



Sally Malay Mining Limited

ACN 095 792 288

Registered Office: Level 22, Allendale Square, 77 St George's Terrace Perth 6000 WA Australia
Telephone +61 8 9225 0999 Facsimile +61 8 9421 1008

30 September 2003

Manager Announcements
Companies Announcements Office
Australian Stock Exchange Limited
10th Floor 20 Bond Street
SYDNEY NSW 2000

Dear Sir/Madam,

2003 ANNUAL AUDITED FINANCIAL REPORT

Pursuant to Part 2M.3, Div. 5, Sect. 319 of the Corporations Act 2001, 3.10A, the Company hereto lodges its 2003 Annual Audited Financial Report.

Should you have any further queries in relation to the above please do not hesitate to contact me.

Yours faithfully,

TREVOR ETON
Chief Financial Officer
and Company Secretary



Sally Malay Mining Limited

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2003 Annual Audited Financial Report

Contents

Company Directory	page 3
Directors' Report	page 4
Corporate Governance Statement	page 9
Directors' Declaration	page 13
2003 Financial Report	page 14
Additional Shareholder Information	page 38
Auditors' Report	page 41

Company Directory

Directors:

Keith S Liddell
Peter J Harold
Alasdair C Cooke
Michael A Bohm

Secretary:

Trevor R Eton

Registered Office:

Level 22, Allendale Square
77 St. George's Terrace
PERTH WA 6000
Telephone: (08) 9225 0999
Facsimile: (08) 9421 1008
Email: info@sallymalay.com
Website: www.sallymalay.com

Auditors:

Ernst & Young
Central Park
152 St George's Terrace
Perth WA 6000

Bankers:

Commonwealth Bank
150 St. George's Terrace
Perth WA 6000

Share Registry:

Computershare Investor Services
Level 2/45 St. George's Terrace
Perth WA 6000

Solicitors:

Blakiston & Crabb
1202 Hay Street
West Perth WA 6005

Corrs Chambers Westgarth
150 St George's Terrace
Perth WA 6000

Gadens Lawyers
Level 31
44 St George's Terrace
Perth WA 6000

Hollingdales
216 St George's Terrace
Perth WA 6000

Wright Legal
Level 1
88 Colin Street
West Perth WA 6005

Tax Advisors:

Wiltax Consulting Pty Ltd
3 Grangewood Place
West Pennant Hills NSW 2125

Ernst & Young
Central Park
152 St George's Terrace
Perth WA 6000

Directors' Report

The directors present their report together with the financial report of Sally Malay Mining Limited ("the Company") and of the consolidated entity, being the Company and its controlled entities, for the financial year ended 30 June 2003.

DIRECTORS

The names and details of the Company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Keith S Liddell – Executive Chairman (45 Years)

B.Sc, M.Sc, CP (Metallurgy) & CP (Management) (Australia), C Eng (UK), Pr Eng (South Africa), FIE Aust, FSAIMM, MIMM

Mr Liddell is a metallurgical engineer with over 20 years experience in engineering of plant and equipment, process development, project management and corporate management of resource projects and companies. Mr Liddell was previously an executive director of Aquarius Platinum Limited (Aquarius), a leading platinum mining company that successfully developed the Kroondal Platinum Mine in South Africa. Mr Liddell is a non-executive director of Australian Mines Ltd, a non-executive director of Avon Resources Limited and executive chairman of Mineral Securities Limited (Director since 2 February 2001).

Peter J Harold - Managing Director (40 Years)

B.AppSc (Chem), AFAICD

Mr Harold is a process engineer with over 17 years corporate experience in the minerals industry specialising in financing, marketing, business development and general corporate activities. Mr Harold has extensive experience with the development and operation of both sulphide and laterite nickel projects having been responsible for metals marketing and various corporate functions relating to the Cawse nickel laterite project and the Silver Swan and Mt Keith nickel sulphide projects (Director since 16 March 2001).

Alasdair C Cooke - Non-Executive Director (38 Years)

B.Sc (Hons)

Mr Cooke is a geologist with 16 years experience in the resource exploration industry throughout Australia and internationally. He has wide experience as an independent consultant specialising in structural geology and resource studies as well as having worked in the areas of commercial strategy and risk management. Mr Cooke founded Mitchell River Exploration Pty Ltd (MRE), a private mineral exploration company with interests in nickel-copper-platinum group metal exploration projects in Australia and Africa and is the Managing Director of Exco Resources NL (Director since 2 February 2001).

Michael A Bohm - Executive Director – Operations (40 Years)

B.AppSc (Mining Eng.), MAUSIMM

Mr Bohm is a mining engineer with over 18 years operational experience in the minerals industry, having worked in both open-pit and underground hard-rock mining environments in the gold, nickel and diamond sectors of the industry. He has extensive experience in project management and operations management, having held senior operational roles with Ashton Mining Limited (Appointed 12 March 2003).

COMPANY SECRETARY

Trevor R Eton – Chief Financial Officer (43 Years)

B.A (Hons) (Econ), PostGradDip (Man), AFAIM

Mr Eton is an accountant and was appointed company secretary on 12 March 2003. Prior to joining the Company, he was company secretary and group financial controller of MPI Mines Limited for 10 years. Mr Eton has over 20 years experience in corporate finance within the minerals industry.

DIRECTORS' MEETINGS

The number of directors' meetings and number of meetings attended by each of the directors of the Company during the financial year are:

	Directors' Meeting	Remuneration Committee
Number of meetings held:	9	1
Number of meetings attended:		
Keith S Liddell	9	1
Peter J Harold	9	1
Alasdair C Cooke	9	1
Michael A Bohm	3	-

PRINCIPAL ACTIVITIES

The principal activity of the consolidated entity during the course of the financial year consisted of exploration, evaluation and development of mineral deposits. A detailed review of the consolidated entity's principal activities is contained in the Review of Principal Activities section of this Annual Report.

STATE OF AFFAIRS

Significant changes in the state of affairs of the consolidated entity during the financial period were as follows:

- Fully paid ordinary share capital of the Company increased during the year, to provide funds for the development of the Sally Malay Project, as follows:
 - 31 December 2002 – cash issue of 8,874,000 shares at 23.5 cents per share;
 - 10 January 2003 – cash issue of 276,000 shares at 23.5 cents per share;
 - 27 February 2003 – cash issue of 1,488,298 shares at 23.5 cents per share;
 - 7 March 2003 – cash issue of 6,500,00 shares at 26.0 cents per share;
 - 21 May 2003 – cash issue of 2,130,000 shares at 23.5 cents per share, representing the first and second tranches of 1,065,000 shares per tranche under the Deed of Alliance dated 30 April 2003 between the Company and Roche Mining Pty Limited;
- On 30 August 2002, the Company issued 2,347,418 unlisted options expiring 30 August 2005 to Macquarie Bank Limited, exercisable at 42.6 cents each. This represented the second tranche of options under the \$3 million pre-financing facility with Macquarie Bank Limited dated 16 April 2002;
- On 20 February 2003, the Company issued 2,659,574 unlisted options expiring 16 December 2005 to Macquarie Bank Limited, exercisable at 28.2 cents each. This represented the third tranche of options under the \$3 million pre-financing facility with Macquarie Bank Limited dated 16 April 2002;
- On 2 March 2003, the Company announced it had agreed terms for a 60:40 joint venture with Thundelarra Exploration Ltd ("Thundelarra") on Thundelarra's Copernicus and Salk North nickel-copper prospects in the East Kimberley region;
- On 27 June 2003, the Company announced that it had placed, subject to shareholder approval, 20,185,000 fully paid ordinary shares at 29.0 cents per share with local and institutional investors; and
- On 30 June 2003, the Company transferred the Sally Malay Project mining tenements and assets to its wholly owned entity, Kimberley Nickel Mines Pty Ltd.

RESULTS AND DIVIDENDS

The consolidated entity's loss after tax for the financial year ending 30 June 2003 was \$1,292,769 (2002: loss \$593,593).

No dividends have been paid or declared by the Company during the year ended 30 June 2003.

ENVIRONMENTAL REGULATION

The consolidated entity's operations are subject to significant environmental regulations under both Commonwealth and State legislation in relation to its mining and exploration activities. The consolidated entity's management monitors compliance with the relevant environmental legislation. The directors are not aware of any breaches of the legislation during the period covered by this report.

CORPORATE

The Company is limited by shares and is domiciled in Australia.

