

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The definitions commencing on page 4 of this circular have, where necessary, been used on this front cover.

Action required

If you are in any doubt as to the action you should take, please consult the sponsor, your CSDP, broker, attorney, accountant, banker or other professional advisor immediately. If you have disposed of all your shares in Sallies, this document should be handed to the purchaser of such shares or the broker or other agent through whom the disposal was effected.

Shareholders who have not dematerialised their shares and own name dematerialised shareholders who are unable to attend the Sallies general meeting to be held at Summer Place, 69 Melville Road, Hyde Park, Johannesburg, 2196 at 11:30 on 14 August 2009 and wish to be represented thereat, must complete the attached form of proxy in accordance with the instructions therein and return it to Computershare Investor Services (Pty) Limited to be received by no later than 11:30 on 12 August 2009.

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.



SALLIES LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 1903/001879/06)

Share code: SAL ISIN: ZAE000022588

("the company" or "Sallies")

CIRCULAR TO SALLIES SHAREHOLDERS

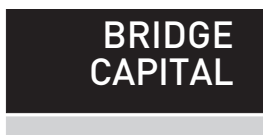
regarding

- the approval of new terms relating to the issue of options to acquire Sallies shares to each of Messrs Dale and Blersch, executive directors of the company;
- the adoption of new articles of association by Sallies;
- a general authority to repurchase ordinary shares and convertibles debentures in accordance with section 85 of the Companies Act;

and incorporating

- a notice of general meeting of shareholders; and
- a form of proxy (blue) (to be completed only by certificated shareholders and dematerialised shareholders with "own name" registration).

Sponsor and independent
professional expert



Attorneys



BRINK COHEN LE ROUX

Reporting accountants



BDO Spencer Steward
Chartered Accountants

The directors of Sallies, whose names are set out on page 6 of this circular, collectively and individually, accept 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.

Copies of this circular are available in English only and may be obtained during normal business hours from the registered office of the company, the offices of the sponsor and the transfer secretaries, the addresses of which are set out in the "Corporate Information" section of this circular.

Date of issue: 22 July 2009

CORPORATE INFORMATION

Sponsor and independent professional expert

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

Reporting accountants

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

Company secretary

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

Registered office

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

Transfer secretaries

Computershare Investor Services (Pty) Limited
(Registration number 2004/003647/07)
70 Marshall Street
Johannesburg, 2001
(PO Box 61051, Marshalltown, 2107)

Attorneys

Brink Cohen Le Roux Inc.
(Registration number 1993/004501/21)
BCLR Place
85 Central Street
Houghton, 2198
(PO Box 2404, Houghton, 2041)

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IMPORTANT DATES AND TIMES

2009

Circular and notice of general meeting posted to shareholders on	Wednesday, 22 July
Last day for receipt of proxies in respect of general meeting at 11:30 on	Wednesday, 12 August
General meeting of shareholders at 11:30 on	Friday, 14 August
Results of general meeting released on SENS on	Friday, 14 August

Notes:

1. The definitions commencing on page 4 of this circular apply to the important dates and times.
2. The above-mentioned dates and times are subject to change. Any such change will be released on SENS and published in the press.

INTERPRETATION AND DEFINITIONS

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

“the Act”	the South African Companies Act, 1973, as amended or substituted by the South African Companies Act, 2008, once it comes into force;
“additional issue to Dale and Blersch”	the issue of options to each of Dale and Blersch to subscribe for 4 504 505 convertible debentures at a strike price of 50 cents per convertible debenture which was, due to an editorial oversight, not voted on at a general meeting of shareholders held on 27 February 2008, and which the board, on 13 May 2009, has replaced with options to each of Dale and Blersch to subscribe for 4 504 505 ordinary shares at a strike price of 50 cents per ordinary share;
“Blersch”	Johann Blersch, Financial Director of Sallies;
“board of directors” or “directors” or “board”	the board of directors of Sallies whose names are reflected on page 6 of this circular;
“Bridge Capital” or “sponsor” or “independent professional expert”	Bridge Capital Advisors (Pty) Limited (registration number 1998/016302/07), a private company incorporated in South Africa, acting as sponsor pursuant to the Listings Requirements;
“Buffalo Fluorspar”	Buffalo Fluorspar Mine (Pty) Limited (registration number 2006/016554/07), a private company incorporated in South Africa which is a wholly owned subsidiary of Sallies;
“certificated shareholders”	Sallies shareholders who have not surrendered their share certificates in respect of their Sallies shares for dematerialisation;
“circular”	this circular dated 22 July 2009, including all the annexures, the notice of general meeting and the form of proxy;
“common monetary area”	South Africa, the Republic of Namibia and the Kingdoms of Swaziland and Lesotho;
“convertible debentures”	unsubordinated unsecured convertible debentures in Sallies with a nominal value of R0.50;
“CSDP”	Central Securities Depository Participant accepted as a participant in terms of the Securities Services Act, 2004, and appointed by the individual shareholder for purposes of and in regard to, dematerialisation;
“Dale”	Thomas Graham Dale, Chief Executive Officer of Sallies;
“dematerialisation”	the process by which certificated shares are converted to an electronic form as uncertificated shares and recorded in the sub-register of shareholders maintained by a CSDP;
“dematerialised shareholders”	Sallies shareholders who hold Sallies shares which have been converted to an electronic form and are recorded in the sub-register of Sallies shareholders maintained by a CSDP;
“Exchange Control Regulations”	the Exchange Control Regulations, promulgated in terms of section 9 of the Currency and Exchanges Act, 1933, as amended;

“the first tranche”	the award of options to each of Dale and Blersch, on 18 April 2007, to acquire 1.5% of the shares in the issued share capital of Sallies on a fully diluted basis, and 1.5% of the shares to be allotted and issued in terms of any rights offer or capitalisation issue;
“general meeting”	the general meeting of Sallies shareholders to be held at 11:30 on Friday, 14 August 2009 at Summer Place, 69 Melville Road, Hyde Park, Johannesburg, 2196;
“issue to Dale and Blersch”	the issue of options to each of Dale and Blersch to subscribe for 18 768 774 ordinary shares at a strike price of 60 cents per ordinary share (an aggregation of the first tranche and the second tranche) approved by shareholders at a general meeting held on 27 February 2008;
“JSE”	the JSE Limited (registration number 2005/022939/06), a public company incorporated in South Africa and licensed as an exchange under the Securities Services Act, 2004;
“last practicable date”	the last practicable date prior to the finalisation of this circular, being 15 July 2009;
“Listings Requirements”	the Listings Requirements of the JSE;
“Reporting Accountants”	BDO Spencer Steward;
“Sallies” or “the company” or “the group”	Sallies Limited (registration number 1903/001879/06), a public company incorporated in South Africa whose shares are listed on the JSE;
“Sallies shareholders” or “the shareholders”	the registered holders of Sallies shares from time to time;
“Sallies shares” or “ordinary shares” or “shares”	ordinary shares with a par value of 0.1 cent each in the issued share capital of Sallies;
“SARS”	South African Revenue Service;
“the second tranche”	the award of options to each of Dale and Blersch, during September 2007, to acquire options over 9,400,000 shares;
“SENS”	Securities Exchange News Service of the JSE;
“Solvadis”	Solvadis GmbH, a company incorporated in Germany;
“South Africa”	The Republic of South Africa;
“SRP”	the Securities Regulation Panel, established in terms of section 440B of the Companies Act;
“SRP Code”	the Securities Regulation Code on Take-overs and Mergers and the Rules of the SRP, issued pursuant to the Companies Act;
“transfer secretaries”	Computershare Investor Services (Pty) Limited (registration number 2004/003647/07), a private company incorporated in South Africa; and
“Witkop Fluorspar”	Witkop Fluorspar Mine (Pty) Limited (registration number 1972/006392/07), a private company incorporated in South Africa which is a wholly-owned subsidiary of Sallies.



SALLIES LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 1903/001879/06)

Share code: SAL ISIN: ZAE000022588

("the company" or "Sallies")

Directors

Non-executive

Dr F J P Roux[^] (*Chairman*)

B C Esterhuyzen[^]

D G J Kerrison[^]

J Kögl[^]

S Swana[^]

[^]Independent

Executive

T G Dale (*Chief Executive Officer*)

J Blersch (*Financial Director*)

CIRCULAR TO SHAREHOLDERS

1. OPTIONS AWARDED TO DALE AND BLERSCH

1.1 Background

During February 2007, Dale and Blersch were approached to join the board of directors of Sallies in the capacity of non-executive chairman and non-executive director respectively, following the resignation of three members of the board during January and February 2007. At the time of their appointment, Dale and Blersch had no association with Sallies and Sallies had reported after tax losses totalling R85 million over the prior three financial reporting periods. At the time of the approach to Dale and Blersch, Sallies was still incurring losses as is reflected in the reported loss of R42 million for the year ended 30 June 2007.

On 18 April 2007, the Sallies board awarded each of Dale and Blersch an option for the purchase of 1.5% of the shares in the issued share capital of Sallies on a fully diluted basis, and 1.5% of the shares to be allotted and issued in terms of any rights offer or capitalisation issue ("the first tranche"). The options would be exercisable as to one-third on 31 December of each of 2007, 2008 and 2009. The strike price was to be agreed by the major stakeholders. Further, the strike price of options on rights offers would be the price at which the rights offer shares would be issued.

When the major shareholders, with the concurrence of the board of Sallies, requested during September 2007 that Dale and Blersch become executive directors of Sallies, each of Dale and Blersch were awarded additional options over 9,400,000 shares ("the second tranche"). Furthermore, the first tranche and the second tranche (collectively "the issue to Dale and Blersch"), representing options to Dale and Blersch to acquire 18 768 774 shares each had the strike price in relation to each option set above the average price at which Sallies shares traded on the JSE during October 2007 (the average share price was 56.65 cents and the strike price was set at 60 cents). These options would be exercisable on or after 31 August 2008 (as to two thirds) and, subject to Dale or Blersch, as the case may be, still remaining a consultant or in the employ of Sallies at the following exercise dates, on or after 31 December 2008 (as to five sixths) and on or after 31 December 2009 (as to all the Sallies shares forming the subject matter of the options).

