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SAL - Sallies - Preliminary Audited Consolidated Results For The Year Ended 30 June 2009

SALLIES LIMITED

(Incorporated in the Republic of South Africa)
(Registration Number 1903/001879/06)

JSE share code: SAL ISIN: ZAE000022588

("Sallies" or "the company" or "the group")

PRELIMINARY AUDITED CONSOLIDATED RESULTS FOR THE YEAR ENDED 30 JUNE 2009

HIGHLIGHTS

Operating profit from mining activities increases tenfold

Profit before Honeywell, share-based payments and Buffalo impairment up from R31 million loss to R44 million profit

Ongoing improvements to Witkop operating standards

Both operations mothballed due to market collapse

Sufficient cash resources to end FY2010

R11 million charge to provide fully for Honeywell award

CONSOLIDATED INCOME STATEMENT

| R`000 | % | Year ended | |
|-----------------------------------------------------------------------------|-----------|------------|-----------|
| | | 30 Jun 09 | 30 Jun 08 |
| | change | Audited | Audited |
| Revenue - mining | 50 | 251 928 | 168 117 |
| Net foreign exchange (losses)/gains | (293) | (9 259) | 4 794 |
| Cost of sales | 2 | (144 406) | (147 549) |
| Profit from mining activities | 287 | 98 263 | 25 362 |
| Less: Depreciation | (9) | (16 862) | (15 501) |
| Amortisation of mineral rights | 9 | (1 850) | (2 023) |
| Operating profit from mining activities | 915 | 79 551 | 7 838 |
| Profit/(Loss) on disposal of plant and equipment | 179 | 257 | (323) |
| Administrative expenses | 2 | (27 650) | (28 110) |
| Finance costs on borrowings | 83 | (1 654) | (10 009) |
| Investment income | 3 406 | 1 087 | 31 |
| Interest on convertible debentures | | (7 207) | - |
| Profit/(Loss) before Honeywell, share-based payments and Buffalo impairment | 25 | 44 384 | (30 573) |
| Honeywell settlement award provision | | (9 626) | - |
| Honeywell award interest provision | | (1 658) | - |
| Notional interest on convertible debentures | (213) | (2 892) | (1 359) |
| Share-based payments | 16 | (8 779) | (10 466) |
| Profit/(Loss) before Buffalo impairment | | 21 429 | (42 398) |
| Buffalo impairment | | (74 592) | - |
| Loss before taxation | (25) | (53 163) | (42 398) |
| Taxation | | - | - |
| Loss for the year | (25) | (53 163) | (42 398) |
| Issued shares (`000) | | 642 220 | 634 981 |
| Weighted average shares issued (`000) | | 640 725 | 631 264 |
| Weighted average shares issued for diluted loss per share (`000) | | 640 725 | 661 798 |
| RECONCILIATION OF EARNINGS | | | |
| Net loss attributable to shareholders for basic earnings per share | (25) | (53 163) | (42 398) |
| (Gain)/Loss on disposal of plant and equipment | 179 | (257) | 323 |
| Impact of impairment of decommissioning asset | | - | (2 205) |
| Impact of impairment of Buffalo fixed assets | | 68 072 | - |
| Net headline earnings/(loss) attributable to ordinary shareholders | 133 | 14 652 | (44 280) |
| PROFIT/(LOSS) PER SHARE | | | |
| Loss per share (cents) | (24) | (8,3) | (6,7) |
| Diluted loss per share (cents) | (25) | (8,3) | (6,6) |
| Headline profit/(loss) per share (cents) | 133 | 2,3 | (7,0) |
| Diluted headline profit/(loss) per share (cents) | 133 | 2,3 | (6,9) |
| CONSOLIDATED BALANCE SHEET | | | |
| 30 Jun 09 | 30 Jun 08 | | |
| R`000 | | Audited | Audited |
| ASSETS | | | |
| Non-current assets | | 104 292 | 161 804 |

| | | |
|-------------------------------------------------------|-----------|-----------|
| Investment properties | 3 167 | 3 167 |
| Goodwill | 10 175 | 10 175 |
| Property, plant and equipment | 89 018 | 146 827 |
| Restricted investments | 1 932 | 1 635 |
| Current assets | 114 546 | 92 561 |
| Inventories | 64 022 | 46 390 |
| Other financial assets | - | 498 |
| Trade and other receivables | 12 974 | 17 504 |
| Taxation prepaid | 2 789 | 2 789 |
| Cash and cash equivalents | 34 761 | 25 380 |
| Total assets | 218 838 | 254 365 |
| EQUITY AND LIABILITIES | | |
| Capital and reserves | 99 288 | 140 785 |
| Share capital and premium | 284 787 | 281 053 |
| Portion of convertible debentures deemed to be equity | 17 102 | 17 960 |
| Share-based payments reserve | 19 981 | 11 191 |
| Accumulated loss | (222 582) | (169 419) |
| Non-current liabilities | 81 148 | 87 880 |
| Long-term loans | 3 926 | 7 957 |
| Provision for environmental rehabilitation | 19 192 | 20 783 |
| Portion of convertible debentures deemed to be debt | 58 030 | 59 140 |
| Current liabilities | 38 402 | 25 700 |
| Trade and other payables | 30 642 | 21 105 |
| Bank overdraft | 3 730 | - |
| Current portion of long-term loans | 4 030 | 4 595 |
| Total equity and liabilities | 218 838 | 254 365 |

