



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")

INTRODUCTION OF AFRICAN RENAISSANCE HOLDINGS LIMITED AS A BLACK ECONOMIC EMPOWERMENT ("BEE") SHAREHOLDER OF WITKOP FLUORSPAR MINE (PROPRIETARY) LIMITED AND BUFFALO FLUORSPAR (PROPRIETARY) LIMITED (WHOLLY-OWNED SUBSIDIARIES OF SALLIES LIMITED) ("THE TRANSACTION")

1. Introduction

The directors of Sallies are pleased to announce that Sallies, Witkop Fluorspar Mine (Proprietary) Limited ("Witkop") and Buffalo Fluorspar (Proprietary) Limited ("Buffalo") have entered into agreements with African Renaissance Holdings Limited ("ARH") for the subscription by ARH for 1 581 Witkop ordinary shares for a total amount of R85 577 000 ("subscription consideration"), and the purchase of 260 Buffalo ordinary shares from Sallies at par value which Transaction will result in ARH owning 26% of each of the previously wholly-owned subsidiaries.

2. Witkop – brief company profile

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

3. Buffalo – brief company profile

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

4. ARH – brief company profile

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

To date ARH has acquired various interests *inter alia* in T-Systems SA Limited, Petra Diamonds Limited, NARE Diamonds Limited and in Metaf Investments Holdings (Proprietary) Limited (www.africanrenaissanceholdings.com).

Given a history of successfully pioneering new black business ventures, ARH aims to build an industrial and service portfolio which will focus on ICT, mining, power generation, and manufacturing as well as retail. The investment opportunity presented in Witkop and Buffalo aligns with ARH's strategic intents and complements other targeted investment initiatives.

5. Salient features of the Transaction

The salient features of the Transaction are set out below:

- 5.1 ARH will subscribe for 1 581 Witkop ordinary shares of R0.50 each at R54 128.40 per share for a total of R85 577 000, which represents an interest of 26% in the issued share capital of Witkop. Furthermore, ARH will be entitled to appoint a director to the board of Witkop.
- 5.2 In accordance with the provisions of section 38 of the Companies Act, No 61 of 1973, Witkop will provide financial assistance to ARH amounting to R85 577 000 to enable ARH to effect the payment for the subscription consideration. Sallies will subscribe for 2 cumulative non-redeemable preference shares of R1 each in the share capital of Witkop and whose dividend rate shall be based on the prime rate reduced by the corporate tax rate per annum, compounded monthly in arrears calculated on each of the amounts owed by ARH to Witkop and Witkop to Sallies from time to time.
- 5.3 ARH will purchase for cash 260 ordinary shares in Buffalo from Sallies at par value. Sallies will subscribe for 1 cumulative non-redeemable preference share of R1 in the share capital of Buffalo and whose dividend rate shall be based on the prime rate reduced by the corporate tax rate per annum, compounded monthly in arrears calculated on the amount owed by Buffalo to Sallies from time to time. ARH will be entitled to appoint a director to the board of Buffalo.
- 5.4 Upon completion of the Transaction, including the repayment of debt referred to in paragraph 5.2 and 5.3 above, ARH undertakes to distribute 31% of all shareholder distributions received by ARH from Witkop and Buffalo, to the Witkop Community and the Buffalo Community respectively in order to promote the interests of the Witkop and Buffalo employees within the Communities.

6. Rationale of the Transaction

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

7. Conditions precedent

The Transaction is subject to the following conditions precedent:

- the amendment of the Memoranda and Articles of Association of both Witkop and Buffalo to allow for the amendment

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The Transaction is subject to the following conditions precedent:

- the amendment of the Memoranda and Articles of Association of both Witkop and Buffalo to allow for the amendment of the authorised share capital, the creation, allotment and issue of the preference shares;
- the amendment of the Articles of Association of both Witkop and Buffalo so as to provide that the preference dividends may be paid in accordance with and subject to the provisions of section 90 of the Companies Act;
- the approval by the shareholders of both Witkop and Buffalo to place the authorised but unissued shares of both companies under the control of the respective directors in terms of section 221 of the Companies Act; and
- the requisite JSE and shareholder approval.

8. Related party classification

Given that Jürgen Kögl (a director of ARH) is currently a non-executive director of Sallies, the Transaction is classified as a related party transaction in terms of the Listings Requirements of the JSE Limited ("Listings Requirements"). Accordingly, Bridge Capital Advisors (Proprietary) Limited has been appointed as the Independent Professional Expert to provide an opinion as to whether the terms and conditions under which the financial assistance is being offered are fair to the Sallies shareholders. The fairness opinion will be incorporated in the circular to be posted to shareholders in due course and lie for inspection at the Company's registered office for a period of 28 days from the date of posting the circular.

The implementation of the Transaction is subject to a simple majority of votes of shareholders being cast in favour of the resolution in respect of the Transaction. In compliance with the Listings Requirements, all related parties including their associates will be precluded from voting their shares.

9. Board opinion and recommendation

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

10. Financial effects of the Transaction

The *pro forma* financial effects of the Transaction on Sallies earnings, headline earnings, net asset value and net tangible asset value per share are less than 3% and, therefore, have not been presented.

11. Circular to shareholders

In terms of the Listings Requirements, Sallies is required to prepare a detailed circular to shareholders setting out full details of the Transaction and incorporating a fairness opinion, notice of the general meeting and form of proxy. The circular to shareholders will be posted to shareholders in due course.

Johannesburg
26 July 2010

Sponsor and Independent Professional Expert



Legal advisers

