 30 June 2010 amounting to R105 418 000 (2009: Profit of R68 042 000; 2008: Loss R13 887 001) and as that date the total liabilities exceeded its total assets by R93 306 000 (2009: assets exceeded the liabilities by R12 112 000; 2008 liabilities exceeded assets by R55 930 000).

These conditions indicate the existence of a material uncertainty which may cause significant doubt about Witkop's ability to continue as a going concern. In this regard we refer to the Directors' approval relating to the basis of accounting used in the preparation of the historical financial information indicating that the resumption of profitable operations and the continued support of the shareholders are required in order for Witkop to continue as a going concern.

BDO South Africa Incorporated

Registered Auditors

Pretoria

BDO South Africa Incorporated

Block C, Riverwalk Office Park
41 Matroosberg Road
Pretoria, 0081

As per: J C Lemmer

9 December 2010"

HISTORICAL FINANCIAL INFORMATION RELATING TO WITKOP FLUORSPAR MINE (PROPRIETARY) LIMITED

Commentary

The nature of the business of Witkop Fluorspar Mine (Proprietary) Limited (“WFM” or “the company”) constitutes an environmentally safety conscious, open cast, fluorspar resource company, producing regular and consistent quantities of in specification acid grade and metallurgical grade fluorspar for customers providing hydrofluoric acid for use in refrigerant gasses, aluminium and steel manufacture, and other industrial products worldwide. The company operates in South Africa.

Mining operations at WFM were suspended at the end of June 2009 due to market conditions. Limited production of metallurgical grade fluorspar and agricultural lime, previously considered by-products, continues in order to supply local customers. WFM will re-open when the Rand price achievable for acidspar sales in the international markets recovers to an economic level (which requires a higher international US dollar price for acidspar and/or a weakening of the Rand).

Net (loss)/profit before tax of the company after taxation was (R105 418 000 loss) (2009: R68 042 000 profit; 2008: (R13 887 000 loss).

The historical financial information set out in this Annexure 8 has been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. The Directors are not aware of any matter or circumstance arising between the end of the financial year and the circular.

Basis of preparation:

The statements of comprehensive income, statements of financial position, statements of changes in equity, statements of cash flows and the related notes on the historical financial information for the years ended 30 June 2010, 2009 and 2008 have been extracted from, without adjustment, other than inclusion of JSE listing requirements disclosure, the statutory annual financial statements of WFM.

The statutory annual financial statements for WFM for the years ended 30 June 2008, 30 June 2009 and 30 June 2010 have been audited. The statutory annual financial statements were prepared in accordance with International Financial Reporting Standards (“IFRS”) and were reported on without qualification by BDO South Africa Incorporated. They have included in their 2010 and 2009 audit report an emphasis of matter on the ability of the company to continue as a going concern (Refer note 26).

The Directors are responsible for the maintenance of adequate accounting records and the preparation and integrity of the historical financial information and the statutory annual financial statements that underlie it and the related information.

Statements of Financial Position

	Note(s)	2010 R'000	2009 R'000	2008 R'000
ASSETS				
Non-current assets				
Mineral rights	3	26 139	26 139	–
Property, plant and equipment	4	68 939	71 491	56 777
Interest in subsidiaries	5	2 010	2 010	2 010
Restricted investments	7	2 779	1 932	1 635
Current assets				
Inventories	8	28 397	58 326	33 119
Loans other group companies	6	4	–	12 218
Other financial asset	–	–	498	–
Current tax receivables		2 789	2 789	2 789
Trade and other receivables	9	13 399	9 228	11 552
Cash and cash equivalents	10	24 692	34 803	20 800
Total assets		169 148	206 718	141 398
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital and premium	11	8 000	8 000	8 000
Accumulated (loss)/profit		(101 306)	4 112	(63 930)
Non-current liabilities				
Financial lease obligations	12	1 286	3 926	7 957
Provision for environmental rehabilitation	13	26 889	7 465	9 056
Current liabilities				
Loans from other group companies	6	228 787	161 121	158 945
Bank overdraft	10	–	3 815	–
Finance lease obligation	12	2 640	4 030	4 594
Trade and other payables	14	2 852	14 249	16 776
Total equity and liabilities		169 148	206 718	141 398
Net asset value per share (cents)		(2 073 466.7)	2 691 155.6	(1 242 888.9)
Net tangible asset value per share (cents)		(2 654 333.3)	(311 711.1)	(1 242 888.9)
Number of shares in issue		4 500	4 500	4 500

Statements of Comprehensive Income

	Note(s)	2010 R'000	2009 R'000	2008 R'000
2008				
Revenue less commission paid	15	57 665	235 036	146 479
Net foreign exchange losses		(690)	–	
Cost of sales		(56 320)	(131 383)	(135 440)
Gross profit		655	103 653	11 039
Other income		359	447	5 240
Operating expenses		(103 967)	(39 771)	(26 935)
Operating (loss)/profit	16	(102 953)	64 329	(10 656)
Investment revenue	17	320	1 084	28
Finance costs	18	(2 786)	(1 496)	(3 140)
Fair value adjustment		–	–	(119)
Reversal of intercompany loan written off		1	4 125	
(Loss)/Profit for the year		(105 418)	68 042	(13 887)
Total comprehensive (loss)/income for the year		(105 418)	68 042	(13 887)
Loss per share (cents)	20	(2 342 622.2)	1 512 044.4	(308 600.0)
Weighted average number of shares in issue		4 500	4 500	4 500

