

## **THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

The definitions and interpretation commencing on page 1 of this circular have, where necessary, been used on this front cover.

### **Action required**

1. If you are in any doubt as to the action that you should take, please consult your broker, CSDP, banker, legal advisor, accountant or other professional advisor.
2. If you have disposed of your entire holding of Sallies securities, this circular should be handed to the purchaser to whom, or the broker, CSDP or agent through whom, you disposed of your Sallies securities.
3. If you wish to accept the offer you should follow the acceptance instructions contained in the offer document.
4. If you do not wish to accept the offer and you:
  - 4.1 hold dematerialised or certificated Sallies securities and have given your CSDP or broker or any other person a mandate to act on your behalf, instruct them not to accept the offer on your behalf; and
  - 4.2 retain your Sallies securities in certificated form and have not given any mandate to any person to deal with your Sallies securities, you need not take any action.



### **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")

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## **CIRCULAR TO HOLDERS OF SALLIES SHARES AND SALLIES CONVERTIBLE DEBENTURES ("SALLIES SECURITY HOLDERS")**

regarding

**an unconditional mandatory cash offer by Firebird Global Master Fund, Ltd. together with its affiliate, Firebird Global Master Fund II, Ltd. (collectively, "Firebird"), to Sallies security holders to acquire their Sallies securities for a consideration of R0.18 for every Sallies security held on the record date of Friday, 2 October 2009 ("the Offer");**

and incorporating

**the views of the Board and an independent professional expert opinion regarding the offer.**

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**Sponsor and independent professional expert**



**Legal advisor**



**BRINK COHEN LE ROUX**

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Date of issue: 17 September 2009

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

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## CORPORATE INFORMATION

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### Company secretary

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

### Registered office

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

### Legal advisor

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

### Sponsor and independent professional expert

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

### Transfer secretaries

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

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## DEFINITIONS AND INTERPRETATION

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

“the Act”	the South African Companies Act, No. 61 of 1973, as amended or substituted by the South African Companies Act, 2008, once it comes into force;
“the Board” or “the Directors”	the board of directors of Sallies whose names are reflected on page 3 of this circular;
“Bridge Capital” or “sponsor” or “independent professional expert”	Bridge Capital Advisors (Pty) Limited (registration number 1998/016302/07), a private company incorporated in South Africa;
“business day”	any day other than a Saturday, Sunday or official public holiday in South Africa;
“certificated security holders”	Sallies security holders who have not surrendered their security certificates in respect of their Sallies securities for dematerialisation;
“this circular” or “this document”	this circular, dated 17 September 2009, including all the annexures;
“the closing date”	the closing date of the offer being Friday, 2 October 2009. Any changes to this closing date will be released by the offeror on SENS and published in the South African press at least 14 days prior to the closing date of the offer, i.e. before Friday, 18 September 2009;
“the Code”	the Securities Regulation Code on Take-overs and Mergers and the Rules of the SRP issued in terms of the Act;
“CSDP”	Central Securities Depository Participant accepted as a participant in terms of the Securities Services Act, 2004, and appointed by the individual shareholder for purposes of and in regard to dematerialisation;
“dematerialisation”	the process by which certificated securities are converted to an electronic form as uncertificated securities and recorded in the sub-register of shareholders maintained by a CSDP;
“dematerialised security holders”	Sallies security holders who hold Sallies securities which have been converted to an electronic form and are recorded in the sub-register of Sallies security holders maintained by a CSDP on the record date;
“FB”	Firebird Global Master Fund Ltd. (registration number CR-124871), a company registered and incorporated in the Cayman Islands;
“FBII”	Firebird Global Master Fund II, Ltd. (registration number OG-166996), a company registered and incorporated in the Cayman Islands;
“Firebird”	FB together with its affiliate FBII;
“the JSE”	the JSE Limited (registration number 2005/022939/06), a public company incorporated in South Africa and licensed as an exchange under the Securities Services Act, 2004;
“last practicable date”	the last practicable date prior to the finalisation of this circular, being 15 September 2009;

