



SALLY MALAY MINING LIMITED



29 June 2007

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

COPERNICUS FEASIBILITY STUDY

- Open Pit and Underground Feasibility Study completed
- Mining Reserve of **784,000t @ 1.1%Ni, 0.67%Cu & 0.05%Co** containing **8,520t Ni, 5,260t Cu and 360t Co**
- NPV of open pit ranges between **\$11-87M** using a nickel prices of US\$20,000-50,000/t and 0.72-0.75 US\$/A\$
- NPV of open pit + underground ranges between **\$7-150M** using same nickel price and exchange rate scenarios
- Latest drilling results indicate the resource is likely to expand and extend at depth

COPERNICUS PROJECT – FEASIBILITY STUDY

Sally Malay Mining Limited (**ASX Code: SMY**) is pleased to provide details of the Copernicus open pit and underground feasibility study for the Copernicus Joint Venture Project (Sally Malay 60% and Thundelarra Exploration Ltd 40%).

Copernicus Feasibility Study

The Copernicus open pit and underground feasibility study was prepared in-house by Sally Malay on the following basis:

Scenario 1 - Open pit only

Scenario 2 - Open pit and directly into underground operations

Mineral Resource & Reserve

As reported in January 2007 the Copernicus Mineral Resource has been estimated to contain 852,000t @ 1.24% Ni (see Table 1).

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	0.66	0.05	4,220	2,460	190
Indicated	454,000	1.35	0.95	0.05	6,130	4,310	220
Inferred	25,000	1.00	0.69	0.03	250	250	10
Total	852,000	1.24	0.81	0.05	10,600	6,900	420

Notes:

The resource estimate is based on a 3D Surpac block model utilising a block size of 10m NS x 5m 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.

A probable mining reserve of 784,000 tonnes grading 1.1% nickel has been estimated for the combined open pit and underground development (see Table 2). The reserve tonnage is included within the reported resource.

Table 2- Probable Mining Reserve Copernicus Deposit - April 2007

Class	Tonnes	Ni %	Cu %	Co %	Ni Tonnes	Cu Tonnes	Co Tonnes
Open Pit	437,000	1.0	0.65	0.05	4,370	2,840	220
Underground	347,000	1.2	0.70	0.04	4,150	2,420	140
Total	784,000	1.1	0.67	0.05	8,520	5,260	360

Notes:

- The open pit reserve is based on a 0.5% Ni resource cut-off.
- The underground reserve is based on a 0.8% Ni cut-off.
- Dilution and ore loss estimates have been applied as considered appropriate for the proposed mining method.

Proposed Development

The Copernicus Feasibility Study assumed;

- Open pit mining to be undertaken by contractor and the ore trucked to the Sally Malay mill for treatment;
- Underground mining to be owner/operator utilising JV owned equipment and Sally Malay personnel;
- Copernicus ore will be batch treated through the Sally Malay mill;
- Copernicus concentrate will be sold to Jinchuan under the same payment terms and conditions as the Sally Malay concentrate; and
- Copernicus concentrate will be produced, stockpiled, trucked and shipped to China separately;

Project Physicals

The Copernicus Feasibility Study (open pit and underground) assumed total production of 784,000t ore grading 1.1% Ni over a four year period with concentrate production commencing in the June quarter 2008. Based on an average metallurgical recovery of 76% for nickel the Copernicus Project (open pit & underground) would produce 6,500t Ni, 4,750t Cu and 220t Co of contained metal in concentrate. A summary of the physicals for both scenarios is shown in Table 3.

Table 3: Copernicus Project Physicals

Copernicus Project	Units	Open Pit	Pit & UG
Production from the mine	DMT	437,000	784,000
Nickel Grade	%	1.0	1.1
Copper Grade	%	0.65	0.67
Cobalt Grade	%	0.05	0.05
Commencement date		January 2008	January 2008
First ore treated		April 2008	April 2008
Last ore treated		June 2010	February 2012
Nickel in Concentrate	tonnes	3,300	6,500
Copper in Concentrate	tonnes	2,600	4,750
Cobalt in Concentrate	tonnes	100	220

Project Economics

The Copernicus Project Economics are summarised in Table 4.