Statements of Changes in Equity

	Share capital R'000	Share premium R'000	Total share capital R'000	Retained income R'000	Total equity R'000
Balance at 30 June 2008	2	7 998	8 000	(63 930)	(55 930)
Changes in equity					
Total comprehensive income for the year	–	–	–	68 042	68 042
Balance at 30 June 2009	2	7 998	8 000	4 112	12 112
Changes in equity					
Total comprehensive (loss) for the year	–	–	–	(105 418)	(105 418)
Balance at 30 June 2010	2	7 998	8 000	(101 306)	(93 306)
Note	11	11	11		

Statements of Cash Flows

	Note(s)	2010 R'000	2009 R'000	2008 R'000
Cash flows from operating activities		(53 464)	56 507	(17 959)
Cash receipts from customers		55 882	230 353	134 934
Cash paid to suppliers and employees		(106 880)	(173 434)	(149 781)
Cash (used)/generated from operations	21	(50 998)	56 919	(14 847)
Interest income	17	320	1 084	28
Finance costs	18	(2 786)	(1 496)	(3 140)
Net cash from investing activities		(16 464)	(56 129)	(19 671)
Cash flows from investing activities				
Purchase of property, plant and equipment	4	(15 999)	(30 341)	(21 292)
Sale of property, plant and equipment	4	135	453	2 600
Purchase of mineral rights	3	–	(26 139)	–
Purchase of restricted investments	7	(600)	(600)	(481)
Purchase of other financial assets		–	498	(498)
Net cash from financing activities		63 632	9 810	72 853
Cash flows from financing activities				
Finance lease obligations	12	(4 030)	(4 595)	(7 020)
Movement in related party loans		67 662	14 405	79 873
Net (decrease)/increase in cash and cash equivalents		(6 296)	10 188	35 223
Cash and cash equivalents/(borrowings) at beginning of year		30 988	20 800	(14 423)
Cash and cash equivalents at end of the year	10	24 692	30 988	20 800

ACCOUNTING POLICIES

1. PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

Statement of compliance

The historical financial information has been prepared in accordance with International Financial Reporting Standards, the JSE Listing Requirements and the Companies Act of South Africa.

Basis of measurement

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

These accounting policies are consistent with both the Sallies accounting policies as well as the accounting policies applied in the previous period.

1.1 Significant estimates

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

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

Significant estimates include:

Loans and receivables

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

Fair value estimation

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

Impairment testing

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

Environment rehabilitation

The company is required by law to provide decommissioning and rehabilitation costs. Management determines on a yearly basis what the life of mine is and calculates this provision by taking into account the inflation rate and a discount rate at year end.

Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

The company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Functional and presentation currency

The historical financial information is presented in the South African Rand (ZAR), which is the company's functional currency.

All financial information presented in ZAR has been rounded to the nearest 1 000 ZAR.

It is the Directors' judgement that primary economical environment in which the company operates is the South African Rand (ZAR) based on the fact that expenditure incurred is mainly in South African Rand.

1.1.1 Property, plant and equipment

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

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

Expenditure incurred to replace or modify a significant component of plant is capitalised and any remaining carrying value of the replaced component is derecognised.

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

Annual rates of depreciation are as follows:

Mining plant and equipment	3% – 33%
Furniture	5 – 10%

Decommissioning assets based on units of production method.

Mineral rights based on units of production method.

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

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

The asset's residual values, useful lives and methods are reviewed, and adjusted if appropriate, at each financial year end.

1.1.2 Environmental rehabilitation

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

Ongoing rehabilitation cost

Expenditure on ongoing rehabilitation costs is recognised as an expense.

1.1.3 Investment in subsidiaries

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

1.1.4 Mineral rights

An intangible asset is recognised when:

- It is possible that the expected future economic benefits that are attributable to the asset will flow to the entity and;
- the cost of the asset can be measured reliably.

Mineral rights are recognised initially at cost.

Mineral rights are carried at cost less accumulated amortisation and any impairment losses.

Amortisation of mineral rights is calculated by the unit of production method based on the estimated economically recoverable proven and probable ore reserves.

1.1.5 Financial instruments

Initial recognition

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

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

Derecognition

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

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

Loans to/(from) group companies

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

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

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

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

Trade and other receivables

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

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

Trade and other payables

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

Cash and cash equivalents

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

1.1.6 Tax

Current tax assets and liabilities

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

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

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which, at the time of the transaction, affects neither accounting profit nor taxable profit nor loss.

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

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

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

Tax expenses

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

- transaction or event which is recognised, in the same or a different period, directly in equity, or
- business combination.

1.1.7 Leases

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

Finance leases – lessee

The lease payments are apportioned between the finance charge and reduction of the outstanding liability.

The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

1.1.8 Inventories

Inventories are measured at the lower of cost and net realisable value. Inventory consisting of ore stockpiles is valued on the FIFO basis.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Processed inventory of acid grade fluorspar concentrate is valued at the lower of average cost of production or estimated net realisable value. Estimated net realisable value is the estimated selling price in the ordinary course of business less any costs of completion and distribution.

Consumables are valued on a moving average cost basis.

1.1.9 Impairment of assets

The company assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset.

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

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

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

1.1.10 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

1.1.11 Employee benefits

Short-term employee benefits

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

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

Retirement benefits

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

1.1.12 Provisions

Provisions are recognised when:

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

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

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

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

- Environmental rehabilitation

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

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

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

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

– Decommissioning costs

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

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

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

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

– Restoration costs

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

– Ongoing rehabilitation costs

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

1.1.13 Revenue

Revenue comprises net invoiced sales to customers excluding Value Added Taxation.