EMPLOYEES

At the end of the financial year, the consolidated entity had six full time employees (2002: three).

EVENTS SUBSEQUENT TO BALANCE DATE

Subsequent to the end of the financial year, the Company and/or its wholly owned entities:

1. On 7 July 2003, signed Senior Financing Facility documents with Macquarie Bank Limited and Standard Bank London;
2. On 7 July 2003, signed Heads of Agreement for Copernicus-Salk Joint Venture with Thundelarra Exploration Ltd;
3. On 15 July 2003, issued for cash the third tranche of 1,065,000 shares, at an issue price of 23.5 cents a share, to Roche pursuant to the 30 April 2003 Deed of Alliance between the Company and Roche;
4. On 17 July 2003, signed the Life-of-Mine Concentrate Sales Agreement with Sino Nickel Pty Ltd;
5. On 17 July 2003, signed a US\$5 million Project Financing Agreement with Jinchuan Group Limited;
6. On 15 August 2003, obtained shareholder approval at a General Meeting of the Company for the issue for cash at 29 cents a share of 20,185,000 fully paid ordinary shares to local and overseas institutional investors;
7. On 15 August 2003, issued for cash at 29 cents a share, of 6,899,138 fully paid ordinary shares to overseas institutional investors;
8. On 15 August 2003, the terms of the \$3 million Feasibility Financing Facility with Macquarie Bank Limited were revised whereby the repayment date was extended from 31 December 2003 to 31 March 2008; and

The detailed review of these events is contained in the Review of Principal Activities section of this Annual Report.

Other than the items noted above there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

LIKELY DEVELOPMENTS

The consolidated entity will continue with the development of the Sally Malay Project.

Further information about likely developments in the operations of the Company and the expected results of those operations in the future financial years has not been included in this report because disclosure would be likely to result in unreasonable prejudice to the Company.

DIRECTORS' AND EXECUTIVE OFFICERS'

Remuneration policy

The Remuneration Committee of the Board of Directors is responsible for determining and reviewing compensation arrangements for the directors, the managing director and the executive team. Due to the size of the consolidated entity, the Remuneration Committee consists of all directors. Any changes to directors' remuneration must be approved by shareholders. The remuneration of senior executives is determined by the chairman and non-executive directors based on recommendations provided by the managing director. Remuneration levels are competitively set to attract the most qualified and experienced directors and senior executives. The Remuneration Committee obtains independent advice on the appropriateness of remuneration packages.

Emoluments' of directors and executives of the company and the consolidated entity

Details of the nature and amount of each major element of the emoluments of each director and executive officer of the Company and the consolidated entity for the financial year are as follows:

	Base fee \$	Bonus \$	Non-cash benefits \$	Super- annuation \$	Issued Share Options (A) \$	Total \$	Number of Issued Share Options
<i>Directors</i>							
Keith S Liddell	84,000	32,000	-	-	26,532	142,532	350,000
Alasdair C Cooke	25,000	4,800	-	-	-	29,800	-
Peter J Harold	145,295	45,000	5,220	18,105	-	213,620	-
Michael A Bohm	160,172	15,000	5,220	14,415	34,387	229,194	450,000
<i>Executive Officers (excluding Directors)</i>							
Trevor R Eton	58,243	-	-	5,340	8,672	72,255	400,000

(A) All executive options expire on 10 September 2006 and each executive option entitles the holder to purchase one ordinary share in the Company. The estimated value disclosed above is calculated at the date of grant using the Black-Scholes model. The ability to exercise the executive options is conditional on certain vesting periods. Details of the vesting periods and of executive options granted during the year are set out in note 18 of the financial statements.

Directors' interests

The relevant interest of each director in the share capital as notified by the directors to the Australian Stock Exchange in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

Name of Director	Ordinary shares	Options over ordinary shares
Keith S Liddell	8,662,669*	350,000
Peter J Harold	1,980,159**	-
Alasdair C Cooke	4,743,000***	-
Michael A Bohm	-	450,000

* The 8,425,532 ordinary shares in which Mr Keith S Liddell has a relevant interest are owned by Mineral Securities Limited, a company of which Mr Liddell is a director. The 237,137 ordinary shares in which Mr Liddell has a beneficiary interest are owned by the Liddell Investment Trust.

** The 1,975,000 ordinary shares in which Mr Harold has a beneficiary interest are owned by Winton Vale Pty Ltd.

*** The 2,743,000 ordinary shares in which Mr Cooke has a beneficiary interest are owned by Glenlaren Pty Ltd (2,650,000 shares) and Hartree Pty Ltd (93,000 shares).

SHARE OPTIONS

At the date of this report total unissued ordinary shares of the Company under option are:

Expiry date	Exercise price (\$)	Number of shares
16 April 2005	0.436	2,000,000
30 August 2005	0.426	2,347,418
16 December 2005	0.282	2,659,574
10 September 2006	0.350	850,000
10 September 2006	0.415	350,000
12 September 2006	0.200	4,050,000

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

The Company has agreed to indemnify the current directors and company secretary, Mr Trevor R Eton, against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors and officers of the Company except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities including costs and expenses.

INSURANCE PREMIUMS

The Company has paid insurance premiums of \$18,563 (2002: \$14,541) in respect of Director's and Officer's liability and legal expenses' insurance contracts, for current directors and officers of the Company. The insurance premiums relate to:

1. Costs and expenses incurred in by the relevant officers in defending legal proceedings, whether civil or criminal and whatever the outcome their outcome; and
2. Other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

ROUNDING

The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the company under ASIC Class Order 98/0100. The company is an entity to which the Class Order applies.

TAX CONSOLIDATION

As at the date of this report, it is the not the intention of the company and its wholly owned entities to form a tax consolidated group.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Sally Malay Mining Limited support and have adhered to the principles of corporate governance. The Company's corporate governance statement is contained in the following section of this annual report.



Peter Harold
Managing Director

Perth, 30 September 2003

Corporate Governance Statement

The Board of Directors of Sally Malay Mining Limited is responsible for the corporate governance of the consolidated entity. The Board guides and monitors the business and affairs of Sally Malay Mining Limited on behalf of the shareholders by whom they are elected and to whom they are accountable. This statement outlines the main corporate governance practices in place throughout the financial year, which comply with Australian Stock Exchange (“ASX”) Corporate Governance Council (“CGC”) recommendations, unless otherwise stated.

Board of Directors

To ensure the Board is well equipped to discharge its responsibilities it has established guidelines for the nomination and selection of directors and for the operation of the Board.

Role of the Board

The Board’s primary role is the protection and enhancement of long-term shareholder value.

Board processes

The Board is responsible for the overall Corporate Governance of the consolidated entity including the strategic direction, establishing goals for management and monitoring the achievement of these goals. Due to the size of the Board and the consolidated entity, issues of nomination and remuneration of directors and business risk management are considered by the full Board. The Board has also established a framework for the management of the Company and its controlled entities including a system of internal control, a business risk management process and the establishment of appropriate ethical standards. The agenda for meetings is prepared by the managing director. Standard items include the managing director’s report, financial reports, project reports, strategic matters, governance and compliance. Submissions are circulated in advance. Executives are regularly involved in board discussions.

Composition of the Board

The names of the directors of the Company in office at the date of this Statement are set out in the Directors’ Report in this report.

The composition of the Board is determined using the following principles:

- The Board currently comprises four directors. This number may be increased where it is required due to a commercial alliance, or felt that additional expertise is required in specific areas, or when an outstanding candidate is identified;
- The Board should comprise directors with a broad range of expertise with an emphasis on exploration, mining and project development related experience; and
- Directors appointed by the Board are subject to election by shareholders at the following annual general meeting and thereafter directors (other than the managing director) are subject to re-election at least every three years. The tenure of executive directors is linked to their holding of executive office.

The Board reviews its composition as required to ensure that the Board has the appropriate mix of expertise and experience. When a vacancy exists, for whatever reason, or where it is considered that the Board would benefit from the services of a new director with particular skills, candidates with the appropriate expertise and experience are considered. The Board then appoints the most suitable candidate who must stand for election at the next general meeting of shareholders.

The performance of all directors is reviewed by the chairman each year. Directors whose performance is unsatisfactory are asked to retire.

