



SALLY MALAY MINING LIMITED

QUARTERLY REPORT
FOR THE PERIOD ENDED 31 MARCH 2008



SIGNIFICANT EVENTS DURING QUARTER

CORPORATE

- Group nickel quarterly production increased 25% to 4,383t Ni contained
- Group quarterly cash costs down 17% to US\$4.69/lb Ni payable
- Cash and receivables increases 18% to \$118 million after payment of \$13 million interim dividend (7c per share)

SALLY MALAY

- Production of 1,980t Ni contained in concentrate, up 4% over the previous quarter
- C1 cash costs fell 12% compared to previous quarter
- 5,430t Ni in the initial Northern Ore Zone resource
- Open-cut mining of Copernicus scheduled to commence in the June quarter 2008

LANFRANCHI

- Production of 2,403t Ni contained in ore, a 49% increase over the previous quarter
- Nickel production for the quarter increased by 119% compared to the September quarter 2007
- C1 costs down 23% since September 2007, reflecting increased production and higher nickel grade
- Deacon development on schedule with ventilation upgrade on track

EXPLORATION

- *Sally Malay* – Deeps drilling commenced with first hole returning 10m at 1.71% Ni from massive sulphides
- *Copernicus* – Down hole EM required before drilling re-commences
- *Deacon* – exploration drill drive scheduled to be ready in September quarter 2008 to drill down plunge extensions
- *Northern Dome* – more narrow massive sulphide mineralisation intersected, drilling continues

SAFETY

- A single LTI occurred during the quarter which was not serious or disabling
- The Board, management and operational personnel are committed to improving the overall safety performance

SALLY MALAY PROJECT

Operating Statistics

Table 1 – Sally Malay Project Operating Statistics

Area	Details	Units	3 mths ending 31 Mar 2008	3 mths ending 31 Dec 2007	2007/08 YTD
Mining	Underground ore	dmt	173,698	168,260	520,269
	Ni grade	%	1.30	1.29	1.27
	Cu grade	%	0.64	0.60	0.61
	Co grade	%	0.07	0.07	0.07
Milling	Ore	dmt	173,476	169,300	520,513
	Ni grade	%	1.30	1.29	1.27
	Cu grade	%	0.64	0.60	0.62
	Co grade	%	0.07	0.07	0.07
	Ni Recovery	%	87.9	86.7	87.2
	Cu Recovery	%	95.7	95.8	95.5
	Co Recovery	%	90.0	89.8	89.9
Concentrate Production	Concentrate	dmt	24,967	24,462	72,893
	Ni grade	%	7.93	7.75	7.90
	Ni metal contained	dmt	1,980	1,897	5,761
	Cu grade	%	4.25	4.04	4.20
	Cu metal contained	dmt	1,061	988	3,065
	Co grade	%	0.43	0.44	0.43
	Co metal contained	dmt	108	108	314

Area	Details	Units	3 mths ending 31 Mar 2008	3 mths ending 31 Dec 2007	2007/08 YTD
Concentrate Shipments	Concentrate	dmt	21,963	24,974	71,312
	Ni grade	%	7.94	7.73	7.88
	Ni metal contained	dmt	1,743	1,930	5,616
	Cu grade	%	4.26	3.99	4.21
	Cu metal contained	dmt	935	996	2,999
	Co grade	%	0.43	0.44	0.43
	Co metal contained	dmt	95	109	305

Sally Malay had another solid quarter resulting in a 4% increase in metal production to 1,980t Ni contained compared to the previous quarter. Total metal production for the nine months to 31 March 2008 was 5,761t Ni contained, which is 12% above budget.