Table 4: Copernicus Project Financials - nickel price scenarios

Nickel Price	Project NPV (8%)	
	Open Pit Only	Open Pit & Underground
US\$20,000/t	A\$11 million	A\$7 million
US\$30,000/t	A\$34 million	A\$54 million
US\$40,000/t	A\$62 million	A\$102 million
US\$50,000/t	A\$87 million	A\$150 million

Notes:

1. Exchange rate assumption of 0.72 to 0.75 over project life
2. All NPVs rounded to the nearest million dollars

Proposed Development Timetable

The proposed development timetable for the project is summarised in Table 5 and assumes that negotiations with the traditional owners related to the Copernicus Project area will be finalised in the next 4-6 weeks. Subject to finalising an agreement with the traditional owners, granting of the mining lease can be expedited and the Notice of Intent to mine the Copernicus Open Pit can be lodged.

Table 5: Proposed Copernicus Development Timetable

Activity	Period
Lodge Miscellaneous License for haul road	September Qtr 2007
Submit NOI and Clearing Application	September Qtr 2007
Issue Open pit and haul road construction & tender	September Qtr 2007
Award open pit mining contract	December Qtr 2007
Mobilise contractor for haul road	March Qtr 2008
Mobilise contractor for open pit	March Qtr 2008
Commence open pit mining and commence treating ore at Sally Malay	June Qtr 2008
Decision point for commencement of underground mining	Mid 2008
Commence underground development (if approved)	Late 2008

Commentary

The Feasibility Study demonstrates that both the open pit and underground operations are economically robust at current prices (US\$35,000/t nickel), however at lower prices (sub US\$20,000/t nickel) the underground operations are more marginal. Given the current high nickel price environment the Joint Venture is keen to develop the open pit and will continue to review the economics of the underground.

Copernicus Exploration Update

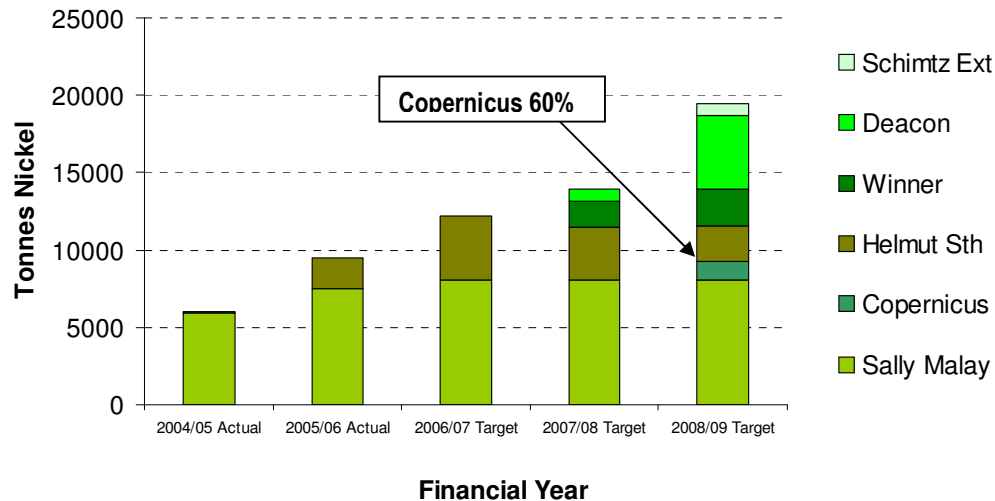
Exploration activities recommenced at Copernicus in June 2007 with three deep (300-450m) RC holes drilled to test the two off-hole electro-magnetic (EM) anomalies identified in 2006. All three holes intersected Copernicus style mineralisation and assays results are awaited. A more detailed exploration update will be provided when assay results are available.

Sally Malay Group Production Target in 2008/09 and beyond

Based on the Company's known resources and reserves, the recent exploration success at Lanfranchi and the continued investment in plant and infrastructure, it is our aim to ramp-up production to over 20,000t Ni contained in 2008/09 (~18,000t on an equity basis). This should be possible with the development of both Copernicus and Deacon. The Company remains focussed on continued growth and achieving the goal of producing 20,000t nickel for the next 10 years.

Sally Malay Group Nickel Production (Equity Basis)

(Sally Malay Project - Nickel in Concentrate, Lanfranchi Project - Nickel in Ore)



Yours faithfully,
SALLY MALAY MINING LIMITED

PETER HAROLD
Managing Director

About Sally Malay

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

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

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.

Information in this report relating to Mining Studies and Ore Reserves has been provided by Chris Williams and Jon Bayley who are full-time employees of Sally Malay Mining Limited.

For further information contact:
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