The granting of the issue to Dale and Blersch was voted upon by shareholders at the AGM held on the 27 February 2008 and was approved by the requisite majority. It was however evidenced after this approval that shareholders were not provided with the required disclosure as defined in the Listings Requirements. Specifically, a fairness opinion for the granting of the issue to Dale and Blersch was required. The additional disclosure as required by the Listings Requirements has been incorporated into this circular.

Due to an editorial oversight, the resolution passed by shareholders approving the terms of the issue to Dale and Blersch, on 27 February 2008, did not detail that in the event that the company implemented a rights offer, Dale and Blersch would be awarded additional options to acquire an additional number of securities as would have been offered to each of Dale and Blersch in terms of such rights offer, if they had been the registered holders of the shares forming the subject matter of the options previously granted to each of them, at a price equal to the rights offer price. The directors of Sallies propose an amendment to the terms of the issue to Dale and Blersch to correct this oversight.

As a consequence, in terms of a rights offer of convertible debentures made to Sallies' shareholders in May 2008, the intention to award additional options to each of Dale and Blersch to acquire 4 504 505 convertible debentures at a strike price of 50 cents was not approved by shareholders.

On 13 May 2009 the board of directors amended the terms of the issue to Dale and Blersch as set out in paragraph 1.2. The purpose of ordinary resolution 1 in the notice of general meeting incorporated in this circular is to approve the new terms relating to the issue of options to acquire Sallies shares to each of Messrs Dale and Blersch.

1.2 Amended terms of the issue to Dale and Blersch

The following terms were approved by the board of directors on 13 May 2009 in relation to the issue to Dale and Blersch:

- 1.2.1** The options awarded to each of Dale and Blersch to acquire 4 504 505 convertible debentures exercisable at a strike price of 50 cents per convertible debenture, which has to date not been approved by shareholders in general meeting, is replaced by options to each of Dale and Blersch to acquire 4 504 505 Sallies ordinary shares at a strike price of 50 cents per ordinary share (representing a premium to the current share price) (the additional issue to Dale and Blersch);
- 1.2.2** The options over 18 768 774 ordinary shares awarded to each of Dale and Blersch remain exercisable at a strike price of 60 cents per share (the issue to Dale and Blersch);
- 1.2.3** All options to each of Dale and Blersch are exercisable immediately;
- 1.2.4** All of the options must be exercised on or before the later of:
- 5 years commencing on the date of the amended terms relating to the options being approved by shareholders in general meeting; or
 - 2 years following the date on which Dale or Blersch leaves the employ or ceases to act as a consultant to the company.
- 1.2.5** In the event that the company implements a rights offer, then the directors shall include in the outstanding options (unexercised options) held by Dale and/or Blersch, a further option to acquire such additional number of equity instruments as would have been offered to Dale and/or Blersch in terms of such rights offer, if Dale and/or Blersch had been the registered holder of the equity instruments forming the subject matter of the options previously granted to each of them, at a price equal to the rights offer price thereof. Furthermore, if such rights offer is in respect of an instrument convertible into ordinary shares then each of Dale and/or Blersch shall be granted options to acquire an equivalent number of ordinary shares and not options to acquire convertible instruments forming the subject of such rights offer; and
- 1.2.6** All or any of the options may be exercised immediately by Dale and/or Blersch if at any time whilst any option remains unexercised there is a "change in control" in Sallies (within the meaning of the SRP Code).

1.3 Compliance with JSE requirements

In compliance with paragraph 5.51 of the Listings Requirements, the directors confirm that the options to subscribe for ordinary shares in terms of the issue to Dale and Blersch and the additional issue to Dale and Blersch:

- represent options to purchase shares of a class already in issue;
- will be made to persons not deemed to be public shareholders;
- will not exceed 23 273 279 options to each of Dale and Blersch;
- may have an unlimited discount, i.e. the discount if any, will be determined when the options are exercised; and
- in terms of the Listings Requirements, the issue of options to Dale and Blersch and the additional issue to Dale and Blersch constitute issues to related parties. Therefore, fairness opinions are required by an independent professional expert stating whether the issue to Dale and Blersch and the additional issue to Dale and Blersch are fair to shareholders (Refer to Annexures 3 and 4).

1.4 Consequence of the amendments to the terms of the issue to Dale and Blersch

1.4.1 Each of Dale and Blersch shall be awarded options to acquire an additional 4 504 505 ordinary shares at a strike price of 50 cents in lieu of options to acquire convertible debentures at a strike price of 50 cents, which to date has not been approved by shareholders (the additional issue);

1.4.2 All options awarded in terms of the issue to Dale and Blersch as well as the additional issue to Dale and Blersch are exercisable immediately. Previously the options were exercisable cumulatively, as to two thirds on or after 31 August 2008, as to five sixths on or after 31 December 2008 and, subject to Dale and/or Blersch, as the case may be, still remaining a consultant or in the employ of Sallies as to all the options on or after 31 December 2009; and

1.4.3 All options awarded in terms of the issue to Dale and Blersch as well as the additional issue must be exercised on or before the later of:

- 5 years commencing on the date of the amended terms relating to the options being approved by shareholders in general meeting; or
- 2 years following the date on which Dale or Blersch leaves the employ or fails to remain a consultant of the Company.

Previously the options had to be exercisable prior to 27 February 2018.

2. PRO FORMA FINANCIAL INFORMATION

2.1 Financial effects of the issue

The unaudited *pro forma* financial effects of the issue, as set out below, are based on Sallies' results for the six months ended 31 December 2008. The unaudited *pro forma* financial effects are presented for illustrative purposes only, to provide information on the impact of the issue of options as detailed in this circular. Due to the nature of the unaudited *pro forma* financial effects, they may not give a fair representation of Sallies' financial position and the results of its operations after the issue of options as detailed in this circular. The directors of Sallies are responsible for the preparation of the unaudited *pro forma* financial information.

	Reviewed for the six months ended 31 December 2008 ⁽¹⁾	Adjusted reviewed results ⁽²⁾	After revised issue to Dale & Blersch ⁽³⁾	Change (%)	After additional issue to Dale & Blersch ⁽⁴⁾	Change (%)	After combined issue	Change (%)
Loss per share (cents)	(9.63)	(8.87)	(9.10)	(2.7%)	(8.94)	(0.8%)	(9.22)	(4.0%)
Diluted loss per share (cents)	(9.63)	(8.87)	(9.10)	(2.7%)	(8.94)	(0.8%)	(9.22)	(4.0%)
Headline earnings per share (cents)	1.02	1.78	1.55	(13.2%)	1.71	(4.2%)	1.43	(20.0%)
Diluted headline earnings per share (cents)	1.02	1.78	1.55	(13.2%)	1.71	(4.2%)	1.43	(20.0%)
Net asset value per share (cents)	13.85	13.85	13.85	0.0%	13.85	0.0%	13.80	(0.3%)
Net tangible asset value per share (cents)	12.26	12.26	12.26	0.0%	12.26	0.0%	12.22	(0.4%)
Total number of shares in issue ('000)	642 220	642 220	642 220		642 220		642 220	
Weighted average number of ordinary shares ('000)	639 255	639 255	639 255		639 255		639 255	
Diluted weighted average number of ordinary shares ('000)	639 255	639 255	639 255		639 255		639 255	

Notes:

1. Extracted from the reviewed financial statements of Sallies for the six months ended 31 December 2008.
2. Reversal of share-based payment expenditure recognised in the reviewed financial statements for the six months ended 31 December 2008. The expense includes the following:
 - a. R5.205 million relating to the issue to each of Dale and Blersch to acquire 18 768 774 ordinary share options, approved by shareholders at the company's annual general meeting held on 27 February 2008; and
 - b. R0.295 million reduction relating to the issue of 4 504 505 options to each of Dale and Blersch to acquire convertible debentures subject to shareholder approval due to the estimated reduction in value of these options *1.
- *1 In accordance with IFRS 2 share-based payment expenditure should be recognised over the period that the service is rendered. Due to shareholder approval not yet obtained for the grant, the company estimated the grant date fair value of the equity in order for the purpose of recording an income statement charge for the services received prior to the grant date. Once the date of grant has been established, the company will adjust the expense so that it is based on the grant date fair value. Grant date is the date that the company and option recipient have a shared understanding of the terms and conditions of the arrangement and all required approvals have been obtained.
3. The share-based payment expense in relation to the revised issue to Dale and Blersch assumes the following:
 - a. 18 768 774 share options issued to each of Dale and Blersch, at an option cost of 4 cents per option resulting in a total cost of R1.503 million (Options were valued at 22 June 2009); and
 - b. Cumulatively up to 31 December 2008 an expense amounting to R12.887 million has already been recognised in the accounting records of the company.
4. The share-base payment expenditure in relation to the additional issue to Dale and Blersch assumes the following:
 - a. 4 504 505 options to each of Dale and Blersch, at an option cost of 5.3 cents per option resulting in a total cost of R0.48 million (Options were valued at 22 June 2009);
 - b. The actual option expense will finally be determined based on assumptions applying on the date shareholder approval is obtained; and
 - c. Cumulatively up to 31 December 2008 an expense amounting to R0.939 million has already been recognised in the accounting records of the company.
5. The option expense is carried on the balance sheet as a share-based payment reserve under the equity portion of the balance sheet.
6. Expenses totalling R290 815 relating to the issue of options as detailed in this circular have been accounted for.

2.2 **Pro forma financial information**

The *pro forma* income statement and balance sheet of Sallies after the issue of options detailed in this circular, as set out in Annexure 1, are based on the reviewed results of Sallies for the six months ended 31 December 2008. The unaudited *pro forma* income statement and balance sheet are presented for illustrative purposes only, to provide information on how the issue of options as detailed in this circular may have impacted on the results and financial position of Sallies. The unaudited *pro forma* income statement and balance sheet are the responsibility of Sallies' directors. Due to the nature of the unaudited *pro forma* financial information, they may not fairly present Sallies' financial position. The *pro forma* financial information has been presented in a manner consistent with the format and accounting policies applied consistently throughout the period.