“the offer”	the offer in terms of section 440A of the Act made by Firebird to Sallies security holders to purchase all their Sallies securities for the offer consideration, as set out in this circular;
“the offer consideration”	cash consideration of R0.18 for every Sallies security;
“the offer document”	the Firebird offer circular to Sallies security holders dated, 2 September 2009, detailing the terms and conditions of the offer;
“the offerees”	Sallies security holders at any time between the opening date and the closing date (both dates inclusive), other than Firebird and its nominees, being the Sallies security holders to whom the offer is made and who may validly accept the offer in respect of some or all of their offer securities by the closing date;
“the offeror”	Firebird;
“the offer period”	the period from 09:00 on the opening date to 12:00 on the closing date;
“the offer securities”	Sallies securities held by the Sallies security holders, on the record date;
“the opening date”	the opening date of the offer, being 09:00 on Friday, 4 September 2009;
“the record date”	the record date on which Sallies security holders must be recorded in the register to participate in the offer, being Friday, 2 October 2009;
“Sallies” or “the Company”	Sallies Limited (registration number 1903/001879/06), a public company incorporated in South Africa whose shares are listed on the JSE;
“Sallies convertible debentures”	unsubordinated unsecured convertible debentures in Sallies with a nominal value of R0.50;
“Sallies securities”	Sallies shares and/or Sallies convertible debentures;
“Sallies security holders”	holders of Sallies shares or Sallies convertible debentures from time to time;
“Sallies shareholders” or “the shareholders”	the registered holders of Sallies shares from time to time;
“Sallies shares” or “ordinary shares”	ordinary shares with a par value of 0.1 cent each in the issued share capital of Sallies;
“SENS”	Securities Exchange News Service of the JSE;
“South Africa”	the Republic of South Africa;
“the SRP”	the Securities Regulation Panel, established in terms of section 440B of the Act; and
“transfer secretaries”	Computershare Investor Services (Pty) Limited (registration number 2004/003647/07), a private company incorporated in South Africa.



## 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")

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### Directors

#### Non-executive

Dr FJP Roux<sup>^</sup> (*Chairman*)  
PR Cooke  
BC Esterhuyzen<sup>^</sup>  
DGJ Kerrison (British)<sup>^</sup>  
J Kögl<sup>^</sup>  
SP Morris (British)  
S Swana<sup>^</sup>

<sup>^</sup>Independent

#### Executive

TG Dale (*Chief Executive Officer*)  
J Blersch (*Financial Director*)

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## CIRCULAR TO SALLIES SECURITY HOLDERS

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### 1. INTRODUCTION

Sallies security holders are referred to the announcement released on SENS on 4 August 2009 and in the press on 5 August 2009 by Firebird, as well as the offer document posted to Sallies security holders on Friday, 4 September 2009 (the delivery being delayed due to the strike of post office workers). The offer document details Firebird's unconditional mandatory cash offer to acquire all Sallies securities, other than those Sallies securities already owned by Firebird, for a consideration of R0.18 for every offer security held.

### 2. TERMS OF THE OFFER

Details of the offer and the rationale for the offer are included in the offer document posted to the Sallies security holders by Firebird on Friday, 4 September 2009. Sallies' security holders are referred to the offer document for detailed information relating to the offer and corresponding action required, which are summarised below:

- 2.1** Firebird has irrevocably and unconditionally offered to acquire, at the election of each of the offerees, the whole or part of the offer securities held.
- 2.2** The consideration for every offer security sold by an offeree will be R0.18 in cash which is the highest price paid by Firebird per Sallies security within the last three months prior to the commencement of the offer period.
- 2.3** In terms of paragraph 2.2 of the offer document, Sallies security holders were advised that, in the event that Firebird receives such number of acceptances of the offer which, other than those Sallies securities already held by Firebird, represent nine-tenths or more of the issued share capital of Sallies, Firebird reserves the right to invoke the provisions of section 440K of the Act and to compulsorily acquire the remaining Sallies securities.

In this regard, the attention of Sallies security holders is drawn to the fact that section 440K(1)(a) of the Act provides that if an offer for an acquisition of securities under an affected transaction involving the transfer of any class of securities of a company has within four months after the date of the making of such offer, been accepted by the holders of not less than nine-tenths of any class of securities whose transfer is involved, the offeror may at any time within two months after the date of such acceptance,

give notice to any holder of such (class of) securities that the offeror desires to acquire his or its securities in which event, the offeror shall be entitled and bound to acquire such securities.

