

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The definitions commencing on page 7 of this circular have, where necessary, been used on this front cover. If you are in any doubt as to the action you should take, please consult the sponsor, your Central Securities Depository Participant ("CSDP"), broker, banker, accountant, attorney or other professional advisor immediately.

ACTION REQUIRED

All ordinary shareholders

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

Certificated shareholders and "own name" dematerialised shareholders

Certificated shareholders and "own name" dematerialised shareholders who are unable to attend the Company's General Meeting to be held at the offices of Meropa Communications, Block 1, Freestone Office Park, 135 Patricia Road, Atholl, Sandton, Johannesburg at 12:00 on Tuesday, 6 September 2011 and wish to be represented thereat, must complete the attached form of proxy in accordance with the instructions therein and return it to the relevant transfer secretaries to be received by no later than 12:00 on Friday, 2 September 2011.

Dematerialised shareholders other than those with "own name" registration

Ordinary shareholders who have dematerialised their ordinary 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. Ordinary shareholders who have dematerialised their shares must not return the attached form of proxy to the transfer secretaries. Their instructions must be sent to their CSDP or broker for action. Should they wish to be present or be represented at the General Meeting, they must advise their broker or CSDP timeously and request a letter of representation from their broker or CSDP to enable them to attend the General Meeting.



Sallies Limited

(Incorporated in the Republic of South Africa)

(Registration number 1903/001879/06)

Share code: SAL ISIN: ZAE000022588

JSE code: SALD ISIN: ZAE000117305

("Sallies" or "the Company")

CIRCULAR TO SALLIES ORDINARY SHAREHOLDERS

regarding

a convertible loan of US\$2 800 000 from TSC Investments Limited to Sallies, which under certain circumstances and in terms of the Agreement, could in due course be converted into 167 153 957 Sallies ordinary shares at an issue price of 11.5 cents per share;

and incorporating

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

The Directors whose names are set out on page 10, accept, collectively and individually, full responsibility for the accuracy of the information given herein and certify that, to the best of their knowledge and belief, no facts have been omitted which make any statement false or misleading and that they have made all reasonable enquiries to ascertain such facts and that this circular contains all information required by law and the Listings Requirements.

Sponsor



Reporting Accountant and Auditor



Legal Advisor



5 August 2011

Additional copies of this circular are available in English and may be obtained from Friday, 5 August 2011 during normal business hours from the registered office of the Company, the offices of the sponsor and the transfer secretaries, the details of which are set out in the "Corporate Information" section of this circular.

CORPORATE INFORMATION

Registered Office of Sallies

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

Sponsor

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

Company Secretary

R S O'Callaghan
Qualifications: FCA: Fellow of the Institute of
Chartered Accountants in England and
Wales, MBA (Wits)
86, 8th Avenue
Parktown North, 2193
South Africa
(PO Box 2889, Saxonworld, 2193)
Telephone: +27 11 442 9592

Reporting Accountant and Auditor

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

Transfer Secretaries

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

Legal Advisor to Sallies

Fasken Martineau DuMoulin (Proprietary) Limited
17th Floor
World Trade Center, Johannesburg
Corner West Road South and Lower Road
Sandton, Johannesburg, 2146
South Africa
(Post Net Suite 430, Private Bag X9924
Sandton, 2146)
Telephone: +27 11 685 0800

TABLE OF CONTENTS

CORPORATE INFORMATION	Inside front cover
SALIENT DATES AND TIMES	2
ACTION REQUIRED BY SHAREHOLDERS	3
SALIENT FEATURES	4
DEFINITIONS	7
CIRCULAR TO SALLIES SHAREHOLDERS	
1. Introduction	10
2. Financial effects of the Transaction	11
3. Details of Sallies directors	13
4. Description of the business	13
5. Prospects	14
6. Litigation	14
7. Experience of directors	15
8. Directors' shareholdings	16
9. Directors' interest in transactions	16
10. Expenses in relation to the transaction	16
11. Authorised and issued ordinary share capital	17
12. Code of corporate practices and conduct	17
13. Experts' consents	17
14. Directors' responsibility statement	18
15. General meeting	18
16. Documents available for inspection	18
ANNEXURE 1: CORPORATE GOVERNANCE	19
ANNEXURE 2: UNAUDITED <i>PRO FORMA</i> FINANCIAL INFORMATION RELATING TO THE TRANSACTION	23
ANNEXURE 3: REPORTING ACCOUNTANTS' REPORT ON THE UNAUDITED <i>PRO FORMA</i> FINANCIAL INFORMATION RELATING TO THE TRANSACTION	27
ANNEXURE 4: PRICE HISTORY OF SALLIES ORDINARY SHARES ON THE JSE	29
NOTICE OF GENERAL MEETING	31
FORM OF PROXY	Attached

SALIENT DATES AND TIMES

Circular and Notice of General Meeting posted to shareholders on	Friday, 5 August 2011
Last day to trade in order to be eligible to vote at the general meeting	Friday, 19 August 2011
Record date to determine who will be eligible to vote at the general meeting	Friday, 26 August 2011
Last day for lodging forms of proxy at 12:00 on	Friday, 2 September 2011
General meeting held at 12:00 on	Tuesday, 6 September 2011
Results of the General Meeting released on SENS on	Tuesday, 6 September 2011
Results of the General Meeting published in the press on	Wednesday, 7 September 2011

Notes:

1. The above dates and times are subject to change. Any such changes will be released on SENS and published in the press.
2. All times given are South African local times.

ACTION REQUIRED BY SHAREHOLDERS

The definitions commencing on page 7 of this circular have, where necessary, been used below.

THIS ACTION REQUIRED IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

Voting at the General Meeting

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

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

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

Attendance and representation at the General Meeting

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

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

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

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

Voting, attendance and representation at the General Meeting

You may attend and vote at the General Meeting in person or alternatively, you may appoint a proxy to represent you at the General Meeting by completing the attached form of proxy in accordance with the instructions it contains and returning it to the transfer secretaries, to be received by 12:00 on Friday, 2 September 2011.

If you have not dematerialised your ordinary shares:

Voting, attendance and representation at the General Meeting

You may attend and vote at the General Meeting in person. Alternatively, you may appoint a proxy to represent you at the General Meeting by completing the attached form of proxy in accordance with the instructions it contains and returning it to the transfer secretaries to be received by no later than 12:00 on Friday, 2 September 2011.

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

SALIENT FEATURES

This summary contains the salient features of the Transaction detailed in this circular, which should be read in its entirety for a full appreciation thereof. The definitions commencing on page 7 of this circular apply where necessary to this section of the circular.

1. INTRODUCTION

On 23 June 2011, Sallies entered into a convertible loan agreement with TSC Investments Limited whereby Sallies will borrow US\$2 800 000 from TSC, which under certain circumstances is convertible into an estimated 167 153 957 ordinary shares in Sallies.

Sallies announced on SENS on 19 January 2011 that it had secured the Maghreb facility in order to re-commission the Witkop Mine. To date, US\$5 million of the Maghreb facility has been drawn down. The convertible loan has been raised as an alternative for the remaining US\$3 million of the Maghreb facility.

The loan from TSC attracts an interest rate equal to the three month LIBOR plus 200 basis points per annum calculated on a nominal compounded monthly in arrear basis until the date on which it is either converted or repaid by Sallies, as applicable. The conversion is either at TSC's sole and absolute discretion or on receipt of the mandatory offer by Maghreb to Sallies' minority ordinary shareholders and debenture holders as announced on SENS on 28 December 2010.

The shares can be converted at a price equal to the lesser of:

- 90% (ninety per cent) of the 30 (thirty) day volume weighted average share price ("VWAP") per share of Sallies Limited (rounded up to the nearest half cent) calculated on the signature date (being 11.50 cents per share); or
- 90% (ninety per cent) of the 30 (thirty) day VWAP (rounded up to the nearest half cent) per share, calculated on the last business day prior to the subscription date.

If TSC has not exercised its right of conversion, the loan is repayable at the earlier of 3 January 2012 or the day on which the mandatory offer is announced and becomes unconditional and binding. The Board of Maghreb requested that an alternative funding be sourced in place of drawing down the remaining balance of the Maghreb facility as Maghreb wishes to apply the remaining balance to new ventures that it has identified.

The purpose of this circular is to furnish the Company's ordinary shareholders with all the relevant information relating to the Transaction, in accordance with the Listings Requirements, and to convene the General Meeting in order for ordinary shareholders to consider and, if deemed fit, approve the resolutions to effect the Transaction, in terms of the notice of General Meeting attached to and forming part of this circular.

