



SALLY MALAY MINING LIMITED

QUARTERLY REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2007



SIGNIFICANT EVENTS DURING QUARTER

CORPORATE

- US\$180 million currency protection program (bought puts) in place at US\$0.90 to protect against rising A\$
- Nickel and currency hedging position reduced from \$66 million to less than \$20 million "out of the money" mark-to-market
- 12 cent fully franked dividend paid in October
- Cash and receivables steady at \$122 million

SALLY MALAY

- Quarterly production at **1,884t Ni contained**, 8% above forecast. On target to produce between 7,500t -8,000t Ni contained for FY2007/08
- 1,943t Ni contained shipped during quarter
- Paste plant commissioning commenced ahead of schedule

LANFRANCHI

- Quarterly production of **1,098t Ni contained** in ore for quarter
- Lanfranchi Project remains on target to produce ~ 8,000t Ni contained for FY2007/08
- First parcel of Winner ore (**2,600t at 6.6% Ni**) delivered to concentrator in October
- *Deacon* development on schedule with vent raise construction due to start in December

EXPLORATION

- *Sally Malay – Northern Ore Zone* -best new intersections include **8.8m at 0.98% Ni and 4.8m at 1.72% Ni**
- *Copernicus* - recent downhole EM work supports the continuation of the orebody at depth
- *Deacon* - downhole EM provides further encouragement that the resource will increase down-plunge
- *Northern Dome* –all holes intersect ultramafic sequences below the Lunnon Basalt, providing strong support to the overturning concept with best hit of **0.88m @ 7.76% Ni** from massive sulphides

SALLY MALAY PROJECT

Operating Statistics

Table 1 – Sally Malay Project Operating Statistics

Area	Details	Units	3 mths ending 30 Sep 2007	3 mths ending 30 June 2007	2007/08 YTD
Mining	Underground ore	dmt	178,311	170,014	178,311
	Ni grade	%	1.22	1.31	1.22
	Cu grade	%	0.60	0.54	0.60
	Co grade	%	0.06	0.07	0.06
Milling	Ore	dmt	177,737	174,593	177,737
	Ni grade	%	1.22	1.28	1.22
	Cu grade	%	0.60	0.53	0.60
	Co grade	%	0.06	0.07	0.06
	Ni Recovery	%	86.9	87.3	86.9
	Cu Recovery	%	95.1	96.1	95.1
Concentrate Production	Co Recovery	%	89.9	90.0	89.9
	Concentrate	dmt	23,464	23,990	23,464
	Ni grade	%	8.03	8.13	8.03
	Ni metal contained	dmt	1,884	1,950	1,884
	Cu grade	%	4.33	3.69	4.33
	Cu metal contained	dmt	1,017	886	1,017
	Co grade	%	0.42	0.44	0.42
	Co metal contained	dmt	99	105	99

Area	Details	Units	3 mths ending 30 Sep 2007	3 mths ending 30 Jun 2007	2007/08 YTD
Concentrate Shipments	Concentrate	dmt	24,374	28,005	24,374
	Ni grade	%	7.97	8.03	7.97
	Ni metal contained	dmt	1,943	2,247	1,943
	Cu grade	%	4.38	3.46	4.38
	Cu metal contained	dmt	1,067	968	1,067
	Co grade	%	0.41	0.43	0.41
	Co metal contained	dmt	101	120	101

Mining

Sally Malay had another solid quarter with ore production increasing by 5% over the previous quarter at a slightly lower head grade resulting in metal production of 1,884t Ni contained, 8% above the September quarter forecast. Decline development remains on target with the Deeps exploration drive underway and due for completion in late 2007.

Process Plant

Sally Malay plant recoveries averaged 86.9% for the quarter, consistently above the original feasibility study figure of 78%, despite the lower grade.

Concentrate Shipments

Four concentrate shipments were made during the quarter totaling 24,374dmt at an average grade of 7.97% Ni for 1,943t of contained Ni.

Paste Plant

The construction of the paste plant is ahead of schedule with first paste pumped underground in late October. The paste plant will allow increased mining flexibility, remove the need to leave behind ore pillars (increasing the mining reserve) and will consume tailings, thus increasing the life of the existing tailings dam.