This means in effect that if Firebird receives acceptances by holders of not less than nine-tenths of:

- the Sallies shares (disregarding the shares already held by Firebird), it will be entitled to compulsorily acquire the remaining Sallies shares; and
- the Sallies convertible debentures (disregarding the Sallies convertible debentures already held by Firebird), it will be entitled to compulsorily acquire the remaining Sallies convertible debentures.

For information purposes only, the provisions of section 440K of the Act are reproduced in Annexure 4 of the offer document.

- 2.4** The offer will remain open for an initial period from 09:00 on the opening date and will close at 12:00 on the closing date. Firebird reserves the right, in its sole and absolute discretion, to extend the offer period prior to the closing date, with the approval of the SRP and any other applicable laws and regulations. Any such changes will be released on SENS and published in the South African press prior to the closing date.
- 2.5** Sallies security holders should note that, whereas paragraph 2 of Firebird's offer document states, "On several occasions, Firebird sought to have greater influence in the Company's business through the appointment of a nominated director", the only opportunity to make such an appointment, prior to Firebird's acquisition of a major interest in the Company, was at the May 2009 Board meeting. The appointment of a Firebird nominee was proposed at that meeting but it was considered inappropriate, at the time, to appoint to the Board yet another non-independent director.

### **3. OPINIONS AND RECOMMENDATIONS**

#### **3.1 Appointment of the independent professional expert**

The Board has appointed Bridge Capital as its independent professional expert to provide the Board with its opinion as to whether the terms of the offer are fair (from a financial point of view) to the Sallies security holders (other than Firebird).

#### **3.2 Opinion of the independent professional expert to the Board**

**3.2.1** Sallies shareholders are referred to Annexure 1 setting out the full text of the opinion of Bridge Capital. Bridge Capital rendered its opinion to the Board to the effect that, as at 3 September 2009, it had considered the terms of the offer and, based on and subject to the assumptions and other considerations set forth in the opinion, the offer is fair (from a financial point of view) to the Sallies ordinary shareholders (other than Firebird); and

**3.2.2** Sallies convertible debenture holders are referred to Annexure 2 setting out the full text of the opinion of Bridge Capital. Bridge Capital rendered its opinion to the Board to the effect that, as at 3 September 2009, it had considered the terms of the offer and, based on and subject to the assumptions and other considerations set forth in the opinion, the offer is not fair (from a financial point of view) to the Sallies convertible debenture holders (other than Firebird).

#### **3.3 Views of the Board on the offer**

**3.3.1** On 18 August 2009, the Board (with the exception of SP Morris and PR Cooke who were recused as a result of being Firebird representatives) unanimously resolved to issue the following recommendation to Sallies shareholders:

"In view of the cash demands facing Sallies and the depressed state of the fluorspar market, the directors recommend that Sallies shareholders accept the offer of 18 cents per ordinary share made by Firebird."

**3.3.2** On 4 September 2009, the Board (with the exception of SP Morris and PR Cooke who were recused as a result of being Firebird representatives) unanimously resolved to issue the following recommendation to Sallies convertible debenture holders:

"In view of the cover – in relation to the offer price – provided to the Sallies convertible debentures by the realisable value of Sallies' assets net of its liabilities as at 30 June 2009, the directors recommend that the holders of Sallies convertible debentures do not accept the offer of 18 cents per convertible debenture made by Firebird."

The attention of convertible debenture holders is however drawn to clause 8.3 of the Firebird offer document dated 2 September 2009 in which it is stated that the offeror (Firebird) is “in the process of evaluating its options with regard to the business of Sallies, the continuation of the existing Sallies listing on the JSE and the composition of the Sallies board.” The strategic direction that Sallies will take under the control of Firebird therefore cannot be determined at this stage and may have a material impact on the value of the convertible debentures beyond 30 June 2009.”

The Board recommends that, in deciding whether to accept the offer, Sallies security holders consider the factors above together with the relevant opinion received from Bridge Capital.

To the extent necessary, Sallies security holders should consult their financial or other appropriate advisors, in order to make an informed decision, taking into account their personal circumstances and the taxation consequences of the offer for each of them, if accepted.

### 3.4 Views of the Board on the intention of Firebird in respect of Sallies and its directors

As detailed in paragraph 3.3.2, the intention of Firebird in respect of Sallies and its directors is not detailed in the offer document therefore the Board is unable to comment in this regard.