Furthermore in terms of section 45 of the Act, a special resolution is required in respect of financial assistance to subsidiaries, the notice to the general meeting includes a special resolution in order to obtain shareholder approval for the approval of financial assistance, including loans to subsidiaries. Financial assistance is provided by Sallies to its subsidiaries on an ad-hoc basis and the loan from TSC will be utilised by Witkop for further working capital requirements. This special resolution is being sought in order to comply with the Act.

2. CONDITIONS PRECEDENT

The loan is subject, *inter alia*, to the following conditions precedent being fulfilled by no later than 31 July 2011:

- the approval of the South African Reserve Bank, exchange control division of the loan and the terms thereof;
- Firebird Global Master Fund Ltd and Firebird Global Master Fund II Ltd, being the current controlling shareholder of Sallies, to vote in favour of the resolutions approving the terms of the loan agreement and to demand that Sallies convene a general meeting of shareholders by no later than 30 September 2011. (The condition precedent refers to an undertaking required to be provided by Firebird to TSC in which Firebird in its capacity as shareholder of Sallies, demands, in terms of section 61(3) of the Act that Sallies convenes a general meeting of its shareholders by no later than 30 September 2011 to approve the terms of the convertible loan agreement.); and

- all permissions required, including shareholder approval, and compliance with all regulatory obligations to the extent necessary to effect the loan.

3. FINANCIAL EFFECTS OF THE TRANSACTION

The unaudited *pro forma* financial effects of Sallies before and after (1) the repayment of the loan in cash (“the Repayment”) and (2) the Conversion Issue are based on the published reviewed results of Sallies for the 6 months ended 31 December 2010. The unaudited financial effects are presented for illustrative purposes only, to provide information on how (1) the Repayment and (2) the Conversion Issue may have impacted on the results and financial position of Sallies. The unaudited *pro forma* financial effects are the responsibility of Sallies’ directors. Due to the nature of the unaudited *pro forma* financial effects, they may not fairly present Sallies’ financial position and the results of its operations after (1) the Repayment and (2) the Conversion Issue. It has been assumed for purposes of the headline and diluted headline loss and loss and diluted loss per share that (1) the Repayment and (2) the Conversion Issue took place with effect from 1 July 2010 and 31 December 2010 for the computation of the tangible net asset value and net asset value per share. The financial effects do not purport to be indicative of what the financial results would have been, had (1) the Repayment and (2) the Conversion Issue been implemented on a different date. The unaudited *pro forma* financial information has been presented in a manner consistent in all respects with IFRS and Sallies’ accounting policies have been applied consistently throughout the period.

The *pro forma* financial effects of the Repayment have been calculated based on the following assumptions:

- The loan and the accrued interest thereon were repaid in cash on 3 January 2012.

The *pro forma* financial effects of the Conversion Issue have been calculated based on the following assumptions:

- The loan and the accrued interest thereon was not repaid during the period under review and TSC elected to convert such repayment into Sallies ordinary shares on 31 December 2010;
- The Rand amount repaid in respect of the loan was calculated for illustrative purposes using an exchange rate of R6.80 to US\$1.00 on 31 December 2010 and using an estimated number of shares of 167 153 957 which has been calculated based on compound interest accruing on the loan for a period of six months at an interest rate of 0.303% plus 200 basis point and a conversion price of 11.50 cents per ordinary share, being a 10% discount to the 30-day VWAP of the Sallies ordinary shares at the date of signing the Agreement (rounded up to the nearest half cent).

Ordinary shareholders are also referred to the *pro forma financial* information and the independent reporting accountants report thereon set out in Annexures 2 and 3, respectively, to this circular.

	Before	After the Repayment	Percentage change	After the Conversion Issue	Percentage change
Basic loss per share (cents)	(5.0)	(5.0)	0.0	(4.3)	13.6
Diluted loss per share (cents)	(5.0)	(5.0)	0.0	(4.3)	13.6
Headline loss per share (cents)	(4.9)	(5.0)	(2.0)	(4.3)	13.5
Diluted headline loss per share (cents)	(4.9)	(5.0)	(2.0)	(4.3)	13.5
Net asset value per share (cents)	1.9	1.8	(5.2)	3.6	93.9
Tangible net asset value per share (cents)	0.5	0.4	(20)	2.5	433.2
Shares in issue ('000)	724 556	724 556	0.0	891 710	23.1
Weighted average number of shares in issue ('000)	683 388	683 388	0.0	850 542	24.5
Diluted weighted average number of shares in issue ('000)	683 388	683 388	0.0	850 542	24.5

Notes:

1. The “Before” loss, diluted loss, headline loss and diluted headline loss per share have been extracted without adjustment from the published, reviewed results of Sallies for the six months ended 31 December 2010. The “Before Issue” net asset and tangible net asset value per share have been calculated from the financial information presented in the published, reviewed results of Sallies for the six months ended 31 December 2010.

2. The "After the Repayment" assumes:
 - (a) The repayment of the loan and the accrued interest thereon in cash on 31 December 2010;
 - (b) The accrual of interest amounting to R183 000 at an annual interest rate of 0.303% plus 200 basis points over the five- month period of the loan; and
 - (c) Estimated transaction costs amounting to R250 000.
3. The "After the Conversion Issue" assumes:
 - (a) The conversion of the loan and the accrued interest thereon on 31 December 2010 into 167 153 957 ordinary shares at a 10% discount to the 30-day VWAP (rounded up to the nearest half cent) on the date of signing the Agreement resulting in an IAS 39 charge of R2.136 million;
 - (b) The accrual of interest amounting to R183 000 at a rate of 0.303% plus 200 basis points over the 5-month period of the loan; and
 - (c) Estimated transaction costs amounting to R250 000.
4. If the loan and the accrued interest thereon were to be converted into equity at the 30-day VWAP to the current market price of a Sallies share being 11.41 cents per share, the number of shares that would be issued in settlement of the loan and the accrued interest thereon would be 187 137 800 and the loss, diluted loss, headline loss and diluted headline loss per share would be 4.2 cents. The net asset value and net tangible asset value per share would be 3.5 cents and 2.4 cents per share respectively.

4. GENERAL MEETING

The Sallies General Meeting will be held at the offices of Meropa Communications, Block 1, Freestone Office Park, 135 Patricia Road, Atholl, Sandton, Johannesburg at 12:00 on Tuesday, 6 September 2011 to consider and if deemed fit, to pass, with or without modification, the ordinary resolutions necessary to approve and implement the Transaction and the special resolution necessary to approve loans to subsidiaries in terms of the Act. A notice convening the General Meeting is attached hereto and forms part of this circular and contains the ordinary resolutions and the special resolution to be considered at the General Meeting.

DEFINITIONS

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

“Act”	the Companies Act, No. 71 of 2008;
“Agreement”	the convertible loan agreement, dated 23 June 2011, entered into between Sallies and TSC;
“Buffalo”	Buffalo Fluorspar (Proprietary) Limited (Registration number 2006/016554/07), a private company incorporated in accordance with the Act;
“Certificated shareholders”	ordinary shareholders who hold certificated ordinary shares;
“Circular Date”	the date of this circular, being Friday, 5 August 2011;
“Company secretary”	Richard O’Callaghan, an individual, details of whom are set out in the “Corporate Information” section of this circular;
“Conversion Issue”	the estimated conversion of the Loan Amount including accrued interest into 167 153 957 ordinary shares in Sallies based on an issue price of 11.5 cents per share;
“CSDP”	Central Securities Depository Participant;
“Dematerialised shareholders”	ordinary shareholders who hold dematerialised ordinary shares;
“Dematerialised shares”	ordinary shares that have been dematerialised in terms of the requirements of Strate and which are held on the sub-register of ordinary shareholders in electronic form in terms of the Securities Services Act;
“Directors” or “board” or “Sallies Board”	the directors of Sallies, whose details appear on page 10 of this circular;
“Effective date”	the date of fulfilment or waiver, as the case may be, of the last of the Suspensive Conditions;
“Financial assistance”	includes lending money, guaranteeing a loan or other obligation, and securing any debt or obligation;
“Firebird”	Firebird Global Master Fund Ltd (Registration number CR-124871), and Firebird Global Master Fund II Limited (Registration number OG-166996), companies incorporated and registered in the Cayman Islands and together, the current controlling shareholder of Sallies. Firebird is owned by various private and institutional investors;
“General Meeting”	a meeting of Sallies shareholders to be held at the offices of Meropa Communications, Block 1, Freestone Office Park, 135 Patricia Road, Atholl, Sandton, Johannesburg at 12:00 on Tuesday, 6 September 2011;
“IFRS”	International Financial Reporting Standards;
“Interest Rate”	LIBOR plus two hundred basis points per annum calculated on a nominal compounded monthly in arrear basis;