3. **NATURE OF THE BUSINESS**

Sallies was incorporated in 1903 as The South African Land and Exploration Company Limited and has been listed since 1904 in the mining sector of what is now the JSE Limited. Following the acquisition on 1 July 1999 of Witkop Fluorspar, the owner of a fluorspar mine near Zeerust in the Northwest Province of South Africa, Sallies' predominant business has been the production and marketing of acid grade fluorspar ("acidspars"). Buffalo Fluorspar, a fluorspar tailings retreatment operation located near Mookgopong in Limpopo Province of South Africa which also produces acidspars, was acquired during August 2006.

Witkop Fluorspar also produces small quantities of metallurgical grade fluorspar and agricultural lime for the local market as by-products.

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

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

Buffalo Fluorspar was mothballed during October 2008 due to low demand for its acidspars, but work has been ongoing to reduce the phosphorous content of its acidspars, and to secure additional supplies of raw material.

Sallies announced on 26 June 2009 that Witkop Fluorspar would be entering into statutory consultations with its employees and their representative unions with regard to contemplated retrenchments and stated that it seemed probable that Witkop Fluorspar would thereafter be mothballed until the international market for acidspars recovers.

4. **PROSPECTS**

The following is the SENS announcement published by Sallies on 26 June 2009:

In the " Outlook " section of the release of the reviewed consolidated results for Sallies Limited for the six months ended 31st December 2008, it was stated that the future of the company was closely aligned to that of the world economy. It was further stated that management was determined to protect its hard won cash resources and would consider production cutbacks and mothballing at Witkop. This strategy is designed to maximise the timeframe over which both Witkop and Buffalo could survive the world recession and still be able to exploit a market turnaround.

Many international acid grade fluorspar consumers have been de-stocking since November 2008 and since their current production levels are a fraction of those before October 2008, they still maintain sufficient stocks to continue operations. As a result, new demand for acid grade fluorspar has collapsed and despite concerted efforts by management and its marketing agent, Witkop has been unable to secure future orders.

Because the fixed component of costs in mining businesses in general is high, a cutback of production normally results in escalation of unit costs. This has been confirmed in the specific case of Witkop by in depth analyses, and thus a reduction of output as opposed to a suspension of production does not appear to be a viable option for Witkop.

As a result of these combined circumstances, the Directors of Sallies have decided to give notice to employees and their representative unions, that the company wishes to initiate the 60 day consultation period prescribed by The Labour Relations Act, 1995, with regard to contemplated retrenchments, with effect from Monday 29 June 2009.

Since the company has produced sufficient fluorspar to honour its contracts until the end of calendar 2009, there appears to be no other viable option but for production to be suspended with immediate effect in order to conserve cash. This decision will not prejudice either the consultation process or the financial obligations of the company to its employees and creditors. Once the company has consulted with its employees and their representatives, it seems probable that Witkop will be mothballed until the market recovers.

This regrettable development comes at a time when future operating prospects were improving. The recently acquired exploration rig at Witkop is providing management with invaluable information for ore reserve management which, together with the significant improvements in the standards of operations in the pits and at the plant, has resulted in recent production levels at all time highs. The promising work on phosphorous reduction and alternative sources of feed at Buffalo will continue and when the international market for acid grade fluorspar recovers, Sallies will be able to re-start either or both operations to exploit the market position it has recently created.

In the interim, management is actively pursuing opportunities for corporate activity precipitated by the world recession.

5. REPLACEMENT OF THE ARTICLES OF ASSOCIATION

The company proposes to replace its articles of association with an entirely revised set of articles to ensure compliance with the latest amendments to the Companies Act and the Listings Requirements. It was deemed preferable to adopt an entirely new set of articles, as opposed to amending the existing articles of association. The principle changes as a result of adopting the new set of articles of association are detailed below:

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

- a new article has been inserted to facilitate and provide for electronic communication;
- the articles now provide for scrip dividends to be paid in lieu of cash dividends and to provide for other cash payments to members in lieu of dividends in line with the recently abolished capital maintenance rule;
- a new article provides for a forfeiture of dividends after a three year period, as required in terms of the Listings Requirements; and
- new articles have been inserted to provide for the repurchase of share capital contemplated in section 85 to 90 of the Companies Act.

6. DIRECTORS AND MANAGEMENT

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

Full name and age	Business address	Function and Brief CV
Dr Fred Roux (61)	Quaggasfontein, Colesberg	Chairman Fred has a BSc, MSc and PhD in engineering from UCT and an MBA from Cranfield (UK). He has held executive directorships in Rustenburg Platinum Mines (now Amplats) and Gencor (now BHP-Billiton) and a non-executive directorship in Xstrata. He was appointed as non-executive chairman of Impala in 2004, a position which he still holds.
Tom Dale (59)	Buffelskloof, 511 IQ, Potchefstroom	Chief Executive Officer Tom is a former managing director of Gold Fields Limited and of Gengold, the gold division of Gencor (now BHP-Billiton). In addition to gold mining experience in South Africa, he has executive experience in local coal and granite operations. He was also CEO of a substantial copper and cobalt group in Zambia. He holds a BSc (Honours) Mining Engineering degree from the University of Newcastle upon Tyne and an MBA from the University of the Witwatersrand.
Johann Blersch (67)	5, 14th Avenue, Houghton Estate	Financial Director Johann has some 40 years' experience in corporate finance and stockbroking in South Africa. During his career he was the chief executive of 3 major South African stock brokerages. He is a chartered accountant and holds a BComm degree from the University of Stellenbosch and an MBA from the University of Cape Town. He has also attended the Stanford Executive Programme.
Barney Esterhuyzen (49)	1 Thibault Square, Long Street, Cape Town	Non-executive director Barney is an advocate and entrepreneur. He has chaired and served as director on many boards, including the JSE listed SAIL Group Limited for which he was Executive Chairman until 2003. He is currently the Executive Chairman of Luna Group (Pty) Ltd.
Dennis Kerrison (65)	201 Palgrave, Manna Residential, West Quay Road, Waterfront, Cape Town	Non-executive director Dennis (FRSA) is a chemist by profession. He served as Group Corporate Development Director at RTZ Chemicals, Vice President of Performance Chemicals, Chief Executive of Hickson International plc, Vice President of Great Lakes and retired as President and Chief Executive of Octel Corporation.

Full name and age	Business address	Function and Brief CV
Jürgen Kögl (43)	39 Jan Smuts Avenue, Parktown, Johannesburg	Non-executive director Jürgen is a director of African Renaissance Investments (Pty) Limited, the Black Economic Empowerment partner of Sallies. He has experience in heavy engineering, financial markets and strategic consultancy. He holds degrees in Civil Engineering and Economic History from the University of Cape Town.
Sandile Swana (41)	Building 3, Visiomed Office Park, Northcliff, Johannesburg	Non-executive director Sandile has a BTh (Unisa), BCom (Hons) (Unisa) and an MBA (UP). He has played senior managerial roles in Anglo American, The New York Times, Caltex Oil and The Don Suite Hotels, and holds non-executive directorships in several JSE listed companies. He lectures part time at the Wits Business School.
Casper Hendrik Badenhorst (41)	Witkop Fluorspar Mine Farm Wintershoek Zeerust	Director of Witkop Fluorspar Mine (Pty) Limited Casper rejoined Sallies in October 2007 as General Manager of the Witkop Fluorspar Mine. Casper has 15 years experience in geology and mining of which 4 1/2 years were at Witkop, initially as geologist and later as mineral resources manager. He holds a degree in geology B-Tech from Pretoria Technikon and a diploma in Mineral Resources Management obtained at Bloemfontein University and is registered as a Pr.Sci.Nat.

All of the directors are South African with the exception of Dennis Kerrison, who is British.

7. DIRECTORS' INTERESTS IN TRANSACTIONS

Other than the issue of options to Dale and Blersch detailed in this circular, no directors have interests or have had any interest in transactions in the current and/or preceding financial year or during an earlier financial year and remain in any respect outstanding or unperformed. Further, no remuneration receivable by any directors of Sallies will be varied as a consequence of the issue of options detailed in this circular.

8. DIRECTORS' INTEREST IN SECURITIES

At the last practicable date, the following directors held Sallies shares:

Director	Number of shares held		Percentage
	Direct beneficial	Indirect beneficial	
B C Esterhuyzen	–	63 000	< 0.1%
D J G Kerrison		700 000	0.1%

There has been no change in directors' shareholdings between the preceding financial year and the last practicable date.

9. MATERIAL CHANGE

There has been no material change, other than as detailed in paragraph 4, in the financial or trading position of Sallies and its subsidiaries that has occurred since the interim results were published on 31 December 2008.

10. SHARE CAPITAL OF SALLIES

The authorised and issued share capital of Sallies on the last practicable date is set out below:

	R'000
Authorised	
1 000 000 000 ordinary par value shares of 0.1 cents each	1 000
Issued	
642 220 007 ordinary par value shares of 0.1 cent each	642
Share premium	301 248

The authorised and issued share capital of Sallies will be unaffected as a result of the issue of options to Dale and Blersch.

11. MARKET VALUE OF SECURITIES

Set out in Annexure 5 to the circular is a table showing the aggregated volumes, the highest prices traded, the lowest prices traded and the aggregated value traded for:

- each month over the 12 months prior to the last practicable date;
- each quarter over the 24 months prior to the last practicable date; and
- each day over the 30 days preceding the last practicable date.

12. MAJOR SHAREHOLDERS

The shareholders, other than directors, who are directly or indirectly beneficially interested in 5% or more of the issued share capital of Sallies at the last practicable date are as follows:

Name of shareholder	Number of shares held (millions)	Percentage of issued share capital (%)
Firebird Global Master Fund	158.9	24.8
Pershing Securities & Pershing Llc	76.5	11.9
C H Wiese	52.6	8.2

13. PRELIMINARY EXPENSES

The estimated expenses of the issue of options as detailed in this circular, exclusive of Value-Added Tax, are as follows:

	Rand
Printing, publication, distribution and advertising expenses	R50 000
JSE documentation fees	R14 630
Sponsor – Bridge Capital Advisors (Pty) Limited	R50 000
Independent professional expert – Bridge Capital Advisors (Pty) Limited	R125 000
Reporting accountants – BDO Spencer Steward	R25 000
Attorneys – Brink Cohen Le Roux Inc.	R26 185
Estimated total	R290 815

14. CONTINGENT LIABILITIES

14.1 Eskom power supply

In the event of Witkop Fluorspar closing down, the company is contractually bound to reimburse Eskom the costs incurred by them in upgrading an electrical substation. The liability is approximately R158 000.

