



SALLY MALAY MINING LIMITED

QUARTERLY REPORT FOR THE PERIOD ENDED 31 MARCH 2007



SIGNIFICANT EVENTS DURING QUARTER

CORPORATE

- Cash and receivable increase to **\$88M**
- Senior debt decreased to \$5M via scheduled \$6M payment with all senior debt to be repaid by 30 June 2007

SALLY MALAY

- Project produced **1,810 tonnes Ni** and is targeting around 8,000 Ni for 2006/07
- **1,320 tonnes Ni contained shipped** from Wyndham

LANFRANCHI

- Consistent production from Helmut South of **1,150 tonnes Ni in ore**
- 13% increase in Winner Mining Reserve to 144,003t at 4.26% Ni containing **6,139 tonnes Ni**
- Winner decline development on target to produce first ore in August 2007
- Mining of the Schmitz Extension orebody (96,803t at 2.52% Ni) remains scheduled to commence mid 2007

EXPLORATION

- The Deacon Mineral Resource increases to **1,910,000t at 3.04% Ni for 58,100 tonnes Ni**
- Deacon contains **185,000t of massive sulphide resource at 7.5% Ni for 13,800 tonnes Ni**
- Deacon remains **open up and down plunge**
- Winner Mineral Resource increased to **111,680t at 6.16% Ni for 6,879 tonnes Ni**
- Mining studies as part of the Copernicus Feasibility Study advanced
- Copernicus open pit mining could commence early 2008

SALLY MALAY PROJECT

Operating Statistics

Table 1 – Sally Malay Project Operating Statistics

Area	Details	Units	3 mths ending 31 March 2007	3 mths ending 31 Dec 2006	3 mths ending 30 Sep 2006	2006/07 Year to Date
Mining	Underground ore	dmt	172,874	198,490	181,175	552,539
	Ni grade	%	1.23	1.33	1.21	1.26
	Cu grade	%	0.54	0.54	0.47	0.52
	Co grade	%	0.06	0.07	0.06	0.06
Milling	Ore	dmt	176,773	199,082	181,036	556,891
	Ni grade	%	1.20	1.33	1.22	1.25
	Cu grade	%	0.54	0.54	0.48	0.52
	Co grade	%	0.06	0.07	0.06	0.06
	Ni Recovery	%	86.1	87.7	87.1	86.9
	Cu Recovery	%	96.6	96.8	96.5	96.4
	Co Recovery	%	90.8	92.5	91.6	91.2
Concentrate Production	Concentrate	dmt	22,490	28,497	23,322	74,309
	Ni grade	%	8.05	8.18	8.23	8.16
	Ni metal contained	dmt	1,810	2,330	1,920	6,060
	Cu grade	%	4.09	3.65	3.61	3.63
	Cu metal contained	dmt	921	1,039	842	2,802
	Co grade	%	0.45	0.44	0.44	0.44
	Co metal contained	dmt	101	123	102	325

Area	Details	Units	3 mths ending 31 Mar 2007	3 mths ending 31 Dec 2006	3 mths ending 30 Sep 2006	2006/07 Year to Date
Concentrate Shipments	Concentrate	dmt	16,034	34,379	18,604	69,017
	Ni grade	%	8.23	8.17	8.23	8.20
	Ni metal contained	dmt	1,320	2,808	1,530	5,658
	Cu grade	%	4.39	3.72	3.60	3.84
	Cu metal contained	dmt	705	1,278	669	2,652
	Co grade	%	0.41	0.46	0.44	0.44
	Co metal contained	dmt	67	158	81	306

Note: March 2007 quarter Concentrate Shipments contain prior quarter weight & assay adjustments to reconcile to YTD shipments.

Mining

Ore production from underground was 172,874t, 13% less than the record December quarter (which included the final ore from the original open pit resource), however only 5% lower than the September quarter. This lower production was primarily due to completion of stoping from the 2245 level early in the March quarter which restricted stoping to a single level thereafter. There was also an increased focus on decline development which restricted production rates, however this focus was designed to ensure that the first sill pillar stope will be available for ore production in the June quarter 2007. We are now forecasting approximately 8,000 tonnes Ni contained for the 2006/07 year.