Financial Statistics

Table 2 – Sally Malay Project Financial Statistics

Area	Units	3mths ending 31 Mar 2008	3mths ending 31 Dec 2007	2007/08 YTD
Nickel Produced	lbs	4,365,368	4,181,503	12,700,904
Mining Costs	A\$ per lb	2.50	2.32	2.38
Milling Costs	A\$ per lb	1.10	1.24	1.16
Concentrate Haulage	A\$ per lb	0.20	0.18	0.18
Administration	A\$ per lb	1.01	1.14	1.01
Less Capitalised Site Costs	A\$ per lb	(0.88)	(0.63)	(0.74)
Total Cost at Mine Gate	A\$ per lb	3.93	4.25	3.99
Smelting (inc. payability deduct.)	A\$ per lb	7.51	7.25	7.44
Gross By-product Credits	A\$ per lb	(4.85)	(4.04)	(4.24)
Total C1 Costs	A\$ per lb	6.59	7.46	7.19
Total C1 Costs	US\$ per lb	5.97	6.64	6.34
Royalties Cost	A\$ per lb	0.60	0.44	0.54
Depreciation/ Amortisation Costs	A\$ per lb	1.40	1.50	1.43
Net Finance Costs/Other	A\$ per lb	0.03	0.03	0.03
Total C3 Costs	A\$ per lb	8.62	9.43	9.19
Total C3 Costs	US\$ per lb	7.82	8.39	8.10
Net Nickel Revenue (inc hedging) (a)	A\$ per lb	13.38	13.66	13.86

(a) *Net Nickel Revenue is a notional cash figure based on Ni metal produced (including actual hedge book deliveries). Specific hedge accounting transactions from the buy-back of nickel metal in earlier periods are not included in Net Nickel Revenue.*

It is very pleasing to note that C1 and C3 unit costs have fallen on the back of increased nickel tonnes mined and higher by-product credits.

LANFRANCHI JOINT VENTURE (SALLY MALAY 75%)

Operating Statistics (100%)

Table 3 – Lanfranchi Project Operating Statistics

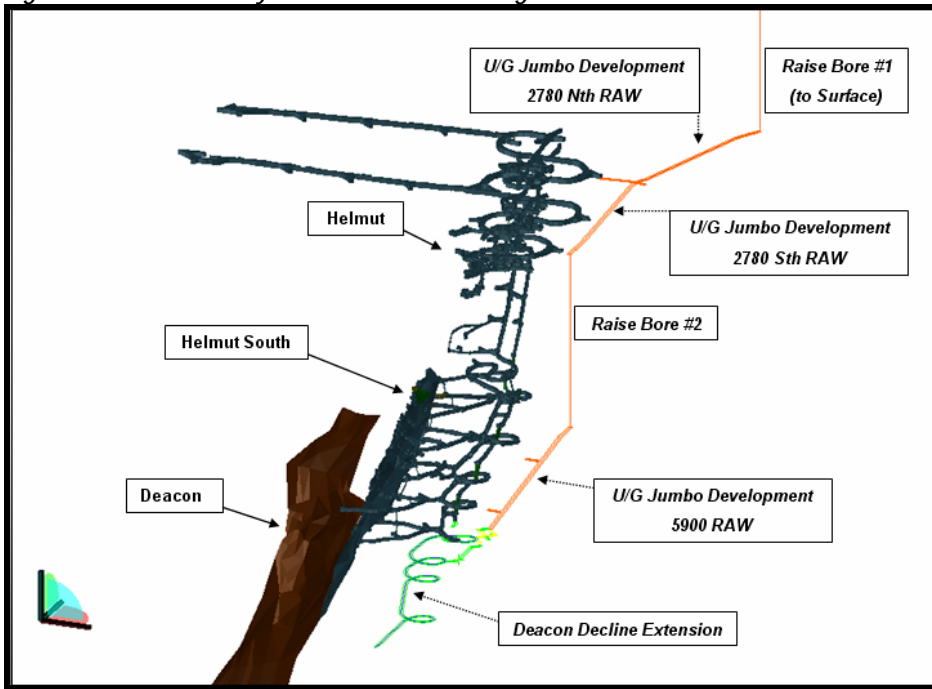
Area	Details	Units	3mths ending 31 Mar 2008	3mths ending 31 Dec 2007	2007/08 YTD
Mining	Ore mined	dmt	82,356	62,539	197,781
	Ni grade	%	2.92	2.59	2.59
	Ni metal contained	dmt	2,403	1,618	5,120
	Cu grade	%	0.19	0.21	0.20
Ore Delivered	Ore delivered	dmt	78,247	60,330	191,100
	Ni grade	%	2.92	2.59	2.58
	Ni metal contained	dmt	2,281	1,563	4,937
	Cu grade	%	0.25	0.22	0.22

The Lanfranchi JV mined 82,356 tonnes of ore with grade averaging 2.92% Ni for 2,403t Ni contained, a 49% increase in nickel tonnes over the previous quarter and a 119% increase over the September quarter 2007. Mining included ore from the Winner deposit which resulted in the average nickel ore grade mined increasing by 13% on the previous quarter and a 40% increase over the September quarter 2007.