14.2 Suretyship

The company has provided an unlimited suretyship to the bankers of Witkop Fluorspar and Buffalo Fluorspar. The directors do not expect any losses under this agreement.

14.3 South African Revenue Services

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

If Witkop Fluorspar is successful in the disputes, provisional payments amounting to R6.7 million (excluding interest) will be refunded to the company. If unsuccessful in all of the disputes, the total amount payable by the group will amount to approximately R0.7 million (excluding interest). Taxation pre-paid amounting to R2 789 000 is currently carried in the consolidated balance sheet of Sallies. Dependent upon the outcome of the dispute, there could be a material effect on the position of Sallies.

15. SUBSEQUENT EVENTS

15.1 Honeywell

Sallies and Witkop claimed an amount of USD1 067 327 from Honeywell International Inc ("Honeywell") for payment of materials delivered to Honeywell as well as an amount for under payments made by Honeywell for materials delivered to Honeywell and Honeywell claimed an amount of USD6 847 305 from Sallies and Witkop for damages as a result of breach of contract.

On 3 April 2009, the International Chamber of Commerce International Court of Arbitration ("the Arbitral Tribunal") ruled that:

- Sallies and its subsidiary, Witkop Fluorspar to pay to Honeywell an amount totalling USD1 243 824 plus interest at 5 percent per annum since 19 January 2006 until full payment;
- to dismiss the counterclaim of USD3 095 119 by Sallies and Witkop Fluorspar; and
- each party to bear its own legal and other costs.

("the Award")

The interest to 30 June 2009 amounted to USD 214 176. Sallies accounted for its own expense in relation to the proceedings as these were incurred. Provision will be made for the Award in the financial statements of Sallies for the year ended 30 June 2009.

On 19 May 2009, Sallies and Witkop Fluorspar requested the Federal Supreme Court of Switzerland to:

- set aside the Award which would have the effect that the case would be sent back to the Arbitral Tribunal for assessment; and
- instruct the Arbitral Tribunal to reject Honeywell's claim and approve the counterclaim of Sallies and Witkop Fluorspar.

15.2 Solvadis

Solvadis was appointed as the European fluorspar agents for Witkop Fluorspar on 1 November 1999 and for Buffalo Fluorspar on 29 September 2006. The agencies were terminated with effect from 31 December 2008 by giving a notice period of 12 months as required in the respective agreements.

In December 2008, Solvadis advised Sallies that it would be claiming compensation from Witkop Fluorspar and Buffalo Fluorspar for the termination of the agreements in terms of the Swiss Code of Obligations and withheld USD500 000 from a customer's payment to Witkop Fluorspar.

Solvadis has since quantified their claim at USD424 890. The claim is being contested by Sallies and no provision has been made to date in the financial statements of Sallies.

15.3 Mothballing of Witkop Fluorspar

Attention is drawn to the SENS announcement published by Sallies on 26 June 2009, which is set out in paragraph 4 above.

15.4 Other events

The directors are not aware of any other post balance sheet events that occurred between the year end and the last practicable date that require any adjustments or additional disclosure in this circular.

16. MATERIAL CONTRACTS

Other than the issue of options to Dale and Blersch there have been no material contracts that have been entered into in the current year or prior two year periods or entered into at any time and containing an obligation or settlement that is material to Sallies.

17. OPINIONS AND RECOMMENDATIONS

The directors have considered the amendments to the terms of the issue to Dale and Blersch and are of the unanimous opinion that it is in the interests of the company and its shareholders. All directors who are entitled to vote at the general meeting intend to vote in favour of the special and ordinary resolutions to be proposed thereat. Furthermore, the board have been advised by the independent professional expert that the terms of the issue to Dale and Blersch as well as the revised terms of the issue to Dale and Blersch, including the additional issue to Dale and Blesch, are fair to the shareholders of Sallies excluding the related parties. Annexure 3, the fairness opinion in relation to the issue to Dale and Blersch, has been provided as it was not disclosed to shareholders at the time the issue to Dale and Blersch was approved. The fairness opinion in Annexure 4 covers the revised terms of the issue to Dale and Blersch including the additional issue to Dale and Blersch.

18. EXCHANGE CONTROL REGULATIONS

The following summary is intended as a guide and is therefore not comprehensive. If you are in any doubt regarding the Exchange Control Regulations, please consult your professional advisor.

Emigrants from the common monetary area

- Any shares issued pursuant to the use of emigrant blocked funds, will be credited to their blocked share accounts at the CSDP controlling their blocked portfolios;
- Shares subsequently rematerialised and issued in certificated form, will be endorsed "Non-Resident" and will be sent to the authorised dealer in foreign exchange through whom the payment was made; and
- If applicable, refund monies payable in respect to unsuccessful applications, or partly successful applications, as the case may be, for shares in terms of this circular, emanating from emigrant blocked accounts, will be returned to the authorised dealer in foreign exchange through whom the payments were made, for credit to such applicant's blocked accounts.

Applicants resident outside the common monetary area

- A person who is not resident in the common monetary area should obtain advice as to whether any governmental and/or other legal consent is required and/or whether any formality must be observed to enable an issue of shares to be made in terms of the specific issue;
- This circular is not an offer in any area or jurisdiction in which it is illegal to make such an offer. In such circumstances, this circular has been sent for information purposes only; and

- Applicants that are resident outside the common monetary area should note that, where shares are subsequently rematerialised and issued in certificated form, such share certificates will be endorsed "Non-Resident" in terms of the Exchange Control Regulations.

19. NOTICE OF GENERAL MEETING

A general meeting of Sallies shareholders has been convened to be held at Summer Place, 69 Melville Road, Hyde Park, Johannesburg, 2196 at 11:30 on Friday, 14 August 2009, in order to consider and if deemed fit, pass with or without modification, the special and ordinary resolutions set out in the notice of general meeting attached to this circular.

The notice of general meeting and a form of proxy (blue) are attached to and form part of this circular for use by Sallies certificated and own name dematerialised Sallies shareholders who are unable to attend the general meeting but who wish to be represented thereat. Duly completed forms of proxy must be lodged with the transfer secretaries by no later than 11:30 on Wednesday, 12 August 2009.

In compliance with the Listings Requirements, the related parties will not be entitled to vote on the ordinary resolution in respect of the issue of options as detailed in this circular.

20. EXPERTS' CONSENTS

The sponsor, reporting accountants, attorneys 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 consent prior to the publication of this circular.

21. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents, or copies thereof, will be available for inspection during normal business hours at the registered office of Sallies for a period of 21 days from the date of this circular:

- the existing memorandum and articles of association of Sallies;
- the proposed revised articles of association of Sallies;
- this circular, signed by or on behalf of the directors;
- the Reporting Accountants Report in respect of the *pro forma* financial information;
- the Reporting Accountants letter signed in terms of paragraph 8.56(a) of the Listings Requirements;
- the reviewed financial statements of Sallies for the six months ended 31 December 2008;
- the fairness opinions of the independent professional expert; and
- the letters of consent referred to in paragraph 20 of this circular.

Signed at Johannesburg by Johann Blersch on his own behalf and on behalf of all the directors of the company on 15 July 2009, he being duly authorised in terms of a power of attorney granted to him by such directors, dated 15 July 2009.

PRO FORMA FINANCIAL INFORMATION

The *pro forma* income statement and balance sheet of Sallies are based on the reviewed results of Sallies for the six months ended 31 December 2008. The unaudited *pro forma* income statement and balance sheet are presented for illustrative purposes only, to provide information on how the issue of options as detailed in this circular may have impacted on the results and financial position of Sallies. The unaudited *pro forma* income statement and balance sheet are the responsibility of Sallies' directors. Due to the nature of the unaudited *pro forma* financial information, they may not fairly present Sallies' financial position and the results of its operations subsequent to the issue of options referred to in this circular. The *pro forma* financial information has been presented in a manner consistent with the format and accounting policies applied consistently throughout the period.

Pro forma Income Statement

	Reviewed six months ended 31 Dec 08 ⁽¹⁾ R'000	Adjusted for share base payments already accounted for ⁽²⁾ R'000	After adjustment R'000	Adjustment for revised issue to Dale and Bliersch ⁽³⁾ R'000	After adjustment for revised issue to Dale and Bliersch R'000	Adjustment for additional issue to Dale and Bliersch ⁽⁴⁾ R'000	After adjustment for additional issue to Dale and Bliersch R'000	After combined issue ⁽⁶⁾ R'000
Revenue – mining	149 608		149 608	149 608	149 608		149 608	149 608
Cost of sales	(99 334)		(99 334)	(99 334)	(99 334)		(99 334)	(99 334)
Profit from mining activities	50 274		50 274	50 274	50 274		50 274	50 274
Depreciation	(3 416)		(3 416)	(3 416)	(3 416)		(3 416)	(3 416)
Amortisation of mineral rights	(1 053)		(1 053)	(1 053)	(1 053)		(1 053)	(1 053)
Operating profit from mining	45 805		45 805	45 805	45 805		45 805	45 805
Legal fees	(2 435)		(2 435)	(2 435)	(2 435)		(2 435)	(2 435)
Administrative expenses	(13 995)		(13 995)	(13 995)	(13 995)		(13 995)	(14 286)
Investment income	425		425	425	425		425	425
Finance costs	(4 661)		(4 661)	(4 661)	(4 661)		(4 661)	(4 661)
Net foreign exchange gains/(losses)	(3 782)		(3 782)	(3 782)	(3 782)		(3 782)	(3 782)