In regard to the CGC corporate governance recommendation on the majority of directors, and the chairman, being independent, the Board believes that the size of the consolidated entity and the fact that the consolidated entity is still very much in a growth and development phase, the strategy and objectives of the Company are best served at this time by persons who have been associated with the Company since incorporation, irrespective as to their degree of independence.

Conflict of interest

In accordance with the Corporations Law and the Company's constitution, directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Where the Board believes that a significant conflict exists, the director concerned does not receive the relevant board papers and is not present at the meeting whilst the item is considered.

Independent professional advice and access to company information

Each director has the right of access to all relevant Company information and to the Company's executives and, subject to prior consultation with the chairman, may seek independent professional advice at the Company's expense. A copy of the advice received by the director is made available to all other members of the Board.

Remuneration Committee

The role of the Remuneration Committee is to review remuneration packages and policies applicable to the managing director and directors themselves. Due to the size of the consolidated entity, the remuneration committee consists of all directors. The remuneration of senior executives is determined by non-executive directors based on recommendations provided by the managing director. Remuneration levels are competitively set to attract the most qualified and experienced directors and senior executives. The Remuneration Committee obtains independent advice on the appropriateness of remuneration packages.

Further details of directors' remuneration are set out in the Directors' Report and Note 19 to the financial statements.

Audit Committee

Due to the size of the consolidated entity, the audit committee consists of all directors. The Board has determined there is no benefit at this time of having a formal operating charter.

Nomination Committee

Due to the size of the current size of the Board and the small management team, the Board has determined there is no benefit at this time of establishing a nomination committee.

Internal control framework

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities. To assist in discharging this responsibility, the Board has instigated an internal control framework that can be described under the following headings:

Financial reporting

There is a comprehensive budgeting system with a budget approved by the directors. The Board reviews all final draft financial reports with the managing director, the chief financial officer and auditors and recommendations on their adequacy to the Board prior to their release to members and other public forums. There is regular communication between management and external auditors.

Pursuant to the CGC's corporate governance recommendation, the managing director and chief financial officer are required to state in writing to the Board that the Company's and consolidated entity's financial reports present a true and fair view, in all material aspects, of the Company's and consolidated entity's financial condition and that operational results are in accordance with relevant accounting standards.

Continuous disclosure

The Company has a policy that all shareholders and investors have equal access to the Company's information. All material and price sensitive information is disclosed to the ASX in accordance with the continuous disclosure requirements of the Corporations Law and ASX Listing Rules. All material announcements provided to the ASX are posted to the Company's web site.

Reviewing all statutory, regulatory or tender reports submitted to or made by the Company and its controlled entities, and to report or recommend to the Board as appropriate.

Continuous disclosure (cont'd)

The Company has appointed an officer who is in charge of overseeing the continuous disclosure practices of the Company and its controlled entities. That person's responsibilities include:

- Ensuring compliance with continuous disclosure requirements;
- Overseeing and coordinating the disclosure of information to the ASX, analysts, brokers, shareholders, the media and public; and
- Educating directors and staff of the Company's and consolidated entity's disclosure policies and procedures and raising awareness of the principles of the underlying continuous disclosure.

The Company's and its controlled entities adopted policies on continuous disclosure include the following:

- The Company should keep to a minimum the number of directors and staff authorised to speak on the Company's behalf;
- The officer responsible for disclosure should be made aware of information to be disclosed in advance, including information to be presented at private briefings;
- Price sensitive information should be publicly released through the stock exchange before disclosing it to analysts or other outside the Company;
- Announcements should be posted on the Company's website following its announcement to the ASX;
- Documents used for external briefings should be given to the ASX for immediate release and posted on the Company's website;
- Only information that has been (or is based on information that has been) publicly released through the ASX should be disclosed to analysts, shareholders or others outside the Company;
- If price sensitive information is leaked or inadvertently disclosed, an announcement should be made to the ASX and posted on the Company's website; and
- If the Company becomes aware of a significantly widespread rumour which could be expected to have a material effect on the price or value of the Company's securities, an announcement should be made to the ASX which addresses the rumour (where commercially feasible).

Trading in Company securities by directors', officers' and employees'

The Company has established rules for the trading in Company securities by directors', officers' and employees' to ensure compliance with Section 1002G of the Corporations Law (on insider trading) and Part 2D.1 of the Corporations Law (on the proper duties in relation to the use of inside information). The managing director has been appointed to ensure that the following rules for the trading in Company securities are strictly adhered to by all directors', officers' and employees:

- Trading in Company securities is only permitted following the notification of the intention to trade with the managing director;
- Trading in Company securities is prohibited at any time when in possession of unpublished information, which if generally available, might materially affect the price or value of those securities, or for a period of 2 business days following the making of a public announcement in relation to that inside information ("the due notice period");
- Active trading in Company securities, which involves frequent and regular trading in those securities with a view to derive profit related income from that activity, is prohibited; and
- Only in exceptional circumstances, can approval be obtained in advance from the managing director, to trade outside the due notice period.

Business risk management

The Board examines and considers areas of significant business risk and implements policy to minimise exposure to these risks. Areas of risk which are considered at Board meetings include:

- Asset protection/development;
- Performance of activities;
- Organisational behaviour;
- Human resources;
- Workplace safety;
- The environment; and
- Continuous disclosure obligations.

Comprehensive practices are established such that:

- Capital expenditure above a certain size require Board approval;
- Financial exposures are controlled;
- Occupational health and safety standards and management systems are monitored and reviewed to achieve high standards of performance and compliance with regulations; and
- Business transactions are properly authorised and executed.

Ethical Standards

All directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the performance and reputation of the Company and its controlled entities.

The Role of Shareholders

The Board of directors aims to ensure that the shareholders are informed of all major developments affecting the Company's and its controlled entities state of affairs. Information is communicated to shareholders as follows:

- The full annual financial report is distributed to all shareholders and contains relevant information about the operations of the Company during the year, changes to the state of affairs of the Company and details of future developments, in addition to the other disclosures required by the Corporations Law;
- The quarterly report and cash flow statement contains a review of the operations and a statement of cash flow respectively of the Company during the period;
- Proposed major changes in the Company, which may impact on share ownership rights, are submitted to a vote of shareholders; and
- Notices of all meetings of shareholders.

Annual reports, quarterly reports and material ASX announcements are posted on the Company's web site at www.sallymalay.com.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Company's strategy and goals. Important issues are presented to the shareholders as single resolutions.

Directors Declaration

In accordance with a resolution of the directors of Sally Malay Mining Limited ("the Company"), I state that:

In the opinion of the directors:

- a) The financial statements and the notes of the Company and the consolidated entity are in accordance with the Corporations Act 2001, including:
 - i. giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2003 and of their performance for the year ended on that date; and
 - ii. complying with Accounting Standards and Corporations Regulations 2001; and
- b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



P.J. Harold

Director

Perth, 30 September 2003

SALLY MALAY MINING LIMITED
STATEMENT OF FINANCIAL PERFORMANCE
YEAR ENDED 30 JUNE 2003

		CONSOLIDATED	THE COMPANY	
		2003	2003	2002
	Notes	\$'000	\$'000	\$'000
REVENUES FROM ORDINARY ACTIVITIES	2	399	399	78
Borrowing costs	2	(368)	(367)	(31)
Corporate and marketing expenses		(1,135)	(1,135)	(628)
Exploration and evaluation expenses		(87)	-	-
Other expenses from ordinary activities	2	(102)	(185)	(13)
LOSS FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE		<u>(1,293)</u>	<u>(1,288)</u>	<u>(594)</u>
INCOME TAX EXPENSE RELATING TO ORDINARY ACTIVITIES	3	-	-	-
LOSS ATTRIBUTABLE TO MEMBERS OF SALLY MALAY MINING LIMITED	14	<u>(1,293)</u>	<u>(1,288)</u>	<u>(594)</u>
Share issue costs	13	<u>(150)</u>	<u>(150)</u>	<u>(277)</u>
TOTAL EXPENSES ATTRIBUTE TO MEMBERS OF SALLY MALAY MINING LIMITED AND RECOGNISED DIRECTLY IN EQUITY		<u>(150)</u>	<u>(150)</u>	<u>(871)</u>
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS ATTRIBUTABLE TO MEMBERS OF SALLY MALAY MINING LIMITED		<u>(1,443)</u>	<u>(1,438)</u>	<u>(871)</u>
Basic loss per share (cents per share)	22	1.9		1.2
Diluted loss per share (cents per share)	22	1.9		1.2

The statement of financial performance should be read in conjunction with the accompanying notes.