Process Plant

Sally Malay plant recoveries continued to exceed design with an average of 86% being maintained for Ni against the design 78%.

Concentrate Shipments

Two concentrate shipments were made totaling 16,583dmt at an average grade of 8.27% Ni for 1,370t of contained Ni with the scheduled March shipment slipping into April due to adverse weather conditions delaying the vessel arrival into Wyndham. Four shipments are forecast to be made in the June 2007 quarter.

Financial Statistics

Table 2 – Sally Malay Project Financial Statistics

Area	Units	3 months ending 31 Mar 2007	3 months ending 31 Dec 2006	3 months ending 30 Sep 2006	2006/07 Year to Date
Nickel Produced	lbs	3,990,759	5,136,765	4,232,870	13,360,394
Mining Costs	A\$ per lb	2.20	1.96	2.00	2.04
Milling Costs	A\$ per lb	1.01	0.86	1.16	1.03
Concentrate Haulage	A\$ per lb	0.19	0.20	0.13	0.17
Administration	A\$ per lb	0.68	0.40	0.37	0.47
Less Capitalised Site Costs	A\$ per lb	(0.52)	(0.25)	(0.43)	(0.45)
Total Cash Cost at Mine Gate	A\$ per lb	3.56	3.17	3.23	3.26
Smelting/shipping Costs	A\$ per lb	9.90	8.08	7.36	8.39
By-product Credits	A\$ per lb	(3.51)	(3.09)	(2.86)	(3.13)
Total C1 Cash Costs	A\$ per lb	9.95	8.16	7.73	8.52
Total C1 Cash Costs	US\$ per lb	7.88	6.38	5.87	6.62
Royalty Cost	A\$ per lb	0.67	0.54	0.50	0.56
Depreciation/ Amortisation Costs	A\$ per lb	0.78	0.79	1.59	1.09
Net Finance Costs/Other	A\$ per lb	0.11	0.11	0.26	0.16
Total C3 Costs	A\$ per lb	11.51	9.60	10.08	10.33
Total C3 Costs	US\$ per lb	9.11	7.50	7.65	8.02
Net Nickel Revenue (inc hedging)	A\$ per lb	16.64	11.39	11.41	13.01

Note: Net Nickel Revenue is a notional cash figure based on Ni metal produced (including actual hedge book deliveries).

LANFRANCHI JOINT VENTURE (SALLY MALAY 75%)

Production

The Lanfranchi JV produced 52,030t of ore at an average grade of 2.21% Ni for 1,149t Ni contained, which is a slight decrease on the previous quarters and slightly below budget, with continued emphasis being placed on the ground support regime at Helmut South. Based on year to date production and budget for the current quarter, we forecast production in the vicinity of 5,000 tonnes Ni contained for 2006/07.

Operating Statistics (100%)

Table 3 – Lanfranchi Project Operating Statistics

Area	Details	Units	3 months ending 31 Mar 2007	3 months ending 31 Dec 2006	3 months ending 30 Sep 2006	2006/07 Year to Date
Mining	Ore mined	dmt	52,030	61,173	55,547	168,750
	Ni grade	%	2.21	2.39	2.29	2.30
	Ni metal contained	dmt	1,149	1,465	1,272	3,885
Ore Delivered	Cu grade	%	0.19	0.20	0.20	0.20
	Ore delivered	dmt	52,082	61,631	56,264	169,977
	Ni grade	%	2.21	2.39	2.28	2.30
	Ni metal contained	dmt	1,150	1,473	1,283	3,906
	Cu grade	%	0.19	0.20	0.20	0.20

Financial Statistics (100%)