	Reviewed six months ended 31 Dec 08 ⁽¹⁾ R'000	Adjusted for share base payments already accounted for ⁽²⁾ R'000	After adjustment R'000	Adjustment for revised issue to Dale and Bliersch ⁽³⁾ R'000	After adjustment for revised issue to Dale and Bliersch R'000	Adjustment for additional issue to Dale and Bliersch ⁽⁴⁾ R'000	After adjustment for additional issue to Dale and Bliersch R'000	After combined issue ⁽⁶⁾ R'000
Profit/(loss) before notional interest, share based payments, the Buffalo impairment	21 357		21 357		21 357		21 357	21 066
Notional interest on convertible debentures	(1 495)		(1 495)		(1 495)		(1 495)	(1 495)
Share-based payments	(6 853)	4 910	(1 943)	(1 503)	(3 446)	(481)	(2 424)	(3 927)
Net profit before Buffalo Impairment	13 009	4 910	17 919	(1 503)	16 416	(481)	17 438	15 644
Impairment of Buffalo Fluorspar Mine	(74 592)		(74 592)		(74 592)		(74 592)	(74 592)
Net loss before and after tax	(61 583)	4 910	(56 673)	(1 503)	(58 176)	(481)	(57 154)	(58 948)
Loss per share (cents)	(9.63)		(8.87)		(9.10)		(8.94)	(9.22)
Diluted loss per share (cents)	(9.63)		(8.87)		(9.10)		(8.94)	(9.22)
Headline earnings per share (cents)	1.02		1.78		1.55		1.71	1.43
Diluted headline earnings per share (cents)	1.02		1.78		1.55		1.71	1.43
Weighted average number of ordinary shares ('000)	639 255		639 255		639 255		639 255	639 255
Diluted weighted average number of ordinary shares ('000)	639 255		639 255		639 255		639 255	639 255

Pro forma Balance Sheet

	Six months ended 31 Dec '08 Reviewed R'000	Adjusted for share base payments already accounted for R'000	After adjustment R'000	Adjustment for revised issue to Blersch and Dale R'000	After adjustment for revised issue to Blersch and Dale R'000	Adjustment for additional issue to Blersch and Dale R'000	After adjustment for additional issue to Blersch and Dale R'000	Total R'000
ASSETS								
Non-current assets	101 445	101 445	101 445	101 445	101 445	101 445	101 445	101 445
Investment properties	3 167	3 167	3 167	3 167	3 167	3 167	3 167	3 167
Restricted investment	2 064	2 064	2 064	2 064	2 064	2 064	2 064	2 064
Property, plant and equipment	86 039	86 039	86 039	86 039	86 039	86 039	86 039	86 039
Goodwill	10 175	10 175	10 175	10 175	10 175	10 175	10 175	10 175
Current assets	97 494	97 494	97 494	97 494	97 494	97 494	97 494	97 494
Inventories	42 678	42 678	42 678	42 678	42 678	42 678	42 678	42 678
Accounts receivable – trade	40 001	40 001	40 001	40 001	40 001	40 001	40 001	40 001
Taxation pre-paid	2 789	2 789	2 789	2 789	2 789	2 789	2 789	2 789
Cash and cash equivalents	12 026	12 026	12 026	12 026	12 026	12 026	12 026	12 026
Total assets	198 939	198 939	198 939	198 939	198 939	198 939	198 939	198 939

	Six months ended 31 Dec '08 Reviewed R'000	Adjusted for share base payments already accounted for R'000	After adjustment R'000	Adjustment for revised issue to Blersch and Dale R'000	After adjustment for revised issue to Blersch and Dale R'000	Adjustment for additional issue to Blersch and Dale R'000	After adjustment for additional issue to Blersch and Dale R'000	Total R'000
EQUITY AND LIABILITIES								
Capital and reserves	88 932		88 932		88 932		88 932	88 641
Share capital and premium	301 890		301 890		301 890		301 890	301 890
Other reserves	18 044	(4 910)	13 134	1 503	14 637	481	13 615	15 118
Accumulated loss	(231 002)	4 910	(226 092)	(1 503)	(227 595)	(481)	(226 573)	(228 367)
Non-current liabilities	83 553		83 553		83 553		83 553	83 553
Long-term loan	5 446		5 446		5 446		5 446	5 446
Provision for environmental rehabilitation	21 474		21 474		21 474		21 474	21 474
Convertible debentures	56 633		56 633		56 633		56 633	56 633
Current liabilities	26 454		26 454		26 454		26 454	26 745
Accounts payable and provisions	21 665		21 665		21 665		21 665	21 956
Current portion of long-term liabilities	4 789		4 789		4 789		4 789	4 789
Total equity and liabilities	198 939		198 939		198 939		198 939	198 939
Net asset value per share (cents)	13.85		13.85		13.85		13.85	13.80
Net tangible asset value per share (cents)	12.26		12.26		12.26		12.26	12.22
Total number of shares in issue ('000)	642 220		642 220		642 220		642 220	642 220

Notes:

1. Extracted from the reviewed financial statements of Sallies for the six months ended 31 December 2008.
2. Reversal of share-based payment expenditure recognised in the reviewed financial statements for the six months ended 31 December 2008. The expense includes the following:
 - a. R5.205 million relating to the issue to each of Dale and Blersch to acquire 18 768 774 ordinary share options, approved by shareholders at the company's annual general meeting held on 27 February 2008; and
 - b. R0.295 million reduction relating to the issue of 4 504 505 options to each of Dale and Blersch to acquire convertible debentures subject to shareholder approval due to the estimated reduction in value of these options *1.
- *1 In accordance with IFRS 2 share-based payment expenditure should be recognised over the period that the service is rendered. Due to shareholder approval not yet obtained for the grant, the company estimated the grant date fair value of the equity in order for the purpose of recording an income statement charge for the services received prior to the grant date. Once the date of grant has been established, the company will adjust the expense so that it is based on the grant date fair value. Grant date is the date that the company and option recipient have a shared understanding of the terms and conditions of the arrangement and all required approvals have been obtained.
3. The share-based payment expense in relation to the revised issue to Dale and Blersch assumes the following:
 - a. 18 768 774 share options to each of Dale and Blersch, at an option cost of 4 cents per option resulting in a total cost of R1.503 million (Options were valued at 22 June 2009); and
 - b. Cumulatively up to 31 December 2008 an expense amounting to R12.887 million has already been recognised in the accounting records of the company.
4. The share-base payment expenditure in relation to the additional issue to Dale and Blersch assumes the following:
 - a. 4 504 505 options to each of Dale and Blersch, at an option cost of 5.3 cents per option resulting in a total cost of R0.48 million (Options were valued at 22 June 2009);
 - b. The actual option expense will finally be determined based on assumptions applying on the date shareholder approval is obtained; and
 - c. Cumulatively up to 31 December 2008 an expense amounting to R0.939 million has already been recognised in the accounting records of the company.
5. The option expense is carried on the balance sheet as a share-based payment reserve under the equity portion of the balance sheet.
6. Expenses totalling R290 815 relating to the issue of options as detailed in this circular have been accounted for.

REPORTING ACCOUNTANTS' REPORT FOR THE *PRO FORMA* FINANCIAL EFFECTS

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

15 July 2009

Dear Sirs

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

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

We have performed our limited assurance engagement in respect of the *pro forma* financial information set out on Annexure 1 to the circular to shareholders, to be dated on or about 22 July 2009, which has been issued in connection with the issue of options to acquire Sallies shares to each of Messrs Dale and Blerch for cash. The *pro forma* financial information has been prepared in accordance with the Listings Requirements, for illustrative purposes only, to provide information about how the issue of options might have affected the reported historical financial information presented, had that corporate action been undertaken at the commencement of the financial period or at the date of the *pro forma* balance sheet being reported on.

DIRECTORS' RESPONSIBILITY

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

REPORTING ACCOUNTANTS' RESPONSIBILITY

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

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

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

SOURCES OF INFORMATION AND WORK PERFORMED

Our procedures consisted primarily of comparing the unadjusted financial information with the source documents, considering the *pro forma* adjustments in light of the accounting policies of Sallies, considering the evidence supporting the *pro forma* adjustments and discussing the adjusted *pro forma* financial

information with the directors of Sallies in respect of the issue of shares for cash which forms the subject matter of this circular.

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

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

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

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

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

CONCLUSION

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

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

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

Yours faithfully

BDO Spencer Steward

Registered Auditors

Chartered Accountants (SA)

Partner: B Bosman

BDO Spencer Steward

BDO Place

457 Rodericks Road

Lynnwood 0081

Pretoria

(PO Box 95436, Waterkloof 0145)"

INDEPENDENT PROFESSIONAL EXPERT'S FAIRNESS OPINION – ISSUE TO DALE AND BLERSCH

"The Directors
Sallies Limited
BDO Place
457 Rodericks Road
Lynnwood, 0081
Pretoria

15 July 2009

Dear Sirs

INDEPENDENT FAIRNESS OPINION IN RESPECT OF THE ISSUE TO DALE AND BLERSCH

1. INTRODUCTION

Background

During February 2007, Dale and Blersch were approached to join the board of directors of Sallies in the capacity of non-executive chairman and non-executive director respectively. On 18 April 2007 the Sallies board awarded each of Dale and Blersch an option for the purchase of 1.5% of the shares in the issued share capital of Sallies on a fully diluted basis, and 1.5% of the shares to be allotted and issued in terms of any rights offer or capitalisation issue (the "first tranche").

When the major shareholders, with the concurrence of the board of Sallies, requested during September 2007 that Dale and Blersch become executive directors of Sallies, the number of shares over which options were awarded was roughly doubled to 18 768 774 shares each (the "second tranche"). The granting of these options was voted upon by shareholders at the AGM held on the 27 February 2008 and was approved by the requisite majority. It was ruled by the JSE after this approval that shareholders were not provided with the required disclosure as defined in the Listings Requirements. Specifically, a fairness opinion in relation to the second tranche should have been disclosed to shareholders.

Scope

In terms of paragraph 5.53 (b) of the Listings Requirements, Sallies was required to obtain an independent opinion from an independent professional expert in respect of the issue to Dale and Blersch.

Bridge Capital has been appointed by the board of directors of Sallies as the independent professional expert to advise the board of directors on whether the terms and conditions of the second tranche was fair to the shareholders of Sallies other than the related parties as classified in the Listings Requirements.