SALLY MALAY MINING LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2003

		CONSOLIDATED	THE COMPANY	
	Notes	2003 \$'000	2003 \$'000	2002 \$'000
CURRENT ASSETS				
Cash assets		4,286	4,286	219
Receivables	4	246	94	159
TOTAL CURRENT ASSETS		4,532	4,380	378
NON-CURRENT ASSETS				
Receivables	5	-	8,304	-
Plant and equipment	6	450	183	91
Deferred exploration, evaluation and development expenditure	7	8,630	-	5,009
TOTAL NON-CURRENT ASSETS		9,080	8,487	5,100
TOTAL ASSETS		13,612	12,867	5,478
CURRENT LIABILITIES				
Payables	9	1,216	532	387
Provisions	10	69	69	12
Interest-bearing liabilities	11	10	-	-
TOTAL CURRENT LIABILITIES		1,295	601	399
NON-CURRENT LIABILITIES				
Interest-bearing liabilities	12	2,806	2,750	700
TOTAL NON-CURRENT LIABILITIES		2,806	2,750	700
TOTAL LIABILITIES		4,101	5,236	1,099
NET ASSETS		9,511	9,516	4,379
EQUITY				
Contributed equity	13	11,398	11,398	4,973
Accumulated Losses	14	(1,887)	(1,882)	(594)
TOTAL EQUITY		9,511	9,516	4,379

The statement of financial position should be read in conjunction with the accompanying notes.

SALLY MALAY MINING LIMITED
STATEMENT OF CASH FLOWS
YEAR ENDED 30 JUNE 2003

		CONSOLIDATED	THE COMPANY	
	Notes	2003	2003	2002
		\$'000	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Payments to suppliers and employees		(969)	(883)	(351)
Receipts from other parties		286	286	-
Interest received		57	57	75
Borrowing costs paid		(346)	(346)	(31)
NET CASH FLOWS USED IN OPERATING ACTIVITIES	15(a)	(972)	(886)	(307)
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash outflow for short term deposits		-	-	(35)
Proceeds from sale of plant and equipment		53	53	-
Payment for plant and equipment		(394)	(192)	(103)
Payments for exploration, evaluation and development		(3,092)	(3,092)	(5,009)
Advances to related parties		-	(288)	-
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(3,433)	(3,519)	(5,147)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from the issue of ordinary shares		4,690	4,690	5,250
Payment of share issue expense		(150)	(150)	(277)
Proceeds from application for ordinary shares		1,885	1,885	-
Proceeds from borrowings		2,050	2,050	2,240
Hire purchase payments		(3)	(3)	-
Repayment of borrowings		-	-	(1,540)
NET CASH FLOWS FROM FINANCING ACTIVITIES		8,472	8,472	5,673
NET INCREASE IN CASH HELD		4,067	4,067	219
Opening cash		219	219	-
CLOSING CASH CARRIED FORWARD	15(b)	4,286	4,286	219

The statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of accounting

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, which includes applicable Accounting Standards. Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with.

The financial report has been prepared in accordance with the historical cost convention.

b) Change in accounting policy

Employee benefits

The consolidated entity has adopted the revised Accounting Standard AASB 1028 “Employee Benefits”, which has resulted in a change in the accounting policy for the measurement of employee benefit liabilities. Previously, the consolidated entity measured the provision for employee benefits based on remuneration rates at the date of recognition of the liability. In accordance with the requirements of the revised Standard, the provision for employee benefits is now measured based on the remuneration rates expected to be paid when the liability is settled. There was no change to consolidated retained losses or employee benefit liabilities as a result of the revised policy.

c) Cash and cash equivalents

Cash on hand and in banks and short-term deposits are stated at the lower of cost and net realisable value.

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks and money markets investments readily convertible to cash within 2 working days net of outstanding bank overdrafts.

d) Principles of Consolidation

The consolidated financial statements are those of the consolidated entity, comprising Sally Malay Mining Limited (the parent company) and all entities that Sally Malay Mining Limited controlled from time to time during the year and at reporting date.

Information from the financial statements of subsidiaries is included from the date that the parent company obtains control until such time as control ceases. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the parent company has control. Subsidiary acquisitions are accounted for using the purchase method of accounting.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All intercompany balances and transaction, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

e) Receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

Receivables from related parties are recognised and carried at the nominal amount due. Interest is taken up as income on an accrual basis.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

f) *Deferred exploration, evaluation and development expenditure*

Costs arising from exploration and evaluation activities are carried forward for each area of interest, provided such costs are expected to be recouped through successful development or, by sale or, where exploration and evaluation activities have not, at balance date, reached a stage to allow a reasonable assessment regarding the existence of economically recoverable reserves. Costs carried forward in respect of an area of interest that is abandoned are written off in the year in which the decision to abandon is made.

Costs arising from development activities are carried forward when the right of tenure is current and the costs are expected to be recouped through successful exploitation of the area of interest or, alternatively, by its sale.

Costs are carried forward in respect of an area of interest in either the exploration and evaluation phase or the development phase until such time as the area of interest becomes a producing area. Amortisation is not charged on costs carried forward in respect of areas of interest in the exploration and evaluation or development phase until production commences.

When production commences, carried forward exploration, evaluation and development costs are amortised on a units of production basis over the life of the economically recoverable reserves.

g) *Joint Venture Operations*

Interest in unincorporated joint ventures are recognised by including in the respective classifications, the share of the individual assets employed and share of liabilities and expenses incurred from the date joint control commences to the date joint control ceases.

Interest in the joint venture partnership is carried at the lower of the equity-accounted amount and recoverable amount in the consolidated financial report.

h) *Payables*

Liabilities for trade creditors and other amounts are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received whether or not billed to the consolidated entity.

i) *Interest-bearing liabilities*

All loans are measured at the principal amount. Interest is recognised as an expense as it accrues.

Hire purchase liability is determined in accordance with the requirements of AASB 1008 "Leases".

j) *Plant and Equipment*

Items of plant and equipment are initially recorded at cost and depreciated as outlined below. The cost of plant and equipment constructed for and by the consolidated entity, where applicable, includes the cost of materials and direct labour. The proportion of overheads and other incidental costs directly attributable to its construction are also capitalised to the cost of plant and equipment.

Costs incurred on plant and equipment subsequent to initial acquisition are capitalised when it is probable that future economic benefits, in excess of the originally assessed performance of the asset will flow to the consolidated entity in future years. Where these costs represent separate components of a complex asset, they are accounted for as separate assets and are separately depreciated over their useful lives. Costs incurred on plant and equipment that do not meet the criteria for capitalisation are expensed as incurred.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Depreciation and amortisation

Items of plant and equipment, excluding plant and equipment under hire purchase, are depreciated on a diminishing value basis over their estimated useful lives. Items of plant and equipment under hire purchase are amortised on a straight-line basis over their estimated useful lives. The estimated useful lives used for each class of asset are as follows:

Plant and equipment

	2003	2002
Office equipment	between 3 and 4 years	between 3 and 4 years
Office furniture and fixtures	5 years	5 years
Motor vehicles	5 years	-
Plant and equipment under hire purchase	5 years	-

k) Plant and Equipment under Hire Purchase

Plant and equipment under hire purchase are capitalised at the present value of the minimum rental payments and recorded at the inception of the hire purchase agreement. A liability of equal value is also recognised.

Capitalised hire purchase assets are amortised over the shorter of the estimated useful life of the assets and the terms of the relevant agreement. Minimum rental payments are allocated between interest expense and reduction of the hire purchase liability with the interest expense calculated using the interest rate implicit in the relevant agreement and recognised directly in net profit.

The cost of improvements to or on plant and equipment under hire purchase is capitalised, disclosed as hire purchase asset improvements, and amortised over the unexpired period of the relevant agreement or the estimated useful lives of the improvements, whichever is the shorter.

l) Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

m) Contributed Equity

Ordinary share capital is recognised at the fair value of the consideration received by the Company.

Any transaction costs arising as a result of ordinary shares issued at balance date are recognised directly in equity as a reduction of the share proceeds received.

n) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Interest

Control of the right to receive the interest payment.

Government grants and/or rebates

Satisfied the legislated expenditure and turnover tests.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

o) Taxes

Income taxes

Tax effect accounting has been adopted. The income tax expense in the statement of financial performance has been determined after adjusting for income and expenditure that are not assessable or allowable for taxation purposes.