Deacon Development

The Deacon Ventilation Project continues to progress well with jumbo development on both the 2780 Sth return airway (RAW) and 5900 RAW complete and raise bore drilling at Raise Bore #1 on track to commence during April.

Figure 1: Deacon Primary Ventilation Circuit Design



Financial Statistics (100%)

Table 4 – Lanfranchi Project Financial Statistics

Area	Units	3mths ending 31 Mar 2008	3mths ending 31 Dec 2007	2007/08 YTD
Nickel Produced	lbs	5,297,707	3,564,737	11,283,866
Mining Costs	A\$ per lb	1.80	2.48	2.15
Ore Haulage	A\$ per lb	0.11	0.13	0.12
Administration	A\$ per lb	0.24	0.22	0.26
Total Cost at Mine Gate	A\$ per lb	2.15	2.83	2.53
Smelting (inc. payability deduct.)	A\$ per lb	6.56	7.33	7.08
Gross By-product Credits	A\$ per lb	(0.26)	(0.31)	(0.30)
Total C1 Costs	A\$ per lb	8.45	9.85	9.31
Total C1 Costs	US\$ per lb	7.66	8.77	8.21
Royalty Cost	A\$ per lb	0.34	0.36	0.35
Depreciation/Amortisation	A\$ per lb	1.21	0.94	1.09
Net Finance Costs/Other	A\$ per lb	0.02	0.03	0.03
Total C3 Costs	A\$ per lb	10.02	11.19	10.78
Total C3 Costs	US\$ per lb	9.08	9.96	9.50
Net Nickel Revenue (a)	A\$ per lb	14.41	15.56	15.13

Note (a) 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) and revenue adjustments on nickel ore delivered to the Kambalda concentrator when the final nickel price is known three months following the month of delivery.

Since the end of the September quarter 2007, C1 unit costs have fallen by 23% reflecting the ramp up in ore and metal production and the contribution from Winner high-grade ore.

EXPLORATION

Kimberley Regional

Sally Malay Tenements (100% owned)

Sally Malay Mine – Sally Malay Deeps

Drilling of the Sally Malay Deeps (the “Deeps”) commenced in March. There is great potential to add significant resources in the Deeps (the mineralisation below the 500 fault) based on historic drilling by the Company and previous owners which returned good intersections of Sally Malay style nickel sulphide mineralisation. Four holes of this current Deeps program have been completed, two (KUD627 and 628) on the 5890mE section and two (KUD658 and 659) on the 5840mE section. With the exception of KUD658, which appears to have drilled over the top of the Sally Malay intrusion, each drill hole encountered broad intervals of Sally Malay style mineralisation. Drill hole KUD628 also encountered broad intervals of mineralisation as it passed through the 500 Fault.

The initial results of the Deeps program are very positive with continuous mineralisation indicated over a vertical height of 150m on both drill fans. Two holes will be drilled on the 5940mE section prior to returning to the 5890mE section to drill deeper. Assay results received to date for the 2008 Deeps Program are summarised below:

Table 5 – Deeps drill intercepts greater than 0.50% Ni

Hole ID	Interval (m)	Ni %	Cu %	Co %
KUD627	10.35	1.71	1.81	0.09

Sally Malay Mine - Northern Ore Zone (NOZ)

During the quarter the initial Indicated and Inferred Mineral Resource for the Northern Ore Zone (NOZ) of 476,000 tonnes of ore at 1.16% Ni, 0.53% Cu and 0.04% Co for 5,430 tonnes of contained nickel, 2,470 tonnes of contained copper and 280 tonnes of contained cobalt was completed.