## 4. INTERESTS OF SALLIES IN SECURITIES OF SALLIES AND FIREBIRD

- 4.1 Sallies owns no securities in Firebird directly.
- 4.2 Sallies has not traded in Firebird securities during the period beginning six months prior to the offer period and ending on the last practicable date.
- 4.3 Sallies’ subsidiaries own no securities in Sallies or Firebird.
- 4.4 Sallies’ subsidiaries have not traded in Sallies or Firebird securities during the period beginning six months prior to the offer period and ending on the last practicable date.
- 4.5 Sallies has no concert parties in respect of the offer.

## 5. DIRECTORS OF SALLIES

- 5.1 As at the last practicable date, Sallies’ directors did not own any shares in Firebird.
- 5.2 Sallies’ directors have not traded in Firebird securities during the period beginning six months prior to the offer period and ending on the last practicable date.
- 5.3 At the last practicable date, the following Sallies’ directors held Sallies securities:

Director	Sallies shares held		Sallies convertible debentures held	
	Direct beneficial	Indirect Beneficial	Direct beneficial	Indirect Beneficial
J Blersch	–	–	–	–
PR Cooke	–	–	–	–
TG Dale	–	–	–	–
BC Esterhuyzen	25 000	62 500	6 000	15 000
DJG Kerrison	130 000	807 500	–	–
J Kögl	–	–	–	–
SP Morris	–	–	–	–
Dr FJP Roux	–	–	–	–
S Swana	–	–	–	–
	155 000	870 000	6 000	15 000

- 5.4 Sallies’ directors have not traded in Sallies securities during the period beginning six months prior to the offer period and ending on the last practicable date.

**5.5** The directors of Sallies who have an interest in Sallies shares intend, in respect of their own beneficial holdings of Sallies shares, to accept the offer.

**5.6** The director of Sallies who has an interest in Sallies convertible debentures intends, in respect of his own beneficial holding of Sallies convertible debentures, not to accept the offer.

**5.7** The directors of Sallies do not have service contracts with Sallies.

## **6. ARRANGEMENTS, UNDERTAKINGS AND AGREEMENTS IN RELATION TO THE OFFER**

There are no arrangements, undertakings or agreements between Sallies and Firebird in relation to the offer securities. Furthermore, there are no arrangements between Firebird and any of the directors of Sallies or any persons who were directors in the 12 months preceding the date of this circular regarding the offer securities.

## **7. CONSENTS**

The advisors, named on the inside front cover of this circular, have all consented in writing to act in the capacities stated and to their names being used in this circular and have not withdrawn their consents prior to the publication of this circular.

## **8. ARRANGEMENTS IN RELATION TO DEALINGS**

The Directors are not aware of any arrangements with, undertakings by or agreements between Sallies and Firebird, and/or any persons acting in concert with either of them, in relation to dealings in Sallies securities or Firebird shares.

## **9. DIRECTORS' RESPONSIBILITY STATEMENT**

The directors of Sallies, whose names are set out on page 3 of this circular, collectively and individually, accept full responsibility for the accuracy of the information given herein (other than those facts about the offer which are contained in the offer document and merely repeated in this circular) 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.

## **10. DOCUMENTS AVAILABLE FOR INSPECTION**

The following documents, or copies thereof, will be available for inspection during normal business hours at the registered office of Sallies and the offices of the sponsor up to 12:00 on the closing date:

- a signed copy of this circular;
- the memorandum and articles of association of Sallies;
- the audited annual financial statements of Sallies for the four financial years ended 30 June 2005, 30 June 2006, 30 June 2007 and 30 June 2008; and
- the signed opinion letters from Bridge Capital, referred to in paragraph 3.2 above and set out in Annexures 1 and 2 to this circular.