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

| | Year ended | |
|-----------------------------------------------------|------------|-----------|
| | 30 Jun 09 | 30 Jun 08 |
| R`000 | Audited | Audited |
| Net cash inflow/(outflow) from operating activities | 39 802 | (38 561) |
| Net cash outflow from investing activities | (29 556) | (21 295) |
| Net cash (outflow)/inflow from financing activities | (4 595) | 114 090 |
| Net increase in cash and cash equivalents | 5 651 | 54 234 |
| Cash and cash equivalents at beginning of year | 25 380 | (28 854) |
| Cash and cash equivalents at end of year | 31 031 | 25 380 |

CONDENSED SEGMENTAL REPORT

| R`000 | Witkop | Buffalo | Other | Group |
|-------------------------|----------|----------|----------|-----------|
| Year ended 30 June 2008 | | | | |
| Segmental (loss) | (861) | (16 865) | (24 672) | (42 398) |
| Total assets | 141 931 | 91 290 | 21 684 | 254 905 |
| Total liabilities | (38 383) | (14 515) | (60 682) | (113 580) |
| Year ended 30 June 2009 | | | | |
| Segmental profit/(loss) | 61 580 | (77 688) | (37 055) | (53 163) |
| Total assets | 204 556 | 6 345 | 7 936 | 218 837 |
| Total liabilities | (33 439) | (11 563) | (74 548) | (119 550) |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| convertible | Portion of | | |
|-------------------------------------------------------|---------------|---------------|--------------------------------|
| | Share capital | Share premium | debentures deemed to be equity |
| R`000 | | | |
| Balance at 1 July 2007 | 506 | 209 602 | - |
| Rights issue | 125 | 74 827 | - |
| Options exercised | 4 | 1 079 | - |
| Share and debenture issue expenses written off | - | (5 090) | - |
| Portion of convertible debentures deemed to be equity | - | - | 17 960 |
| Options granted | - | - | - |
| Loss for the year | - | - | - |
| Balance at 30 June 2008 | 635 | 280 418 | 17 960 |
| Debentures converted to shares | 7 | 3 727 | (858) |
| Options granted | - | - | - |
| Loss for the year | - | - | - |
| Balance at 30 June 2009 | 642 | 284 145 | 17 102 |

Share-

| R`000 | Share-based payment reserve | | Accumulated loss | Total |
|-------------------------------------------------------|-----------------------------|-----------------------------|------------------|----------|
| | based payment reserve | Share-based payment reserve | | |
| Balance at 1 July 2007 | 724 | (127 021) | | 83 811 |
| Rights issue | - | - | | 74 952 |
| Options exercised | - | - | | 1 083 |
| Share and debenture issue expenses written off | - | - | | (5 090) |
| Portion of convertible debentures deemed to be equity | - | - | | 17 960 |
| Options granted | 10 467 | - | | 10 467 |
| Loss for the year | - | (42 398) | | (42 398) |
| Balance at 30 June 2008 | 11 191 | (169 419) | | 140 785 |

| | | | |
|--------------------------------|--------|-----------|----------|
| Debentures converted to shares | - | - | 2 876 |
| Options granted | 8 790 | - | 8 790 |
| Loss for the year | - | (53 163) | (53 163) |
| Balance at 30 June 2009 | 19 981 | (222 582) | 99 288 |

JOINT STATEMENT OF THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER

SYNOPSIS

During the decade since the acquisition of Witkop Fluorspar Mine ("Witkop") by Sallies in 1999, the company has had a volatile business history as a fluorspar producer. The 2009 financial year and up to the time of writing must rank with the most turbulent eras of this history. Sadly, concerted management efforts to build a sound business and deliver value to shareholders have been thwarted by the 2008 global financial crisis. As a result, shareholders will again have to look to the future for returns from their investment.