“JSE”	JSE Limited (Registration number 2005/022939/06), a public company registered and incorporated with limited liability in accordance with the company laws of South Africa, licenced to operate as an exchange under the Securities Services Act;
“last practicable date”	the last practicable date prior to the finalisation and publication of this circular, being Tuesday, 26 July 2011;
“legal advisor”	Fasken Martineau DuMoulin (Proprietary) Limited (Registration number 2002/025507/07), a company incorporated in accordance with the Act, being the legal advisor to Sallies;
“LIBOR”	the rate equal to the three-month London Interbank Offered Rate, as published by the British Banking Association from time to time, applicable to transactions having a value on the first day of the three month period concerned;
“Listing Requirements”	the Listings Requirements of the JSE, as amended from time to time;
“Loan Amount”	an amount of US\$2 800 000 (Two million, eight hundred thousand United States Dollars);
“Maghreb”	Maghreb Minerals Plc (Registration number 05146673), a public company incorporated in accordance with the laws of England and Wales and is listed on the AIM Exchange in London;
“Maghreb facility”	a working capital facility of US\$8 million from Maghreb in order to re-commission Witkop;
“ordinary shares”	ordinary shares of 0.1 cent each in the share capital of Sallies;
“ordinary shareholder”	a holder of ordinary shares;
“R” or “Rand”	Rand, the lawful currency of South Africa;
“Reporting accountant and auditors”	BDO South Africa Incorporated Registered Chartered Accountants and Auditors (Registration number 1999/018618/21);
“SHEQ”	Safety, health, environmental and quality management;
“Sallies” or “the Company” or “Group”	Sallies Limited (Registration number 1903/001879/06) a public company incorporated in South Africa in accordance with the Act, and whose shares are listed on the JSE;
“SARS”	South African Revenue Service;
“SENS”	the Securities Exchange News Service of the JSE;
“Securities Services Act”	the Securities Services Act, No. 36 of 2004;
“South Africa”	the Republic of South Africa;
“Sponsor”	Bridge Capital Advisors (Proprietary) Limited (Registration number 1998/016302/07), a company incorporated in accordance with the Act and a Sponsor as contemplated in the Listings Requirements, being the Company’s sponsor and corporate advisor;
“Strate”	Strate Limited (Registration number 1998/022242/06), a company incorporated in accordance with the Act, and registered as a “Central Securities Depository” in terms of the Securities Services Act or, as the context requires, the electronic clearing, settlement and custody system for securities listed on the JSE;

“Transaction”	the issue of the convertible loan by TSC to Sallies that may be converted into Sallies ordinary shares subject to shareholder approval;
“Transfer secretaries”	Computershare Investor Services (Proprietary) Limited (Registration number 2004/003647/07) a company incorporated in accordance with the Act being Sallies’ transfer secretaries;
“TRP”	means the Takeover Regulation Panel, established by section 196 of the Act;
“TSC”	TSC Investments Limited (Registration number 1398422), a company duly registered and incorporated in accordance with the company laws of British Virgin Islands;
“VWAP”	Volume weighted average price; and
“Witkop”	Witkop Fluorspar Mine (Proprietary) Limited (Registration number 1972/006392/07), a private company incorporated in accordance with the Act.



Sallies Limited

(Incorporated in the Republic of South Africa)

(Registration number 1903/001879/06)

Share code: SAL ISIN: ZAE000022588

JSE code: SALD ISIN: ZAE000117305

("Sallies" or "the Company")

Directors:

Nicholas Davidoff * (*Chairman*)

Andrew Kamau * ^

Jürgen Kögl *

Stephen Morris * ^

Sandile Swana * ^

Patrick Cooke # (*Financial Director*)

* Non-executive; # Executive; ^ Independent

CIRCULAR TO SALLIES SHAREHOLDERS

1. INTRODUCTION

Terms of the loan

On 23 June 2011, Sallies entered into a convertible loan agreement with TSC Investments Limited whereby Sallies will borrow US\$2 800 000 from TSC, which under certain circumstances is convertible into an estimated 167 153 957 ordinary shares in Sallies.

Sallies announced on SENS on 19 January 2011 that it had secured the Maghreb facility in order to re-commission the Witkop Mine. To date, US\$5 million of the Maghreb facility have been drawn down. The convertible loan has been raised as an alternative for the remaining US\$3 million of the Maghreb facility.

The loan from TSC attracts an interest rate equal to the three month LIBOR plus 200 basis points per annum calculated on a nominal compounded monthly in arrear basis until the date on which it is either converted or repaid by Sallies, as applicable. The conversion is either at TSC's sole and absolute discretion or on receipt of the mandatory offer by Maghreb to Sallies' minority shareholders and debenture holders as announced on SENS on 28 December 2010.

The shares can be converted at a price equal to the lesser of:

- 90% (ninety per cent) of the 30 (thirty) day volume weighted average share price ("VWAP") per share of Sallies Limited (rounded up to the nearest half cent) calculated on the signature date (being 11.50 cents per share); or
- 90% (ninety per cent) of the 30 (thirty) day VWAP (rounded up to the nearest half cent) per share, calculated on the last business day prior to the subscription date.

If TSC has not exercised its right of conversion, the loan is repayable at the earlier of 3 January 2012 or the day on which the mandatory offer is announced and becomes unconditional and binding.

Mandatory offer

On 28 December 2010, Sallies announced on SENS that Maghreb had conditionally agreed to purchase, from Firebird its total equity stake in Sallies of 484 958 606 ordinary shares, which equates to a 66.9% shareholding in Sallies (which provides an aggregate holding for Maghreb of 78.3% given its existing 11.4% stake in Sallies). The transaction between Maghreb and Firebird will result in a change in control in Sallies and result in a mandatory offer in terms of the Act to Sallies' ordinary shareholders and debenture holders. The Board of Maghreb requested that an alternative funding be sourced in place of drawing down the remaining balance of the Maghreb facility as Maghreb wishes to apply the remaining balance to new ventures that it had identified. The conditions precedent to make the agreement unconditional comprises the following conditions:

1. Maghreb shareholder approval for the transaction involving the acquisition of the Sallies shares;
2. The independent directors of Maghreb after consultation with Maghreb's nominated advisor confirming that the transaction is fair and reasonable;
3. The financing of Maghreb of not less than US\$10 000 000 having been completed; and
4. There being no material adverse effect on the business and operations of Sallies and Maghreb until the financing of Maghreb is completed.

Conditions precedent

The loan is subject, *inter alia*, to the following conditions precedent being fulfilled by no later than 31 July 2011:

- the approval of the South African Reserve Bank, exchange control division of the loan and the terms thereof;
- Firebird Global Master Fund Ltd and Firebird Global Master Fund II Ltd, being the current controlling shareholder of Sallies, to vote in favour of the resolutions approving the terms of the loan agreement and to demand that Sallies convene a general meeting of shareholders by no later than 30 September 2011. (The condition precedent refers to an undertaking required to be provided by Firebird to TSC in which Firebird in its capacity as shareholder of Sallies, demands, in terms of section 61(3) of the Act that Sallies convenes a general meeting of its shareholders by no later than 30 September 2011 to approve the terms of the convertible loan agreement.); and
- all permissions required including shareholder approval, and compliance with all regulatory obligations to the extent necessary to effect the loan.

Purpose of circular

The purpose of this circular is to furnish the Company's ordinary shareholders with all the relevant information relating to the Transaction, in accordance with the Listings Requirements, and to convene the General Meeting in order for ordinary shareholders to consider and, if deemed fit, approve the resolutions to effect the Transaction, in terms of the notice of General Meeting attached to and forming part of this circular. Furthermore, a special resolution approving financial assistance in terms of section 45 of the Act is included in the notice to the general meeting. Financial assistance is provided by Sallies to its subsidiaries on an ad-hoc basis and the loan from TSC will be utilised by Witkop for further working capital requirements. This special resolution is being sought in order to comply with the Act.

