



SALLIES LIMITED

(Incorporated in the Republic of South Africa) • Registration number 1903/001879/06
JSE Share Code: SAL • ISIN: ZAE000022588

Reviewed results for the year ended 30 June 2004

PERFORMANCE IMPROVEMENTS COUNTERED BY STRONG RAND

The results for the year reflect both the positive effects of the turnaround programme and the negative impact of the strong rand. While production, export sales and prices in US dollar terms all increased substantially over the comparable figures for 2003, the unfavourable exchange rate forced rand revenue down. Had it not been for the rand's continuing rise against the dollar, the company would at least have broken even for the year. However, while Sallies is not back in the black yet, it has continued to make tangible progress on the road to recovery. The results of the six months ended 30 June 2004 compared to the six months ended 31 December 2003 are as follows:

	Six months ended 31 Dec 2003	Six months ended 30 June 2004
R000		
Revenue - mining	44 599	39 807
Cost of sales	(53 518)	(41 827)
Loss from mining operations	(8 919)	(2 020)
Expenses	(6 374)	(7 206)
Net foreign exchange gain	3 400	1 916
Net loss before taxation	(11 893)	(7 310)
Taxation	3 257	386
Net loss for the period	(8 636)	(6 924)

The continuing performance improvement evident in the second half of the year resulted from a sustained emphasis on production efficiency and cost control, as well as the significant savings achieved by insourcing the mining operations as of November 2003. It should be noted that the capital expansion project on the Witkop plant was only completed after the year-end and the substantial benefits expected from the 50% increase in production levels it will deliver will therefore only be felt in the new year.

While the main focus has been on completing the expansion project, management has also been investigating the feasibility of extracting product from the fluorspar tailings dams at the mine. A pilot plant built from surplus equipment has already proven the process. The board will make a decision on whether or not to proceed to commercial production later this month and if the project goes ahead it is expected to be in production by the end of the current financial year.

At the beginning of the review period the company undertook a fundraising exercise which realised R36 million through a rights offer and private placement of shares. Of this, R11 million was used for the capital expansion project while the balance has been used to ease the company's heavy debt burden. The company's major

creditor, RMB Resources Australia, has been repaid and gearing has been reduced from 45% at the end of the 2003 financial year to 20% at present. As a result of the fundraising exercise, the number of shares in issue has increased from 92.3 million to 257 million. The relatively high level of receivables on the balance sheet is attributable to the structure of the Honeywell contract. A trade finance agreement with the company's bankers will reduce this and improve cash flow.

Prospects

The global market for fluorspar remains buoyant and the company will enjoy an average price of at least US\$120/ton (2004 - US\$109/ton), including long-term contracts, for the year to June 2005. Production for this period is forecast at 180 000 tons of finished product. At this price and at planned production levels, the company should be modestly profitable at a projected R6.50 to the US dollar. Given its gearing to the exchange rate, any material strengthening or weakening of the rand will have a significant impact on Sallies' bottom line.

Accounting policies

The Group's accounting policies conform to South African Statements of Generally Accepted Accounting Practice. These policies are consistent with those applied in the previous year.

Restatement of comparatives

Comparative amounts have been restated where appropriate to facilitate improved disclosure.

Review opinion

The financial information set out in the reviewed results has been reviewed by the Group's auditors Ernst & Young who issued a modified review opinion on the fact that the going concern of Sallies Limited is dependent on the successful outcome of the turnaround strategy as disclosed in the directors comments. The modified review report is available for inspection at the registered office of the company.

Diluted loss per share

Diluted losses per share have been calculated assuming that at the beginning of the year 18 873 000 (2003 - 6 415 000) share options, allocated to directors, employees, lenders and consultants, were exercised.

