

SAL SALD

SAL

SAL/SALD - Sallies Limited - Loan facility convertible into Sallies ordinary shares

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")

LOAN FACILITY CONVERTIBLE INTO SALLIES ORDINARY SHARES

1. Introduction and information relating to the loan

On 23 June 2011, Sallies entered into a convertible loan agreement with TSC Investments Limited ("TSC") ("the Agreement") whereby Sallies will borrow \$2,800,000 from TSC ("the Loan"), which under certain circumstances is convertible into an estimated 167,153,957 ordinary shares in Sallies ("Conversion Issue").

Sallies announced on SENS on 19 January 2011 that it had secured a working capital facility of US\$ 8 million from Maghreb Minerals Plc ("Maghreb facility") in order to recommission the Witkop Mine. To date, US\$ 5 million of the Maghreb facility have been drawn down. The convertible loan has been raised as a substitute for the remaining US\$ 3 million of the Maghreb facility.

The loan from TSC attracts an interest rate equal to the three month London Interbank Offered Rate ("Libor") plus 200 basis points until the date on which it is either converted or repaid by Sallies, as applicable. The conversion is at TSC's sole and absolute discretion or on receipt of the mandatory offer by Maghreb Minerals Plc to Sallies' minority shareholders and debenture holders as announced on SENS on 28 December 2010 ("the mandatory offer").

The shares can be converted at a price equal to the lesser of:

90% (ninety per cent) of the 30 (thirty) day volume weighted average share price ("VWAP") per share of Sallies Limited (rounded up to the nearest half cent) calculated on the signature date (being 11.50 cents per share); or
90% (ninety per cent) of the 30 (thirty) day VWAP (rounded up to the nearest half cent) per share, calculated on the last business day prior to the subscription date;

If TSC has not exercised its right of conversion, the loan is repayable at the earlier of 3 January 2012 or the day on which the mandatory offer is announced and becomes unconditional and binding.

2. Conditions Precedent

The loan is subject, inter alia, to the following conditions precedent being fulfilled by no later than 31 July 2011:

- the approval of the South African Reserve Bank, exchange control division of the loan and the terms thereof;
- the current controlling shareholder of Sallies, to vote in favour of the resolutions approving the terms of the loan agreement and to demand that allies convene a general meeting of shareholders by no later than 30 September 2011; and
- all permissions required, including shareholder approval, and compliance with all regulatory obligations to the extent necessary to effect the loan.

3. Financial Effects

The unaudited pro forma financial effects of Sallies before and after the Conversion Issue are based on the reviewed results of Sallies for the 6 months ended 31 December 2010. The unaudited financial effects are presented for illustrative purposes only, to provide information on how the Conversion Issue may have impacted on the results and financial position of Sallies. The unaudited pro forma financial effects are the responsibility of Sallies' directors. Due to the nature of the unaudited pro forma financial effects, they may not fairly present Sallies' financial position and the results of its operations after the Conversion Issue. It has been assumed for purposes of the headline and diluted headline loss and diluted loss per share that the Conversion Issue took place with effect from 1 July 2010 and 31 December 2010 or the computation of the tangible net asset value and net asset value per share. The financial effects do not purport to be indicative of what the financial results would have been, had the Conversion Issue been implemented on a different date. The unaudited pro forma financial information has been presented in a manner consistent in all respects with IFRS and Sallies' accounting policies have been applied consistently throughout the period.

The pro forma financial effects of the Conversion Issue have been calculated based on the following assumptions:

- The Loan and the accrued interest thereon was repaid during the period under review and TSC elected to convert such repayment into Sallies ordinary shares on 31 December 2010;
- The Rand amount repaid in respect of the Loan was calculated for illustrative purposes using the exchange rate of R6.80 to US\$1.00 on 31 December 2010 and using an estimated number of shares of 167,153,957 which has been calculated based on compound interest accruing on the Loan for a period of 6 months at an interest rate of 0.303% plus 200 basis point and a conversion price of 11.50 cents per ordinary share, being a 10% discount to the 30 day VWAP of the Sallies ordinary shares at the date of signing the Agreement (rounded up to the nearest half cent.)

	Before the Conversion Issue	After the Conversion Issue	% chang e
	Amount	Amount	
Basic loss per share (cents)	-5.0	-4.3	13.6
Diluted loss per share (cents)	-5.0	-4.3	13.6
Headline loss per share (cents)	-4.9	-4.3	13.5
Diluted headline loss per share (cents)	-4.9	-4.3	13.5
Net asset value per share (cents)	1.9	3.7	95.4
Tangible net asset value (cents)	0.5	2.5	439.2
Shares in issue ('000)	724,556	891,710	23.1
Weighted average number of shares in issue ('000)	683,388	850,542	24.5
Diluted weighted average number of shares in issue ('000)	683,388	850,542	24.5

Notes:

1. The "Before the Conversion Issue" loss, diluted loss, headline loss and diluted headline loss per share have been extracted without adjustment from the published, reviewed results of Sallies for the 6 months ended 31 December 2010. The "Before the Conversion Issue" net asset and tangible net asset value per share have been calculated from the financial information presented in the published, reviewed results of Sallies for the 6 months ended 31 December 2010.

2. The "After the Conversion Issue" assumes:

a. The conversion of the Loan on 31 December 2010 into 167,153,957 ordinary shares at a 10% discount to the 30-day VWAP (Rounded

up to the nearest half cent) on the date of signing the Agreement resulting in an IAS 39 charge of R 2.136 million;

b. The accrual of interest amounting to R183,000 at a rate of 0.303% plus 200 basis points over the 6-month period of the Loan; and

c. Estimated transaction costs amounting to R 250,000.

4. Circular to shareholders

Ordinary shareholder approval is required to approve the terms of the Loan, as the Loan may result in a conversion of the Loan into Sallies ordinary shares, classified as a specific issue of shares for cash in terms of the JSE Listing Requirements. A circular containing details of the Loan and the terms thereof as well as a notice of general meeting, will be posted to ordinary shareholders in due course.

Pretoria

28 June 2011

Sponsor: Bridge Capital Advisors (Pty) Limited

Reporting Accountant and auditor: BDO (South Africa) Incorporated

Legal advisor: Fasken Martineau DuMoulin (Pty) Limited

Date: 28/06/2011 11:04:01 Produced by the JSE SENS Department.

The SENS service is an information dissemination service administered by the

JSE Limited (`JSE`). The JSE does not, whether expressly, tacitly or implicitly, represent, warrant or in any way guarantee the truth, accuracy or Completeness of the information published on SENS. The JSE, their officers, employees and agents accept no liability for (or in respect of) any direct, indirect, incidental or consequential loss or damage of any kind or nature, howsoever arising, from the use of SENS or the use of, or reliance on, information disseminated through SENS.