Figure 1: Paste Plant construction at September 2007



Financial Statistics

Table 2 – Sally Malay Project Financial Statistics

Area	Units	3mths ending 30 Sep 2007	3mths ending 30 Jun 2007	2007/08 YTD
Nickel Produced	Lbs	4,154,033	4,299,670	4,154,033
Mining Costs	A\$ per lb	2.30	2.03	2.30
Milling Costs	A\$ per lb	1.15	0.93	1.15
Concentrate Haulage	A\$ per lb	0.17	0.18	0.17
Administration	A\$ per lb	0.88	0.72	0.88
Less Capitalised Site Costs	A\$ per lb	(0.71)	(0.66)	(0.71)
Total Cost at Mine Gate	A\$ per lb	3.78	3.20	3.78
Smelting (inc. payability deduct.)	A\$ per lb	7.55	10.39	7.55
Gross By-product Credits	A\$ per lb	(3.79)	(3.57)	(3.79)
Total C1 Costs	A\$ per lb	7.55	10.02	7.55
Total C1 Costs	US\$ per lb	6.39	8.21	6.39
Royalties Cost	A\$ per lb	0.58	0.71	0.58
Depreciation/ Amortisation Costs	A\$ per lb	1.39	1.55	1.39
Net Finance Costs/Other	A\$ per lb	0.04	0.11	0.04
Total C3 Costs	A\$ per lb	9.56	12.39	9.56
Total C3 Costs	US\$ per lb	8.10	10.15	8.10
Net Nickel Revenue (inc hedging)	A\$ per lb	14.56	19.62	14.56

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%)

Operating Statistics (100%)

Table 3 – Lanfranchi Project Operating Statistics

Area	Details	Units	3mths ending 30 Sep 2007	3mths ending 30 Jun 2007	2007/08 YTD
Mining	Ore mined	dmt	52,886	60,864	52,886
	Ni grade	%	2.08	2.19	2.08
	Ni metal contained	dmt	1,098	1,330	1,098
	Cu grade	%	0.19	0.20	0.19
Ore Delivered	Ore delivered	dmt	52,523	57,558	52,523
	Ni grade	%	2.08	2.22	2.08
	Ni metal contained	dmt	1,093	1,278	1,093
	Cu grade	%	0.19	0.20	0.19

Production

The Lanfranchi JV mined 52,886 tonnes of ore with grade averaging 2.08% Ni for 1,098t Ni contained.

Total C1 costs were lower during the September quarter as a result of decreased smelter charges and state royalty on the back of lower spot nickel prices. Mine site cash costs in the September quarter were higher than the June quarter due to the expected lower production levels and lower overall grade ahead of the Winner ore contributions from October.

Winner High-grade Orebody

Ore deliveries to surface from Winner have commenced and will be included in the December 2007 quarterly production figures. The first parcel of ore from the 1640 level totaled approximately 2,600t at 6.6% Ni (Figure 2). Detailed stope definition drilling commenced during the quarter with 17 holes, totalling 1,089 drill metres completed. No assay results for this program have been received.

Overall, the project is on track to meet the forecast production for 2007/08 of approximately 8,000t Ni contained with Winner ore starting to contribute significantly from October.

Figure 2: Massive sulphide ore in the face of the 1640 level at Winner



Financial Statistics (100%)

Table 4 – Lanfranchi Project Financial Statistics

Area	Units	3mths ending 30 Sep 2007	3mths ending 30 Jun 2007	2007/08 YTD
Nickel Produced	lbs	2,421,422	2,932,424	2,421,422
Mining Costs	A\$ per lb	2.44	1.77	2.44
Ore Haulage	A\$ per lb	0.12	0.10	0.12
Administration	A\$ per lb	0.33	0.69	0.33
Total Cost at Mine Gate	A\$ per lb	2.89	2.56	2.89
Smelting (inc. payability deduct.)	A\$ per lb	7.87	11.95	7.87
Gross By-product Credits	A\$ per lb	(0.37)	(0.35)	(0.37)
Total C1 Costs	A\$ per lb	10.39	14.16	10.39
Total C1 Costs	US\$ per lb	8.81	11.60	8.81
Royalty Cost	A\$ per lb	0.38	0.57	0.38
Depreciation/Amortisation	A\$ per lb	1.06	1.73	1.06
Net Finance Costs/Other	A\$ per lb	0.05	0.11	0.05
Total C3 Costs	A\$ per lb	11.88	16.57	11.88
Total C3 Costs	US\$ per lb	10.07	13.57	10.07
Net Nickel Revenue	A\$ per lb	16.08	25.21	16.08

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).