On behalf of the Board

PH Flack
Chairman

14 September 2004
Johannesburg

CONSOLIDATED INCOME STATEMENT

R000	Year ended	Year ended
	30 June 2004 Reviewed	30 June 2003 Audited
Revenue - mining	84 406	83 288
Cost of sales	95 345	92 773
Loss from mining operations	(10 939)	(9 485)
Administrative expenses	(9 473)	(9 102)
Amortisation of goodwill	(674)	(1 220)
Amortisation of mineral rights	(2 110)	(2 166)
Finance cost	(1 762)	(2 006)
Investment income	157	372
Profit on disposal of property, plant and equipment	282	46
Net foreign exchange gain	5 316	5 204
Write-off	-	(2 463)
Net loss before taxation	(19 203)	(20 820)
Taxation	3 643	6 271
Net loss for the year	(15 560)	(14 549)
Issued shares (000)	257 009	92 294
Weighted average shares issued (000)	151 174	92 294
Weighted average shares issued for diluted earnings per share (000)	155 118	92 294
Reconciliation of earnings:		
Net loss attributable to ordinary shareholders for basic earnings per share	(15 560)	(14 549)
Amortisation of goodwill	674	1 220
Deferred tax on business combination	(674)	(690)
Profit on disposal of assets (net of tax)	(197)	(32)
Property, plant and equipment write-off (net of tax)	-	1 724
Net loss attributable to ordinary shareholders for headline earnings per share	(15 757)	(12 327)
Depreciation (net of tax)	2 125	1 556
Amortisation of mineral rights	2 110	2 166
Adjusted cash loss attributable to ordinary shareholders for cash earnings per share	(11 522)	(8 605)
Loss per share (cents)		
Basic		
■ undiluted	(10.3)	(15.8)
■ diluted	(10.0)	(15.8)
Headline		
■ undiluted	(10.4)	(13.4)
■ diluted	(10.2)	(13.4)
Cash earnings		
■ undiluted	(7.6)	(9.3)
■ diluted	(7.4)	(9.3)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

R000	Share		Accum-	Total
	capital	premium	ulated profit/(loss)	
Balance at 30 June 2002 (Audited)	92	53 953	8 197	62 242
Net loss for the year	-	-	(14 549)	(14 549)
Balance at 30 June 2003 (Audited)	92	53 953	(6 352)	47 693
Shares issued during the year	165	34 957	-	35 122
Net loss for the year	-	-	(15 560)	(15 560)
Balance at 30 June 2004 (Reviewed)	257	88 910	(21 912)	67 255

CONSOLIDATED CASH FLOW STATEMENT

R000	Year ended	Year ended
	30 June 2004 Reviewed	30 June 2003 Audited
Net cash (outflow)/inflow from operating activities	(14 922)	1 969
Cash receipts from customers	79 045	102 283
Cash paid to suppliers and employees	(92 300)	(95 902)
Cash (utilised)/generated by operations	(13 255)	6 381
Finance cost	(1 762)	(2 006)
Investment income	157	372
Normal taxation paid	(62)	(2 778)
Net cash outflow from investing activities	(5 466)	(6 510)
Additions to property, plant and equipment	(5 825)	(6 645)
Proceeds from disposal of property, plant and equipment	359	135
Net cash inflow from financing activities	24 444	2 900
Issue of shares	35 122	-
Long term loan raised	-	4 600
Long term loan repaid	(10 678)	(1 793)
Net increase/(decrease) in cash and cash equivalents	4 056	(1 734)
Cash and cash equivalents at beginning of year	(8 882)	(7 148)
Cash and cash equivalents at end of year	(4 826)	(8 882)

CONSOLIDATED BALANCE SHEET

R000	30 June 2004 Reviewed	30 June 2003 Audited
	ASSETS	
Non-current assets	69 791	66 520
Goodwill	10 175	10 849
Property, plant and equipment	58 912	55 011
Accounts receivable	704	-
Current assets	38 036	36 232
Inventories	8 054	14 922
Accounts receivable	23 688	18 326
Taxation prepaid	2 858	2 796
Cash and cash equivalents	3 436	188
Total assets	107 827	102 752
EQUITY AND LIABILITIES		
Capital and reserves	67 255	47 693
Share capital and premium	89 167	54 045
Accumulated loss	(21 912)	(6 352)
Non-current liabilities	9 701	12 817
Interest bearing debt	2 489	2 492
Provision for environmental rehabilitation	1 612	1 082
Deferred taxation	5 600	9 243
Current liabilities	30 871	42 242
Bank overdraft	8 262	9 070
Accounts payable	20 111	23 302
Current portion of interest bearing debt	2 498	9 870
Total equity and liabilities	107 827	102 752