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

1.1.14 Cost of sales

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

1.1.15 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when:

- expenditures for the asset have occurred;
- borrowing costs have been incurred, and

- activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

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

1.1.16 Translation of foreign currencies

Foreign currency transactions

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

At each reporting date:

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

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

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

1.1.17 Finance income/expense

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

1.1.18 Share based payments

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

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

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

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

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

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

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

2. STATEMENTS AND INTERPRETATIONS NOT YET EFFECTIVE

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

IFRS 9 – Financial Instruments

This standard forms part of the first phase of the three phase project to replace IAS 39 Financial Instruments: Recognition and measurement. This standard is effective for annual periods beginning on or after 1 January 2013. The company does not intend to adopt this standard early.

Management is of the opinion that the adoption of this standard will not have a significant impact on the financial statements.

Interpretations issued but not yet effective, comprises:

IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments

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

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

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

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

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

IFRS 3 – Business Combinations

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

IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations

This amendment deals with plans to sell the controlling interest in a subsidiary. This amendment to the standard is effective for annual periods beginning on or after 1 July 2009. A further amendment has been made to clarify that IFRS 5 Non-current Assets Held for Sale and Discontinued Operations specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. This further amendment to the standard is effective for annual periods beginning on or after 1 January 2010 and is to be applied prospectively with earlier application permitted. A further amendment was made resulting from IFRIC 17 for assets held for distribution to owners.

This amendment is effective for annual periods beginning on or after 1 July 2009. Management is of the opinion that the adoption of these amendments will not have a significant impact on the financial statements.

IAS 21 – The Effects of Changes in Foreign Exchange Rates

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

IAS 24 – Related Party Disclosure

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

IAS 27 – Consolidated and Separate Financial Statements

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

IAS 28 – Investments in Associates

This amendment deals with consequential amendments from changes to Business Combinations, required disclosures when investments in associates are accounted for at fair value through profit or loss and impairment of investment in associate. The first amendment to the standard is effective for annual periods beginning on or after 1 July 2009. The latter amendments are effective for annual periods beginning on or after 1 January 2009. A further amendment arose as a consequence from amendments to IAS 27 which provides clarity on the transitional rules in respect of the disposal or partial disposal of an interest in a foreign operation. This further amendment is effective for annual periods beginning on or after 1 July 2010.

The group does not intend to adopt these amendments early. Management is of the opinion that the adoption of these amendments will not have a significant impact on the consolidated financial statements.

IAS 31 – Interests in Joint Ventures

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

IAS 34 – Interim Financial Reporting

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

3. MINERAL RIGHTS

	Mineral rights R'000	Total R'000
2010		
Cost	26 139	26 139
Accumulated amortisation	–	–
Carrying amount at 30 June 2009	26 139	26 139
Additions	–	–
Amortisation	–	–
Cost	26 139	26 139
Accumulated amortisation	–	–
Disposal of mineral rights	–	–
Carrying amount at 30 June 2010	26 139	26 139
2009		
Cost	–	–
Accumulated amortisation	–	–
Carrying amount at 30 June 2008	–	–
Additions	26 139	26 139
Amortisation	–	–
Cost	26 139	26 139
Accumulated amortisation	–	–
Disposal of mineral rights	–	–
Carrying amount at 30 June 2009	26 139	26 139
Cost	–	–
Accumulated amortisation	–	–
Carrying amount at 30 June 2008	–	–
Additions	–	–
Amortisation	–	–
Cost	–	–
Accumulated amortisation	–	–
Disposal of mineral rights	–	–
Carrying amount at 30 June 2008	–	–

4. PROPERTY, PLANT AND EQUIPMENT

	Mine plant and equipment R'000	Mining motor vehicles R'000	Capex under construction R'000	Decommis- sioning asset R'000	Total R'000
2010					
Cost	53 093	53 761	11 360	3 864	122 078
Accumulated depreciation and impairment	(24 943)	(23 336)	–	(2 308)	(50 587)
Carrying amount at 30 June 2009	28 150	30 425	11 360	1 556	71 491
Additions	68	–	240	15 691	15 999
Transfers	4 996	–	(4 996)	–	–
Depreciation	(6 202)	(11 128)	–	(476)	(17 806)
Disposals at net book value	–	(746)	–	(746)	
Cost	58 157	53 761	6 604	19 555	138 077
Accumulated depreciation and impairment	(31 145)	(34 464)	(746)	(2 783)	(69 138)
Carrying amount at 30 June 2010	27 012	19 297	5 858	16 772	68 939
2009					
Cost	49 316	40 560	847	3 864	96 502
Accumulated depreciation and impairment	(20 058)	(15 640)	–	(2 112)	(39 725)
Carrying amount at 30 June 2008	29 258	24 920	847	1 752	56 777
Additions	2 021	16 051	12 269	–	30 341
Transfers	1 756	–	(1 756)	–	–
Depreciation	(4 756)	(10 471)	–	(195)	(15 422)
Disposals at net book value	(122)	(74)	–	–	(196)
Cost	53 093	53 761	11 360	3 864	122 078
Accumulated depreciation and impairment	(24 944)	(23 336)	–	(2 308)	(50 587)
Carrying amount at 30 June 2009	28 149	30 425	11 360	1 556	71 491

4. PROPERTY, PLANT AND EQUIPMENT (continued)

	Mine plant and equipment R'000	Mining motor vehicles R'000	Capex under construction R'000	Decommissioning asset R'000	Total R'000
2008					
Cost	48 361	28 368	100	166	76 995
Accumulated depreciation and impairment	(16 467)	(8 852)	–	(92)	(25 411)
Carrying amount at 30 June 2007	31 894	19 516	100	74	51 584
Additions	955	14 107	747	3 698	19 507
Depreciation	(3 129)	(6 788)	–	(1 820)	(11 737)
Disposals at net book value	(462)	(1 915)	–	(200)	(2 577)
Cost	49 316	42 475	847	3 864	96 502
Accumulated depreciation and impairment	(20 058)	(17 555)	–	(2 112)	(39 725)
Carrying amount at 30 June 2008	29 258	24 920	847	1 752	56 777

The net book value of assets secured by lease was R3 079 577 (2009: R7 546 834; 2008: R12 418 514). Interest is charged at various fixed rates. Refer to note 12.