2. FINANCIAL EFFECTS OF THE TRANSACTION

The unaudited *pro forma* financial effects of Sallies before and after (1) the repayment of the loan in cash ("the Repayment") and (2) the Conversion Issue are based on the published reviewed results of Sallies for the six months ended 31 December 2010. The unaudited financial effects are presented for illustrative purposes only, to provide information on how (1) the Repayment and (2) the Conversion Issue may have impacted on the results and financial position of Sallies. The unaudited *pro forma* financial effects are the responsibility of Sallies' directors. Due to the nature of the unaudited *pro forma* financial effects, they may not fairly present Sallies' financial position and the results of its operations after (1) the Repayment and (2) the Conversion Issue. It has been assumed for purposes of the headline and diluted headline loss and loss and diluted loss per share that (1) the Repayment and (2) the Conversion Issue took place with effect from 1 July 2010 and 31 December 2010 for the computation of the tangible net asset value and net asset value per share. The financial effects do not purport to be indicative of what the financial

results would have been, had (1) the Repayment and (2) the Conversion Issue been implemented on a different date. The unaudited *pro forma* financial information has been presented in a manner consistent in all respects with IFRS and Sallies' accounting policies have been applied consistently throughout the period. Shareholders are also referred to the *pro forma financial* information and the independent reporting accountants report thereon set out in Annexures 2 and 3, respectively, to this circular.

The *pro forma* financial effects of the Repayment have been calculated based on the following assumptions:

- The loan and the accrued interest thereon were repaid in cash on 3 January 2012.

The *pro forma* financial effects of the Conversion Issue have been calculated based on the following assumptions:

- The loan and the accrued interest thereon was not repaid during the period under review and TSC elected to convert such repayment into Sallies ordinary shares on 31 December 2010;
- The Rand amount repaid in respect of the loan was calculated for illustrative purposes using an exchange rate of R6.80 to US\$1.00 on 31 December 2010 and using an estimated number of shares of 167 153 957 which has been calculated based on compound interest accruing on the loan for a period of 6 months at an interest rate of 0.303% plus 200 basis point and a conversion price of 11.50 cents per ordinary share, being a 10% discount to the 30-day VWAP of the Sallies ordinary shares at the date of signing the Agreement (rounded up to the nearest half cent).

	Before ¹	After the Repayment ²	Percentage change	After the Conversion Issue ³	Percentage change
Basic loss per share (cents)	(5.0)	(5.0)	0.0	(4.3)	13.6
Diluted loss per share (cents)	(5.0)	(5.0)	0.0	(4.3)	13.6
Headline loss per share (cents)	(4.9)	(5.0)	(2.0)	(4.3)	13.5
Diluted headline loss per share (cents)	(4.9)	(5.0)	(2.0)	(4.3)	13.5
Net asset value per share (cents)	1.9	1.8	(5.2)	3.6	93.9
Tangible net asset value per share (cents)	0.5	0.4	(20)	2.5	433.2
Shares in issue ('000)	724 556	724 556	0.0	891 710	23.1
Weighted average number of shares in issue ('000)	683 388	683 388	0.0	850 542	24.5
Diluted weighted average number of shares in issue ('000)	683 388	683 388	0.0	850 542	24.5

Notes:

1. The "Before" loss, diluted loss, headline loss and diluted headline loss per share have been extracted without adjustment from the published, reviewed results of Sallies for the six months ended 31 December 2010. The "Before" net asset and tangible net asset value per share have been calculated from the financial information presented in the published, reviewed results of Sallies for the 6 months ended 31 December 2010.
2. The "After the Repayment" assumes:
 - (a) The repayment of the loan and the accrued interest thereon in cash on 31 December 2010;
 - (b) The accrual of interest amounting to R183 000 at an annual interest rate of 0.303% plus 200 basis points over the five-month period of the loan; and
 - (c) Estimated transaction costs amounting to R250 000.
3. The "After the Conversion Issue" assumes:
 - (a) The conversion of the loan and the accrued interest thereon on 31 December 2010 into 167 153 957 ordinary shares at a 10% discount to the 30-day VWAP (rounded up to the nearest half cent) on the date of signing the Agreement resulting in an IAS 39 charge of R2.136 million;
 - (b) The accrual of interest amounting to R183 000 at a rate of 0.303% plus 200 basis points over the five-month period of the loan; and
 - (c) Estimated transaction costs amounting to R250 000.
4. If the loan and the accrued interest thereon were to be converted into equity at the 30-day VWAP to the current market price of a Sallies share being 11.41 cents per share, the number of shares that would be issued in settlement of the loan and the accrued interest thereon would be 187 137 800 and the loss, diluted loss, headline loss and diluted headline loss per share would be 4.2 cents. The net asset value and net tangible asset value per share would be 3.5 cents and 2.4 cents per share respectively.

3. DETAILS OF SALLIES DIRECTORS

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

Full name	Age	Nationality	Business address	Function
Nicholas Davidoff	30	American	152 W, 57th Street Floor 24 New York	Non-executive Chairman
Patrick Cooke	58	South African	Tenova Pyromet Building 10 Sherbourne Road Parktown, Johannesburg	Financial Director
Andrew Kamau	44	Kenyan	Khulaco (Proprietary) Limited 354 Rivonia Boulevard Unit 101, Progress House Lillipark, Rivonia 2128 South Africa	Independent non-executive Director
Jürgen Kögl	55	South African	39 Jan Smuts Avenue Park Town Johannesburg	Non-executive Director
Stephen Morris	46	British	8 The Meadows Camps Bay Cape Town	Independent non-executive Director
Sandile Swana	43	South African	Building 3 Visiomed Office Park Northcliff Johannesburg	Lead independent non-executive Director

Note: No Directors have unlimited liability.

In terms of the declarations lodged by the Directors in accordance with Schedule 21 of the Listing Requirements, none of the following applies to any of the Directors listed above for the 12 months preceding the Circular Date: bankruptcies, insolvencies or individual voluntary compromise arrangements, receiverships, compulsory liquidations, creditors' voluntary liquidations, administrations, company voluntary liquidations, or any compromise or arrangement with creditors generally or any class of creditors of any company where such person is or was a director with an executive function of such company at the time of any such event; compulsory liquidations, administrations or partnership voluntary arrangements of any partnerships of which the person is or was a partner at the time of such event; receiverships of any asset(s) of such person or of a partnership of which the person is or was a partner at the time of such event; public criticisms of such person by statutory or regulatory authorities, including recognised professional bodies; disqualification by a Court from acting as a director of a company or from acting in the management or conduct of the affairs of any company; and any offence involving dishonesty.

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

4. DESCRIPTION OF THE BUSINESS

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

Following the closure of all of its gold mining activities during the 1990s, Sallies acquired Witkop and Buffalo in July 1999 and July 2006 respectively. Since then, Sallies has produced and marketed acidspar. The bulk of Sallies' acidspar output has been exported to produce hydrofluoric acid. This product is converted into HF refrigerant gases, fluoroplastics, aluminium tri-fluoride and products for niche markets.

Witkop

Witkop is a subsidiary of Sallies and operates the Witkop Fluorspar Mine. The mine is located near Zeerust in the North West Province and mines fluorspar ore from which it produces acid grade filter cake fluorspar, a product which contains 97% calcium fluoride ("CaF₂"). Witkop exports its output to international customers who produce mainly hydrofluoric acid, which is then further processed into refrigerant gases, fluoro-polymers and aluminium trifluoride. Witkop also produces small quantities of metallurgical grade fluorspar and agricultural lime which are sold to the local market. In March 2011 it was announced that the mine, which has been on care and maintenance for the last 18 months, would be re-commissioned.

Buffalo

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

5. PROSPECTS

Sallies announced on SENS on 19 January 2011 that it had secured a working capital facility of US\$8 million from Maghreb in order to re-commission the Witkop Mine. As at the date of the circular, approximately US\$5 million of the Maghreb facility has been drawn down.

The convertible loan has been raised as an alternative for drawing down the remaining US\$3 million of the Maghreb facility. The market for acid grade fluorspar has recovered but remains fragile. Prices are increasing but the strength of the South African Rand is not beneficial. Buffalo will remain on care and maintenance for the foreseeable future.

6. LITIGATION

On 3 April 2009 the International Chamber of Commerce International Court of Arbitration ruled that Sallies and Witkop were to pay to Honeywell International Inc. an amount of US\$1 243 824 plus interest at 5% per annum from 19 January 2006, as a result of a breach of contract. Pursuant to this ruling, the Directors resolved to settle the claim through an issue of 82 335 700 ordinary shares at 13.5 cents per share in terms of the general authority granted by shareholders to Directors to issue shares. The issue, which constituted 12.82% of the Company's total issued share capital as at 17 September 2010, was implemented at a 19.9% premium on the weighted average traded price of Sallie's shares for the 30 business days preceding 20 August 2010, being the date that the issue price was agreed upon by the Directors. The shares were listed on the JSE on Monday, 27 September 2010.

The dispute between Witkop and the SARS was heard in the Tax Court in Johannesburg and in the judgement dated 7 December 2010; judgement was awarded in Witkop's favour in all material respects. The judgement has not been appealed by SARS. Witkop has received all funds due in terms of the judgement and all relevant assessments have been revised.