Future income tax benefits are not brought to account unless:

- a) In the opinion of the Directors, realisation of the benefits is virtually certain;
- b) Expected future assessable income is derivable of a nature and of an amount sufficient to enable the benefit to be realised;
- c) The conditions of deductibility imposed by tax legislation can continue to be complied with; and
- d) No changes in tax legislation adversely affect Sally Malay Mining Limited in realising the benefit.

The income tax expense has been calculated using 30%. Details are shown in Note 3.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- Where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

p) Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and long service leave.

Liabilities arising in respect of wages and salaries, annual leave and other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used.

Employee benefit expenses and revenues arising in respect of wages and salaries, non-monetary benefits, annual leave and long service leave benefits are recognised against profits on a net basis in their respective categories.

The value of the equity-based compensation scheme described in note 18 is not being recognised as an employee benefits expense.

q) Superannuation Fund

The Company contributes to an employee superannuation fund which is an accumulation fund. Contributions are charged against income as they are made.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

r) Recoverable amount

Non-current assets are not carried at an amount above their recoverable amount, and where carrying values exceed this recoverable amount assets are written down. In determining recoverable amount, the expected net cash flows have not been discounted to their present value.

s) Earnings per Share (EPS)

Basic EPS is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit attributable to members, adjusted for:

- Costs of servicing equity (other than dividends) and preference share dividends;
- The after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- Other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

t) Comparatives

Consolidated entity

As a result of the incorporation of wholly owned entities during the year, there are no comparatives of the consolidated entity for the previous year.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	CONSOLIDATED	THE COMPANY	
	2003 \$'000	2003 \$'000	2002 \$'000
2. LOSS FROM ORDINARY ACTIVITIES			
(a) Revenues from non- operating activities			
Interest			
Other persons/corporations	60	60	75
Proceeds from disposal of plant and equipment	53	53	3
Government R&D tax offset rebate (net of costs)	268	263	-
Other sundry revenue	18	18	-
	<hr/>	<hr/>	<hr/>
Total revenues from ordinary activities	399	399	78
(b) Borrowing costs			
Interest paid/payable	144	144	5
Finance charges on hire purchase assets	1	-	-
Facility costs	223	223	26
	<hr/>	<hr/>	<hr/>
	368	367	31
(c) Other expenses from ordinary activities			
Depreciation	47	46	10
Amortisation	3	-	-
Cost of plant and equipment sold	52	52	3
Forgiveness of loan to controlled entity	-	87	-
	<hr/>	<hr/>	<hr/>
	102	185	13
(d) Losses/(gains)			
Net loss/(gain) on disposal of plant and equipment	(1)	(1)	-
	<hr/>	<hr/>	<hr/>
3. INCOME TAX			
The prima facie tax, using tax rates applicable in the country of operation, on operating loss and extraordinary items differs from the income tax provided in the financial statements as follows:			
Prima facie tax benefit on loss from ordinary activities:	388	386	178
Tax effect of permanent differences	(90)	(116)	(2)
Under provision of previous year	17	17	-
Future income tax benefit not brought to account	(315)	(287)	(176)
	<hr/>	<hr/>	<hr/>
Income tax expense attributable to ordinary activities	-	-	-
	<hr/>	<hr/>	<hr/>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	Notes	CONSOLIDATED 2003 \$'000	THE COMPANY 2003 \$'000	2002 \$'000
3. INCOME TAX (cont'd)				
Income Tax Losses				
Future income tax benefit arising from tax losses not brought to account at balance date as realisation is not regarded as virtually certain.				
		2,190	1,147	1,146
Future income tax benefits have not been brought to account as the virtual certainty of these benefits being realised cannot be assured and will be brought to account over future years as and when the virtual certainty criteria are met (refer Note 1).				
Tax Consolidation				
As at balance date, it is not the intention of the company and its wholly owned entities to form a tax consolidated group.				
4. RECEIVABLES (CURRENT)				
Short term deposits		36	36	35
Other receivables		210	58	124
	4(a)	246	94	159
<i>(a) Terms and conditions</i>				
Terms and conditions relating to the above financial instruments.				
(i) Short-term deposits have an average maturity of 30 days and have a floating interest rate which has averaged 4.39% for the year (2002: 4.40%)				
(ii) Other receivables are non-interest bearing and have repayment terms between 30 and 90 days				
5. RECEIVABLES (NON-CURRENT)				
Receivable from controlled entity	23	-	8,304	-
6. PLANT & EQUIPMENT				
Plant and equipment – at cost		255	232	101
Accumulated depreciation		(50)	(49)	(10)
		205	183	91
Plant and equipment under hire purchase – at cost		69	-	-
Accumulated amortisation		(3)	-	-
		66	-	-
Capital works in progress – at cost		179	-	-
Total plant and equipment – net book value		450	183	91

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Notes	CONSOLIDATED	THE COMPANY	
	2003 \$'000	2003 \$'000	2002 \$'000
6. PLANT & EQUIPMENT (cont'd)			
Reconciliation			
<i>Plant and equipment</i>			
Carrying amount at beginning of the year	91	91	-
Additions	214	191	103
Disposals	(53)	(53)	(2)
Depreciation expense	(47)	(46)	(10)
	<hr/>	<hr/>	<hr/>
Carrying amount at the end of the year	205	183	91
	<hr/>	<hr/>	<hr/>
<i>Plant and equipment under hire purchase</i>			
Additions	69	-	-
Amortisation expense	(3)	-	-
	<hr/>	<hr/>	<hr/>
Carrying amount at the end of the year	66	-	-
	<hr/>	<hr/>	<hr/>
<i>Capital works in progress</i>			
Additions	179	-	-
	<hr/>	<hr/>	<hr/>
Carrying amount at the end of the year	179	-	-
	<hr/>	<hr/>	<hr/>
7. DEFERRED EXPLORATION, EVALUATION AND DEVELOPMENT EXPENDITURE			
Exploration, evaluation and development costs carried forward in respect of mining areas of interest			
Pre-production - at cost	8,630	-	5,009
	<hr/>	<hr/>	<hr/>

The ultimate recoupment of costs carried forward for exploration, evaluation and development phases is dependent on the successful development and commercial exploitation or sale of the respective mining areas. Amortisation of the costs carried forward for the exploration, evaluation and development phases are not being charged pending the commencement of production.

8. INTEREST IN SUBSIDIARIES	Percentage of equity interest held by the consolidated entity		Investment	
	2003 %	2002 %	2003 \$	2002 \$
Name				
Kimberley Nickel Mines Pty Ltd	100	-	1	-
Sally Malay Exploration Pty Ltd	100	-	1	-
			<hr/>	<hr/>
			2	-
			<hr/>	<hr/>

All controlled entities were incorporated in Australia during the financial year.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	Notes	CONSOLIDATED 2003 \$'000	THE COMPANY 2003 \$'000	2002 \$'000
9. PAYABLES (CURRENT)				
Trade creditors	9(a)	491	141	205
Other creditors and accruals	9(a)	725	391	182
		<u>1,216</u>	<u>532</u>	<u>387</u>
 (a) <i>Terms and conditions</i> Terms and conditions relating to the above financial instruments. Creditors are non-interest bearing and are normally settled on 30 day terms.				
10. PROVISIONS (CURRENT)				
Employee benefits	18	45	45	12
Audit fees		13	13	-
Indirect taxes		11	11	-
		<u>69</u>	<u>69</u>	<u>12</u>
11. INTEREST- BEARING LIABILITIES (CURRENT)				
Hire purchase liability		<u>10</u>	<u>-</u>	<u>-</u>
12. INTEREST- BEARING LIABILITIES (NON – CURRENT)				
Hire purchase liability		56	-	-
Borrowings secured by mortgage				
- Bank loan		<u>2,750</u>	<u>2,750</u>	<u>700</u>
		<u>2,806</u>	<u>2,750</u>	<u>700</u>

Bank loan is repayable by 31 March 2008. Until 31 December 2003 interest is charged at the bank bill swap bid rate plus 1.5%, thereafter at the bank bill swap bill rate plus 5.0%.