There has been no major change in the nature of property, plant and equipment or any change in policy regarding the use thereof during the periods under review.

5. INVESTMENTS IN SUBSIDIARIES

Name of company	Percentage holding 2010	Percentage holding 2009	Percentage holding 2008	Carrying amount 2010	Carrying amount 2009	Carrying amount 2008
Marico Fluorspar Mine (Proprietary) Ltd	100%	100%	100%	2010	2010	2010

Marico Fluorspar Mine (Proprietary) Ltd is incorporated in South Africa.

The carrying amounts of subsidiaries are shown net of impairment losses.

The cost is the fair value determined by the Directors.

Marico Fluorspar Mine (Proprietary) Ltd is dormant and did not trade during the year. The company is in the process of being deregistered.

6. LOANS TO/(FROM) GROUP COMPANIES

Holding company	2010	2009	2008
Sallies Limited	(221 253)	(153 587)	(142 589)
Fellow subsidiaries			
Buffalo Fluorspar (Proprietary) Limited	17 238	17 717	25 240
Pypklip Mining Holdings (Proprietary) Limited	–	–	(8 822)
Mosega Fluorspar Mine (Proprietary) Limited	4	4	4
Marico Fluorspar Mine (Proprietary) Limited	(7 534)	(7 534)	(7 534)
Subtotal	9 708	10 187	8 888
Impairment of loans to fellow subsidiaries	(17 238)	(17 721)	(13 026)
	(7 530)	(7 534)	(4 138)

The loans are unsecured, bear no interest and have no fixed terms of repayment.

The loan from Sallies Limited has been subordinated in favour of other creditors until such time as the company's assets fairly valued exceeds its liabilities.

	2010	2009	2008
Current assets	4	–	12 218
Current liabilities	(228 787)	(161 121)	(158 945)
	(228 783)	(161 121)	(146 727)

The loan from Sallies was provided to the company to fund the company's operations.

7. RESTRICTED INVESTMENTS

Investments consist of units in collective investments and are accounted for at market values:

	2010	Stratus R'000	Glacier R'000	Total R'000
Opening balance		1 330	602	1 932
Additions at cost		600	–	600
Revaluation		219	28	247
Closing balance		2 149	630	2 779

	2009	Stratus R'000	Glacier R'000	Total R'000
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Investments consist of units in collective investments and are accounted for at market values:

Opening balance		1 051	584	1 635
Additions at cost		600	–	600
Revaluation		(321)	18	(303)
Closing balance		1 330	602	1 932

	2008	Stratus R'000	Glacier R'000	Total R'000
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Investments consist of units in collective investments and are accounted for at market values:

Opening balance		568	584	1 152
Additions at cost		483	0	483
Revaluation		0	0	0
Closing balance		1051	584	1 635

	2010	2009	2008
	R'000	R'000	R'000
8. INVENTORIES			
Ore stockpiles (at cost)	3 712	4 066	5 425
Acid grade fluorspar (at cost and net realisable value)	6 632	36 407	14 207
Metallurgical grade fluorspar (at cost)	395	131	247
Consumables (at cost)	17 658	17 722	13 240
	28 397	58 326	33 119

The inventories are unencumbered.

9. TRADE AND OTHER RECEIVABLES

Trade debtors	1 783	4 684	6 313
Prepayments	–	–	2 312
Deposits	800	45	33
Sundry Debtors	503	4 499	2 894
Value added tax	10 313	–	–
	13 399	9 228	11 552

Trade receivables are non-interest bearing and are generally on 30 days.

Please refer to note 24 for details on the company's exposure to credit and currency risk.

10. CASH AND CASH EQUIVALENTS

Cash on hand	3	5	3
Bank balances	24 689	34 798	20 797
Bank overdraft	–	(3 815)	–
	24 692	30 988	20 800
Current assets	24 692	34 803	20 800
Current liabilities	–	(3 815)	–
	24 692	30 988	20,800

Current account bears interest at floating rates based on prime.

11. SHARE CAPITAL AND PREMIUM

Share capital

Authorised 8 000 Ordinary shares of R0.5 each	4	4	4
Issued and fully paid 4 500 Ordinary shares of R0.5 each	2	2	2
Share premium	7 998	7 998	7 998
Total share capital and premium	8 000	8 000	8 000

	Minimum payments			Present value of minimum payments		
	2010 R'000	2009 R'000	2008 R'000	2010 R'000	2009 R'000	2008 R'000
12. FINANCIAL LEASE OBLIGATION						
Minimum lease payments due						
Within 1 year	2 956	4 722	5 857	2 640	4 030	5 857
After 1 year but not greater than 5 years	1 320	4 276	8 999	1 286	3 926	8 999
	4 276	8 998	14 856	3 926	7 956	14 856
Less: Future finance charges	(350)	(1 042)	(2 305)	–	–	(2 305)
Present value of minimum lease payments	3 926	7 956	12 551	3 926	7 956	12 551
Non-current liabilities				1 286	3 926	7 957
Current liabilities				2 640	4 030	4 594
				3 926	7 956	12 551

The net book value of assets secured by lease was R3 079 577 (2009: R7 546 834; 2008: R12 418 514). Interest is charged at various fixed rates.