EXPLORATION

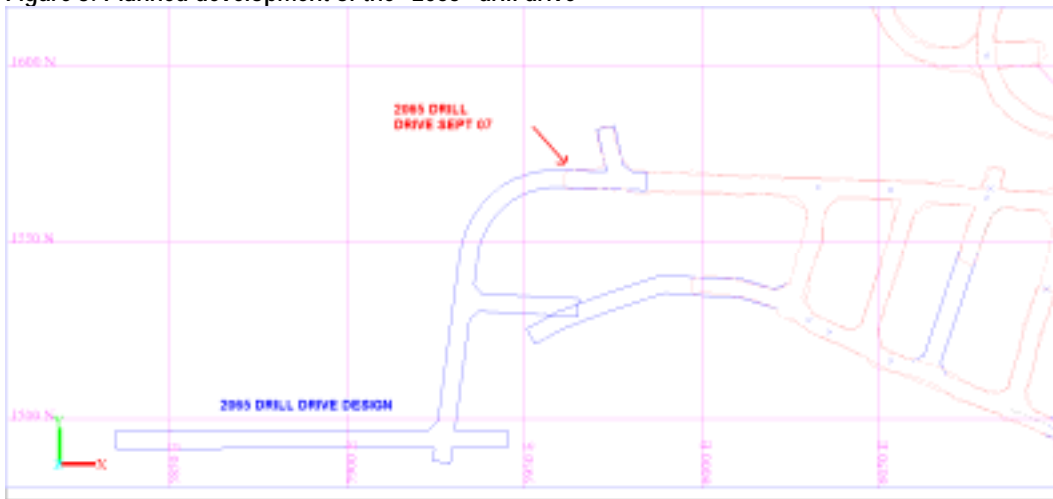
Kimberley Regional

Sally Malay Tenements (100% owned)

Sally Malay Mine – Sally Malay Deeps

During the quarter a comprehensive proposal was received from a drilling contractor to undertake the “Deeps” drill program at Sally Malay. Development of the 2065 Deeps drill drive as at the end of September is shown in Figure 3 and is planned to be complete during the December quarter ready for the drilling contractor.

Figure 3: Planned development of the “2065” drill drive



Sally Malay Mine - Northern Ore Zone

Following on from the initial massive sulphide intercept reported last quarter, follow-up drill testing of the Northern Ore Zone has returned numerous mineralised intercepts (Table 5). Drilling will re-commence once the dedicated drill cuddy is completed on the 2030 Fresh Air Access level, expected to be during the December quarter. Results to date provide further encouragement that a new resource area could be found within the Sally Malay intrusive.

Table 5: Northern Ore Zone drilling results

Hole ID	Interval	Ni %	Cu %	Co %
KUD490	8.58	1.17	0.50	0.06
KUD490	17.70	1.98	0.22	0.10
KUD499	1.83	0.85	2.40	0.06
KUD500	8.14	0.90	0.54	0.05
KUD501	23.37	0.20	0.13	0.01
KUD502	7.72	0.69	0.38	0.04
KUD503	0.55	1.11	0.39	0.06
KUD504	2.72	0.74	1.83	0.05
KUD505	8.82	0.98	0.20	0.06
KUD506	5.79	0.80	0.75	0.05
KUD507	7.21	0.56	0.16	0.04
KUD508	0.21	0.32	0.08	0.03
KUD509	3.19	0.66	0.15	0.04
KUD510	8.85	0.15	0.11	0.01
KUD522	2.92	1.26	0.45	0.08
KUD511	0.39	0.75	1.00	0.04
KUD516	19.52	0.69	0.33	0.04

KUD517	5.75	0.76	0.26	0.05
KUD518	3.45	0.67	0.30	0.05
KUD519	4.80	1.72	0.25	0.11
KUD521	0.65	0.42	0.03	0.03

Joint Ventures

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

Planning for further testwork and analysis of the bulk ore sample is ongoing.

Copernicus JV (Sally Malay 60%)