Table 4 – Lanfranchi Project Financial Statistics

Area	Units	3 months ending 31 Mar 2007	3 months ending 31 Dec 2006	3 months ending 30 Sep 2006	2006/07 Year to Date
Nickel Produced	lbs	2,533,990	3,230,430	2,800,249	8,564,669
Mining Costs	A\$ per lb	1.89	1.43	2.18	1.81
Ore Haulage	A\$ per lb	0.08	0.10	0.10	0.09
Administration	A\$ per lb	0.91	0.79	0.82	0.84
Total Cash Cost at Mine Gate	A\$ per lb	2.88	2.32	3.10	2.74
Smelting	A\$ per lb	11.05	8.90	8.21	9.31
By-product Credits	A\$ per lb	(0.29)	(0.35)	(0.39)	(0.35)
Total C1 Cash Costs	A\$ per lb	13.64	10.87	10.92	11.70
Total C1 Cash Costs	US\$ per lb	10.80	8.50	8.28	9.09
Royalty Cost	A\$ per lb	0.54	0.43	0.39	0.45
Depreciation/Amortisation	A\$ per lb	1.53	1.30	1.68	1.58
Net Finance Costs/Other	A\$ per lb	0.05	0.04	0.05	0.05
Total C3 Costs	A\$ per lb	15.76	12.64	13.04	13.78
Total C3 Costs	US\$ per lb	12.48	9.88	9.89	10.70
Net Nickel Revenue	A\$ per lb	24.02	19.24	17.08	19.95

Note: Net Nickel Revenue is a notional figure based on Ni metal produced for 100% of the Lanfranchi Project and does not include the hedging activity of Cherish Metals (Sally Malay's 100% subsidiary that has the 75% interest in the Lanfranchi Project).

Mine unit cash costs in the March quarter were higher than the December quarter due to a decrease in ore mined and lower average nickel grade. Smelter and royalty costs were again higher than the previous quarter as a result of the continued increase in the nickel price.

Winner High-grade Orebody

Ongoing evaluation of the Winner resource has resulted in an increase of the resource grade by 0.6% Ni. Subsequent to the resource upgrade, mine design optimisation was completed and a new Mining Reserve of 144,003t at 4.26% Ni containing 6,139t Ni was estimated, an increase of 13% contained Ni.

The updated, JORC-compliant, resource estimate (March 2007) has been prepared by BM Geological Services Pty Ltd for the Winner resource and is summarised in Table 5.

Table 5: Winner Mineral Resource Estimate Update

Resource Date	Class	Tonnes	Ni %	Ni Tonnes	Cu %
March 2007	Indicated	111,680	6.16	6,879	0.48
June 2006	Indicated	110,500	5.56	6,100	0.46

Notes: The tonnes and grade of the new resource is the mineralisation constrained within the interpreted wireframes which were constructed on sectional interpretations at 20m centres to a 1.0% Ni cut-off grade. Internal dilution not exceeding 6m down-hole was included in some instances to allow for simplification of wireframing and modelling.



Figure 1 – Winner box cut (early January 2007)

Development Schedule

Completed

- October 2006 Statutory approvals
- November 2006 Excavate box-cut
- January 2007 Commence decline development
- March 2007 Decline approximately 50m below surface

Target

- August 2007 First ore delivered to surface

The duration of the overall project remains unchanged and is expected to be 29 months, based on four months for surface works (now completed) and 25 months of decline development and mining (well underway).

Schmitz Extension Orebody

Current reserves of the Schmitz Extension orebody are 96,803t at 2.52% Ni for 2,438t Ni contained, assuming a mechanised cut and fill mining method. A jumbo has been purchased and mining is planned to commence in the June 2007 quarter with first ore production scheduled in the second month of the project and an overall project life of 23 months. The plan is to mine the Schmitz Extension concurrently with Winner during 2007.

EXPLORATION

Kimberley Regional

Sally Malay Tenements (100% owned)

Sally Malay Resource - infill drilling

Infill resource definition drilling between the 100 and 500 Faults is now complete. The programme commenced in August 2006 and finished in March 2007. A total of 56 drill holes was completed for 10,577 drill metres. A revised resource and reserve statement will be completed and announced during the June quarter 2007.

Intersections and assay results received during the reporting period are summarised in table 6.