The NOZ represents a significant discovery for the Company as it:

- indicates the potential for additional mineralisation on the margins of the Sally Malay Intrusion;
- remains open both up and down plunge;
- is located in close proximity to the existing decline allowing quick access at minimal cost; and
- the Sally Malay mill currently has approximately 25% excess capacity and processing additional feeds (ie. Copernicus, NOZ, other) could significantly reduce processing unit costs

A summary of the Northern Ore Zone Mineral Resource as at March 2008 is shown in Table 6.

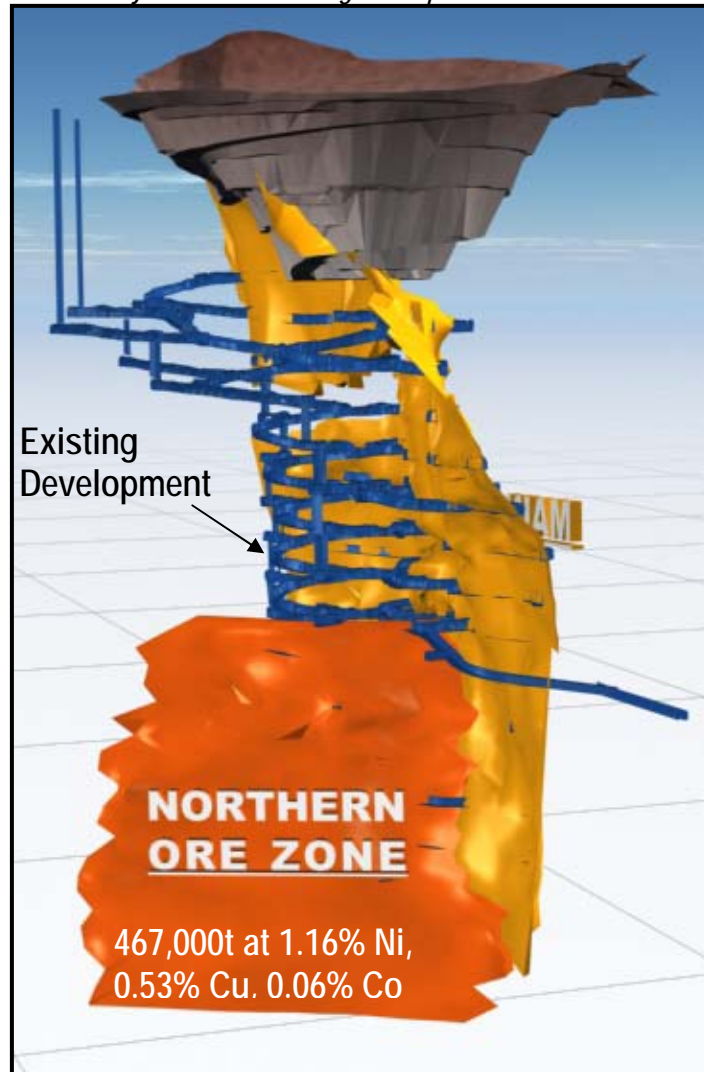
Table 6 - Northern Ore Zone Mineral Resource above a 0.5% Ni cut-off

Category	Tonnes	Ni %	Cu%	Co%	Ni (t)	Cu (t)	Co (t)
Indicated	132,000	1.11	0.58	0.04	1,460	760	80
Inferred	335,000	1.19	0.51	0.06	3,970	1,710	200
TOTAL	467,000	1.16	0.53	0.06	5,430	2,470	280

Notes: 1. Sally Malay Mining Limited undertook the initial interpretation work and this was modified as necessary in consultation with Cube Consulting Pty Ltd (“Cube”) prior to resource estimation. Cube believes that the current geological model is fundamentally sound and provides an appropriate basis for mine planning and project evaluation.