Copernicus Mining Project

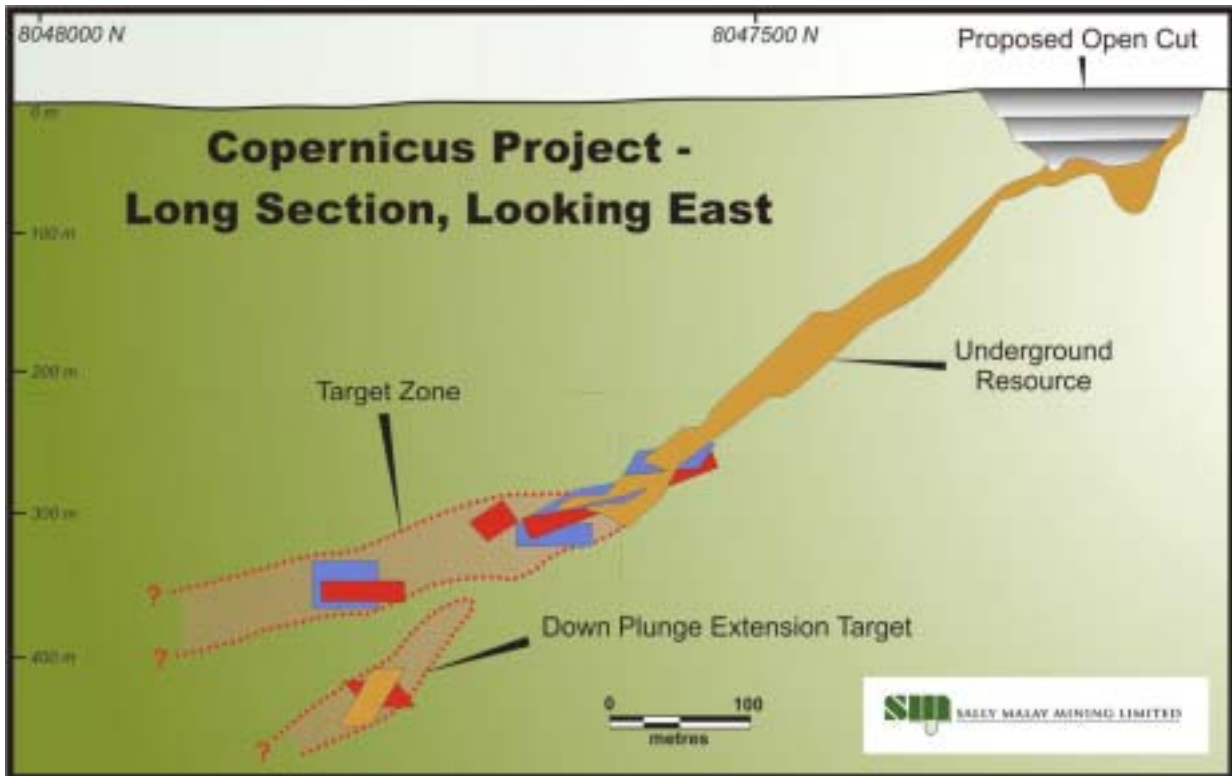
Steady progress was made on the Copernicus Project development, in particular on bid documents for the access road, and open pit mining contracts. Preparation for the lodging of all necessary documents for approval to mine progressed and negotiations with Traditional Owners continued. The Project development timetable remains on track, subject to native title negotiations being concluded and the Mining Lease being granted in December.

Copernicus Exploration

The recently reported drilling results highlight the possibility that the Copernicus orebody is not adequately closed-off at depth. Drillholes CORC091, 092 & 093 and associated down-hole EM data extend the previously interpreted limits of the orebody. In addition, the down-hole EM survey indicates that the orebody may extend even further down-plunge than previously indicated. Recent EM work supports the continuation of the orebody to the north at a shallower plunge angle (Figure 4).

A proposal to drill a further 11 to 16 holes was prepared and approved by the JV operating committee and is planned for the December quarter subject to rig availability and weather.

Figure 4: Copernicus RC drilling of EM targets outside current resource area



Melon Patch (Sally Malay earning 70%)

No exploration was carried out during the quarter leaving a single EM anomaly to be field checked.

Lanfranchi Joint Venture (Sally Malay 75%)

Deacon

Platform EM drilling and surveying was completed during the quarter to probe for the down-plunge continuation of Deacon. Hole No. HS313 was drilled down-plunge of Helmut South along the east side of the Deacon Channel and two off-hole conductors were identified centred at about 90m and 310m. Both conductors were interpreted to be orientated parallel to HS313 and located above and towards the west. The upper anomaly (90m) is clearly recognising the lower portion of the Deacon orebody. The lower anomaly (310m) is potentially recognising the continuation of the orebody below its current base. The program of deep drilling and EM surveying below Deacon and Helmut South indicates that the Deacon resource continues for at least a further 50m below the current inferred resource boundary.

Deacon Dow- Plunge Extensions

The current Deacon Ore Reserve extends to 513,664mN and down-plunge of this northing the Inferred category resources extend a further 100m to 513,555mN and contains approximately 12,000t Ni. Under the JORC code, these Inferred resources cannot be converted to Ore Reserve status due to the paucity of drill data in this area. Therefore, the plan is to drill the down-plunge extensions to Deacon from surface using directional diamond drilling and wedging. This program will involve drilling a single parent diamond hole into the deposit and then using a standard casing wedge to drill a number of daughter diamond holes off the parent hole. It is envisaged that the program will be undertaken during the first half of 2008.