The loan is secured by a registered second ranking fixed and floating charge over all the assets and undertakings of the Company and a second ranking Mining Act Mortgage over certain tenements held by the Company.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	Notes	CONSOLIDATED	THE COMPANY	
		2003 \$'000	2003 \$'000	2002 \$'000
13. CONTRIBUTED EQUITY				
<i>(a) Issued and paid up capital</i>				
Ordinary shares fully paid		9,513	9,513	4,973
<i>(b) Other contributed equity</i>				
Application for 6,500,000 ordinary shares issued subsequent to balance date	13(c)	1,885	1,885	-
		<u>11,398</u>	<u>11,398</u>	<u>4,973</u>

(c) Subsequent event

On 15 August 2003, the placement of 6.5 million ordinary shares at 29 cents per share were approved by shareholders and issued by the Company.

	Number of Shares	2003 \$'000	Number of Shares	2002 \$'000
<i>(d) Movements in shares on issue</i>				
Balance at beginning of year	61,000,000	4,973	-	-
Issued during the period				
➤ Private placements and public offering	19,268,298	4,690	46,000,000	2,250
➤ Less transaction costs	-	(150)	-	-
➤ Public equity raising	-	-	15,000,000	3,000
➤ Less transaction costs	-	-	-	(277)
Balance at end of year	<u>80,268,298</u>	<u>9,513</u>	<u>61,000,000</u>	<u>4,973</u>

(e) Share options issued over ordinary shares

	No. of Options	Exercise Price \$	Expiry Date
Balance at beginning of year	6,500,000		
Issued during the period			
	350,000	0.415	10 September 2006
	2,347,418	0.426	30 August 2005
	2,659,574	0.282	16 December 2005
	400,000	0.350	10 September 2006
Balance at end of year	<u>12,256,992</u>		

(f) Terms and conditions of contributed equity

(i) Ordinary shares

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

13. CONTRIBUTED EQUITY (cont'd)

(ii) Share options

2003- Balance at end of year

No of Options	Exercise Price \$	Expiry Date
2,000,000	0.436	16 April 2005
2,347,418	0.426	30 August 2005
2,659,574	0.282	16 December 2005
850,000	0.350	10 September 2006
350,000	0.415	10 September 2006
<u>4,050,000</u>	0.200	12 September 2006
<u>12,256,992</u>		

2002 – Balance at end of year

No of Options	Exercise Price \$	Expiry Date
2,000,000	0.436	16 April 2005
450,000	0.350	10 September 2006
<u>4,050,000</u>	0.200	12 September 2006
<u>6,500,000</u>		

Notes	CONSOLIDATED	THE COMPANY	
	2003 \$'000	2003 \$'000	2002 \$'000
14. ACCUMULATED LOSSES			
Balance at beginning of year	594	594	-
Net loss attributable to members of Sally Malay Mining Limited	1,293	1,288	594
Balance at end of year	<u>1,887</u>	<u>1,882</u>	<u>594</u>
15. STATEMENT OF CASH FLOWS			
(a) <i>Reconciliation of the operating loss after tax to the net cash flows from operations</i>			
Operating loss after income tax	(1,293)	(1,288)	(594)
Adjusted for:			
Depreciation of non-current assets	47	46	10
Amortisation of non-current assets	3	-	-
Finance charges on capitalised hire purchase	1	-	-
Profit on sale of non-current assets	(1)	(1)	-
Forgiveness in loan to controlled entity	-	87	-
Changes in assets and liabilities			
(Increase)/decrease in receivables	(86)	66	(122)
Increase/(decrease) in payables	300	147	387
Increase in employee entitlements	33	33	12
Increase in other provisions	24	24	-
Net cash flows used in operating activities	<u>(972)</u>	<u>(886)</u>	<u>(307)</u>
(b) <i>Reconciliation of cash</i>			
Cash balance comprises:			
- cash assets	<u>4,286</u>	<u>4,286</u>	<u>219</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	Notes	CONSOLIDATED 2003 \$'000	THE COMPANY 2003 \$'000	2002 \$'000
15. STATEMENT OF CASH FLOWS (cont'd)				
<i>(c) Financing facility available</i>				
At balance date the following financial facility had been negotiated and was available				
- bank loan		3,000	3,000	3,000
Facilities used at balance date:				
- bank loan	12	2,750	2,750	700
16. EXPENDITURE COMMITMENTS				
(a) Capital expenditure commitments				
Estimated capital expenditure contracted for at reporting date, but not provided for, payable:				
Not later than 1 year				
		255	-	-
(b) Mineral tenement expenditure commitments				
The consolidated entity has certain expenditure obligations with respect to mineral tenements and minimum expenditure requirements on areas as follows:				
Not later than one year				
➤ Joint venture operations		264	-	-
➤ Other		430	-	428
Later than one year and not later than five years				
➤ Joint venture operations		56	-	-
➤ Other		1,722	-	1,712
Later than five years				
➤ Joint venture operations		14	-	-
➤ Other		430	-	428
		2,916	-	2,568
(c) Hire Purchase rental commitments				
Not later than one year				
		15	-	-
Later than one year and not later than five years				
		15	-	-
Later than five years				
		50	-	-
Total minimum hire purchase rentals				
		80	-	-
Less future hire purchase finance charges				
		(14)	-	-
		66	-	-
Hire Purchase liabilities provided for:				
Current	11	10	-	-
Non-current	12	56	-	-
		66	-	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Notes	CONSOLIDATED	THE COMPANY	
	2003 \$'000	2003 \$'000	2002 \$'000

17. CONTINGENT LIABILITIES

Details of contingent liabilities which, although the probability of future payments is considered remote, the directors consider should be disclosed

Controlled entities

(i) Under the terms of a Deed of Cross Guarantee with Macquarie Leasing Pty Ltd, the Company has agreed to become a covenantor with Kimberley Nickel Mines Pty Ltd in regard to indebtedness and liabilities resulting from the hire purchase of mobile equipment.		66	-
(ii) The Company has guaranteed the bank facilities of controlled entities		-	-

Other persons

The Company has entered into agreements with directors and executives of the company for termination benefits on loss of office

	188	-
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18. EMPLOYEE BENEFITS

The aggregate employee benefit liability is comprised of:

Provisions (current)	45	45	12
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Executive unlisted option scheme

The Company has a policy to grant unlisted options over the ordinary shares of Sally Malay Mining Limited to executive directors and executive officers as a performance incentive. Each issue of options to executives is subject to director and shareholder approval. The options are issued for nil consideration and cannot be transferred. The options expiry date is 10 September 2006. As at balance date, 4 (2002: 3) executives were eligible to participate in the executive unlisted option scheme.

Information in respect to the number of options granted under the executive unlisted option scheme is as follows:

	Notes	2003		2002	
		Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Balance at beginning of year	18(a)	450,000	0.350	-	-
Granted	18(b)	750,000	0.380	450,000	0.350
Balance at end of year	18(c)	1,200,000	0.369	450,000	0.350
Exercisable at end of year		225,000	0.350	-	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

18. EMPLOYEE BENEFITS (cont'd)

(a) Options held at the beginning of the reporting period

The following table summarises information about options held by directors and executive officers as at 1 July 2002:

Number of options	Grant date	Vesting date	Expiry date	Exercise price \$
225,000	1 March 2002	1 March 2003	10 September 2006	0.350
225,000	1 March 2002	1 March 2004	10 September 2006	0.350
<u>450,000</u>				

(b) Options granted during the reporting period

The following table summarises information about options granted by the Company to directors and executive officers during the year:

2003

Number of options	Grant date	Vesting date	Expiry date	Exercise price \$
175,000	3 July 2002	18 June 2003	10 September 2006	0.415
175,000	3 July 2002	18 June 2004	10 September 2006	0.415
200,000	18 March 2003	1 February 2004	10 September 2006	0.350
200,000	18 March 2003	1 February 2005	10 September 2006	0.350
<u>750,000</u>				

2002

Number of options	Grant date	Vesting date	Expiry date	Exercise price \$
225,000	1 March 2002	1 March 2003	10 September 2006	0.350
225,000	1 March 2002	1 March 2004	10 September 2006	0.350
<u>450,000</u>				

(c) Options held as at the end of the reporting period

Number of options	Grant date	Vesting date	Expiry date	Exercise price \$
225,000	1 March 2002	1 March 2003	10 September 2006	0.350
225,000	1 March 2002	1 March 2004	10 September 2006	0.350
175,000	3 July 2002	18 June 2003	10 September 2006	0.415
175,000	3 July 2002	18 June 2004	10 September 2006	0.415
200,000	18 March 2003	1 February 2004	10 September 2006	0.350
200,000	18 March 2003	1 February 2005	10 September 2006	0.350
<u>1,200,000</u>				