	2010 R'000	2009 R'000	2008 R'000
13. PROVISION FOR ENVIRONMENTAL REHABILITATION			
Decommissioning obligation			
Balance at 1 July	2 762	2 520	2 407
Unwinding	256	242	113
Balance at 30 June	3 018	2 762	2 520
Rehabilitation provision			
Balance at 1 July	4 703	6 536	4 096
Unwinding	19 168	(1 833)	794
Raised during the year	–	–	1 646
Balance at 30 June	23 871	4 703	6 536
Total	26 889	7 465	9 056
Key assumptions			
Discount rate (risk free rate R153)	7.2%	9.3%	9.3%
Inflation rate (PPI)	9.4%	10.4%	10.4%

Environmental rehabilitation and decommissioning provision

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

The assessment on closure of the mine was based on the MPRDA as well as the relevant regulations and guidelines.

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

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

	2010	2009	2008
	R'000	R'000	R'000
14. TRADE AND OTHER PAYABLES			
Trade creditors	880	8 294	13 085
Accrued leave pay	566	2 692	3 060
Accrued bonus	59	738	551
Workman's compensation, statutory and other employee benefits	1 048	2 052	80
Other	114	201	–
Accrued audit fees	185	272	–
	2 852	14 249	16 776

Please refer to note 24 for details on the company's exposure to risk.

15. REVENUE

Acidspar concentrate less commission paid	47 537	226 453	139 405
Metspar concentrate	8 641	8 045	6 479
Agricultural lime	1 014	538	595
Crushed stone	473	–	–
	57 665	235 036	146 479

16. OPERATING (LOSS)/PROFIT

Operating (loss)/profit for the year is stated after accounting for the following:

Operating lease charges

Equipment

Contractual amounts	258	699	311
(Loss)/Profit on sale of property, plant and equipment	(611)	257	23
Reversal of impairment on loans to group companies	1	4 126	0
Impairment on loans to group companies	–	–	(13 026)
Loss on exchange differences	(690)	(8 898)	(4 387)
Depreciation on property, plant and equipment	(17 806)	(15 431)	(13 523)
Employee costs	(21 802)	(38 751)	(34 896)

17. INVESTMENT INCOME

Interest received

Bank	320	1 084	28
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18. FINANCE COSTS

Interest paid	684	1 496	3 141
Interest raised from SARS	14	–	(1)
Unwinding of decommissioning obligation	2 088	–	–
	2 786	1 496	3 140

19. TAXATION

No provision has been made for tax as the company has no taxable income.

No deferred tax asset has been raised due to the uncertainty around the future availability of taxable income.

	2010	2009	2008
	R'000	R'000	R'000
20. PROFIT/(LOSS) PER SHARE			
Reconciliation of earnings			
Net profit/(loss) attributable to shareholders for basic earnings per share	(105 418)	68 042	(13 887)
Profit/(loss) on disposal of assets (net of tax)	611	(257)	(23)
	(104 807)	67 785	(13 910)
Basic loss			
Undiluted (cents)	(2 342 622.2)	1 512 044.4	(308 600.0)
Diluted (cents)	(2 342 622.2)	1 512 044.4	(308 600.0)
Headline (loss)/profit			
Undiluted (cents)	(2 329 044.4)	1 506 333.3	(309 111.1)
Diluted (cents)	(2 329 044.4)	1 506 333.3	(309 111.1)

21. CASH USED IN OPERATIONS

(Loss)/Profit before taxation	(105 418)	68 042	(13 887)
<i>Adjustments for:</i>			
Depreciation and amortisation	17 806	15 422	13 523
Loss/(Profit) on sale of assets	611	(257)	(23)
Interest received	(320)	(1 084)	(28)
Finance costs	2 786	1 496	3 140
Provision for environmental rehabilitation	19 424	(1 591)	2 553
Revaluation of restricted investments	(247)	303	–
Changes in working capital			
Inventories	29 929	(25 207)	(7 348)
Trade and other receivables	(4 171)	2 324	(1 588)
Trade and other payables	(11 398)	(2 529)	(11 189)
	(50 998)	56 919	(14 847)

22. RELATED PARTIES

Relationships

Holding company	Sallies Limited (“Sallies”)
Subsidiary	Marico Fluorspar Mine (Pty) Ltd
Fellow Subsidiaries	Buffalo Fluorspar (Pty) Ltd Mosega Fluorspar Works (Pty) Ltd

Related party balances

Loan accounts – owing/(to) by related parties

Sallies	(221 253)	(153 587)	(142 589)
Pypklip Mining Holdings (Proprietary) Limited	–	–	(8 822)
Marico Fluorspar Mine (Proprietary) Limited	(7 534)	(7 534)	(7 534)
Mosega Fluorspar Works (Proprietary) Limited	4	4	4
Buffalo Fluorspar Mine (Proprietary) Limited	–	–	12 214

Related party transactions

Sallies – administration fees paid	73 707	–	–
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23. DIRECTORS EMOLUMENTS

Executive

	Emoluments	Allowance and benefits	Share based payments	Total
2010				
For services as a director	681 668	153 240	–	834 908
2009				
For services as a director	921 000	197 499	678 096	1 796 595
2008				
For services as a director	–	2 145 402	207 512	2 352 914

24. RISK MANAGEMENT

Exposure to market, interest rate and credit risk arises in the normal course of the company's business.

Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities.

The company manages its cash position and future outflows on an ongoing basis. The company ensures that it has sufficient cash on demand to meet expected operational expenses and liabilities, as they fall due.

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting arrangements:

	Finance leases	Unsecured loan	Bank overdraft	Trade and other payables
At 30 June 2010				
Carrying amount	(4 276)	(228 787)		(2 852)
Contractual cash flows	(4 276)	(228 787)		(2 852)
Payable within 6 months	–			(2 852)
Payable within 12 months	(2 956)	(228 787)		
Payable within 1 to 2 years	(1 320)			
Payable after 5 years	–			
	Finance leases	Unsecured loan	Bank overdraft	Trade and other payables
At 30 June 2009				
Carrying amount	(8 998)	(161 121)	(3 815)	(14 249)
Contractual cash flows	(8 998)	(161 121)	(3 815)	(14 249)
Payable within 6 months	–	–	–	(14 249)
Payable within 12 months	(4 722)	(161 121)	(3 815)	–
Payable within 1 to 2 years	(4 276)	–	–	–
Payable after 5 years	–	–	–	–

	Finance leases	Unsecured loan	Bank overdraft	Trade and other payables
At 30 June 2008				
Carrying amount	(12 551)	(158 945)	–	(16 776)
Contractual cash flows	(12 551)	(158 945)	–	(16 776)
Payable within 6 months	–	–	–	(16 776)
Payable within 12 months	(5 857)	(158 945)	–	–
Payable within 1 to 2 years	(8 999)	–	–	–
Payable after 5 years	–	–	–	–

Capital management

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

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The company only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a relatively widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount.

At 30 June the group did not consider there to be any significant concentration of credit risk which had not been adequately provided for.

Trade receivables ageing	Gross	Impairment	Gross	Impairment	Gross	Impairment
R'000	2010	2010	2009	2009	2008	2008
Trade receivables ageing						
Not past due	1 783	–	2 555	–	4 559	–
Past due 31 to 60 days	–	–	–	–	1 754	–
Past due 61 to 120 days	–	–	2 129	–	–	–
			2010	2009	2008	
Trade receivables – Listing of major customers						
Customer A			600	2 128	1 829	
Customer B			584	958	1 654	
Customer C			260	542	1 581	
Customer D			225	319	489	
Other			114	737	760	
			1 783	4 684	6 313	

Market risk

The group is highly exposed to the overseas market for acid grade fluorspar as it constitutes the bulk of its sales (75.2% of total sales in 2010, 94.5% in 2009 and 86.1% in 2008). Because the prices in and demand from this market collapsed during Q2 of F2009, both operations were placed on care and maintenance.

Fair value hierarchy

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

	Total R'000	Level 1 R'000	Level 2 R'000	Level 3 R'000
Financial assets at fair value through profit or loss				
At 30 June 2010				
Fixed interest investments	2 778	2 778		
Total	2 778	2 778		
At 30 June 2009				
Fixed interest investments	1 932	1 932		
Total	1 932	1 932		
At 30 June 2010				
Fixed interest investments	1 635	1 635		
Total	1 635	1 635		

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

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

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

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

The valuation techniques used by the company are explained in the accounting policies note 1.2.7. There have been no transfers during the year between Levels 1, 2 and 3.

25. SEGMENTAL REPORTING

Primary reporting format

No primary segmental reporting has been presented as the entity has no primary reportable segments.

Secondary reporting format

Secondary geographical segment information is disclosed as the group's business for the historical financial period in Europe, USA and Asia.

Year ended 30 June 2010

Geographical segment information

	Europe	USA	Asia	Total	Local sales	Total
Revenue 2010						
Acid grade fluorspar	43 349	–	–	43 349	4 188	47 537
Metallurgical grade fluorspar	–	–	–	–	8 641	8 641
Crushed stone	–	–	–	–	473	473
Agricultural lime	–	–	–	–	1 014	1 014
Total	43 349	–	–	43 349	14 316	57 665
Percentage of total	75.2			75.2	24.8	100.0

Year ended 30 June 2009

Geographical segment information

	Europe	USA	Asia	Total	Local sales	Total
Revenue 2009						
Acid grade fluorspar	123 659	97 466	–	221 125	5 327	226 542
Metallurgical grade fluorspar	–	–	–	–	8 045	8 045
Agricultural lime	–	–	–	–	538	538
Total	123 659	97 466	–	221 125	13 910	235 035
Percentage of total	52.6	41.5		94.1	5.9	100.0

Year ended 30 June 2008

Geographical segment information

	Europe	USA	Asia	Total	Local sales	Total
Revenue 2008						
Acid grade fluorspar	101 213	24 905	–	126 118	13 287	139 405
Metallurgical grade fluorspar	6 479	6 479				
Agricultural lime	595	595				
Total	101 213	24 905	–	126 118	20 361	146 479
Percentage of total	69.1	17.0		86.1	13.9	100.0

26. GOING CONCERN

The company made a loss for the year ended 30 June 2010 amounting to R105 418 000 (2009: R68 042 000 profit; 2008: R13 887 000) and as of that date its total liabilities exceeded its total assets by R93 306 (2009: total assets exceeded total liabilities by R12 112 000; 2008: total liabilities exceeded its total assets by R55 930 000).