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

7. EXPERIENCE OF DIRECTORS

The brief profiles for the Directors are detailed below:

Non-executive directors

Nicholas Davidoff (30)

BSc (Tulane)

Non-executive Chairman

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

Andrew Kamau (44)

BSc (Nairobi)

Independent non-executive Director

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

Jürgen Kögl (55)

BSc (Civil Eng); BA (Economic History)

Non-executive Director

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

Stephen Morris (46)

Independent non-executive Director

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

Sandile Swana (43)

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

Lead Independent non-executive Director

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

Executive director

Patrick Cooke (58)

B Comm CA(SA)

Financial Director

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

8. DIRECTORS' SHAREHOLDINGS

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

Holdings at 30 June 2010	Percentage shareholding	Indirect beneficial	Direct beneficial
N Davidoff	0.03	–	200 000
S P Morris	0.05	345 000	–
Total	0.08	345 000	200 000

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

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

There will be no variation in the remuneration to be received by any of the directors as a consequence of the Transaction.

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

Shareholdings as at 30 June 2009	Percentage shareholding	Percentage debenture holding	Ordinary shares '000	Debentures '000
Direct beneficial				
B C Esterhuyzen	0.01	0.01	25	6
D G J Kerrison	0.02	–	130	–
	0.03	0.01	155	6
Indirect beneficial				
B C Esterhuyzen	0.01	0.01	63	15
D G J Kerrison	0.13	–	807	–
	0.14	0.01	870	15
Total	0.17	0.02	1 025	21

9. DIRECTORS' INTEREST IN TRANSACTIONS

Save for Jürgen Kögl's interest in the the BEE Transaction with African Renaissance Holdings Limited whereby a circular detailing this was sent to shareholders on 15 December 2010, there is no other director with any beneficial interest, whether direct or indirect, in any transaction which was effected by the Company during the current year or year preceding the Circular Date or during an earlier year and remains in any respect outstanding or unperformed. As at the Circular Date, Jürgen Kögl did not have any direct or indirect interest in the share capital of Sallies.

10. EXPENSES IN RELATION TO THE TRANSACTION

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

Estimated expenses	R
Bridge Capital (Sponsor)	75 000
Computershare Investor Services (Proprietary) Limited (transfer secretaries)	20 000
Ince (printing and posting)	70 000
JSE documentation inspection fees	25 000
BDO South Africa Incorporated (Reporting Accountant and auditor)	35 000
Fasken Martineau DuMoulin (Proprietary) Limited (Legal Advisor)	25 000
Estimated total	250 000

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

11. AUTHORISED AND ISSUED ORDINARY SHARE CAPITAL

The authorised and issued ordinary share capital of Sallies before the Transaction is set out below:

	R'000
Authorised	
1 000 000 000 ordinary shares of 0.1 cent each	1 000
Issued share capital	
724 555 707 ordinary shares of 0.1 cent each	724
Share premium	295 148

The authorised and issued ordinary share capital of Sallies in the event of the entire Loan Amount based on the estimated Conversion Issue into Sallies ordinary shares is set out below:

	R'000
Authorised	
1 000 000 000 ordinary shares of 0.1 cent each	1 000
Issued share capital	
891 709 957 ordinary shares of 0.1 cent each	891
Share premium	316 340

Notes:

1. There has been no sub-division or consolidation of shares during the three years preceding the Circular Date.
2. There are no preferential conversion and/or exchange rights in the issued ordinary share capital above.
3. Issued shares include the general issue of shares to Honeywell as disclosed in paragraph 6.
4. Neither the Company nor any of its subsidiaries has any treasury shares.
5. Based on the full amount of the loan being converted into Sallies ordinary shares.

In the past three years, the following ordinary share issues have taken place, as stated in paragraph 6 82 335 700 ordinary shares were issued to Honeywell in settlement of litigation, on 7 November 2008 and 20 August 2008, 2 233 189 and 6 006 161 convertible debentures were converted in Sallies ordinary shares on a 1 for 1 basis. Save for the above no other ordinary share issues have taken place in the past three years.

12. CODE OF CORPORATE PRACTICES AND CONDUCT

The Company's Corporate Governance Report is set out in Annexure 1.

13. EXPERTS' CONSENTS

The sponsor, legal advisor, reporting accountant and Transfer secretaries have consented in writing to act in the capacities stated and to their names appearing in this circular and have not withdrawn their consents prior to the Circular Date.

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

14. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors of the Company, whose names are set out on page 10, collectively and individually, accept full responsibility for the accuracy of the information given in this circular and certify that to the best of their knowledge and belief there are no other facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this circular contains all information required by law and the Listings Requirements.

15. GENERAL MEETING

A General Meeting will be held at the offices of Meropa Communications, Block 1, Freestone Office Park, 135 Patricia Road, Atholl, Sandton, Johannesburg at 12:00 on Tuesday, 6 September 2011 to consider and if deemed fit, to pass, with or without modification, the ordinary resolutions necessary to approve and implement the Transaction and the special resolution necessary to approve financial assistance to subsidiaries in terms of section 45 of the Act.

A notice convening the General Meeting is attached hereto and forms part of this circular and contains the ordinary resolutions and special resolution to be considered at the General Meeting.

A form of proxy, for use by ordinary shareholders who have not dematerialised their ordinary shares and "own name" dematerialised shareholders, who are unable to attend the General Meeting, is attached to and forms part of this circular. Duly completed forms of proxy must be delivered to the transfer secretaries to be received by no later than 12:00 on Friday, 2 September 2011.

Ordinary shareholders who have dematerialised their ordinary 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. Ordinary 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.

16. DOCUMENTS AVAILABLE FOR INSPECTION

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

- the memorandum and articles of association of Sallies, Witkop and Buffalo;
- the signed written consents of the sponsor, legal advisor, reporting accountant and Transfer secretaries to act in those capacities, which consents have not been withdrawn as at the Circular Date;
- the convertible loan agreement between Sallies and TSC signed on 23 June 2011;
- the signed irrevocable undertaking by Firebird to vote in favour of the transaction;
- the audited annual financial statements of Sallies for the three financial years ended 30 June 2010, 2009 and 2008 and the published reviewed interim results for the six months ended 31 December 2010;
- the latest competent person's report of Witkop and Buffalo;
- the reporting accountant and auditor's report on the unaudited *pro forma* financial information;
- the Executive Director's service agreement; and
- a signed copy of this circular.

For and on behalf of the Company

PATRICK COOKE

Financial Director

5 August 2011

CORPORATE GOVERNANCE

Corporate Governance

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

Board structures

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

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

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

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

At present, the Company does not have a Chief Executive Officer and the board intends to make an appointment by no later than 31 December 2011.

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

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

EXECUTIVE COMMITTEE (EXCO)

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

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

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

AUDIT AND RISK COMMITTEE

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

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

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

Members of the committee during the year were:

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

* Independent.

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

RISK MANAGEMENT

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

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

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

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

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

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

REMUNERATION COMMITTEE

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

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

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

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

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

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

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

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

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

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

INTERNAL CONTROL

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

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

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

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

WORKER PARTICIPATION

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

RELATIONSHIPS WITH STAKEHOLDERS

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

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

CODE OF ETHICS

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

UNAUDITED *PRO FORMA* FINANCIAL INFORMATION RELATING TO THE TRANSACTION

INTRODUCTION

This annexure presents the unaudited *pro forma* statement of financial position and statement of comprehensive income (collectively the “*pro forma* financial information”) of the group for the six months ended 31 December 2010. It provides investors with information about the impact that (1) the repayment of the loan in cash (“the Repayment”) and (2) the Conversion Issue might have had on the historical financial information of the group, had (1) the Repayment and 2) the Conversion Issue been effected on 31 December 2010.

The unaudited *pro forma* financial information:

- is the responsibility of the directors of the company; and
- has been prepared for illustrative purposes only and may, because of their nature, not give a true reflection of the group’s financial position.

BASIS OF PREPARATION

The *pro forma* statement of financial position and statement of comprehensive income presented in this annexure have been based on the reviewed interim results for the six months ended 31 December 2010 published on 4 March 2011 and are presented in a manner consistent with the format and accounting policies adopted by the Company. The adjustments to the financial information set out below illustrate the effect of (1) the Repayment and (2) the Conversion Issue on net asset value per share and tangible net asset value per share as if (1) the Repayment and (2) the Conversion Issue had been effected on 31 December 2010 and on earnings, headline earnings, diluted earnings and diluted headline earnings as if (1) the Repayment and (2) the Conversion Issue had been effected on 1 July 2010.