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	CONSOLIDATED	THE COMPANY	
	2003	2003	2002
	\$	\$	\$

19. REMUNERATION OF DIRECTORS

Income paid or payable, or otherwise made available, in respect of the financial year, to all directors of each entity in the consolidated entity, directly or indirectly, by the entities of which they are directors or any related party:

466,979

Income paid or payable, or otherwise made available, in respect of the financial year, to all directors of Sally Malay Mining Limited, directly or indirectly, from the entity or any related party:

466,979

205,064

The number of directors of Sally Malay Mining Limited whose income (including superannuation contributions) falls within the following bands is:

	No.	No.
\$20,000 - \$29,999	1	1
\$80,000 - \$89,999	1	1
\$90,000 - \$99,999	-	1
\$140,000 - \$149,999	1	-
\$210,000 - \$219,999	1	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	CONSOLIDATED		THE COMPANY	
	2003		2003	2002
	\$'000		\$'000	\$'000
20. REMUNERATION OF EXECUTIVES				
Remuneration received or due and receivable by executive officers of the consolidated entity, in respect of the financial year, whose remuneration is \$100,000 or more, from entities in the consolidated entity or a related party, in connection with the management of the affairs of the entities in the consolidated entity whether as an executive officer or otherwise:	585,346			
Remuneration received or due and receivable by executive officers of Sally Malay Mining Limited, in respect of the financial year, whose remuneration is \$100,000 or more, from Sally Malay Mining Limited or any related party, in connection with the management of the affairs of Sally Malay Mining Limited or any of its subsidiaries, whether as an executive officer or otherwise:			585,346	-
The number of executives of the consolidated entity whose remuneration falls within the following bands is:	No.	No.	No.	No.
\$140,000 - \$149,999	1	-	1	-
\$210,000 - \$219,999	1	-	1	-
\$220,000 - \$229,999	1	-	1	-
21. AUDITORS' REMUNERATION				
Amounts received or due and receivable by Ernst & Young for:	\$	\$	\$	\$
➤ An audit or review of the financial report of the Company and any other entity in the consolidated entity	17,150	25,500	17,150	25,500
➤ other services in relation to the Company and any other entity in the consolidated entity				
(i) financial statements preparation	1,500	3,000	1,500	3,000
(ii) independent accountant's report	-	7,500	-	7,500
(iii) project financing assistance	19,000	-	19,000	-
(iv) tax compliance	47,266	-	47,266	-
	84,916	36,000	84,916	36,000

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	CONSOLIDATED 2003 \$'000	THE COMPANY 2002 \$'000
22. LOSS PER SHARE		
The following reflects the income and share data used in the calculations of basic and diluted loss per share:		
Net loss used in calculating basic and diluted loss per share	1,293	594
	Number of Shares	Number of Shares
Weighted average number of ordinary shares used in calculating basic and diluted loss per share	68,311,985	48,610,895

Options on issue are not considered to be dilutive as the impact of including them would be to decrease the loss per share.

Since the end of the financial year, 28,149,138 ordinary shares have issued pursuant to the raising of \$7.9 million in August 2003 and of the 30 April 2003 Deed of Alliance between the Company and Roche Mining Pty Limited.

23. RELATED PARTY DISCLOSURES

Directors

The Directors of Sally Malay Mining Limited during the financial period were:

- K S Liddell (appointed 2 February 2001)
- P J Harold (appointed 16 March 2001)
- A C Cooke (appointed 2 February 2001)
- M A Bohm (appointed 12 March 2003)

Director related entity transactions

Consulting and field equipment/ administration services provided by Hartree Pty Ltd, a Company in which Mr A C Cooke is a Director, for the period aggregated \$29,800 (2002: \$44,455) and \$18,678 (2002: \$35,977) respectively. These were provided under normal commercial terms and conditions.

Office/administrative services provided by Mitchell River Group Pty Ltd, a Company in which Mr A C Cooke is a Director, for the period aggregated \$11,877 (2002: nil).

Consulting, equipment purchases and office/administrative services provided by Mineral Securities Ltd, a Company which Mr K Liddell is a Director, for the period aggregated \$116,000 (2002: nil), \$52,311 (2002: \$57,406), and \$28,556 (2002: \$39,789) respectively. These were provided under normal commercial terms and conditions.

Consulting services provided by Liddell Associates Trust, an entity in which Mr K S Liddell is a trustee and beneficiary, under normal terms and conditions for the period aggregated nil (2002: \$81,046).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

23. RELATED PARTY DISCLOSURES (cont'd)

Equity instruments of directors

Interest at balance date

Interests in the equity instruments of Sally Malay Mining Limited held by the directors and their director-related entities:

	Ordinary Shares Fully Paid	Ordinary Shares Fully Paid	Options over Ordinary Shares 2003	Options over Ordinary Shares 2002
	2003	2002		
K S Liddell	8,662,669	8,200,000	350,000	-
P J Harold	1,980,159	1,975,000	-	-
A C Cooke	4,743,000	4,456,250	-	-
M A Bohm	-	-	450,000	450,000
	<u>15,385,828</u>	<u>14,631,250</u>	<u>800,000</u>	<u>450,000</u>

K S Liddell is a director and shareholder in Mineral Securities Limited which owns 8,425,532 ordinary shares (2002: 8,000,000) and is a beneficiary of the Liddell Investment Trust which owns 237,137 ordinary shares (2002: nil).

During the year, Mineral Securities Limited and the Liddell Investment Trust acquired 425,532 and 237,137 shares respectively, in a private placement of shares in February 2003. In addition, S J Liddell, the wife of Mr Liddell, disposed of 200,000 shares, on-market. On 3 July 2002, Mr Liddell was granted 350,000 unlisted options at an exercisable price per share of 41.5 cents (see note 18 for further details).

P J Harold is a director and shareholder in Winton Vale Pty Ltd, which owns 1,975,000 (2002: nil).

A C Cooke is a director and shareholder in Hartree Pty Ltd, which owns 93,000 (2002: nil) ordinary shares, and has an indirect interest in Glenlaren Pty Ltd, which owns 2,650,000 ordinary shares (2002: 2,506,250).

During the year, Hartree Pty Ltd and Glenlaren Pty Ltd acquired 93,000 and 143,640 shares respectively, on-market. In addition, Mr A C Cooke acquired 50,000 shares, on-market.

During the year, Mr P J Harold acquired 5,159 shares, on-market. P J Harold has a right to purchase an additional 2 million shares at a price of 1 cent per share from certain existing shareholders on the following terms:

- 1,000,000 shares at the completion of 24 months service; and
- 1,000,000 shares following the finalisation of sufficient financing for the development of the Sally Malay Project.

There have been no other transactions concerning equity instruments during the financial year with Directors and Director-related entities.

Wholly-owned group transactions

Inter-company balances

Inter-company balances are interest free. The aggregate amount receivable from a wholly-owned entity at balance date was \$8,304,000.

Ultimate Parent

The parent entity of the consolidated entity, Sally Malay Mining Limited, is the Ultimate Parent entity.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

24. INTEREST IN JOINT VENTURE

On 2 March 2003, the Company announced that it had signed a letter of agreement in relation to a proposed unincorporated joint venture (The "Copernicus-Salk Joint Venture") with Thundelarra Exploration Ltd ("Thundelarra") on Thundelarra's 100% owned Copernicus and Salk North nickel-copper prospects ("the Prospects") in East Kimberley, Western Australia. Under the letter of agreement, a wholly-owned entity, Sally Malay Exploration Pty Ltd, may earn an interest of 60% in the Prospects by (1) the payment of \$75,000 for the reimbursement of past expenditure, and, (2) contributing \$250,000 on expenditure associated with a bankable Feasibility Study by 7 January 2005. During the year ended 30 June 2003, Sally Malay Exploration Pty Ltd, had expensed \$86,986 in costs in relation to the proposed joint venture.

25. SUBSEQUENT EVENTS

Subsequent to the end of the financial year, the Company and/or its wholly owned entities has announced the following major events:

1. the execution of a Senior Financing Facility;
2. the establishment of the Copernicus-Salk Joint Venture;
3. the execution of a Life-of-Mine Concentrate Sales Agreement;
4. the raising of \$7.9 million from the issue of 27.1 million ordinary shares (refer note 13(c)); and
5. the revision of the \$3 million Feasibility Financing Facility.