2. 3D Ordinary Kriging (OK) of 1m downhole composites was used for estimating Ni, Cu, Co and Density within the nickel sulphide domains. The 3D block model consisted of 20m N x 4m E x 10m RL parent cells which were sub-celled down to 2.5m N x 0.5m E x 1.25m RL. A number of issues have been taken into consideration when deciding on an appropriate search strategy and estimation block size, including: data spacing, variogram model ranges, estimation quality, resource classification and mine planning issues. Cube has classified and reported the Sally Malay Mineral Resources in accordance with The 2004 Australasian Code for Reporting of Mineral Resources and Ore Reserves (JORC Code).

Figure 2: 3D Model of the NOZ adjacent to the existing development of the Main Ore Zone (MOZ) at Sally Malay



Joint Ventures

Copernicus JV (Sally Malay 60%)

Copernicus Open Pit Project

The following key milestones were achieved during the quarter:

- Awarded mining tenders
- Application for water abstraction licence submitted
- Heritage survey clearance for miscellaneous lease application area received
- Guar plant ordered and contract awarded for supply and installation

Remaining targets prior to the commencement of mining:

- One month appeal period on clearing permits
- Submit rehabilitation bonds
- Receive final Mining Proposal approval

The project remains on schedule, subject to final statutory approvals being received.

Copernicus Exploration

During the December 2007 quarter a program of deep RC drilling was undertaken at Copernicus to test for down plunge extensions of the Copernicus resource. One unfinished drill hole (CORC105) from this program was completed in the March quarter. CORC105 deviated from design and although the Copernicus Pyroxenite was intersected between 430 and 435m depth, it was un-mineralised.

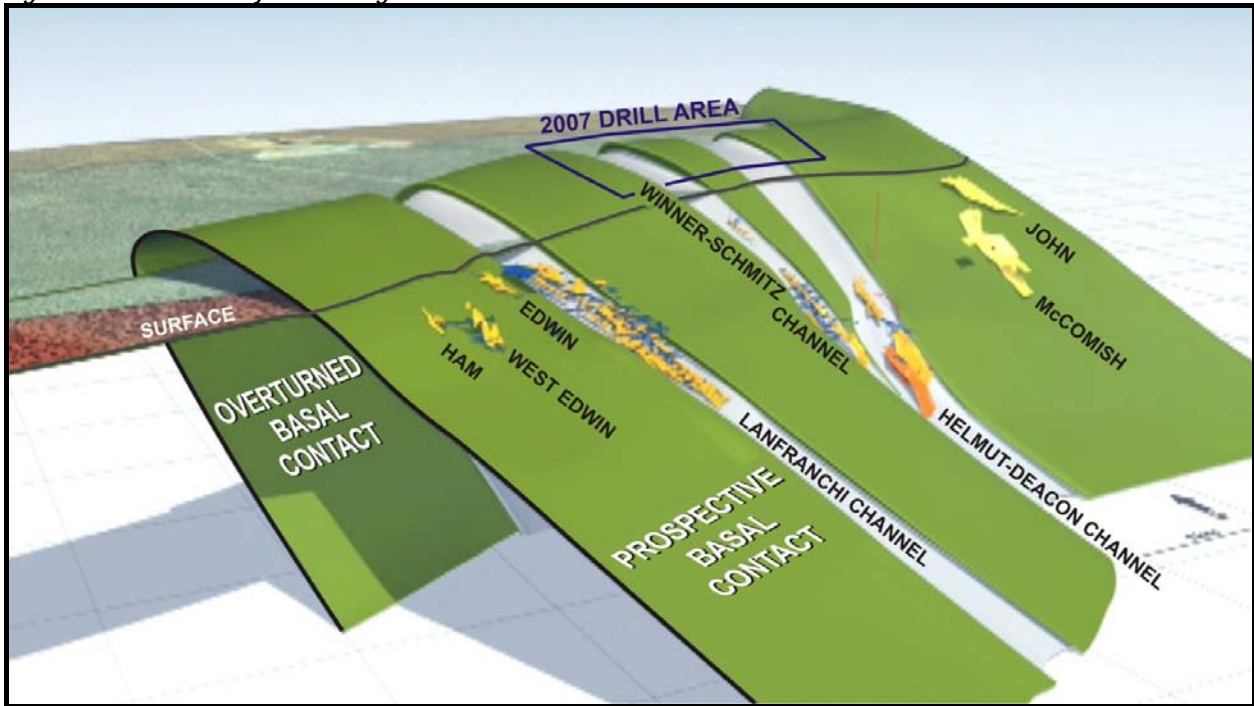
No further exploration drilling is planned for Copernicus until down-hole EM (DHTEM) surveying (scheduled for April 2008) is completed and evaluated on CORC105 and the eight other deep RC drill holes completed in the December quarter.