Schmitz

No further work on extensions to the Schmitz resource was undertaken during the quarter. Drilling to test for further extensions is planned in conjunction with the mining program scheduled for the FY2008/09.

Lanfranchi

The resource definition drill program continued to evaluate the next 100 vertical metres of down-plunge continuations of the Lanfranchi orebody. During the quarter, a further 23 holes were completed for an additional 3,204 drill metres. This brings the total Lanfranchi resource definition drill program completed to date to 50 drill holes for 5,808 drill metres. The Lanfranchi Nickel deposit remains open at depth and drilling is ongoing. All assay results to date for the program are reported in Table 6.

Three drill holes along the western margin of the drill program have intersected broad intervals of high-grade massive nickel sulphide mineralisation. Results for the three holes were 24.1m grading 5.37% Ni from hole LAN127, 13.8m grading 7.46% Ni from hole LAN137 and 33m grading 11.3% Ni from hole LAN148. An initial interpretation suggests a very low intercept angle for the three intersections with the mineralisation situated in the footwall basalt sequence marginally below the normal ultramafic/basalt contact target horizon and with an estimated true thickness of 1-2 metres. The massive Ni sulphide zone appears open both up and down-plunge and possibly to the west. Once the program is completed, all results will be modelled for a better understanding of the extent and orientation of this high-grade mineralised zone.

Grades and thicknesses encountered in the drill program are consistent with past production experience at Lanfranchi. Under the previous operator, the Lanfranchi deposit produced 1.4 million tonnes of ore grading 2.32% Ni, along a 1.4km plunge extent, with true thickness generally ranging from 1 to 3 metres. Mining widths across the deposit have historically ranged between 100 to 200 metres.

Table 6: Drill Results from extensional drilling of the Lanfranchi Ni deposit ⁽¹⁾

Drill Hole ID	Target Level	From (m)	To (m)	Interval (m)	Ni%
LAN123	-300	29.9	31.3	1.4	9.06
LAN124	-300	42.0	45.0	3.0	1.61
LAN125	-300	75.7	77.5	1.8	7.66
LAN126	-300	35.0	38.0	3.0	1.04
LAN127	-300	68.8	92.9	24.1	5.37
LAN128	-320	37.0	38.7	1.7	4.64
LAN129	-320	63.0	65.0	2.0	2.15
LAN130	-320	78.0	78.9	0.9	0.51
LAN131	-320				NSR
LAN132	-320				NSR
LAN133	-320	46.7	50.6	3.9	1.64
LAN134	-320	48.1	48.5	0.4	0.88
LAN135	-320	56.3	56.5	0.2	4.01
LAN136	-320	64.5	66.2	1.7	1.81
LAN137	-320	107.0	120.8	13.8	7.46
LAN138	-320	120.0	122.0	2.0	1.27
LAN139	-340	63.6	66.9	3.3	6.10
LAN140	-340	47.0	56.8	9.8	1.13
LAN141	-340	73.0	75.4	2.4	6.38
LAN142	-340	79.0	80.3	1.3	0.52
LAN143	-340	90.2	91.0	0.8	0.83
LAN144	-340	58.0	59.2	1.2	5.39
LAN145	-340	63.2	64.0	0.8	3.18
LAN146	-340	70.6	71.0	0.4	1.69
LAN147	-340	82.8	83.4	0.6	5.40
LAN148	-340	96.0	129.0	33.0	11.30
LAN149	-340	121.0	139.7	18.7	3.06
LAN159	-360	68.00	81.24	13.24	4.26
LAN160	-360	63.00	69.06	6.06	6.07
LAN161	-360	71.66	72.00	0.34	2.98
LAN162	-360	79.00	79.72	0.72	2.81
LAN163	-360	86.10	90.17	4.07	1.26
LAN164	-360	61.30	63.70	2.20	2.83
LAN165	-360	65.00	68.00	3.00	1.42
LAN166	-360	75.00	78.90	3.90	7.12
LAN167	-360				NSR
LAN168	-360	81.00	84.00	3.00	1.07
LAN169	-360	97.00	110.00	13.00	4.44
LAN170	-360	109.00	124.63	15.63	4.53
LAN150	-380	90.00	95.17	5.17	4.60
LAN151	-380	71.00	79.00	8.00	3.35
LAN152	-380				NSR
LAN153	-380	82.00	87.80	5.80	2.19
LAN154	-380	93.15	95.50	2.32	2.76
LAN155	-380	99.00	108.50	9.50	1.44
LAN156A	-380	123.00	125.00	2.00	0.96
LAN171	-380	97.30	98.80	1.50	11.78
LAN174	-380	111.18	112.70	1.52	8.83
LAN157	-400	119.00	122.00	3.00	6.67
LAN158	-400	114.90	116.20	1.30	4.91