The ability of the company to continue as a going concern depends on the ability to resume profitable operations when the fluorspar market recovers and the continued support of the holding company. In this regard Sallies Limited has subordinated their loan account in favour of other creditors until such time as the company's assets fairly valued exceeds its liabilities.

Save as disclosed above, there have been no material changes in the nature of the business of Buffalo.

27. POST REPORTING DATE EVENTS

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

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

The Directors are not aware of any other post reporting date events that occurred between the date of authorisation of the annual financial statements and the year end that require any adjustments or additional disclosure to the Historical Financial Information.

28. CONTINGENT LIABILITIES

28.1 South African Revenue Services – income tax

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

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

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

28.2 Eskom power supply

In the event of WFM closing down, the group is contractually bound to reimburse Eskom the costs incurred by them in upgrading an electrical substation. The original cost of R528 460 will be proportionately reduced from the year 2002 to the year 2012. At 30 June 2010, the potential liability is R105 692 (2009: R158 538) (2008: R211 384).

PRICE HISTORY OF SALLIES ORDINARY SHARES ON THE JSE

Set out below is a table showing the aggregate volumes and values traded and the highest and lowest prices traded in Sallies ordinary shares for:

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

TO BE UPDATED

Expressed in Rand	Low (cents)	High (cents)	Volume	Traded value R
Quarterly				
September 2009	17	18	415 290 689	74 355 290
June 2009	26	28	93 091 120	24 318 186
March 2009	32	35	43 699 616	13 530 076
December 2008	38	41	94 809 612	37 013 899
September 2008	68	73	92 385 169	66 416 071
June 2008	64	68	123 399 806	79 721 842
March 2008	54	58	4 316 915	2 460 642
December 2007	47	50	2 495 998	1 223 039
September 2007	59	63	2 882 501	1 758 326
Monthly				
October 2010	9	11	83 184 814	7 485 747
September 2010	10	11	1 516 742	152 579
August 2010	10	11	74 431	8 187
July 2010	11	12	1 307 822	143 382
June 2010	12	13	577 450	71 724
May 2010	13	15	679 165	87 251
April 2010	14	15	557 977	76 549
March 2010	12	15	7 656 154	1 235 568
February 2010	14	16	6 211 452	881 584
January 2010	15	16	2 079 884	315 935
December 2009	12	14	788 910	102 619
November 2009	14	15	1 183 543	166 755
Daily				
*9 December 2010	0	0	0	0
8 December 2010	9	10	4 000	370
7 December 2010	0	0	0	0
6 December 2010	9	10	16 000	1 443
3 December 2010	8	10	211 000	18 604
2 December 2010	0	0	0	0
1 December 2010	7	10	61 400	4 340
30 November 2010	0	0	0	0
29 November 2010	8	10	913 578	73 146
26 November 2010	8	10	13 800	1 162
25 November 2010	10	10	19 000	1 900
24 November 2010	8	10	17 100	1 520
23 November 2010	0	0	0	0
22 November 2010	0	0	0	0
19 November 2010	0	0	0	0

Expressed in Rand	Low (cents)	High (cents)	Volume	Traded value R
18 November 2010	0	0	0	0
17 November 2010	0	0	0	0
16 November 2010	9	10	110 000	10 750
15 November 2010	8	10	23 000	1 900
12 November 2010	8	10	2 250	200
11 November 2010	0	0	0	0
10 November 2010	9	10	147 700	13 328
9 November 2010	7	10	149 625	13 516
8 November 2010	0	0	0	0
5 November 2010	7	10	6 554	511
4 November 2010	9	10	166 009	15 955
3 November 2010	7	10	1 133 800	82 976
2 November 2010	9	10	212 050	19 177
1 November 2010	10	10	500	50
29 October 2010*	8	10	130 635	11 761
28 October 2010	9	10	47 640	4 740

* last practicable date



Sallies Limited

(Incorporated in the Republic of South Africa)
(Registration number 1903/001879/06)
Share code: SAL ISIN: ZAE000022588
JSE code: SALD ISIN: ZAE000117305
("Sallies" or "the Company")

NOTICE OF GENERAL MEETING

Notice is hereby given that a General Meeting will be held at the offices of Meropa Communications, Block 1, Freestone Office Park, 135 Patricia Road, Atholl, Sandton, Johannesburg at 12:00 on Tuesday, 11 January 2011 for purposes of considering and, if deemed fit, passing, with or without modification, the following resolutions:

The definitions commencing on page 9 of this circular to which this notice is attached have, where necessary, been used on this notice of General Meeting and proxy form.

Ordinary resolution number 1

"Resolved that the Transaction agreements dated 23 July 2010 entered into between Sallies and African Renaissance relating to the subscription of 1 581 Witkop ordinary shares of R0.50 each at R54 128.40 per share for a total of R85 577 000 and the acquisition of 260 Buffalo ordinary shares from Sallies at R1.00 per share for a total consideration of R260.00, which agreements have been tabled at the General Meeting, be and are hereby approved."

In terms of the Listings Requirements a simple majority of votes cast by shareholders present or represented by proxy at the General Meeting, other than Jürgen Kögl and his associates, must be cast in favour of ordinary resolution number 1 in order for it to be approved.

Ordinary resolution number 2

"Resolved that the Directors be and are hereby authorised to do all such things and sign all such documents as may be necessary to implement ordinary resolution number 1."

In terms of the Listings Requirements, a simple majority of the votes cast by shareholders present or represented by proxy at the General Meeting, other than African Renaissance and any of its associates, must be cast in favour of ordinary resolution number 2 in order for it to be approved.