Lanfranchi Joint Venture (Sally Malay 75%)

Northern Tramways

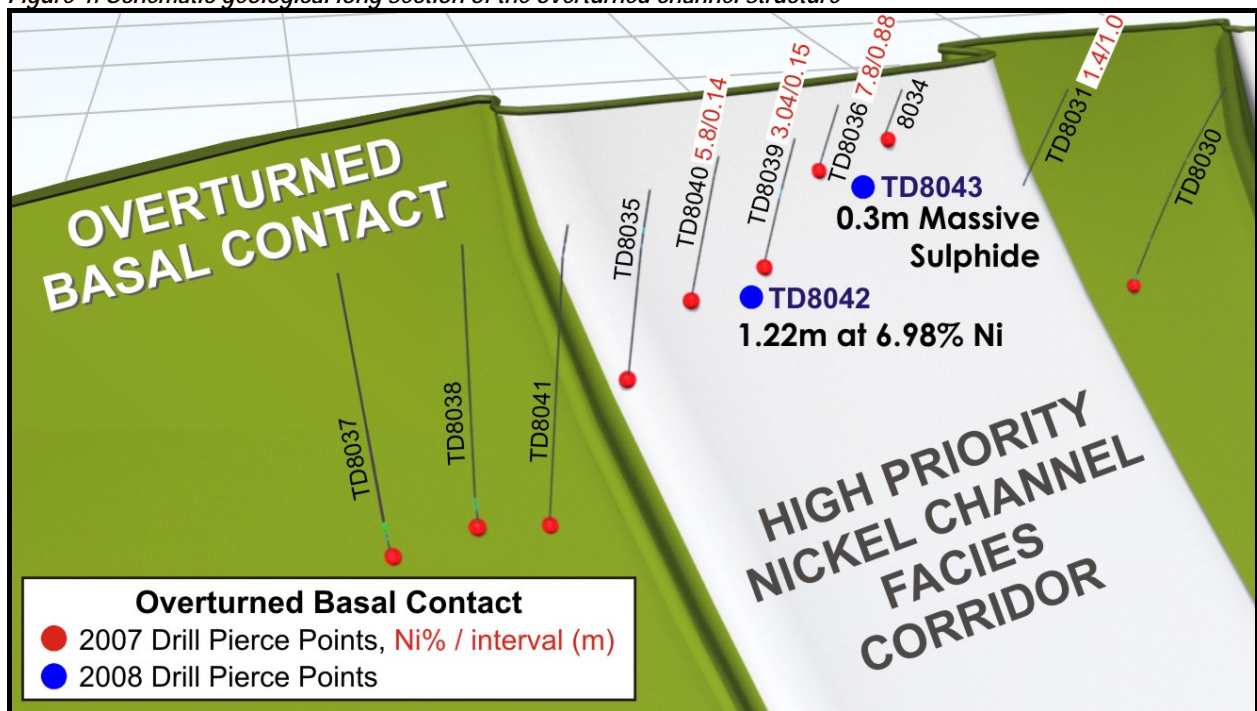
Exploration drilling on the Northern Tramways Dome re-commenced during the quarter with two diamond drill holes completed. The drilling continues to test the overturned position of the Schmitz/Helmut channels (see Figure 3).

Figure 3: Lanfranchi Project showing the overturned basalt-ultramafic basal contact and channel structures



The first drill hole, TD8042 targeted the off-hole EM anomaly in TD8039 and initially intersected a barren basalt/ultramafic contact at 341m before hitting 1.22m of structurally emplaced massive sulphide mineralisation between 348.1m and 349.3m grading 6.98% Ni. The hole was successfully cased and is awaiting DHTEM.