(1) True thicknesses are undetermined at this time. Intercept length to true thickness conversion will vary based on angle of drill hole relative to the orientation of the target horizon. Expected intercept angles range from near perpendicular to sub-parallel. NSR: no significant results

Northern Tramways

Surface drilling to explore the northern side of the Tramways Dome for possible overturned channel structures commenced during the quarter. The initial program will test a 2km wide section of the Northern Tramways area between 390000mE and 392000mE which is believed to most likely contain the overturned continuation of the Schmitz and Helmut channel structures if they exist. The program consists of 17 to 20 drill holes for 8,000 to 9,000 drill metres and will cost approximately \$1.2 million.

To date, two drill holes have intersected encouraging evidence of mineralisation on the northern side of the Tramways Dome.

- Drill hole TD8030 on 391000mE intersected 1m grading 3.41% Ni between 79-80m; and
- Drill hole TD8036 on 390500mE intersected 0.88m grading 7.76% Ni between 252.3-253.18m (Figures 5 & 6)

While the mineralisation in TD8030 was intersected on the basalt ultramafic contact, the mineralisation in TD8036 was intersected within the overturned ultramafic sequence approximately 20m from the contact position. Geochemical analysis of core from holes TD8030, TD8031 and TD8036 has returned favourably high MgO (30-40%), and low Ti and Al signatures which are indicative of channel facies ultramafics. Multi-element analysis of the remaining holes is yet to be returned from the laboratory. Figure 5 is a plan view of the overturned ultramafic contact constructed at approximately 300m below the surface. It is based on the latest drilling by the Lanfranchi JV and earlier WMC drill data and shows the recent Lanfranchi JV drill-hole collars and the relative position of the mineralisation described above.