The *pro forma* financial information in respect of the Repayment has been calculated based on the following assumptions:

- The loan and the accrued interest thereon were repaid in cash on 3 January 2012.

The *pro forma* financial information in respect of the Conversion Issue has been calculated based on the following assumptions:

- The loan and the accrued interest thereon was not repaid during the period under review and TSC elected to convert such repayment into Sallies ordinary shares on 31 December 2010;
- The Rand amount repaid in respect of the loan was calculated for illustrative purposes using the exchange rate of R6.80 to US\$1.00 on 31 December 2010 and using an estimated number of shares of 167 153 957 which has been calculated based on compound interest accruing on the loan for a period of six months at an interest rate of 0.303% plus 200 basis point and a conversion price of 11.50 cents per ordinary share, being a 10% discount to the 30-day VWAP of the Sallies ordinary shares at the date of signing the Agreement (rounded up to the nearest half cent).

STATEMENT OF COMPREHENSIVE INCOME

R'000	Before ¹	Adjustments – Repayment	Pro forma Adjustments – After the Repayment	Conversion Issue	Pro forma After the Conversion Issue
Revenue – mining	16 862	–	16 862	–	16 862
Net foreign exchange gains/(losses)	(1 456)	–	(1 456)	–	(1 456)
Cost of sales	(13 584)	–	(13 584)	–	(13 584)
Profit from mining activities	1 822	–	1 822	–	1 822
Less: Depreciation	(7 157)	–	(7 157)	–	(7 157)
Operating loss from mining	(5 335)	–	(5 335)	–	(5 335)
Profit on disposal of plant, property and equipment	(25)	–	(25)	–	(25)
Administrative expenses	(21 833)	(250) ²	(22 083)	(250) ²	(22 083)
Investment income	135	–	135	–	135
Finance costs on borrowings	(652)	(183) ³	(835)	(183) ³	(835)
Interest on convertible debentures	(3 657)	–	(3 657)	–	(3 657)
Loss before notional interest on convertible debentures and share-based payments	(31 367)	(433)	(31 800)	(433)	(31 800)
Notional interest on convertible debentures	(1 836)	–	(1 836)	–	(1 836)
Fair value adjustment for embedded derivative	–	(2 136) ⁴	(2 136)	–	–
Share based payments	(631)	–	(631)	–	(631)
Net loss before and after taxation	(33 834)	(433)	(34 267)	(2 569)	(36 403)
Total comprehensive loss for the period	(33 834)	(433)	(34 267)	(2 569)	(36 403)
Issued shares ('000)	724 556	–	724 556	167 154	891 710
Weighted average shares issued ('000)	683 388	–	683 388	167 154	850 542
Weighted average shares issued for diluted earnings per share ('000)	683 388	–	683 388	167 154	850 542
RECONCILIATION OF EARNINGS					
Net loss attributable to ordinary share holders for basic earnings per share	(33 834)	(433)	(34 267)	(2 569)	(36 403)
Loss on disposal of plant and equipment	25	–	25	–	25
Net loss attributable to ordinary share holders for headline earnings per share	(33 809)	(433)	(34 242)	(2 569)	(36 378)
PER SHARE (cents)					
Loss per share (cents)	(5.0)	–	(5.0)	0.7	(4.3)
Diluted loss per share (cents)	(5.0)	–	(5.0)	0.7	(4.3)
Headline loss per share (cents)	(4.9)	(0.1)	(5.0)	0.6	(4.3)
Diluted headline loss per share (cents)	(4.9)	(0.1)	(5.0)	0.6	(4.3)

Notes:

1. The "Before" column has been extracted from the reviewed interim results of the company for the six months ended 31 December 2010 published on 4 March 2011.
2. Finance costs on borrowings have been adjusted for the interest paid in respect of the loan for a five-month period, calculated at the three-month USD Libor rate on 31 December 2010 of 0.303% plus 200 basis points.
3. Estimated transaction costs of R250 000 have been accounted for.
4. IAS 39 charge incurring on conversion of the loan and the accrued interest thereon as a result of the conversion price of 11.50 cents per ordinary share being at a 10% discount to the 30-day VWAP of the Sallies ordinary shares at the date of signing the Agreement (rounded up to the nearest half cent).

STATEMENT OF FINANCIAL POSITION

R'000	Adjustments – Before ¹	Repayment	Pro forma Adjustments – After the Repayment	Conversion Issue	Pro forma After the Conversion Issue
ASSETS					
Non-current assets	99 001	–	99 001	–	99 001
Investment properties	3 143	–	3 143	–	3 143
Restricted investment	3 143	–	3 143	–	3 341
Property, plant and equipment	82 342	–	82 342	–	82 342
Goodwill	10 175	–	10 175	–	10 175
Current assets	41 826	(433)	41 393	18 790	60 616
Inventories	24 275	–	24 275	–	24 275
Trade and other receivables	14 745	–	14 745	–	14 745
Taxation pre-paid	2 789	–	2 789	–	2 789
Cash and cash equivalents	17	(433) ^{2,3}	(416)	18 790 ²	18 807
Total assets	140 827	(433)	140 394	18 790	159 617
EQUITY AND LIABILITIES					
Capital and reserves	13 553	(433)	13 120	19 040	32 343
Share capital and premium	295 872	–	295 872	21 359 ⁴	317 231
Portion of convertible debentures deemed to be equity	17 102	–	17 102	–	17 102
Share based payment reserve	19 577	–	19 577	–	19 577
Accumulated loss	(318 998)	(433) ⁵	(319 431)	(2 569) ⁶	(321 567)
Non-current liabilities	112 646	–	112 646	–	112 646
Long-term loan	1 320	–	1 320	–	1 320
Provision for environmental rehabilitation	48 257	–	48 257	–	48 257
Portion of convertible debentures deemed to be equity	63 069	–	63 069	–	63 069
Current liabilities	14 628	–	14 628	–	14 628
Trade and other payables	13 304	–	13 304	–	13 304
Current portion of long-term liabilities	1 324	–	1 324	–	1 324
Total equity and liabilities	140 827	(433)	140 394	18 790	159 617
Current asset/current liability ratio	2.9		2.8		4.1
Net asset value per share (cents)	1.9		1.8		3.6
Reconciliation of changes to equity					
Share capital	724	–	724	167	891
Share premium	295 148	–	295 148	21 192	316 340
Number of shares in issue	724 556	–	724 556	167 154	891 710

Notes:

- The "Before" column has been extracted from the reviewed interim results of the company for the six months ended 31 December 2010 published on 4 March 2011.
- Cash and cash equivalents has been adjusted for the US\$2.8 million received in terms of the convertible loan, equaling R19.040 million at a R/US\$ exchange rate at 31 December 2010 of 6.80 less transaction costs amounting to R250 000.
- Cash and cash equivalents has been adjusted for the repayment of the loan and the annual interest accrued thereon as well as the payment of the transaction costs amounting to R250 000.
- Share capital and premium has been adjusted for the 167 153 957 ordinary shares issued on conversion of the loan at the fair value of 12.77 cents per share.

5. Retained income has been adjusted for the interest paid in respect of the loan for the period as per note 2 to the statement of comprehensive income and the estimated transaction costs of R250 000.
6. Retained income has been adjusted for the interest paid in respect of the loan for the period as per note 2 to the statement of comprehensive income, the IAS 39 charge of R2.136 million and the estimated transaction costs of R250 000.

Please note:

If the loan and the accrued interest thereon were to be converted into equity at the 30-day VWAP to the current market price of a Sallies share being 11.41 cents per share, the number of shares that would be issued in settlement of the loan and the accrued interest thereon would be 187 137 800 and the loss, diluted loss, headline loss and diluted headline loss per share would be 4.2 cents. The net asset value and net tangible asset value per share would be 3.5 and 2.4 cents per share respectively.

REPORTING ACCOUNTANTS' REPORT ON THE UNAUDITED *PRO FORMA* FINANCIAL INFORMATION RELATING TO THE TRANSACTION

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

27 July 2011

Dear Sirs

INDEPENDENT REPORTING ACCOUNTANTS' LIMITED ASSURANCE REPORT ON THE UNAUDITED *PRO FORMA* FINANCIAL INFORMATION OF SALLIES LIMITED (“SALLIES”)**Introduction**

We have performed our limited assurance engagement with regard to the unaudited *pro forma* financial effects, income statement and balance sheet (collectively “*pro forma* financial information”) of Sallies set out in paragraph 3 and Annexure 2 of the circular to be dated 5 August 2011 issued in connection with the provision of a convertible loan of US\$2 800 000 to Sallies by TSC Investments Limited which under certain circumstances and in terms of the loan agreement could be converted Sallies ordinary shares (collectively “the Repayment and the Conversion Issue”).