Table 6: Sally Malay – infill resource definition programme

Hole ID	Northing	Easting	RL(m)	Downhole Width(m)	Ni%	Cu%	Co%
KUD422	1507	6053.5	1950.5	13.07	1.89	0.51	0.09
				18.16	2.34	1.07	0.11
				10.62	1.98	0.55	0.10
KUD427	1481	6090	2020	47.46	1.56	0.99	0.09
KUD428	1524	5973	1917	22.57	1.56	3.23	0.09
KUD430	1406	6118	1986	8.4	0.87	1.34	0.06
KUD431	1523	5955	1944	0.95	3.75	1.56	0.19
KUD432	1505	6145	2070	9.62	2.19	0.41	0.12
KUD434	1532	5978	1923	4.68	2.43	1.45	0.10
KUD434	1522	5978	1897	18.19	1.05	0.37	0.05
KUD437	1541	5997	1913	13.56	1.96	0.53	0.09
KUD437	1528	6001	1876	3.45	2.04	2.55	0.11
KUD446	1538	6011	1915	17.37	1.91	0.74	0.10
KUD449	1503	6024	1985	46.97	1.76	0.67	0.08
KUD458	1505	6036	1940	66.25	1.22	0.83	0.06
KUD459	1471	6088	1977	25.90	1.56	0.49	0.08

Joint Ventures

Panton PGM Project (Platinum Australia 100%, Sally Malay earning 50% of 1st 1.5Mt ore)

Preliminary testwork on the 10-15t bulk ore sample commenced at AMMTEC during the quarter, with assay results returning a lower than expected average ore grade of 3.5 g/t (Pt+Pd+Au), compared to initial results of 6.5 g/t (Pt+Pd+Au) due to higher than estimated mining dilution and ore loss. Further testwork and analysis is planned prior to undertaking pilot plant testwork.

Copernicus JV (Sally Malay 60%)

Mining studies as part of the Feasibility Study were advanced and it is expected that Mining Reserves for both the Open Cut and the Underground will be finalised early in the June quarter. A draft Feasibility Study was presented to Thundelarra in April 2007 and we expect feedback in early May prior to finalising the Study in mid May.

Negotiations with the traditional owners were advanced significantly and are likely to be finalised during the June 2007 quarter. Subject to finalising an agreement, granting of the mining lease can be expedited and the Notice of Intent to mine Copernicus Open Pit can be lodged. Based on concluding an agreement with the Traditional Owners in May/June we could be treating Copernicus ore in the Sally Malay mill in April 2008 as per the proposed timetable (Table 7).

Table 7: Proposed Copernicus Development Schedule

Activity	Period
Granting of Mining Lease and Miscellaneous license for haul road	July 2007
Submission of NOI and Clearing Application	July 2007
Issue Open pit and haul road construction & tender	August 2007
Award open pit mining contract	October 2007
Mobilise contractor for haul road	January 2008
Mobilise contractor for open pit	February 2008
Commence open pit mining and commence treating ore at Sally Malay	April 2008
Decision point for commencement of underground mining	May 2008
Commence underground development (if approved)	December 2008

Exploration is scheduled to resume at Copernicus in the June quarter. Several deep (300–450m) drill holes are planned to test two off-hole electro-magnetic (EM) anomalies identified in 2006. The off-hole EM anomalies have Copernicus mineralisation type signatures and may represent off-set and/or re-mobilised nickel sulphides. A drill rig has been secured and latest indications are they could be drilling as early as May 2007.

Melon Patch (Sally Malay earning 70%)

In July 2006, the Company entered into a joint venture with Pathfinder Exploration Pty Ltd and Earth Australia Minerals Pty Ltd to explore for Ni-Cu-Co on several tenements around Melon Patch bore. These tenements contain rock types similar to the Panton Project (located 15km to the SW) and are considered to be prospective for both Panton and Copernicus style mineralisation.

A Hoist EM survey was completed over the area in late December 2006 and processing of the data was completed during the March 2007 quarter. Several anomalies were identified and initial ground checking of the anomalies has commenced.