Figure 5: Lanfranchi Project – Northern Dome Plan View

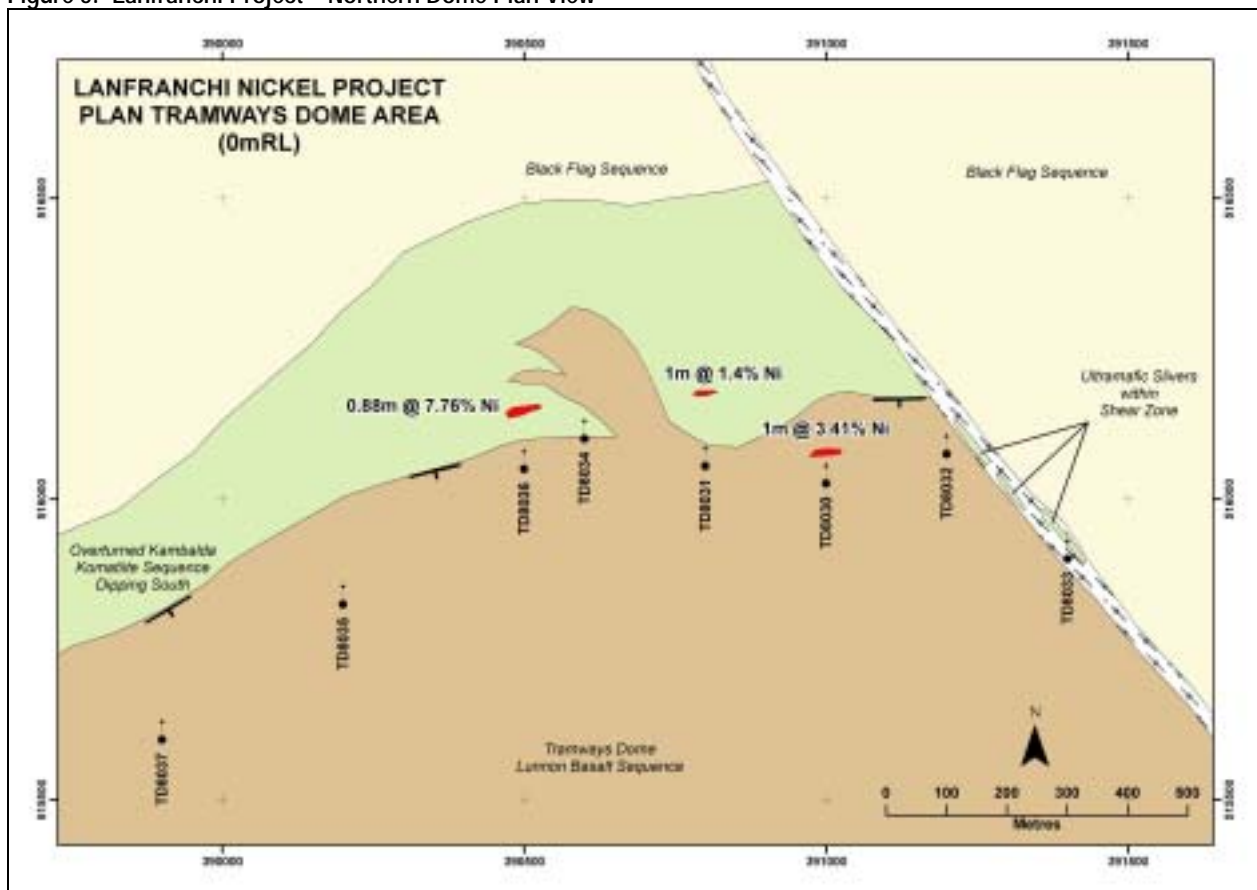
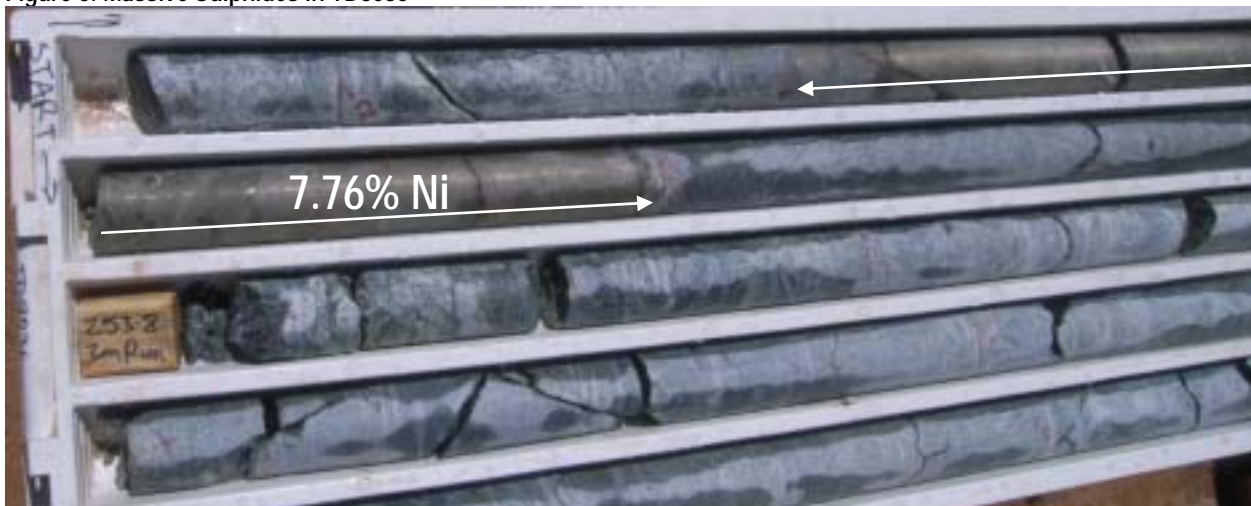


Figure 6: Massive Sulphides in TD8036



CORPORATE

Liquid Assets & Debt

Cash on hand at the end of the quarter was \$110 million and receivables relating to concentrate sales amounted to \$12 million, giving a total of \$122 million in short term liquid assets. The only debt owed by the Sally Malay Group is for finance leases on mobile equipment and the Sally Malay Project village. As at 30 September 2007, the amount owing on finance leases had reduced by \$2 million to \$11 million.

Hedging

The Company continued to deliver into its nickel and currency hedge book during the quarter. In addition to scheduled deliveries, when the nickel price was below US\$30,000/t in August, the Company paid \$9 million to buy back 432 tonnes of nickel forward sales at an average price of US\$13,440/t, for delivery between September 2007 and April 2008. At the same time, an additional 800 tonnes of US\$25,000/t nickel put options were bought for \$0.85 million and are exercisable by the Company over the same period to provide protection should Ni prices fall below US\$25,000/t.