The *pro forma* financial information has been prepared for purposes of complying with the JSE Listings Requirements, for illustrative purposes only, to provide information about how the Repayment and the Conversion Issue might have affected the reported financial information had the Repayment and the Conversion Issue been undertaken on 1 July 2010 for income statement purposes and on 31 December 2010 for balance sheet purposes.

Because of its nature, the unaudited *pro forma* financial information may not present a fair reflection of the results of operations, financial position and changes in equity of Sallies after the Repayment and the Conversion Issue.

Directors' responsibility

The directors of Sallies are solely responsible for the compilation, contents and presentation of the unaudited *pro forma* financial information contained in the circular and for the financial information from which it has been prepared.

Their responsibility includes determining that the unaudited *pro forma* financial information contained in the circular has been properly compiled on the basis stated, the basis is consistent with the accounting policies of Sallies and the *pro forma* adjustments are appropriate for the purposes of the unaudited *pro forma* financial information as disclosed in terms of the JSE Listings Requirements.

Reporting accountants' responsibility

Our responsibility is to express a limited assurance conclusion on the unaudited *pro forma* financial information included in the circular. We conducted our limited 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 *Revised Guide on Pro Forma Financial Information issued by the South African Institute of Chartered Accountants*.

This standard requires us to comply with ethical requirements and to plan and perform the assurance engagement to obtain sufficient appropriate audit evidence to support our limited assurance conclusion, expressed below.

We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited *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 audited historical financial information of Sallies 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, recalculating the amounts based on the information obtained and discussing the unaudited *pro forma* financial information with the directors of Sallies.

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

Whilst our work performed involved an analysis of the historical audited financial information and other information provided to us, our limited assurance engagement does not constitute either an audit or review of any of the underlying financial information undertaken in accordance with the International Standards on Auditing or the 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 our evidence obtained is sufficient and appropriate to provide a basis for our conclusion.

Conclusion

Based on our examination of the evidence obtained, nothing has come to our attention that causes us to believe that in terms of Sections 8.17 and 8.30 of the JSE Listings Requirements:

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

Yours faithfully

BDO South Africa Incorporated

Chartered Accountants (SA)
Registered Auditors

Per R Cheadle

Chartered Accountant (SA)
Registered Auditor

BDO South Africa Incorporated

13 Wellington Road
Parktown, 2193

PRICE HISTORY OF SALLIES ORDINARY SHARES ON THE JSE

Set out below is a table showing the aggregate volumes and values traded and the highest and lowest prices traded in Sallies ordinary shares for:

- each month over the twelve months prior to the Circular Date;
- each quarter over the two years prior to the said twelve month period; and
- each day over the 30 days preceding the last practicable date and prior to the Circular Date.

Expressed in Rand	Low (cents)	High (cents)	Volume R	Traded value
Quarterly				
March 2010	14	16	15 947 490	2 433 087
December 2009	14	16	3 402 712	504 757
September 2009	17	18	415 290 689	74 355 290
June 2009	26	28	93 091 120	24 318 186
March 2009	32	35	43 699 616	13 530 076
December 2008	38	41	94 809 612	37 013 899
September 2008	68	73	92 385 169	66 416 071
June 2008	64	68	123 399 806	79 721 842
March 2008	54	58	267 592 980	159 425 924
Monthly				
June 2011	12	13	2 393 532	274 868
May 2011	13	15	1 778 326	231 834
April 2011	15	17	1 294 189	199 300
March 2011	17	19	3 364 060	581 255
February 2011	17	20	8 162 388	1 595 255
January 2011	12	14	2 929 229	380 566
December 2010	9	10	3 265 769	330 255
November 2010	8	10	2 914 966	236 091
October 2010	9	11	849 114	75 534
September 2010	10	11	1 516 742	152 579
August 2010	10	11	1 190 907	125 260
July 2010	11	12	1 307 822	143 382
June 2010	12	13	577 450	71 724
Daily				
26 July 2011*	12	13	52 000	6 260
25 July 2011	0	0	0	0
22 July 2011	11	13	12 110	1 462
21 July 2011	11	12	140 258	15 487
20 July 2011	0	0	0	0
19 July 2011	11	13	86 812	10 467
18 July 2011	11	13	34 000	3 840
15 July 2011	0	0	0	0
14 July 2011	12	13	3 000	377
13 July 2011	0	0	0	0
12 July 2011	11	13	394 950	43 929
11 July 2011	13	13	2 200	286
8 July 2011	0	0	0	0
7 July 2011	12	14	14 750	1 860
6 July 2011	11	14	125 400	13 839
5 July 2011	0	0	0	0

Expressed in Rand	Low (cents)	High (cents)	Volume R	Traded value
Daily				
4 July 2011	12	14	40 047	4 807
1 July 2011	14	14	1 000	140
30 June 2011	13	14	5 100	664
29 June 2011	0	0	0	0
28 June 2011	14	14	1 000	140
27 June 2011	11	14	1 275	155
24 June 2011	11	14	264 504	33 617
23 June 2011	11	13	1 009 745	112 777
22 June 2011	12	13	77 100	9 253
21 June 2011	11	13	41 459	462 000
20 June 2011	0	0	0	0
17 June 2011	11	13	23 000	2 690
15 June 2011	0	0	0	0
14 June 2011	11	14	3 888	445
13 June 2011	11	14	3 353	386

* Last practicable date.



Sallies Limited

(Incorporated in the Republic of South Africa)

(Registration number 1903/001879/06)

Share code: SAL ISIN: ZAE000022588

JSE code: SALD ISIN: ZAE000117305

("Sallies" or "the Company")

NOTICE OF GENERAL MEETING

Notice is hereby given that a General Meeting will be held at the offices of Meropa Communications, Block 1, Freestone Office Park, 135 Patricia Road, Atholl, Sandton, Johannesburg at 12:00 on Tuesday, 6 September 2011 for purposes of considering and, if deemed fit, passing, with or without modification, the following resolutions:

The definitions commencing on page 7 of this circular to which this notice is attached have, where necessary, been used on this notice of General Meeting and form of proxy.

Special resolution number 1

"Resolved in terms of, and subject to, the Companies Act No. 71 of 2008 (the "Act") (as amended) that the board of the Company be and is hereby authorised to authorise the Company to provide direct or indirect financial assistance to related or inter-related companies or corporations and that any such authorisations given by the board of the Company to the Company to provide direct or indirect financial assistance to related or inter-related companies or corporations prior to the date hereof and which have been given subject to the provisions of the Act be and are hereby ratified for one year from the date of this resolution."

Note to special resolution 1

In terms of the Act, a 75% majority of eligible votes present or represented by proxy in the general meeting must be cast in favour of special resolution number 1 in order for it to be approved. In terms of section 45 of the Act, a special resolution is required to approve financial assistance to subsidiaries; the financial assistance is fair and reasonable and subsequent to Sallies making these loans the Directors are of the opinion that the Company continues to pass the solvency and liquidity test as required in terms of the Act.

Ordinary resolution number 1

"Resolved as an ordinary resolution that the US\$2 800 000 loan facility and the terms and conditions thereof more fully described in the circular to ordinary shareholders dated 5 August 2011, containing this notice of general meeting of which this ordinary resolution number 1 forms part; a signed copy of which agreement, initialed by the chairman of this meeting for identification purposes, and tabled at this meeting, be and is hereby approved."

Note to ordinary resolution number 1

In terms of the Listing Requirements, a 75% majority of eligible votes present or represented by proxy in the general meeting must be cast in favour of ordinary resolution number in order for it to be approved. The vote excludes related parties and participants of the loan agreement.

Ordinary resolution number 2

"Resolved that the Directors be and are hereby authorised to do all such things and sign all such documents as may be necessary to implement ordinary resolution number 1."

Note to ordinary resolution number 2

In terms of the Listings Requirements, a simple majority of the eligible 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." The vote excludes related parties and participants of the loan agreement.

VOTING AND PROXIES

Only Sallies' ordinary shareholders holding Sallies ordinary shares at the record date of Friday, 26 August 2011 are entitled to vote at this meeting. The last day to trade in order to be eligible to vote at the meeting will be Friday, 19 August 2011.

Subject to any rights or restrictions attached to the shares, on a show of hands, every member present in person or by proxy shall have one vote, and on a poll every member shall have that number of vote(s) for each share of which he is the holder as stipulated in the Act read with the Company's articles of association.

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

Ordinary shareholders that are companies or other bodies corporate may, in terms of the Act, by resolution of their Directors or other governing body, authorise any person to act as their representative at the meeting.