By order of the Board

**RS O'Callaghan**  
*Company secretary*

Parktown  
15 September 2009

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## INDEPENDENT PROFESSIONAL EXPERT OPINION (SALLIES SHARES)

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

3 September 2009

Dear Sirs

### **REPORT OF THE INDEPENDENT PROFESSIONAL EXPERT IN RELATION TO THE OFFER FROM FIREBIRD TO ACQUIRE THE REMAINING ORDINARY SHARES OF SALLIES LIMITED WHICH FIREBIRD DOES NOT ALREADY OWN**

#### **INTRODUCTION**

On 4 August 2009, Firebird Global Master Fund, Ltd. announced that it, together with its affiliate, Firebird Global Master Fund II, Ltd. (collectively, "Firebird"), made an acquisition ("the Acquisition") of Sallies Limited ("Sallies") ordinary shares which gave rise to an obligation to make an offer to acquire the remaining issued ordinary shares and convertible debentures of Sallies which Firebird does not already own for a consideration of 18 cents per ordinary share/convertible debenture ("the Offer"). The detailed terms and conditions of the Offer are contained in the offer document from Firebird, dated 2 September 2009 (the "Offer Document").

Bridge Capital Advisors (Pty) Limited ("Bridge Capital") has been appointed by the board of directors of Sallies ("the board") in terms of Rule 3.1 of the Securities Regulation Code and Rules of the Securities Regulation Panel ("the SRP Code") to provide an opinion to the board as to whether the terms and conditions of the Offer are fair to holders of Sallies shares (other than Firebird).

#### **RESPONSIBILITY**

The circular and compliance with the SRP Code are the responsibility of the directors of Sallies. Bridge Capital's responsibility is to report on the terms of the Offer.

#### **DEFINITION OF FAIRNESS**

Fairness is based on quantitative issues. The Offer would be considered fair if the consideration payable is greater than or equal to the value of the shares that are the subject of the Offer.

#### **PROCEDURES PERFORMED**

For purposes of the opinion set forth herein, we have considered and performed the following procedures:

- (a) Reviewed the annual reports of Sallies for the years ended 30 June 2006, 2007 and 2008;
- (b) Reviewed unaudited management information of Sallies for the year ended June 2009;
- (c) Reviewed budgeted financial information for Sallies for the year ending 30 June 2010, prepared by Sallies management;
- (d) Discussed the past and current operations and prospects of Sallies with a Sallies executive director and manager;
- (e) Discussed prevailing market, economic, legal and other conditions which may affect underlying value with a Sallies executive director;
- (f) Discussed prevailing market conditions with a commodity trader specialising in fluorspar;

- (g) Analysed publicly available information relating to the global commodity sector in general including forecasts on global commodity prices as well as forecasts on macro-economic variables;
- (h) Analysed publicly available information relating specifically to Sallies that we deemed to be relevant, including company announcements and media articles; and
- (i) Reviewed the terms of the Offer, including the Offer Document and a draft of the Sallies circular to shareholders to be dated on or about 14 September 2009.

## **VALUATION**

Bridge Capital performed a valuation of Sallies to determine whether the Offer represents fair value to Sallies shareholders other than Firebird. Valuation methodologies considered and employed included the discounted cash flow methodology as well as the Net Asset Value ("NAV") methodology.

The discounted cash flow methodology is based on the premise that the value of a company is future-oriented and accordingly, the theoretically correct manner to assess the entire equity value of a company is to consider the future earnings attributable to that equity. The discounted cash flow valuation methodology is predicated on the assumption that the entity being valued will continue as a going concern. Notwithstanding that Sallies is presently in a loss-making position, we have assumed that the company will continue as a going concern when utilising the discounted cash flow methodology.

Key value drivers identified were commodity price forecasts, exchange rate forecasts, the discount rate, earnings margins, working capital and future capital expenditure requirements. Sensitivity analysis was conducted where practical utilising existing and forecast key value drivers.

The NAV methodology was carried out in order to establish a minimum value per Sallies share. Under this approach, the total value of a company's equity is assessed based on the realisable NAV of the company. The NAV methodology is most applicable for businesses where the value lies in the underlying assets and not the ongoing operations of the business or in a liquidation scenario where the company is no longer considered viable.

The liquidation value derived from the NAV methodology was compared to the going concern value obtained from the discounted cash flow methodology. The highest value obtained from the two valuations was considered the fair value of Sallies.

## **LIMITING CONDITIONS**

This opinion is provided to the board of directors in connection with and for the purposes of the Offer. The opinion does not purport to cater for each individual shareholder's perspective, but rather that of the general body of Sallies shareholders. Individual shareholders' decisions regarding the Offer may be influenced by such shareholders' particular circumstances and accordingly individual shareholders should consult an independent advisor if in any doubt as to the merits or otherwise of the Offer.