Lanfranchi Joint Venture (Sally Malay 75%)

Deacon Resource

Initial resource drilling was completed at the beginning of April 2007. The drilling was undertaken from a dedicated drill drive on the 5445 level, allowing a significant drilling programme to be conducted from an optimal orientation. A total of 44 underground diamond drill holes, comprising 7,106 drill metres was completed and now forms the basis of the Mineral Resource Estimate. The recently announced Deacon Mineral Resource contains a total of 1,910,000t at 3.04% Ni for 58,100 tonnes Ni, which includes 185,000t of massive sulphide resource at 7.5%Ni for 13,800 tonnes Ni (Table 8).

Table 8: Deacon – April 2007 Mineral Resource Estimate

Class	Ore Type	tonnes	Ni %	Ni tonnes	Cu %	Cu Tonnes
Indicated	Diss/Matrix	1,421,869	2.52	35,860	0.23	3,246
Indicated	Massive	184,719	7.49	13,837	0.61	1,122
Inferred	Diss/Matrix	302,977	2.77	8,389	0.27	815
Total		1,909,564	3.04	58,089	0.27	5,183

Notes: The tonnes and grade of the Mineral Resource estimate is the material constrained within the interpreted mineralisation wireframes which were constructed on sectional interpretations at 50m centres to a 1.6% Ni cut-off grade. When present, high grade massive nickel sulphide mineralisation was domained separately. The Mineral Resource is largely classified as Indicated due to the good continuity of the mineralisation, the adequate drill hole spacing and the confidence gained from QA/QC checks and data validation. A small zone of mineralisation at the extremities of the resource has been classified as Inferred due to the lack of sample support and poor continuity of grade and lithological controls.

The Deacon Resource Estimate of 58,100 tonnes Ni is now 2.6 times the Helmut South resource of 774,000 tonnes at 2.87% Ni (22,200 tonnes Ni) that underpinned the original purchase of the Lanfranchi mine by the Lanfranchi Joint Venture, and importantly, the Deacon resource remains open both up and down plunge. Nickel production and contained reserve/resources for the Helmut/Deacon channel structure currently stands at approximately 92,000t Ni making it the most nickel-endowed channel structure within the Lanfranchi/Tramways area. Total historical nickel

production by WMC Resources from the Lanfranchi/Tramways tenements (prior the acquisition of the project by the Lanfranchi Joint Venture) was approximately 100,000t Ni.

The drilling focus has now shifted to the up-plunge portion of the Deacon channel structure, between Helmut and the currently defined top of the Deacon resource at approximately 514000mN. An initial programme of holes is underway from Stockpile 5 off the Helmut South Decline at -444mRL. The aim of this programme is to define the shape of the channel structure and identify an appropriate position for the development of another dedicated hanging wall drill drive to facilitate resource definition drilling in this area.

Work is progressing on a detailed mine plan, Ore Reserve estimate and project financial analysis. It is anticipated that this work will be completed during the June quarter 2007 and will result in development of the Deacon orebody commencing as early as the September quarter 2007, subject to the Lanfranchi Joint Venture deciding to proceed.

Assay results for drill holes completed at Deacon during the period are summarised in Table 9.