To protect against a further strengthening of the A\$ against the US\$, the Company purchased ~US\$180 million of US\$ currency puts at an exercise price of US\$0.90 for a cost of A\$2 million. These US\$ puts are able to be exercised by the Company during FY2007/08, and while fixing the minimum amount of A\$ that the Company receives on its US\$ revenue receipts (at an exchange rate of A\$1:US\$0.90), will still allow the Company to have full exposure to any retracement in the A\$ to lower levels.

The Sally Malay Group metal and currency hedge book as at 30 September 2007 is summarised in Table 7.

Table 7: Group Hedge Book as at 30 September 2007

Commodity	Quantity 30 Sep 2007	Average Price/Rate 30 Sep 2007	Quantity 30 Jun 2007	Average Price/Rate 30 Jun 2007
Nickel Fwds (delivery Oct 2007-May 2009)	3,622t	US\$21,184/t US\$9.61/lb	4,600t	US\$19,828/t US\$8.99/lb
Bought Nickel Put Options (delivery Oct 2007 to June 2008)	2,950t	US\$25,000/t US\$11.34/lb	2,850t	US\$25,000/t US\$11.34/lb
Sold Nickel Call Options (delivery Oct 2007 to June 2008)	694t	US\$36,219/t US\$16.43/lb	844t	US\$35,123/t US\$15.93/lb
Bought US\$ Put Options (delivery Oct 2007 to June 2008)	US\$167.7 million	US\$0.9000	-	-
US\$ Currency - matched with Ni	US\$81.8 million	US\$0.7577	US\$91.2 million	US\$0.7568
US\$ Currency - unmatched	-	-	US\$7.7 million	US\$0.6847
US\$ Currency - total	US\$81.8 million	US\$0.7577	US\$98.9 million	US\$0.7512

As at 30 September 2007, the Sally Malay Group hedge book on a mark-to-market basis was \$19 million "out of the money", as summarised in Table 8.

Table 8: Group Hedge Book – A\$ Mark-to-Market Valuation as at 30 September 2007

Commodity	Mark-to-Market 30 Sep 2007	Mark-to-Market 30 Jun 2007
Nickel Fwds	(\$35.8 million)	(\$75.1 million)
Bought Nickel Put Options	\$2.2 million	\$1.5 million
Sold Nickel Call Options	(\$1.1 million)	(\$5.3 million)
Bought US\$ Currency Put Options	\$2.9 million	-
US\$ Currency Fwds	\$13.0 million	\$12.8 million
Total Mark-to-Market	(\$18.8 million)	(\$66.1 million)

Excluding the bought nickel put options (which will only be exercised if the US\$ nickel price falls below US\$25,000/t) and based on forecast production for FY2007/08 and FY2008/09, the Sally Malay group is approximately 28% hedged, which means approximately 72% of payable nickel production until June 2009 will attract the spot nickel price.

Payable Nickel Cost Analysis

For comparison reporting against our peer group, from the September 2007 quarter the Company is now reporting group nickel unit costs on a payable nickel basis (total nickel metal produced less nickel metal deducted by the customer as the smelting and refining charge).

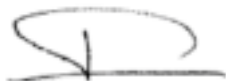
Table 9: – Sally Malay Group Financial Statistics – Payable Nickel Basis

Area	Units	Sally Malay 3mths ending 30 Sep 2007	Lanfranchi 3mths ending 30 Sep 2007	GROUP 3mths ending 30 Sep 2007
Mining (inc. capital development)	A\$ per lb	3.38	4.28	3.68
Milling	A\$ per lb	1.69	-	1.13
Administration	A\$ per lb	1.28	0.58	1.05
Haulage	A\$ per lb	0.25	0.21	0.24
Port Charges/Shipping	A\$ per lb	0.31	-	0.21
Royalties	A\$ per lb	0.85	0.66	0.79
Total Direct Costs	A\$ per lb	7.76	5.73	7.10
Treatment Charge	A\$ per lb	-	1.33	0.44
Net By-product Credits	A\$ per lb	(2.68)	(0.26)	(1.88)
Payable Cash Costs	A\$ per lb	5.08	6.80	5.66
Payable Cash Costs	US\$ per lb	4.30	5.76	4.79

Dividend

On 29 August, the Company declared a maiden fully franked dividend of 12 cents per share as a result of the \$88.1 million net profit after tax for FY2006/07. The dividend was paid to shareholders on 15 October.

Yours faithfully,
SALLY MALAY MINING LIMITED



PETER HAROLD
Managing Director

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 produced over 13,000t Ni and will continue to ramp-up to over 20,000t Ni in 2008/09 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, Mineral Resources and Ore Reserves 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.

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