The turnaround in operating profits delivered in FY2008, was accelerated during FY2009 (FY2007: operating loss R21 million; FY2008: operating profit R8 million; FY2009: operating profit R80 million). Ironically, as detailed under "FINANCE" below, because of the provision for the Honeywell award and interest thereon, statutory IFRS adjustments and the impairment of the Buffalo assets, the loss after taxation or "bottom line", deteriorated over FY2009.

During the first half of FY2008, when speculative expectations for the company were neutralised by forthright management reporting, the share price declined to a low of 36 cents per share ("cps"). Towards the beginning of FY2009, as marketing and operational challenges were effectively addressed, and this became known in the market, the share price recovered to 91 cps. As the seriousness of the sub-prime market crisis in the USA emerged, during the first half of FY2009, the prices of commodities and commodity based equities world-wide collapsed.

In tandem with the general market collapse, demand for acid grade fluorspar evaporated as inventories were run down and consequently, in order to conserve cash for as long as possible, operations at Witkop were suspended on Friday, 26 June 2009. Employees and their representatives were informed that management would begin statutory consultation on retrenchments on Monday, 29 June 2009. These matters have been completed subsequent to year end and Witkop remains on care and maintenance at an estimated cost of between R2 million and R3 million per month.

In the event that Witkop were to be re-opened an injection of substantial working capital would be required, probably between R50 million and R100 million.

MARKETING

The market continued to strengthen early in FY2009 up until October 2008. Prices as high as USD500 per dry metric tonne (dmt) FOB China, were reported. At these price levels, both Witkop and Buffalo were highly profitable. During this period Sallies secured enough contracts at acceptable prices to continue operations for almost nine months after the "crash" of October 2008.

Sales of all grades of fluorspar, from Witkop only, during FY2009 at 92 955 dmt were about 12% lower than FY2008 (105 511 dmt). This decline was a direct result of the market collapse. About 25 000 wet metric tonnes (wmt) of stock from production during FY2009 will be sold to honour existing contracts in the first half of FY2010.

Sales of all grades from Buffalo for FY2009 at 7 365 dmt were sharply lower than the 19 066 dmt of FY2008 due to the mothballing of this operation. Buffalo had about 3 500 wmt of high phosphorous material in stock at year-end. About 1 500 wmt of this was sold during August 2009.

Our new marketing agents performed effectively during the year.

OPERATIONS

No fatal accidents occurred at either operation during the review period.

Witkop

The last fatality at Witkop occurred in November 2001, and as of 30 June 2009, 8 267 fatality free shifts had been accumulated. The 12 month historical average Disabling Injuries Frequency Rate ("DIFR") at year-end was 1,71 (FY2008 3,63) and the six-month average for the second half of FY2009 was 0,49. The ISO rating agency, Bureau Veritas Certification ("BVC"), which rates the mine annually on a comprehensive range of internationally accepted operational standards, announced their intention to upgrade their standards for rating by December 2009.

Management at Witkop requested that the upgraded standards be applied to its annual rating six months early in June 2009. Only five minor findings were tabled by BVC. This is one reflection of the ongoing improvements to operations which have been delivered.

Notarisation of new order mining rights for both Wintershoek (existing operations) and Buffelshoek (possible future operations) took place in June 2008. Registration of the rights for Buffelshoek was effected during FY2009 and registration of the rights for Wintershoek is still in progress.

Total inferred, indicated and measured resources (the latter including probable and undiluted proven reserves) declined marginally, year-on-year, to 68,3 million tonnes at a CaF2 grade of 14,1% (30 June 2008: 69,7 million tonnes at 14,09%).

A critically important operational challenge for Witkop is the achievement of feed grades which reconcile properly to the reserve/resource grade. Until recently this reconciliation has been frustrated by the fact that surface borehole information (based on 25m to 50m borehole spacing) has not been updated since 2002 due to a lack of funds. Since March 2009, over 4 500 metres of infill drilling was completed using a newly acquired reverse circulation drill fitted with state of the art sampling equipment. Almost 5 million tonnes of ore (two to three years mining) had been drilled out by year-end and the analyses of completed samples are being incorporated into the geological model. Given the vital importance of exploration to future operations, the directors have authorised drilling to continue until the end of September 2009. If and when Witkop is re-opened, the foundation for enhanced grade reconciliation will therefore be in place.

Production of all grades of fluorspar was 119 945 wmt, marginally above the 118 137 wmt of FY2008. The condition of the pits, concurrent rehabilitation, and

management of slimes dams were all positive features of this year's operations at Witkop.

Buffalo

No fatal accidents have occurred at Buffalo since it was re-opened in August 2006 and as of 30 June 2009, 2 451 fatality free shifts had been accumulated. The mine has received its permit to explore for underground ore but the new order surface mining rights, applied for by Rooiberg Stone, have not yet been approved.