Certificated ordinary shareholders and "own name" dematerialised shareholders who are unable to attend the Sallies General Meeting and wish to be represented thereat, must complete the attached form of proxy in accordance with the instructions therein and return it to the relevant transfer secretaries to be received by no later than 12:00 on Friday, 2 September 2011.

Holders of dematerialised ordinary shares, other than "own name" dematerialised shareholders, who wish to vote at the General Meeting must instruct their CSDP or broker accordingly. Holders of dematerialised shares, other than "own name" dematerialised shareholders, who wish to attend the General Meeting in person need to arrange the necessary letter of representation as soon as possible, through their CSDP or broker, in terms of the agreement existing between them.

By order of the board

R S O'Callaghan
Company Secretary

5 August 2011

Registered office

Block C
Riverwalk Office Park
41 Matroosberg Road
Pretoria, 0081
(Private Bag X1315, Zeerust, 2865)

Transfer secretaries

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



Sallies Limited

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

FORM OF PROXY

FOR USE BY CERTIFICATED ORDINARY SHAREHOLDERS AND "OWN NAME" DEMATERIALIZED SHAREHOLDERS WHO ARE RECORDED IN THE REGISTER AS AT FRIDAY, 2 SEPTEMBER 2011, AT THE GENERAL MEETING OF SALLIES' ORDINARY SHAREHOLDERS TO BE HELD AT THE OFFICES OF MEROPA COMMUNICATIONS, BLOCK 1, FREESTONE OFFICE PARK, 135 PATRICIA ROAD, ATHOLL, SANDTON, JOHANNESBURG AT 12:00 ON TUESDAY, 6 SEPTEMBER 2011 ("THE GENERAL MEETING")

I/We (PLEASE PRINT FULL NAMES IN BLOCK CAPITALS)

of (PLEASE PRINT ADDRESS)

being the registered holder(s) of ordinary shares in the capital of the Company hereby appoint:

1. _____ or failing him/her,

2. _____ or failing him/her

3. the Chairman of the General Meeting as my/our proxy to attend, speak and vote on my/our behalf at the General Meeting to be held at the offices of Meropa Communications, Block 1, Freestone Office Park, 135 Patricia Road, Atholl, Sandton, Johannesburg at 12:00 on Tuesday, 6 September 2011 and at any adjournment thereof, and to vote or to abstain from voting on the resolutions to be proposed at the General Meeting, as follows:

Ordinary resolutions and special resolution to be proposed at the General Meeting:

	FOR	AGAINST	ABSTAIN
Special resolution number 1 To authorise the board of the Company to authorise the Company to provide direct or indirect financial assistance to related or inter-related companies or corporations and to ratify all authorisations given by the board of the Company to the Company to provide direct or indirect financial assistance to related or inter-related companies or corporations prior to the date hereof.			
Ordinary resolution number 1 To approve the Transaction and the terms thereof as laid out in the circular dated 5 August 2011.			
Ordinary resolution number 2 To authorise the Directors to do all such things and sign all such documents as may be necessary to implement the loan Agreement.			

Signed at (place) _____ on this _____ day of _____ 2011

Signature of ordinary shareholder(s)

Assisted by (where applicable)

Please read the notes and instructions on the reverse hereof.

SUMMARY OF RIGHTS CONTAINED IN SECTION 58 OF THE COMPANIES ACT

In terms of section 58 of the Companies Act:

- a shareholder of a company may, at any time and in accordance with the provisions of section 58 of the Companies Act, appoint any individual (including an individual who is not a shareholder) as a proxy to participate in, and speak and vote at, a shareholders meeting on behalf of such shareholder;

- a proxy may delegate her or his authority to act on behalf of a shareholder to another person, subject to any restriction set out in the instrument appointing such proxy (see note 15);
- irrespective of the form of instrument used to appoint a proxy, the appointment of a proxy is suspended at any time and to the extent that the relevant shareholder chooses to act directly and in person in the exercise of any of such shareholder's rights as a shareholder (see note 5);
- any appointment by a shareholder of a proxy is revocable, unless the form of instrument used to appoint such proxy states otherwise;
- if an appointment of a proxy is revocable, a shareholder may revoke the proxy appointment by (i) cancelling it in writing, or making a later inconsistent appointment of a proxy; and (ii) delivering a copy of the revocation instrument to the proxy and to the relevant company; and
- a proxy appointed by a shareholder is entitled to exercise, or abstain from exercising, any voting right of such shareholder without direction, except to the extent that the relevant company's Memorandum of Incorporation, or the instrument appointing the proxy, provides otherwise (see note 3).

Notes:

1. Each ordinary shareholder entitled to attend and vote at the General Meeting is entitled to appoint 1 (one) (or more) proxies (none of whom need be a member of Sallies) to attend, speak and vote in place of that ordinary shareholder at the General Meeting.
2. An ordinary shareholder may insert the name of a proxy or the names of two alternative proxies of the ordinary shareholder's choice in the space/s provided with or without deleting "the Chairman of the General Meeting" but the ordinary shareholder must initial any such deletion. The person whose name stands first on form of proxy and who is present at the General Meeting will be entitled to act as proxy to the exclusion of those whose names follow.
3. An ordinary shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by the ordinary shareholder in the appropriate box provided. Failure to comply with the above will be deemed to authorise and direct the chairman of the General Meeting, if the chairman is the authorised proxy, to vote in favour of the resolutions proposed, or any other proxy to vote or abstain from voting at the General Meeting as he/she deems fit, in respect of all the ordinary shareholder's votes exercisable at the meeting.
4. Completed forms of proxy and the authority (if any) under which they are signed must be lodged with or posted to Computershare Investor Services (Proprietary) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107) at any time before the commencement of the General Meeting (or any adjournment of the General Meeting) or handed to the chairman of the General Meeting before the appointed proxy exercises any of the relevant ordinary shareholder's rights at the General Meeting (or any adjournment of the General Meeting), provided that should an ordinary shareholder lodge a form of proxy with the Transfer Secretaries at either of the below addresses less than 24 hours before the General Meeting, such ordinary shareholder will also be required to furnish a copy of such form of proxy to the chairman of the General Meeting before the appointed proxy exercises any of such ordinary shareholder's rights at the General Meeting (or any adjournment of the General Meeting).
5. The completion and lodging of this form of proxy will not preclude the relevant ordinary shareholder from attending the General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such ordinary shareholder wish to do so.
6. The chairman of the General Meeting may accept or reject any form of proxy not completed and/or received in accordance with these notes or with the memorandum of incorporation of Sallies.
7. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.
8. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity (e.g. for a company, close corporation, trust, pension fund deceased estate, etc.) must be attached to this form of proxy, unless previously recorded by Sallies or the Transfer Secretaries.
9. Where this form of proxy is signed under power of attorney, such power of attorney must accompany this form of proxy, unless it has been registered by Sallies or the Transfer Secretaries or waived by the chairman of the General Meeting.
10. Where shares are held jointly, all joint holders are required to sign this form of proxy.
11. A minor ordinary shareholder must be assisted by his/her parent/guardian, unless the relevant documents establishing his/her legal capacity are produced or have been registered by Sallies or the Transfer Secretaries.
12. Dematerialised shareholders who do not own Sallies ordinary shares in "own name" dematerialised form and who wish to attend the General Meeting, or to vote by way of proxy, must contact their CSDP or Broker who will furnish them with the necessary letter of representation to attend the General Meeting or to be represented thereat by proxy. This must be done in terms of the agreement between the ordinary shareholder and his/her CSDP or broker.
13. This form of proxy shall be valid at any resumption of an adjourned general meeting to which it relates although this form of proxy shall not be used at the resumption of an adjourned general meeting if it could not have been used at the General Meeting from which it was adjourned for any reason other than it was not lodged timeously for the meeting from which the adjournment took place. This form of proxy shall in addition to the authority conferred by the Companies Act except insofar as it provides otherwise, be deemed to confer the power generally to act at the General Meeting in question, subject to any specific direction contained in this form of proxy as to the manner of voting.
14. A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the death or mental disorder of the principal or revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the share in respect of which the proxy is given, provided that no notification in writing of such death, insanity, revocation or transfer as aforesaid shall have been received by the Transfer Secretaries before the commencement of the meeting or adjourned meeting at which the proxy is used.
15. Any proxy appointed pursuant to this form of proxy may not delegate her or his authority to act on behalf of the relevant ordinary shareholder.
16. In terms of section 58 of the Companies Act, unless revoked, an appointment of a proxy pursuant to this form of proxy remains valid only until the end of the General Meeting or any adjournment of the General Meeting.