VOTING AND PROXIES

1. Only Sallies shareholders holding Sallies ordinary shares are entitled to vote at this meeting.
2. Subject to any rights or restrictions attached to the shares, on a show of hands, every member present in person or by proxy shall have one vote, and on a poll every member shall have that number of vote(s) for each share of which he is the holder as stipulated in section 195 of the Act read with the Company's articles of association.
3. A shareholder entitled to attend, speak and vote at the meeting is entitled to appoint a proxy (who need not be a shareholder of Sallies), to attend, speak and vote in his/her stead.
4. Shareholders that are companies or other bodies corporate may, in terms of section 188(1) of the Act, by resolution of their Directors or other governing body, authorise any person to act as their representative at the meeting.

5. Certificated shareholders and “own name” dematerialised shareholders who are unable to attend the Sallies General Meeting and wish to be represented thereat, must complete the attached form of proxy in accordance with the instructions therein and return it to the relevant transfer secretaries to be received by no later than 12:00 on Friday, 7 January 2011.
6. Holders of dematerialised shares, other than “own-name” dematerialised shareholders, who wish to vote at the General Meeting must instruct their CSDP or broker accordingly. Holders of dematerialised shares, other than own-name dematerialised shareholders, who wish to attend the General Meeting in person need to arrange the necessary letter of representation as soon as possible, through their CSDP or broker, in terms of the agreement existing between them.

By order of the board

R S O’Callaghan
Company Secretary

15 December 2010

Registered office

Block C
Riverwalk Office Park
41 Matroosberg Road
Pretoria, 0081
(Private Bag X1315, Zeerust, 2865)

Transfer secretaries

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



Sallies Limited

(Incorporated in the Republic of South Africa)
(Registration number 1903/001879/06)
Share code: SAL ISIN: ZAE000022588
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FORM OF PROXY

FOR USE BY CERTIFICATED SHAREHOLDERS AND "OWN NAME" DEMATERIALIZED SHAREHOLDERS AT THE GENERAL MEETING OF SALLIES SHAREHOLDERS TO BE HELD AT THE OFFICES OF MEROPA COMMUNICATIONS, BLOCK 1, FREESTONE OFFICE PARK, 135 PATRICIA ROAD, ATHOLL, SANDTON, JOHANNESBURG AT 12:00 ON TUESDAY, 11 JANUARY 2011 ("THE GENERAL MEETING")

I/We (PLEASE PRINT FULL NAMES IN BLOCK CAPITALS)

of (PLEASE PRINT ADDRESS)

being the registered holder(s) of ordinary shares in the capital of the Company hereby appoint:

1. _____ or failing him/her,

2. _____ or failing him/her,

3. the Chairman of the General Meeting as my/our proxy to attend, speak and vote on my/our behalf at the General Meeting to be held at the offices of Meropa Communications, Block 1, Freestone Office Park, 135 Patricia Road, Atholl, Sandton, Johannesburg at 12:00 on Tuesday, 11 January 2011 and at any adjournment thereof, and to vote or to abstain from voting on the resolutions to be proposed at the General Meeting, as follows:

Ordinary resolutions to be proposed at the General Meeting:

	FOR	AGAINST	ABSTAIN
Ordinary resolution number 1 To approve the Transaction.			
Ordinary resolution number 2: To authorise the Directors to do all such things and sign all such documents as may be necessary to implement the Transaction.			

Signed at (place) _____ on this _____ day of _____ 2010/11

Signature of shareholder(s)

Assisted by (where applicable)

Please read the notes and instructions on the reverse hereof.

Notes:

A shareholder entitled to attend and vote at the General Meeting is entitled to appoint a proxy to attend, speak and vote in his/her stead. A proxy need not be a shareholder of Sallies.

Every person present and entitled to vote at the General Meeting as a shareholder or as a proxy or as a representative of a body corporate shall, on a show of hands, have one vote only, irrespective of the number of Sallies shares such person holds or represents, but in the event of a poll, a shareholder will be entitled to one vote per share held.

Please insert the relevant number of Sallies shares and indicate with an "X" in the appropriate spaces, how you wish your votes to be cast. If you return this form of proxy duly signed without any specific directions, the proxy will vote or abstain from voting at his/her discretion.

INSTRUCTIONS ON SIGNING AND LODGING THIS FORM OF PROXY:

1. A deletion of any printed matter and the completion of any blank spaces need not be signed or initialled. Any alteration or correction must be initialled by the authorised signatory/ies.
2. The Chairman shall be entitled to decline to accept the authority of a person signing this form of proxy:
 - (a) under a power of attorney; or
 - (b) on behalf of a group.unless that person's power of attorney or authority is deposited with Computershare Investor Services (Proprietary) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107) no later than 12:00 on Friday, 7 January 2011.
3. You may insert the name of any person(s) whom you wish to appoint as your proxy in the blank space(s) provided for that purpose.
4. When there are joint holders of Sallies shares, any one of the joint shareholders can sign the form of proxy on behalf of the other joint holders.
5. The completion and lodging of this form of proxy will not preclude the shareholder who grants this proxy from attending the General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof should such shareholder wish to do so.
6. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by Computershare Investor Services (Proprietary) Limited or waived by the Chairman of the General Meeting. The Chairman of the General Meeting may reject any form of proxy not completed and/or received in accordance with these notes or instructions with the articles of association of Sallies.
7. Completed forms of proxy must be returned to Computershare Investor Services (Proprietary) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107) to be received by no later than 12:00 on Friday, 7 January 2011.
8. The form of proxy will remain valid for use at any adjourned General Meeting (if relevant) unless withdrawn or replaced.