Figure 4: Schematic geological long section of the overturned channel structure



The second hole, TD8043 targeted the EM response produced by the massive sulphide intersection in TD8036 (0.88m at 7.76% Ni). A large porphyry dyke was encountered between 248.0m and 275.8m before passing back into ultramafic and intersecting 0.3m of structurally emplaced massive sulphide mineralisation at 285.7m. Assays for this intersection are awaited. The hole was also successfully cased and is awaiting DHTM.

These results are further confirmation of the exploration potential on the northern side of the Tramways Dome and to further test this area the Lanfranchi JV has budgeted \$2.5 million for ongoing exploration of the Northern Tramways Dome during 2008. Follow-up of mineralisation and DHTM responses within the two "channel facies" zones together with infill drill holes between existing drill sections and deeper drill traverses will be the focus of the next phase of exploration work.

Deacon

A geotechnical diamond drill hole was completed during the quarter to test ground conditions along the proposed route of the new Deacon hanging wall drill drive. Examination of the core revealed generally favourable ground conditions over the full length of the hole and the decision has now been made to develop the drive. Based on the current mine schedule the drive will be completed and available as a drilling platform in the September quarter 2008. The new drill drive should enable:

- the existing 12,000 Ni tonnes of inferred resource at the base of Deacon to be converted to an Indicated resource category and hence allow conversion to reserves;
- the Deacon channel to be drilled down plunge a further 150m to 200m; and
- Helmut South down plunge to be drill tested over a similar distance.

Lanfranchi

Resource modelling of the down plunge extensions to the Lanfranchi channel mineralisation has now commenced and is expected to be completed during the June quarter 2008. The Lanfranchi Nickel deposit remains open at depth.

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 FY2008/09.

CORPORATE

Safety

A single LTI occurred during the quarter which was not serious or disabling. The Board, management and operational personnel are committed to improving the overall safety performance of the Company.

Dividend Policy

The Board approved a formal Company Dividend Policy of distributing 40-50% of net profit after tax to shareholders, subject to forecast capital requirements and available franking credits.

Liquid Assets & Debt

Cash on hand at the end of the quarter was \$86 million plus receivables of \$32 million, giving a total of \$118 million in short term liquid assets. The Company's short term liquid assets grew 18% on the previous quarter even after the payment of the interim fully franked half year dividend of \$13 million in March. Sally Malay Group debt totals only \$10 million for finance leases on mobile equipment and sundry items.

Hedging

The Company continued to deliver into its nickel and currency hedge book during the quarter. In addition to scheduled deliveries, the Company:

- purchased 600 tonnes of US\$25,000/t nickel puts which are exercisable by the Company between July 2008 to December 2008 to provide protection should nickel prices fall below US\$25,000/t; and
- sold forward on an unsecured basis, 3,050 tonnes of nickel hedge contracts at an average weighted forward price of US\$26,750/t (US\$12.13/lb) for delivery between July 2008 to June 2009 (650 tonnes) and July 2009 to June 2010 (2,400 tonnes)

The Sally Malay Group metal and currency hedge book as at 31 March 2008 is summarised in Table 7.

Table 7: Group Hedge Book as at 31 March 2008

Commodity	Quantity 31 Mar 2008	Average Price/Rate 31 Mar 2008	Quantity 31 Dec 2007	Average Price/Rate 31 Dec 2007
Nickel Fwds (delivery Jan 2008-Jun 2010)	5,796t	US\$24,955/t US\$11.32/lb	3,184t	US\$21,920/t US\$9.94/lb
Bought Nickel Put Options (delivery Jan 2008 to Dec 2008)	1,450t	US\$25,000/t US\$11.34/lb	2,050t	US\$25,000/t US\$11.34/lb
Sold Nickel Call Options (delivery Jan 2008 to June 2008)	247t	US\$38,524/t US\$17.47/lb	544t	US\$38,188/t US\$17.32/lb
Bought US\$ Put Options (delivery Oct 2007 to Dec 2008)	US\$231.0 million	US\$0.9000	US\$268.7 million	US\$0.9000
US\$ Currency - matched with Ni	US\$63.8 million	US\$0.7610	US\$72.7 million	US\$0.7591

As at 31 March 2008, the Sally Malay Group hedge book was \$8.5 million "out the money" compared to being "in the money" by \$4.4 million at the end of the last quarter, as summarised in Table 8.