Other than the items noted above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

26. FINANCIAL INSTRUMENTS

(a) Terms, conditions and accounting policies.

The consolidated entity's accounting policies, including the terms and conditions of each class of financial asset and financial liability, both recognised and unrecognised at the balance date, are as follows:

Recognised Financial Instruments	Notes	Accounting Policies	Terms and Conditions
(i) Financial assets			
Cash	4,15	Cash on hand and in bank and term deposits are stated at the lower of cost and net realisable value. Interest is recognised in the profit and loss when earned.	Interest bearing deposits have an average effective interest rate of 4.4% (2002:4.6%).
Other receivables	4	Other receivables are carried at nominal amount.	Other receivables are non-interest bearing and have repayment terms between 30 and 90 days.
(ii) Financial liabilities			
Trade creditors	9	Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Company.	Trade liabilities are normally settled on 30 (2002: 30) day terms.
Hire purchase liabilities	11,12,16	Liabilities are for future amounts to be paid in the future (excluding future finance charges).	Hire purchase liabilities have an average effective fixed interest rate of 7.0%.
Borrowings	12	Borrowings are measured at the principal amount.	Borrowings are interest bearing and have repayment terms.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

26. FINANCIAL INSTRUMENTS (cont'd)

(b) Interest rate risk

2003

	Weighted Average Effective Interest	Floating Interest	Fixed Interest	Non-interest bearing	Total
	%	\$'000	\$'000	\$'000	\$'000
Financial Assets					
Cash at Bank	4.4	4,286	-	-	4,286
Receivables		-	-	246	246
Total Financial assets		4,286	-	246	4,532
Financial Liabilities					
Trade creditors		-	-	491	491
Other creditors		-	-	725	725
Hire purchase liabilities	7.0	-	66	-	66
Bank loan	6.3	2,750	-	-	2,750
Total Financial liabilities		2,750	66	1,216	4,032

2002

	Weighted Average Effective Interest	Floating Interest	Non-interest bearing	Total
	%	\$'000	\$'000	\$'000
Financial Assets				
Cash at Bank	4.6	219	-	219
Receivables		-	159	159
Total Financial assets		219	159	378
Financial Liabilities				
Trade creditors		-	205	205
Other creditors		-	182	182
Bank loan	6.7	700	-	700
Total Financial liabilities		700	387	1,087

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

(c) Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date in portion to each class of recognised financial asset, is the carrying amount, net of any provisions for doubtful debts, as disclosed in the statement of financial position and notes to the financial statements.

The economic entity does not have any material risk exposure to any single debtor or group of debtors, under financial instruments entered into by it.

(d) Net fair values

Methods and assumptions used in determining net fair value.

For assets and other liabilities, the net fair value approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form. The Company has no financial assets where carrying amount exceeds net fair values at balance date.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the balance sheet and in the notes to and forming part of the financial statements.

27. SEGMENT INFORMATION

Sally Malay Mining Limited operates in one business segment – mineral exploration and nickel mining development and in one geographical area – Australia.

Additional Shareholder Information

Stock Exchange Listing

Sally Malay Mining Limited shares are listed on the Australian Stock Exchange Limited. The Company's ASX code is SMY.

Substantial Shareholders (Holding Not Less Than 5%)

As at 19 September 2003

Name of Shareholder	Total Number of Voting Share in Sally Malay Mining Limited in which the Substantial Shareholders and its Associates Hold Relevant Interests	Percentage of Total Number of Voting Shares (%)
ANZ Nominees Limited	10,001,584	9.23
National Nominees Limited	8,926,475	8.23
Mineral Securities Limited	8,425,532	7.77
Craig Burton	8,762,500	8.08

Class of Shares and Voting Rights

At 19 September 2003 there were 1,181 holders of 108,417,436 ordinary fully paid shares of the Company. The voting rights attaching to the ordinary shares are in accordance with the Company's Constitution being that:

- a. each Shareholder entitled to vote may vote in person or by proxy, attorney or Representative;
- b. on a show of hands, every person present who is a Shareholder or a proxy, attorney or Representative of a shareholder has one vote; and
- c. on a poll, every person present who is a shareholder or a proxy, attorney or Representative of a shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or Representative, have one vote for the Share, but in respect of partly paid Shares, shall, have such number of votes as bears the proportion which the paid amount (not credited) is of the total amounts paid and payable (excluding amounts credited)."

There are no voting rights attached to the options in the Company. Voting rights will be attached to the unissued ordinary shares when options have been exercised.

Distribution of Shareholders

As at 19 September 2003

Number of Shares Held	Number of Shareholders	Number of Fully Paid Shares
1 – 1,000	11	5,920
1,001 – 5,000	165	573,545
5,001 – 10,000	301	2,692,996
10,001 – 100,000	615	21,319,348
100,001 and over	89	83,825,627
Total	1,181	108,417,436

Listing of 20 Largest Shareholders

As at 19 September 2003

	Name of Ordinary Shareholder	Number of Shares Held	Percentage of Shares Held
1.	ANZ Nominees Limited	10,001,584	9.23
2.	National Nominees Limited	8,926,475	8.23
3.	Mineral Securities Limited	8,425,532	7.77
4.	Sampala Investments Pty Ltd	4,862,500	4.48
5.	AMP Life Limited	4,770,113	4.40
6.	WM Clough Pty Ltd	4,381,250	4.04
7.	Roche Mining Pty Limited	3,195,000	2.95
8.	Cogent Nominees Pty Limited	2,835,692	2.62
9.	Glenlaren Pty Ltd	2,650,000	2.44
10.	Mr Alasdair Campbell Cooke	2,000,000	1.84
11.	Winton Vale Pty Ltd	1,975,000	1.82
12.	Ms Katrina Lee Burton	1,950,000	1.80
13.	Mr Craig Ian Burton	1,950,000	1.80
14.	Allundy Pty Ltd	1,850,000	1.71
15.	WF Asian Smaller Companies Fund Limited	1,724,138	1.59
16.	Yandal Investments Pty Ltd	1,500,000	1.38
17.	RBC Global Services Australia Nominees Pty Limited	1,377,160	1.27
18.	Mr Graham Woolford	1,206,346	1.11
19.	Government Superannuation Office<State Super A/C>	1,034,501	0.95
20.	Muffet Pty Ltd	1,000,000	0.92
	Total	67,615,291	62.35

Unquoted Equity Securities

As at 19 September 2003

Securities	Number of Securities	Exercise Price	Expiry Date	Number of Holders
Options	2,000,000	0.436	16 April 2005	1
Options	2,347,418	0.426	30 August 2005	1
Options	2,659,574	0.282	16 December 2005	1
Options	850,000	0.35	10 September 2006	2
Options	350,000	0.415	10 September 2006	1
Options	4,050,000	0.20	12 September 2006	3

Cash Usage

Since the time of listing on ASX, the entity has used its cash and assets in a form readily converted to cash that it had at the time of admission to the official list of ASX in a manner which is consistent with its business objectives.

Schedule of Tenements

As at 19 September 2003

Project Name	Licence Type	Approval Date	Expiry Date	Area (km²)	Equity (%)
*SALLY MALAY PROJECT					
M80/179	Mining	16 June 1987	16 June 2029	240	100%
M80/180	Mining	16 June 1987	16 June 2029	960	100%
M80/181	Mining	16 June 1987	16 June 2029	960	100%
M80/182	Mining	16 June 1987	16 June 2029	600	100%
M80/183	Mining	16 June 1987	16 June 2029	960	100%

Independent audit report to the members of Sally Malay Mining Limited

Scope

The financial report and directors responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Sally Malay Mining Limited ("the Company") and the Consolidated Entity, for the year ended 30 June 2003. The consolidated entity comprises both the Company and the entities it controlled during that year.

The directors of the Company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the Company and the Consolidated Entity, and that complies with Accounting Standards in Australia, in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's and the Consolidated Entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the Company.

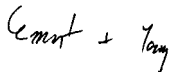
Independence

We are independent of the Company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Audit opinion

In our opinion, the financial report of Sally Malay Mining Limited is in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of Sally Malay Mining Limited and the Consolidated Entity at 30 June 2003 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.



Ernst & Young



V W Tidy
Partner
Perth

Date: 30 September 2003