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

We have assumed that the Offer will be consummated in accordance with the terms set forth in the Offer Document without any waiver, amendment or delay of any terms or conditions. Our opinion is necessarily based upon financial, economic, market and other conditions as in effect on, and the information made available to us as of, the date hereof. Events occurring after the date hereof, may affect this opinion and the assumptions used in preparing it, and we do not assume any obligation to update, revise or re-affirm this opinion.

## **INDEPENDENCE AND COMPETENCE**

We confirm that Bridge Capital has no equity interest in Sallies or in any other party to the Offer and that there is no existing relationship between Bridge Capital and any of the parties to the Offer with the exception that Bridge Capital acts in the capacity of Sponsor (in terms of the Listings Requirements of the JSE Limited) to Sallies. Furthermore, we confirm that our professional fees are not contingent upon the success of the Offer.

Bridge Capital has been approved by the SRP as the independent expert in respect of the Offer and has the necessary qualifications, credentials and expertise to advise the board on whether the terms and conditions of the Offer are fair to the shareholders of Sallies.

## **OPINION**

Bridge Capital has considered the terms and conditions of the Offer and, based upon and subject to the conditions set out herein, is of the opinion that the terms and conditions of the Offer are fair as far as the shareholders of Sallies are concerned. Our valuation range is 6 cents to 8 cents per Sallies share and was derived using the procedures performed and valuation methodologies mentioned above. Our opinion is necessarily based upon the information available to us up to 3 September 2009, including in respect of the financial, market and other conditions and circumstances existing and disclosed to us at this date. We have assumed that all conditions precedent, including any material regulatory and other approvals or consents required in connection with the Offer have been fulfilled or obtained.

## **CONSENT**

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

Yours faithfully

**Pieter Veldtman**

*Director*

Bridge Capital Advisors (Pty) Limited

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**INDEPENDENT PROFESSIONAL EXPERT OPINION  
(SALLIES CONVERTIBLE DEBENTURES)**

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

3 September 2009

Dear Sirs

**REPORT OF THE INDEPENDENT PROFESSIONAL EXPERT IN RELATION TO THE OFFER FROM  
FIREBIRD TO ACQUIRE THE REMAINING CONVERTIBLE DEBENTURES OF SALLIES LIMITED WHICH  
FIREBIRD DOES NOT ALREADY OWN****INTRODUCTION**

On 4 August 2009, Firebird Global Master Fund, Ltd. announced that it, together with its affiliate, Firebird Global Master Fund II, Ltd. (collectively, "Firebird"), made an acquisition ("the Acquisition") of Sallies Limited ("Sallies") ordinary shares which gave rise to an obligation to make an offer to acquire the remaining issued ordinary shares and convertible debentures of Sallies which Firebird does not already own for a consideration of 18 cents per ordinary share/convertible debenture ("the Offer"). The detailed terms and conditions of the Offer are contained in the offer document from Firebird, dated 2 September 2009 (the "Offer Document").

Bridge Capital Advisors (Pty) Limited ("Bridge Capital") has been appointed by the board of directors of Sallies ("the board") in terms of Rule 3.1 of the Securities Regulation Code and Rules of the Securities Regulation Panel ("the SRP Code") to provide an opinion to the board as to whether the terms and conditions of the Offer are fair to holders of Sallies convertible debentures (other than Firebird).

**RESPONSIBILITY**

The circular and compliance with the SRP Code are the responsibility of the directors of Sallies. Bridge Capital's responsibility is to report on the terms of the Offer.

**DEFINITION OF FAIRNESS**

Fairness is based on quantitative issues. The Offer would be considered fair if the consideration payable is greater than or equal to the value of the convertible debentures that are the subject of the Offer.

**PROCEDURES PERFORMED**

For purposes of the opinion set forth herein, we have considered and performed the following procedures:

- (a) Reviewed the annual reports of Sallies for the years ended 30 June 2006, 2007 and 2008;
- (b) Reviewed unaudited management information of Sallies for the year ended June 2009;
- (c) Reviewed budgeted financial information for Sallies for the year ending 30 June 2010, prepared by Sallies management;
- (d) Reviewed the terms and conditions attached to the convertible debentures;
- (e) Discussed the past and current operations and prospects of Sallies with a Sallies executive director and manager;
- (f) Discussed prevailing market, economic, legal and other conditions which may affect underlying value with a Sallies executive director;

- (g) Discussed prevailing market conditions with a commodity trader specialising in fluorspar;
- (h) Analysed publicly available information relating to the global commodity sector in general including forecasts on global commodity prices as well as forecast on macro-economic variables;
- (i) Analysed publicly available information relating specifically to Sallies that we deemed to be relevant, including company announcements and media articles; and
- (j) Reviewed the terms of the Offer, including the Offer Document and a draft of the Sallies circular to shareholders and convertible debenture holders to be dated on or about 14 September 2009.