Responsibility

The Notice of General Meeting and compliance with the Listings Requirements are the responsibility of the directors of Sallies. Our responsibility is to report on the fairness of the issue to Dale and Blersch.

Definition of the term "fairness"

The term "fairness" is primarily based on quantitative issues. The transaction would be considered fair if the value of the options granted to each of Dale and Blersch as at the date of shareholder approval on 27 February 2008 was viewed as being fair compensation in lieu of executive services provided.

2. INFORMATION AND SOURCES OF INFORMATION

In the course of our analysis, we relied upon financial and other information, including prospective financial information, obtained from Sallies management ("management") together with industry-related and other information in the public domain. We also engaged in discussions with management around the information received from them, in order to better understand the information provided. Our conclusion is dependent on such information being accurate in all material respects and accordingly, we cannot express any opinion on the financial and other information used in arriving at our opinion.

The principle sources of information used in formulating our opinion regarding the transaction include:

- the audited financial results of Sallies for the 6 months ended 31 December 2007;
- discussions held with management regarding Sallies operations;
- discussions with the directors and management of Sallies on the rationale for the issue to Dale and Blersch;
- all applicable board resolutions and minutes relating to the issue to Dale and Blersch; and
- information available in the public domain relating to executive compensation.

3. PROCEDURES PERFORMED

Key fairness considerations

In arriving at our opinion, amongst other things, we have undertaken the following procedures in evaluating the fairness of the transaction:

- Performed a valuation of the second tranche on 27 February 2008; and
- Compared the option value to executive remuneration disclosed in the public domain.

4. VALUATION

Background to the valuation

The Black-Scholes model was developed in 1973 to calculate the theoretical price of an option (ignoring dividends paid during the life of the option) using the five key determinants of an option's price: stock price, strike price, volatility, time to expiration, and risk-free interest rate. Although the formula can be adjusted to account for dividends it is not designed to value American style options and is also not flexible enough to cater for the unique characteristics of Bermudan options such as vesting periods, non-transferability and performance hurdles.

The Binomial model, developed by Cox, Ross & Rubinstein in 1979, has the distinct advantage of being able to value American style options on dividend paying stocks accurately.

IFRS2 does not prescribe a particular model but comments on the inflexible nature of the Black-Scholes model. The selection of the appropriate model ultimately depends on the characteristics of the option being valued.

At the option valuation date, being 27 February 2008, the options comprising the second tranche are/were exercisable on 31 August 2008 (as to two thirds), on or after 31 December 2008 (as to five sixths) and on or after 31 December 2009 (as to all the Sallies shares forming the subject matter of the options). As a result of the above detailed vesting conditions the options are best valued using the Binomial model.

Assumptions and sensitivities of the valuation

The Binomial method valuation model consider the following five basic inputs:

- the exercise price of the option;
- the current (spot) price of the underlying shares;
- the contractual life of the option;
- the risk-free interest rate for the life of the option; and
- the expected volatility of the share price.

In relation to all the inputs described above, fixed values at the valuation date are used with the exception of the expected volatility of the share price. The expected volatility is the only historical variable utilised in the Binomial model. This measure takes into account the volatility in the share price measured over the 10 year period prior to the valuation date and uses this as a proxy as to the expected volatility in the future. Based on the current economic climate as well as the economic climate over the past ten years, using Sallies' historical volatility measure may not be a reliable proxy to use in formulating expected future volatility. Based on this assessment, we believe that the mining index volatility measure over the 10 year period prior to the valuation date is a better proxy to predict the expected future volatility of the Sallies share price.

5. OPINION

Our opinion is based upon the accuracy of the information made available to us by management. Subsequent developments may affect this opinion, which we are under no obligation to update, revise or re-affirm.

We are of the opinion that the issue to Dale and Blersch as approved by shareholders on 27 February 2008 is fair to Sallies' shareholders as the value of the options are deemed to represent an acceptable level of executive compensation.

6. LIMITING CONDITIONS

This report and opinion is provided to the board of directors and shareholders of Sallies in connection with proving the required disclosure as required by the Listings Requirements. The opinion does not purport to cater for each individual shareholder's perspective, but rather that of the general body of Sallies' shareholders.

We have relied upon and assumed the accuracy of the information used by us in deriving our opinion. Where practical, we have corroborated the reasonability of the information provided to us for the purpose of our opinion, whether in writing or obtained in discussion with management of Sallies.

7. RELATIONSHIP BETWEEN SALLIES AND THE INDEPENDENT PROFESSIONAL EXPERT

In terms of schedule 5.1(a) of the Listings Requirements, we confirm that Bridge Capital has no material interest in the outcome of the fairness opinion. Furthermore, we confirm that our professional fees are not contingent upon the outcome of the fairness opinion.

Bridge Capital does act as Sponsor to Sallies and has no interest in the share capital of Sallies.

8. CONSENT

We consent to the inclusion of this letter and the reference to our opinion in the circular to be issued to the shareholders of Sallies.

Yours faithfully,

Pieter Veldtman
Bridge Capital Advisors (Pty) Limited
27 Fricker Road
Illovo
2196"

INDEPENDENT PROFESSIONAL EXPERT'S FAIRNESS OPINION IN RELATION TO THE NEWLY PROPOSED TERMS OF THE ISSUE TO DALE AND BLERSCH

The Directors
Sallies Limited
BDO Place
457 Rodericks Road
Lynnwood 0081
Pretoria

15 July 2009

Dear Sirs

INDEPENDENT FAIRNESS OPINION IN RESPECT OF THE NEWLY PROPOSED TERMS OF THE ISSUE TO DALE AND BLERSCH INCLUDING THE ADDITIONAL ISSUE TO DALE AND BLERSCH**1. INTRODUCTION****Background**

On 27 February 2008, Sallies granted options to each of Dale and Blersch to purchase 18 768 774 ordinary par value shares of 0.1 cent each in the issued share capital of the company at a strike price of R0.60 per share. This was approved by the requisite majority of shareholders voting at the Annual General Meeting ("AGM") on that date. Due to an editorial oversight, the resolution passed by shareholders approving the terms of the issue to Dale and Blersch, did not detail that in the event that the company implemented a rights offer, Dale and Blersch would be awarded additional options to acquire an additional number of securities as would have been offered to each of Dale and Blersch in terms of such rights offer, if they had been the registered holders of the shares forming the subject matter of the options previously granted to each of them, at a price equal to the rights offer price. It was always the intent of the board, as evidenced in a resolution approved by the board, that each of Dale and Blersch be awarded additional options in the event of a rights issue.

As a consequence, in terms of a rights offer of convertible debentures made to Sallies' shareholders in May 2008, the intention to award additional options to each of Dale and Blersch to acquire 4 504 505 convertible debentures at a strike price of 50 cents was not approved by shareholders.

Furthermore, on 13 May 2009 the board of directors amended the terms of the issue to Dale and Blersch as set out in paragraph 1.2 of this circular. Based on the fact that the directors wish to extend the offering of rights to option holders and have approved new terms relating to the issue to Dale and Blersch, which was approved by shareholders on 27 February 2008, a fairness opinion is required in terms of the Listings Requirements.

Scope

In terms of paragraph 5.53 (b) of the Listings Requirements, Sallies is required to obtain an independent opinion from an independent professional expert in respect of the granting of options to Dale and Blersch.

Bridge Capital has been appointed by the board of directors of Sallies as the independent professional expert to advise the board of directors on whether the revised terms and conditions of the issue to Dale and Blersch including the additional issue to Dale and Blersch are fair to the shareholders of Sallies other than the related parties as classified in the Listings Requirements.

Responsibility

The Notice of General Meeting and compliance with the Listings Requirements are the responsibility of the directors of Sallies. Our responsibility is to report on the fairness of the revised terms of the issue to Dale and Blersch including the additional issue to Dale and Blersch.

Definition of the term “fairness”

The term “fairness” is primarily based on quantitative issues. The fairness opinion is viewed as having 2 distinct components:

- The additional issue to Dale and Blersch, awarded as a result of the rights offer of convertible debentures made to Sallies’ shareholders in May 2008, ensures that each of Dale and Blersch are entitled to the same proportion of Sallies shares, as was always the intent. We have considered the fair value of each option comprising the additional issue to Dale and Blersch and compared such value to each option value attached to the right to convert convertibles debentures to Sallies shares in terms of the rights offer implemented in May 2008, the additional issue is considered fair if the value of each option awarded under the additional issue is less than the value of each option attached to the right to convert convertible debentures to Sallies shares in terms of the rights offer implemented in May 2008 and if the value of the options is viewed as being fair compensation in lieu of executive services provided; and
- The revised terms of the issue to Dale and Blersch would be considered fair if the value of each option under the revised terms is less than each option value attached to the issue to Dale and Blersch approved by shareholders on 27 February 2008.

2. INFORMATION AND SOURCES OF INFORMATION

In the course of our analysis, we relied upon financial and other information, including prospective financial information, obtained from Sallies management (“management”) together with industry-related and other information in the public domain. We also engaged in discussions with management around the information received from them, in order to better understand the information provided. Our conclusion is dependent on such information being accurate in all material respects and accordingly, we cannot express any opinion on the financial and other information used in arriving at our opinion.

The principle sources of information used in formulating our opinion regarding the transaction include:

- the financial results of Sallies for the 6 months ended 31 December 2008;
- forecast financial information for the 5 financial years ending June 2013 as presented by management;
- discussions held with management regarding Sallies’ operations;
- information available in the public domain relating to executive compensation;
- discussions with the directors and management of Sallies on the rationale for the revised terms of the issue to Dale and Blersch including the additional issue to Dale and Blersch; and
- all applicable board resolutions and minutes relating to the revised terms of the issue to Dale and Blersch and the additional issue to Dale and Blersch.

3. PROCEDURES PERFORMED

Key fairness considerations

In arriving at our opinion, amongst other things, we have undertaken the following procedures:

In evaluating the fairness of the revised terms of the issue to Dale and Blersch:

- Performed a valuation of the options granted to Dale and Blersch on 27 February 2008 (“initial option value” or “initial option valuation” or “initial valuation date”);
- Performed a valuation of the revised terms of the issue to Dale and Blersch (“revised option value” or “revised option valuation” or “revised valuation date”); and
- Compared the initial option value to the revised option value.