Table 8: Group Hedge Book – A\$ Mark-to-Market Valuation as at 31 March 2008

Commodity	Mark-to-Market 31 Mar 2008	Mark-to-Market 31 Dec 2007
Nickel Fwds	(\$27.0 million)	(\$15.9 million)
Bought Nickel Put Options	\$0.8 million	\$2.5 million
Bought US\$ Currency Put Options	\$6.5 million	\$6.0 million
US\$ Currency Fwds	\$11.2 million	\$11.8 million
Total Mark-to-Market	(\$8.5 million)	\$4.4 million

Excluding the bought nickel put options (which will only be exercised by Sally Malay if the US\$ nickel price falls below US\$25,000/t) and the sold nickel call options (which will only be put to Sally Malay if the US\$ nickel price rises above US\$38,500/t) and based on current forecast production for FY2007/08, FY2008/09, and FY2009/10, the Sally Malay Group is approximately 25% hedged, which means approximately 75% of payable nickel production until June 2010 will attract the spot nickel price.

Payable Nickel Cost Analysis

For comparison reporting against our peer group, Sally Malay Group nickel unit cash costs on a payable nickel basis (total nickel metal produced less nickel metal deducted by the customer as a smelting and refining charge) are summarised in Table 9. We are delighted to report Group cash costs were down 17% to US\$4.69/lb payable Ni for the quarter.

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

Area	Units	Sally Malay 3mths ending 31 Mar 2008	Lanfranchi 3mths ending 31 Mar 2008	Group 3mths ending 31 Mar 2008	Group 3mths ending 31 Dec 2007
Nickel Production	tonnes Ni	1,980	2,403	4,383	3,515
Mining	A\$ per lb	2.39	3.04	2.72	3.24
Mining – capital development (a)	A\$ per lb	1.30	0.56	0.92	0.98
Milling	A\$ per lb	1.61	-	0.78	1.06
Administration	A\$ per lb	1.49	0.41	0.94	1.13
Haulage	A\$ per lb	0.30	0.18	0.24	0.24
Port Charges/Shipping	A\$ per lb	0.23	-	0.11	0.21
Royalties	A\$ per lb	0.89	0.57	0.73	0.76
Total Direct Costs	A\$ per lb	8.21	4.76	6.44	7.62
Treatment Charge	A\$ per lb	-	0.91	0.47	0.44
Net By-product Credits	A\$ per lb	(3.37)	(0.18)	(1.73)	(1.72)
Payable Cash Costs	A\$ per lb	4.84	5.49	5.18	6.34
Payable Cash Costs	US\$ per lb	4.39	4.98	4.69	5.64

(a) Capital development costs represent capitalised mining cash costs for deposits in production. These costs do not include pre-production costs for deposits being developed for future mining.

Also important to note when comparing payable nickel cash costs between the March 2008 and December 2007 quarters has been the 29% reduction in mining units cost at Lanfranchi (to A\$3.04/lb) due to the ramp up for deliveries of high-grade Winner ore.

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 grow 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 expanding our exploration activities in order to grow our resource base and to increase the mine life of our operations, targeting 20,000t Ni per year for the next 10 years.

The information in this Public Report that relates to Exploration Results and Mineral Resources is based on information compiled by Mr John Hicks who is a Member of The Australasian Institute of Mining and Metallurgy (MAusIMM). Mr Hicks is full time employee of Sally Malay Mining Limited 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 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 specifically to the Northern Ore Zone Mineral Resource has been either completed by or reviewed by Mark Zammit of Cube Consulting Pty Ltd. Mr Zammit is a member of The Australasian Institute of Mining and Metallurgy (AusIMM) 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 Zammit consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

For further information contact:
Peter Harold, Managing Director
Sally Malay Mining Limited
Telephone 61-8-9225-0999
www.sallymalay.com