Table 9: Deacon – March Quarter 2007 Resource Drilling Results

Drill Hole	Pierce Point	Pierce Point	Pierce Point RL(m)	From (m)	To (m)	Interval (m)	True Width	Ni%
	North (m)	East (m)					(m)	
HS250	513907	391582	-580	136.00	168.20	32.2	16.00	3.50
	Including massive sulphide			160.60	163.40	2.80	1.40	7.89
HS264	513660	391642	-710	178.10	204.20	26.10	11.00	2.15
HS265	513624	391585	-751	180.00	272.70	92.70	28.00	2.24
	Including			211.00	272.70	61.70	23.00	2.50
HS266	513703	391681	-672	121.80	145.82	24.02	12.50	2.35
HS267	NSR							
HS269A	513883	391657	-590	90.00	115.20	25.20	16.00	2.39
HS270	513914	391552	-540	168.60	184.00	15.40	10.00	1.75
HS268	513850	391665	-598	85.00	90.10	5.10	4.00	3.69
Plus	513858	391664	-605	95.75	100.70	4.95	3.00	3.00
HS271	513951	391570	-521	166.70	202.45	35.75	14.00	2.15
HS272	513764	391677	-618	71.16	75.00	3.84	2.50	1.91
HS273	513738	391694	-610	68.00	77.00	9.00	4.00	2.27
HS274	513668	391614	-709	174.50	206.90	32.40	12.00	2.64
	Including massive sulphide			204.90	206.90	2.00	0.75	7.81
HS275	513966	391593	-512	189.00	208.00	19.00	8.70	1.86
HS277	513884	391583	-604	127.30	155.50	28.20	18.90	3.86
	Including massive sulphide			150.00	153.50	3.50	2.40	7.29
HS278	513824	391590	-617	119.30	123.90	4.77	3.10	2.40
HS279	513835	391600	-627	116.00	126.65	10.65	8.40	2.92
	Including massive sulphide			125.50	126.65	1.15	0.90	7.14
HS280	513842	391642	-621	76.80	109.50	32.70	30.5	4.02
	Including massive sulphide			99.78	111.35	11.57	10.80	6.84
HS281	513736	391611	-671	132.07	148.05	15.98	10.90	2.60
HS282	513736	391633	-675	121.19	143.01	21.82	14.50	3.17
	Incl HG matrix + massive sulphide			136.95	143.01	6.06	4.00	5.07
HS283	513792	391632	-666	98.00	131.12	33.12	29.80	4.03
	Incl HG matrix + massive sulphide			107.13	131.12	23.99	21.60	4.63
HS284	513882	391635	-596	101.30	123.50	22.20	19.60	2.65
HS285	513666	391573	-700	NSR				
HS286	513583	391620	-775	233.40	305.55	72.15	16.40	2.95
	Including			253.00	305.55	52.55	11.90	3.25

Note: NSR – no significant result, barren basalt contact. The calculated pierce points are the footwall position of each intersection

