



SALLY MALAY MINING LIMITED



29 January 2007

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

By e-lodgment

Dear Sir/Madam

COPERNICUS – MINERAL RESOURCE ESTIMATE INCREASES TO 10,600 TONNES NICKEL

- Copernicus Resource increases to 852,000t ore at 1.24% Ni following completion of major RC drill programme
- Copernicus open pit and underground resource now contains 10,600t Ni, 6,100t Cu and 370t Co
- Open pit mining could commence late 2007/early 2008 subject to granting of mining lease and receipt of all statutory approvals

COPERNICUS JV – UPDATED MINERAL RESOURCE

Sally Malay Mining Limited (**ASX Code: SMY**), on behalf of the Copernicus Joint Venture, is pleased to release the Updated Mineral Resource Estimate for the Copernicus Project of 852,000 tonnes at 1.24% Ni containing 10,600t Ni. Copernicus is a small magmatic Ni-Cu-Co sulphide deposit located 35km south of the Sally Malay nickel mine. The Copernicus deposit is hosted by a mineralised pyroxenite unit within a small layered gabbro complex. It outcrops at surface and has been traced continuously down plunge to the north to a vertical depth of 325m where-upon it appears to terminate. Another small isolated zone of mineralization occurs further down plunge between a vertical depth of 400 and 460m.

The Mineral Resource was estimated in conjunction with Resource Evaluations Pty Ltd following the completion of a major RC drilling programme at Copernicus in 2006.

Table 1 - Mineral Resource Summary – Copernicus Deposit December 2006 Estimate (Undiluted, 0.5% Ni Cut-off)

Class	Tonnes	Ni %	Cu %	Co %	Ni Tonnes	Cu Tonnes	Co Tonnes
Measured	373,000	1.13	0.6	0.05	4,220	2,430	185
Indicated	454,000	1.35	0.8	0.04	6,130	3,570	180
Inferred	25,000	1.00	0.4	0.02	250	100	5
Total	852,000	1.24	0.72	0.04	10,600	6,100	370

Notes:

The resource estimate is based on a 3D Surpac block model utilising a block size of 10m NS x 10m EW x 10m vertical with 2.5m x 1.25m x 2.5m sub-cells. The model contains 12 surface diamond holes and 52 surface RC holes, comprising a total of 9,054m of drilling. All holes have been accurately located using DGPS technology and down hole gyroscopic and Eastman survey instruments. Grade interpolation is by Ordinary Kriging (Ni & Cu) and Inverse Distance (Co) techniques using an oriented search ellipse based on the geometry of the mineralisation.

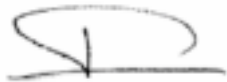
The Mineral Resource is largely classified as Measured or Indicated due to the good continuity of the mineralisation, the adequate drill hole spacing and the confidence gained from QA/QC checks and data validation. A small zone of isolated mineralisation between 400 and 460m below the surface has been classified as Inferred due to uncertainties in continuity of grade and extent.

The termination of the Copernicus mineralisation at 325m below surface coincides with the presence of a second (un-mineralised) younger pyroxenite intrusion which appears to cut and truncate the Copernicus pyroxenite. Down-hole geophysical (electro-magnetic) data from drill holes about this area indicates that the Copernicus mineralisation may have been off-set by this second pyroxenite intrusion. Further drilling is planned in 2007 to test this possible off-set position with the potential for increasing the resource.

The Copernicus Project is a joint venture between Sally Malay Exploration Pty Limited (60%) and Thundelarra Exploration Ltd (40%). Sally Malay is the manager of the joint venture and is currently preparing a Notice of Intent to mine the Copernicus open pit deposit and process the ore through the Sally Malay mill. The Company is in the process of re-optimise the open pit using the latest resource model and undertaking mining studies to determine the Mining Reserve of the underground portion of the resource. This work should be completed during the 1st quarter of 2007. Subject to granting of the mining lease and receiving all necessary approvals mining of the open pit could commence in late 2007 or early 2008.

Yours faithfully,

SALLY MALAY MINING LIMITED



PETER HAROLD
Managing Director

About Sally Malay

Sally Malay is an emerging Western Australian based nickel sulphide producer with two underground mines, Sally Malay (100% owned) in the Kimberley and Lanfranchi (75% and operator), 40km south of Kambalda. In 2006/07 our operations are forecast to produce close to 14,000t Ni (12,700t on an equity basis) and will continue to ramp-up to over 22,000t Ni in 2007/08 (18,000t on an equity basis) assuming the Copernicus orebody is developed in 2007. We have a significant exploration portfolio in the Kimberley and at Lanfranchi and are ramping up our exploration activities in order to grow our resource base and increase the mine life of our operations targeting +10 years at Sally Malay and +5 years at Lanfranchi.

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

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

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