## **VALUATION**

Bridge Capital performed a valuation of the convertible debentures to determine whether the Offer represents fair value to Sallies convertible debenture holders other than Firebird. In determining the value of the convertible debentures, we performed a valuation of Sallies to determine the value attached to conversion. In performing a valuation of Sallies, the valuation methodologies considered and employed were the discounted cash flow methodology as well as the Net Asset Value (“NAV”) methodology.

The discounted cash flow methodology is based on the premise that the value of a company is future-oriented and accordingly, the theoretically correct manner to assess the entire equity value of a company is to consider the future earnings attributable to that equity. The discounted cash flow valuation methodology is predicated on the assumption that the entity being valued will continue as a going concern. Notwithstanding that Sallies is presently in a loss-making position, we have assumed that the company will continue as a going concern when utilising the discounted cash flow methodology.

Key value drivers identified were commodity price forecasts, exchange rate forecasts, the discount rate, earnings margins, working capital and future capital expenditure requirements. Sensitivity analysis was conducted where practical utilising existing and forecast key value drivers.

Furthermore, we determined the realisable NAV available to convertible debenture holders in the event of Sallies defaulting in terms of its obligation under the debenture deed. Under this approach, the value of the convertible debentures is assessed based on the realisable NAV of the Sallies.

The valuation of Sallies confirmed that there was no value attached to conversion rights for debenture holders. The value derived from the realisable NAV methodology was in excess of the price offered in terms of the Offer.

## **LIMITING CONDITIONS**

This opinion is provided to the board of directors in connection with and for the purposes of the Offer. The opinion does not purport to cater for each individual convertible debenture holder’s perspective, but rather that of the general body of Sallies convertible debenture holders. Individual convertible debenture holders’ decisions regarding the Offer may be influenced by such convertible debenture holders’ particular circumstances and accordingly individual convertible debenture holders should consult an independent advisor if in any doubt as to the merits or otherwise of the Offer.

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

We have assumed that the Offer will be consummated in accordance with the terms set forth in the Offer Document without any waiver, amendment or delay of any terms or conditions. Our opinion is necessarily based upon financial, economic, market and other conditions as in effect on, and the information made available to us as of, the date hereof. Events occurring after the date hereof, may affect this opinion and the assumptions used in preparing it, and we do not assume any obligation to update, revise or re-affirm this opinion.

## **INDEPENDENCE AND COMPETENCE**

We confirm that Bridge Capital has no equity interest in Sallies or in any other party to the Offer and that there is no existing relationship between Bridge Capital and any of the parties to the Offer with the exception that Bridge Capital acts in the capacity of Sponsor (in terms of the Listings Requirements of the JSE Limited) to Sallies.

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

Bridge Capital has been approved by the SRP as the independent expert in respect of the Offer and has the necessary qualifications, credentials and expertise to advise the board on whether the terms and conditions of the Offer are fair to the convertible debenture holders of Sallies.

## **OPINION**

Bridge Capital has considered the terms and conditions of the Offer and, based upon and subject to the conditions set out herein, is of the opinion that the terms and conditions of the Offer are not fair as far as the convertible debenture holders of Sallies are concerned. Our valuation range is 45 cents to 55 cents per Sallies convertible debenture and was derived using the procedures performed and valuation methodologies mentioned above. Our opinion is necessarily based upon the information available to us up to 3 September 2009, including in respect of the financial, market and other conditions and circumstances existing and disclosed to us at this date. We have assumed that all conditions precedent, including any material regulatory and other approvals or consents required in connection with the Offer have been fulfilled or obtained.

## **CONSENT**

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

Yours faithfully

**Pieter Veldtman**

*Director*

Bridge Capital Advisors (Pty) Limited