The Buffalo operations have been mothballed since October 2008. Empirical test work to reduce phosphorous levels in the fluorspar produced from tailings dams 5 and 6 is showing encouraging results. Should these tests show that the phosphorous content can be reduced to levels comparable to Witkop, Buffalo could re-open in order to treat material from these tailings dams.

Test work on fluorspar containing fines from Rooiberg Stone, the owners of substantial aggregate dumps produced from the heavy medium separation circuits originally in use at the property, is in progress. If the results from this work are positive and negotiations with Rooiberg to secure this feed succeed, Buffalo could process this material in preference to tailings.

Production of all grades of fluorspar was 5 031 wmt (FY2008 25 720 wmt).

FINANCE

Ongoing improvement to financial reporting was a feature of this year and has enabled timeous decisions to be made regarding the viability of operations.

At 30 June 2009, net cash and near cash was R31 million. Operating profit from mining for FY2009 was R80 million (FY2008: R8 million). Profit before providing for the Honeywell award, interest thereon, and the impairment of Buffalo assets was R44 million (FY2008: loss R31 million), and the loss after taxation was R53 million (FY2008: R42 million).

The Swiss Arbitral Tribunal dealing with the Honeywell issue awarded Honeywell USD1 243 824 (18% of their original claim) plus interest at 5% per annum from 19 January 2006, a total of USD1 458 000 if paid by 30 June 2009. On 19 May 2009 Sallies lodged an application for a review of this award and accordingly the payment has not been made. The Honeywell award and interest thereon is however fully provided for in the financial statements.

Solvadis, an agent for Sallies in Europe, made a claim of USD500 000 arising from the cancellation of their contract. The arbitration clause in this contract provided for expensive legal processes in Switzerland. Sallies and Solvadis have settled the claim amicably at USD225 000, paving the way for possible future co-operation.

Sallies is in dispute with SARS over VAT refunds of R3,2 million. Failure in its dispute would result in a charge of R2,3 million to Sallies' income statement.

Witkop is in various disputes with SARS over the refund of R6,7 million in income tax. Should Witkop fail in all its disputes, SARS would have a claim against Witkop for R0,7 million before interest and this would result in a charge to Witkop's income statement of R3,5 million before interest as Witkop carries R2,8 million pre-paid income tax on its balance sheet.

HUMAN RESOURCES

Much of the sterling work that was focused on our human resources at Witkop during the review period has been overshadowed by the suspension of operations towards the end of June and the start of a consultation process on retrenchment with our employees and their representatives. This regrettable decision was precipitated by the pressing need to conserve scarce cash resources, in order to survive, in anticipation of a recovery in world markets, specifically the export market for acid grade fluorspar.

Industrial peace, based on frequent interaction between management, employees and their representatives was a feature of FY2009. The introduction of a health clinic on site this year, has assisted employees with minor injuries and ailments and facilitated our efforts with a new HIV/AIDS awareness campaign. A recent audit amongst employees has identified candidates who could benefit from adult literacy and maths education. All of these initiatives now await a market recovery.

A small core team of technical and managerial specialists has been retained on site with the objectives of managing the responsibilities of a "mothballed mine" and retaining the core skills required for planning for the future and rapidly rebuilding the organisation, if and when this becomes appropriate.

GOVERNANCE

During the year Sallies significantly improved its situation as regards Corporate Governance. Appointments to the Board enabled an Audit Committee to be established having an Independent Non-executive Chairman and a majority of Independent Non-executive Directors. A Board Charter was approved and a Code of Ethics for directors, officers and management was implemented. The company also attempted to modernise the company's Articles of Association, which are over a century old but this was thwarted by post year-end events as reported below.

OPERATIONS OUTLOOK

Witkop operates on a low grade highly variable deposit and as a result is a medium/high cost producer which is highly geared to the Rand fluorspar price. This was evidenced by the significant profits of specific months during FY2009.

From an operational mining/plant perspective, great progress has been made at Witkop during the year and the operation will be viable should the market environment improve and be sustained at a permanently higher level. If the test work on either the high phosphorous fluorspar from tailings dams 5 and 6, or the fines from aggregate dumps prove successful, initial calculations suggest that Buffalo could re-enter the market as a low/medium cost producer.

Sallies has been active on the ground in Zambia and Mozambique during FY2009 and continues to pursue permits on high grade fluorspar deposits with the objective of moving down the international cost of production curve.

In conclusion we thank all stakeholders in Sallies - shareholders; regulatory bodies; suppliers; our fellow directors and most importantly, managements, employees and their representatives at the operations - for their unstinting and selfless support during the year.

POST YEAR-END EVENTS