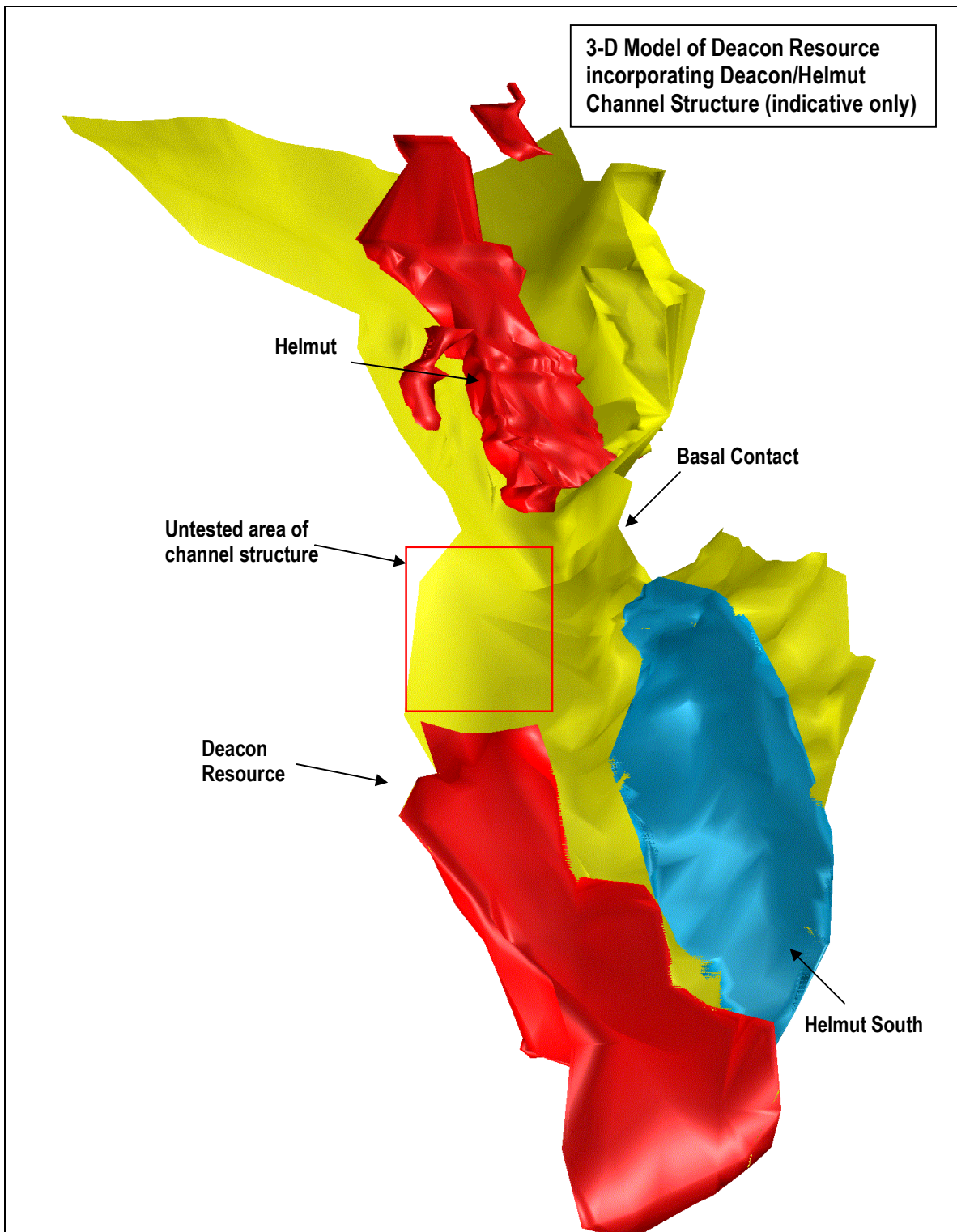


Figure 2 Deacon Resource relative to Helmut (past production) and the currently active mining area of Helmut South

Platform EM Drilling

Follow-up of the Platform EM anomalies is scheduled to commence during the June quarter 2007. The drilling will be designed to test the down-plunge extensions of Lanfranchi, Schmitz and Skinner orebodies.

Northern Tramways

An initial programme of surface RC drilling was completed on the Northern Tramways dome structure, designed to test several Geoferrret EM anomalies and to confirm the overturned character of the Kambalda komatiite.

Four drill holes tested Geoferrret targets, and three holes encountered carbonaceous sulphidic shales.

Three vertical stratigraphic holes were completed to further test the concept that the basal contact of the Kambalda komatiite is overturned in places along the northern side of the Tramways Dome. Two of the three holes intersected the overturned basal contact. Results of the programme are positive and will be used to design a more detailed programme to explore for continuations of the Schmitz and Helmut channels on the north side of the Tramways Dome.

CORPORATE

Cash Position, Corporate Debt & Hedging

Cash on hand at the end of the quarter was \$73 million and receivables relating to concentrate sales amounted to \$15 million, giving a total of \$88 million in short term liquid assets at the end of the quarter. Senior Bank debt decreased to \$5 million via a scheduled \$6 million repayment during the quarter.

Hedging

The Company has continued to deliver into its nickel hedge book during the quarter while taking advantage of the unprecedented nickel prices to undertake limited new nickel hedging and put/call option collars at very attractive prices.

In February, 1,250t Ni of Sally Malay production and 1,250t Ni of 75% share of Lanfranchi production was sold forward between May 2008 and May 2009 at forward prices ranging from US\$26,360/t (US\$11.94/lb) in May 2008 to US\$21,695/t (US\$9.84/lb) in May 2009, including matching A\$/US\$ exchange rate contracts at an average rate of US\$0.7621. In addition 1,200t of European style nickel put options were purchased at a strike price of US\$25,000/t (US\$11.34/lb) exercisable between July 2007 and December 2007. To pay for the put options, 300t of European style nickel call options were granted between July 2007 and December 2007 at US\$30,050/t (US\$13.63/lb).