In evaluating the fairness of the additional issue to Dale and Blersch:

- Performed a valuation of the options granted in terms of the additional issue to Dale and Blersch on 22 June 2009 (“current option value” or “current option valuation” or “current valuation date”);

- Performed a valuation of the options to convert convertible debentures to Sallies shares in terms of the rights offer implemented in May 2008 (“rights offer option value” or “rights offer option valuation” or “rights offer valuation date”);
- Compared the current option value to the rights offer option value; and
- Compared the current option value to executive remuneration disclosed in the public domain.

4. VALUATION

Background to the valuation

The Black-Scholes model was developed in 1973 to calculate the theoretical price of an option (ignoring dividends paid during the life of the option) using the five key determinants of an option’s price: stock price, strike price, volatility, time to expiration, and risk-free interest rate. Although the formula can be adjusted to account for dividends it is not designed to value American style options and is also not flexible enough to cater for the unique characteristics of Bermudan options such as vesting periods, non-transferability and performance hurdles.

The Binomial model, developed by Cox, Ross & Rubinstein in 1979, has the distinct advantage of being able to value American style options on dividend paying stocks accurately.

IFRS2 does not prescribe a particular model but comments on the inflexible nature of the Black-Scholes model. The selection of the appropriate model ultimately depends on the characteristics of the option being valued.

As a result of the unique vesting conditions of the initial option valuation, the Black-Scholes model could not be utilised in this valuation. We have therefore utilised the Binomial model in the valuation of the initial option valuation, the current option valuation, the rights offer option valuation and the revised option valuation.

Overview of the valuation

We performed 4 valuations, one on the initial valuation date, the second, on the current valuation date, the third, on the revised valuation date and the fourth, on the rights offer valuation date. We used the Binomial Valuation method for the valuation as this best represented the combination of vested and non-vested options to be valued.

Assumptions and sensitivities of the valuation

The Binomial method valuation model considers the following five basic inputs:

- the exercise price of the option;
- the current (spot) price of the underlying shares;
- the contractual life of the option;
- the risk-free interest rate for the life of the option; and
- the expected volatility of the share price.

In relation to all the inputs described above, fixed values at the valuation date are used with the exception of the expected volatility of the share price. The expected volatility is the only historical variable utilised in the Binomial model. This measure takes into account the volatility in the share price measured over the prior period corresponding to the life of each option. Based on the current economic climate as well as the economic climate over the past ten years, using Sallies’ historical volatility measure may not be a reliable proxy to use in formulating expected future volatility. Based on this assessment, we believe that the mining index volatility measure is a better proxy to predict the expected future volatility of the Sallies share price.

5. OPINION

Our opinion is based upon the accuracy of the information made available to us by management. Subsequent developments may affect this opinion, which we are under no obligation to update, revise or re-affirm.

We are of the opinion that on, 22 June 2009:

- the revised terms relating to the issue to Dale and Blersch as set out in this circular dated on or about 22 July 2009 is fair to Sallies shareholders as the the revised option value is less than the initial option value; and
- the additional issue to Dale and Blersch as set out in this circular dated on or about 22 July 2009 is fair to Sallies shareholders as the current option value is less than the rights offer option value and the current option value is deemed to represent an acceptable level of executive compensation. In addition, it was found that it was always the intention of the directors to include option holders in the rights offer, save for the omission in the special resolution voted upon at the AGM on 27 February 2008.

6. LIMITING CONDITIONS

This report and opinion is provided to the board of directors and shareholders of Sallies. The opinion does not purport to cater for each individual shareholder's perspective, but rather that of the general body of Sallies' shareholders. Should a Sallies shareholder be in doubt as to what action to take, he or she should consult an independent adviser.

An individual shareholder's decision as to whether to vote in favour of the proposed revised terms including the additional issue to Dale and Blersch may be influenced by his particular circumstances. The assessment as to whether or not the directors of Sallies decide to recommend the voting in favour of the revised terms of the issue to Dale and Blersch including the additional issue to Dale and Blersch is a decision that can only be taken by the directors of Sallies.

We have relied upon and assumed the accuracy of the information used by us in deriving our opinion. Where practical, we have corroborated the reasonability of the information provided to us for the purpose of our opinion, whether in writing or obtained in discussion with management of Sallies.

7. RELATIONSHIP BETWEEN SALLIES AND THE INDEPENDENT PROFESSIONAL EXPERT

In terms of schedule 5.1(a) of the Listings Requirements, we confirm that Bridge Capital has no material interest in the outcome of the fairness opinion. Furthermore, we confirm that our professional fees are not contingent upon the outcome of the fairness opinion.

Bridge Capital does act as Sponsor to Sallies and has no interest in the share capital of Sallies.

Consent

We consent to the inclusion of this letter and the reference to our opinion in the circular to be issued to the shareholders of Sallies.

Yours faithfully,

Pieter Veldtman
Bridge Capital Advisors (Pty) Limited

27 Fricker Road
Illovo
2196

PRICE HISTORY OF SALLIES SHARES ON THE JSE

Set out in the table below are the aggregated volumes, the highest prices traded, the lowest prices traded and the aggregated value traded for Sallies shares:

- for each month over the 12 months prior to the last practicable date;
- for each quarter since over the 24 months prior to the last practicable date; and
- for each day over the 30 days preceding the last practicable date.

Date	High (cents)	Low (cents)	Value (Rands)	Volume
Quarterly				
June 2009	34	21	24 318 186	93 091 120
March 2009	43	24	13 530 076	43 699 616
December 2008	65	25	37 013 899	94 809 612
September 2008	86	60	66 416 071	92 385 169
June 2008	92	50	79 721 842	123 399 806
March 2008	78	36	159 425 924	267 592 980
December 2007	67	36	78 262 629	157 247 920
September 2007	98	52	122 019 902	177 588 054
Monthly				
June 2009	27	21	6 060 609	24 140 764
May 2009	31	23	5 927 198	23 765 164
April 2009	34	25	12 330 379	45 185 192
March 2009	40	30	3 371 915	9 744 806
February 2009	43	28	3 036 589	8 071 741
January 2009	30	24	7 121 572	25 883 069
December 2008	40	25	7 155 081	24 322 309
November 2008	49	34	8 685 673	21 266 800
October 2008	65	31	21 173 145	49 220 503
September 2008	73	60	13 111 471	19 848 825
August 2008	76	60	20 095 802	29 222 568
July 2008	86	65	33 208 798	43 313 776
Daily				
15 July 2009	16	15	84 650	530 500
14 July 2009	16	14	29 471	190 875
13 July 2009	17	14	52 500	360 000
10 July 2009	17	15	1 315 322	8 472 000
9 July 2009	16	15	35 355	235 666
8 July 2009	16	14	165 087	1 099 350
7 July 2009	17	16	138 510	863 000
6 July 2009	17	16	135 340	845 250
3 July 2009	18	16	89 004	551 200
2 July 2009	20	16	131 552	733 540
1 July 2009	22	20	83 568	402 000
30 June 2009	22	21	136 647	642 700
29 June 2009	25	21	345 167	1 546 536
26 June 2009	25	23	31 300	128 000
25 June 2009	25	23	78 720	337 395
24 June 2009	25	25	5 250	21 000
23 June 2009	25	25	10 125	40 500
22 June 2009	25	24	12 885	53 500
19 June 2009	26	23	278 625	1 200 950
18 June 2009	26	25	26 391	103 155

Date	High (cents)	Low (cents)	Value (Rands)	Volume
Daily				
17 June 2009	25	25	75 300	301 200
15 June 2009	26	25	51 760	207 000
12 June 2009	26	26	15 587	59 950
11 June 2009	26	25	48 264	190 190
10 June 2009	27	25	518 193	2 033 748
9 June 2009	26	25	336 338	1 334 960
8 June 2009	27	25	670 505	2 617 500
5 June 2009	26	24	485 226	1 875 339
4 June 2009	26	23	195 685	788 855
3 June 2009	26	24	641 885	2 556 480

CORPORATE GOVERNANCE

COMPLIANCE WITH THE CODE OF CORPORATE PRACTICES AND CONDUCT

With effect from 1 July 2008 the company has complied with the Code of Corporate Practices and Conduct as regards the appointment of a non-executive chairman. On 14 November 2008 two additional non-executive directors were appointed and the independent non-executive directors now constitute a majority of the board.

BOARD AND COMMITTEE STRUCTURE

All directors are subject to retirement by rotation and re-election by the shareholders at least once every three years in accordance with the company's articles of association. Furthermore, all directors are subject to re-election by shareholders at the first annual general meeting following their appointment. The board is in control of the group and meets every third month to review strategy, planning, funding requirements, operational and financial performance, acquisitions and disposals, major capital expenditure, stakeholder communication and other material matters. Directors have access to the advice of the company secretary, who is responsible to the board for ensuring compliance with procedures and regulations of a statutory nature. Directors are further entitled to obtain independent professional advice concerning the affairs of the group at the group's expense, should they think it would be in the best interests of the group. No formal nominations committee has been established, the board as a whole is responsible for new appointments. The process is concluded in a formal and transparent manner.

EXECUTIVE COMMITTEE (EXCO)

An executive committee has been established to review 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.

The executive directors visit operations regularly in order to enhance planning and control.

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 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 now comprises S Swana (*Chairman*), J Kögl and F J P Roux. These 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 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 the occurrence of such an event, 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 peers 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 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 to learn from the experiences of others in the industry. Key policies, systems and procedures have been created to manage operating risk, particularly the risk related to the accurate and timely creation of management information.

REMUNERATION COMMITTEE

The group has no formal remuneration committee. At present remuneration of executive directors and senior management 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 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 quarterly, 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 currently operational and awareness campaigns are conducted 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 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 any recurrence. Safe working practices are pursued as a priority above other operational objectives. Environmental management is implemented as per the approved Environmental Management Programme Report ("EMPR") and forms part of the SHEQ manager's function.

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 systems of internal control and accounting were revised, the effect of which has been to streamline the monthly reporting process, reduce the risk of error or loss and hasten the production of the audited annual financial statements. 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.

