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SAL - Sallies Limited - General issue of shares for cash

Sallies Limited

(Incorporated in the Republic of South Africa)

(Registration number 1903/001879/06)

Share code: SAL ISIN: ZAE000022588

("Sallies" or "the Company")

GENERAL ISSUE OF SHARES FOR CASH

1 Introduction

At the annual general meeting of shareholders held on 22 October 2009, the requisite majority of shareholders approved an ordinary resolution authorising the directors to issue up to 15% (representing 96 333 001 ordinary shares) of Company's issued share capital for cash in accordance with the Listings Requirements of the JSE Limited ("JSE").

Pursuant to the ruling by the International Chamber of Commerce International Court of Arbitration that Sallies and Witkop Fluorspar Mine (Proprietary) Limited (a wholly owned subsidiary of Sallies) are to pay to Honeywell International Inc ("Honeywell") an amount of USD1 243 824 plus interest at 5 per cent per annum since 19 January 2006 ("the claim"), as a result of a breach of contract, the directors have now resolved to settle the claim through an issue of 82,335,700 ordinary shares at 13.5 cents per share ("the issue").

The issue will be implemented at a 19.9% premium on the weighted average traded price of Sallies shares for the 30 business days preceding 20 August 2010, being the date that the price of the issue was agreed by the directors. An application has been made to the JSE to grant a listing of the new shares on Monday, 27 September 2010.

2 Rationale for the issue

The purpose of the issue is to settle the Honeywell claim amounting to USD1243 824 plus interest at 5 per cent per annum since 19 January 2006.

3 Conditions Precedent

All conditions precedent have been fulfilled.

4 Financial effects of the issue

The table below sets out the unaudited pro forma financial effects of the issue on the loss, headline loss, net asset value and net tangible asset value per share. The pro forma financial effects have been calculated on Sallies' results for the interim period ended 31 December 2009. The unaudited pro forma financial effects are provided for illustrative purposes only and because of their nature they may not give a fair reflection of Sallies' financial position after the issue. The pro forma financial effects are the responsibility of the Company's directors.

	Before the general issue of shares for cash 1	After the general issue of shares for cash 2	Percentage change (%)
Loss per share (cents)	(4.3)	(4.0)	7%
Headline loss per share (cents)	(4.3)	(4.0)	7%

Net asset value per share (cents)	11.5	10.2	(11%)
Net tangible asset value per share (cents)	11.5	10.2	(11%)
Weighted average number of shares in issue (000)	642 220 007	683 387 857	6%
Shares in issue (000)	642 220 007	724 555 707	13%

Notes:

1 Extracted from the published interim results of Sallies for the year ended 31 December 2009.

2 Earnings and headline earnings per share in the "After the issue" column have been based on the following assumptions:

- a the issue was effective on 1 July 2009;
- b the weighted number of shares in issue before and after the issue were 642 220 007 and 683,387,857 respectively.
- c Interest was calculated at 5% on the settlement amount of \$ 1,243,824 and an average exchange rate of R 7.67: \$1 (Obtained from Oanda.com) was used to calculate interest from the period 01 July 2009 to 31 December 2009

3 Net asset value and net tangible asset value per share in the "After the issue" column have been based on the following assumptions:

- a the issue was effective 31 December 2009;
- b the number of shares in issue at 1 July 2009 was 642 220 007 before the issue and 724 555 707 after the issue.

Johannesburg
20 September 2010

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