In March, 1,650t of European style nickel put options were purchased at a strike price of US\$25,000/t (US\$11.34/lb) exercisable between January 2008 and June 2008. To pay for the put options, 544t of European style nickel call options were granted between January 2008 and June 2008 at an average strike price of US\$37,909/t (US\$17.20/lb).

In both instances, buying nickel put options and granting nickel call options (>3 puts to 1 call ratio) will protect revenue in 2007/08 should prices pull back dramatically below US\$25,000/t, and also gives the Company almost full exposure to higher spot nickel prices due to the low volume of granted call options at much higher price levels.

The Sally Malay Group metal and currency hedge book as at 31 March 2007 is summarised in Table 10.

Table 10: Group Hedge Book as at 31 March 2007


Commodity	Quantity 31 Mar 2007	Average Price/Rate 31 Mar 2007	Quantity 31 Dec 2006	Average Price/Rate 31 Dec 2006
Nickel Fwds (delivery Apr 2007-May 2009)	4,825t	US\$20,282/t US\$9.20/lb	2,925t	US\$17,118/t US\$7.76/lb
Bought Nickel Put Options (delivery Apr 2007 to June 2008)	3,380t	US\$25,000/t US\$11.34/lb	730t	US\$25,000/t US\$11.34/lb
Sold Nickel Call Options (delivery Jul 2007 to June 2008)	1,444t	US\$24,415/t US\$11.07/lb	1,000t	US\$9,352/t US\$4.24/lb
Currency - matched with Ni	US\$97.9 million	US\$0.7577	US\$62.5 million	US\$0.7362
Currency – unmatched	US\$15.5 million	US\$0.6847	US\$6.2 million	US\$0.6758
Currency - total	US\$113.4 million	US\$0.7477	US\$68.7 million	US\$0.7311

Excluding the bought nickel put options (which will only be exercised by the Company if the US\$ nickel price falls below US\$25,000/t) and based on forecast production for the rest of FY2006/07, the Company, on a group basis is approximately 35% hedged, which means approximately 65% of payable nickel production until June 2007 will attract the spot nickel price.

New Non-Executive Director

Brian Phillips joined the Board as a non-executive director on 27 March 2007. Brian is a mining engineer, graduating from the Western Australian School of Mines and has had a distinguished 40 plus years career in the mining industry.

**Yours faithfully,
SALLY MALAY MINING LIMITED**



PETER HAROLD
Managing Director

About Sally Malay

Sally Malay is an established Western Australian based nickel sulphide producer with two underground mines, Sally Malay (100%) in the Kimberley and Lanfranchi (75% and operator) 42km south of Kambalda. In 2006/07 our operations are forecast to produce close to 13,000t Ni (~11,800t on an equity basis) and will continue to ramp-up to over 20,000t Ni in 2008/09 (18,000t on an equity basis) assuming Deacon and Copernicus are developed in 2008. We have a significant exploration portfolio in the Kimberley and at Lanfranchi and are ramping up our exploration activities in order to grow our resource base and increase the mine life of our operations targeting **20,000t Ni per year for the next 10 years**.

The information in this report that relates to Exploration Results is based on information compiled by Mr John Hicks. Mr Hicks is a full-time employee of Sally Malay Mining Limited. Mr Hicks has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Hicks consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Information in this report relating to the Copernicus Mineral Resources has been either completed by or reviewed by Mr Paul Payne of Resource Evaluations Pty Ltd. Mr Payne is a member of The Australasian Institute of Geoscientists and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Payne consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Information in this report relating to the Lanfranchi Winner Mineral Resource and the Lanfranchi Schmitz Extension Mineral Resource/Reserves has been either completed by or reviewed by Mr Andrew Bewsher of BMGS (BM Geological Services Pty Ltd). Mr Bewsher is a member of The Australasian Institute of Geoscientists and has sufficient experience that is relevant to the style of mineralisation and type of deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Bewsher consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

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