WORKER PARTICIPATION

The management of Witkop Fluorspar meets regularly with representatives of The National Union of Mineworkers (NUM) and Solidarity together with shop stewards of these unions to share information and address matters of mutual interest.

RELATIONSHIPS WITH STAKEHOLDERS

The group is subject to the Listings Requirements regarding confidential information during closed periods, directors' share dealings and SENS reports. The group subscribes to open communications with its stakeholders. Investors and shareholders may direct their comments and questions on issues regarding the group to the management of the company. The company further encourages shareholders to attend its annual general meetings and results announcements, which provide an opportunity for shareholders to address questions to the board.

CODE OF ETHICS

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



SALLIES LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 1903/001879/06)

Share code: SAL ISIN: ZAE000022588

("the company" or "Sallies")

NOTICE OF GENERAL MEETING

Notice is hereby given that a general meeting of Sallies shareholders will be held at Summer Place, 69 Melville Road, Hyde Park, Johannesburg, 2196 at 11:30 on Friday, 14 August 2009, for purposes of considering and, if deemed fit, passing, with or without modification, the following special and ordinary resolutions:

SPECIAL RESOLUTION 1: GENERAL AUTHORITY TO REPURCHASE COMPANY SHARES AND CONVERTIBLE DEBENTURES

"RESOLVED THAT the company and/or its subsidiaries be and they are hereby authorised, by way of general authority, to acquire ordinary shares and convertible debentures issued by the company, in terms of section 85 of the Companies Act and in terms of the Listings Requirements, subject to the following:

- (i) any such acquisition of ordinary shares and convertible debentures shall be implemented on the open market of the JSE;
- (ii) this general authority shall only be valid until the company's next annual general meeting, provided that it shall not extend beyond 15 months from the date of the passing of this special resolution;
- (iii) an announcement will be published on SENS as soon as the company has acquired ordinary shares and/or convertible debentures constituting, on a cumulative basis, 3% of the number of ordinary shares and/or convertible debentures in issue prior to the acquisition, pursuant to which the aforesaid 3% threshold is reached, containing full details of such repurchases;
- (iv) acquisitions in the aggregate in any one financial year may not exceed 20% of the company's ordinary issued share capital or outstanding convertible debentures nor may acquisitions in the aggregate, from the date of passing of this special resolution, exceed 20% of the company's ordinary issued share capital and outstanding convertible debentures at the date of passing of this special resolution;
- (v) in determining the price at which ordinary shares and/or convertible debentures issued by the company are acquired by it in terms of this general authority, the maximum premium at which such ordinary shares and convertible debentures may be acquired will be 10% of the volume weighted average price at which such ordinary shares and convertible debentures are traded on the JSE, as determined over the five trading days immediately preceding the date of repurchase of such ordinary shares and/or convertible debentures by the company;
- (vi) at any point in time, the company will only appoint one agent to effect any repurchase(s) on the company's behalf;
- (vii) the company may only undertake a repurchase of ordinary shares or convertible debentures if, after such repurchase, it still complies with minimum shareholder spread requirements in accordance with the Listings Requirements; and
- (viii) the company or its subsidiaries will not repurchase ordinary shares and/or convertible debentures during a prohibited period in accordance with the Listings Requirements."

The directors have considered the impact of a repurchase of 20% of Sallies' ordinary shares and/or convertible debentures, it being the maximum permissible of a particular class in any one financial year, under a general authority in terms of the Listings Requirements, and are of the opinion that such repurchase will only be undertaken should such repurchase not result in:

- The company and the group in the ordinary course of business being unable to pay its debts for a period of 12 months after the date of such general repurchase;
- The liabilities of the company and the group exceeding the assets of the company and the group for a period of 12 months after the date of such general repurchase, with the assets and liabilities recognised and measured in accordance with the accounting policies used in the latest audited financial statements;
- The ordinary share capital and reserves of the company and the group, for a period of 12 months after the date of such general repurchase, being inadequate for ordinary business purposes; and
- The working capital of the company and the group, for a period of 12 months after the date of such general repurchase, being inadequate for ordinary business purposes.

Reason and effect of special resolution 1

The *reason* for the special resolution number 1 is to grant the company a general authority in terms of the Companies Act for the acquisition by the company, or any of its subsidiaries, of securities issued by the company, or its holding company, which authority shall be valid until the earlier of the next annual general meeting of the company or the variation or revocation of such general authority by special resolution by any subsequent general meeting of the company, provided that the general authority shall not extend beyond fifteen months from the date of this general meeting. The passing and registration of this special resolution will have the *effect* of authorising the company or any of its subsidiaries to acquire ordinary shares and/or convertible debentures issued by the company.

At present, the directors have no specific intention with regard to the utilisation of this authority, which will be used only if the circumstances are appropriate. No repurchase of shares under this authority will be implemented until such time as the company's sponsor has confirmed in writing to the JSE that the above working capital statement is valid.

Explanatory Notes

Information required in terms of the Listings Requirements with regard to the general authority for the company to repurchase shares and/or convertible debentures appears in the circular, to which this notice of General Meeting ("notice") is annexed as indicated below:

- Directors and management: paragraph 6 of the circular
- Major shareholders: paragraph 12 of the circular
- Directors' interests in securities: paragraph 8 of the circular
- Share capital of the company: paragraph 10 of the circular
- Litigation: paragraph 14 of the circular
- Subsequent events: paragraph 15 of the circular

SPECIAL RESOLUTION 2: REPLACEMENT OF THE ARTICLES OF ASSOCIATION

"**RESOLVED** that the existing articles of association of the company be and they are hereby deleted in their entirety and that the draft new articles of association, the principal effects of which are detailed in paragraph 5 of this circular, which are tabled at this meeting and which have been initialled by the chairman of this meeting for identification purposes, be and they are adopted in their stead. Further the new articles of association will be available for inspection on the website of Sallies."

Reason and effect of special resolution 2

The *reason* for special resolution number 2 is to bring the existing articles of association in line with the recent amendments to the Companies Act 1973, and the Listings Requirements. The *effect* of the special resolution is to amend the company's articles of association so as to provide for the matters detailed in paragraph 5 of this circular.

Ordinary resolution 1

"Resolved that the amendments to the terms of the issue options to each of Dale and Blersch specified in paragraph 1.2 of this circular in which this notice of general meeting is contained be and they are hereby approved and ratified."

In terms of the Listings Requirements, 75% of the votes cast by shareholders present or represented by proxy at the general meeting must be cast in favour of ordinary resolution number 1 in order for it to be approved.

Ordinary resolution 2

“Resolved that any one of the directors of the Company and the Company Secretary be and are hereby authorised to do all such things and sign all such documents as may be necessary to implement special resolutions 1 and 2 and ordinary resolution 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, must be cast in favour of ordinary resolution number 2 in order for it to be approved.

VOTING AND PROXIES

Every person present and entitled to vote at the general meeting as a member 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 shares such person holds or represents, but in the event of a poll, a member holding shares will be entitled to one vote per share held.

A member entitled to attend, speak and vote at the general meeting is entitled to appoint a proxy (who need not be a member of Sallies), to attend, speak and vote in his/her stead.

Members which are companies or other bodies corporate may, in terms of section 188(1) of the Act, by resolution of its directors or other governing body, authorise any person to act as its representative at the general meeting.

Shareholders who have not dematerialised their shares and own name dematerialised shareholders who are unable to attend the 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 transfer secretaries to be received by no later than 11:30 on Wednesday, 12 August 2009.

Shareholders who have dematerialised their shares with a CSDP or broker, other than by own name registration, must advise their CSDP or broker as to what action they wish to take. This must be done by the cut-off time required in terms of the agreement entered into between them and their CSDP or broker. Shareholders who have dematerialised their shares must **not** return the form of proxy to the transfer secretaries. Their instructions must be sent to their CSDP or broker for action. Should shareholders wish to attend the general meeting in person, they must obtain the necessary Letter of Representation from their CSDP or broker.

By order of the board

Richard O’Callaghan
Company Secretary

Registered office

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

Transfer secretaries

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



SALLIES LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 1903/001879/06)

Share code: SAL ISIN: ZAE00022588

("the company" or "Sallies")

FORM OF PROXY

FOR USE AT THE GENERAL MEETING OF THE COMPANY TO BE HELD AT 11:30 ON FRIDAY, 14 AUGUST 2009 AND AT ANY ADJOURNMENT THEREOF

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

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

I/We (full name in block letters)

of (please print address)

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

1. _____ of or failing him/her,

2. _____ of or failing him/her,

3. _____ the chairman of the annual general meeting,

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

	For	Against	Abstain
Special resolution 1 To approve the general repurchase of ordinary shares and convertible debentures			
Special resolution 2 To approve the adoption of new articles of association by Sallies			
Ordinary resolution 1 To approve the amendment of the terms to the issue of options to Dale and Blersch			
Ordinary resolution 2 To authorise the directors and the Company Secretary to do all such things and sign all such documents as may be necessary to implement Special Resolutions 1 and 2 and Ordinary Resolution 1			

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

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

Signed at _____ on _____

(place) _____ (date)

Member's signature _____

Assisted by (if applicable) _____

Please read the notes and instructions on the reverse hereof.

NOTES:

1. A member 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 member of Sallies.
2. Every person present and entitled to vote at the general meeting as a member 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 member holding shares will be entitled to one vote per share held.
3. Please insert the relevant number of Sallies shares and indicate with an "X" in the appropriate spaces on the face hereof, 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 Chairperson shall be entitled to decline to accept the authority of a person signing this form of proxy
 - (a) under a power of attorney; and/or
 - (b) on behalf of a group,unless that person's power of attorney or authority is deposited with the transfer secretaries no later than 11:30 on Wednesday, 12 August 2009.
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, all joint shareholders must sign this form of proxy.
5. The completion and lodging of this form of proxy will not preclude the member 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 member 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 the transfer secretaries of Sallies or waived by the Chairperson of the general meeting. The Chairperson of the general meeting may reject any form of proxy not completed and/or received in accordance with these notes and instructions or with the articles of association of Sallies.
7. Completed forms of proxy must be returned to Computershare Investor Services (Pty) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107) to be received by 11:30 on Wednesday, 12 August 2009.