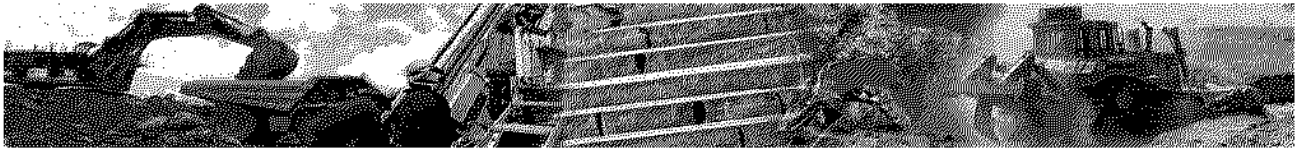


SALLY MALAY MINING LIMITED



7 October 2004

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

Dear Sir/Madam,

By e-lodgment

\$10M CAPITAL RAISING TO ACCELERATE SETTLEMENT OF LANFRANCHI ACQUISITION

- Private placement of 12.5 million shares at 80 cents per share made to institutional investors
- Funds to be used to allow accelerated settlement of Lanfranchi acquisition before end October 2004
- Lanfranchi Project remains on track to produce first ore in December 2004

CAPITAL RAISING

Sally Malay Mining Limited (**ASX Code: SMY**) ("Sally Malay") is pleased to announce that irrevocable commitments have been received by its placement manager from institutional investors for the placement of 12.5 million new fully paid ordinary shares at \$0.80 per share, to raise \$10 million, before costs. Once issued, the shares will rank pari passu with the existing ordinary shares on issue. No shareholder approval is required for this issue and the funds raised from the placement will be used for the Lanfranchi acquisition, as detailed in this announcement.

The placement was managed by Argonaut Securities Pty Ltd and made to a number of local and overseas based institutional investors, some of whom are already shareholders in the Company. The raising demonstrates the level of interest from the investment community in Sally Malay and reflects the strength in the nickel market and the rapid progress of the Company from explorer to substantial nickel producer. The Company has recently announced the successful commissioning of the Sally Malay Project and first concentrate shipment to China and with the share placement the Company is well placed to complete the acquisition of its 75% interest in the Lanfranchi Project.

LANFRANCHI PROJECT

Sally Malay and Donegal Resources ("Donegal") entered into a conditional agreement with WMC Resources Limited ("WMC") in June 2004 to acquire the Lanfranchi Nickel Mine and the associated Tramways Tenements ("the assets"). The assets will be held in the Lanfranchi Joint Venture ("LJV"), an unincorporated joint venture between Sally Malay (75%) and Donegal (25%).

The LJV has identified a JORC compliant Mineral Resource of 3.65Mt at 2.02% nickel (73,873t contained nickel), including an Indicated Resource of 2.43Mt at 2.25% nickel (54,706t contained nickel) and a JORC compliant Probable Ore Reserve on three of the orebodies that totals 997,540t at 2.77% nickel (27,597t contained nickel) as shown in Figure 1.

Figure 1: Lanfranchi JORC Classified Probable Ore Reserves

Deposit	Ore dmt	Nickel Grade %	Nickel Tonnes
Helmut South	772,944	2.65	20,512
Winner	98,788	3.98	3,931
Lanfranchi	125,807	2.51	3,153
	997,540	2.77	27,597

The acquisition was conditional on the LJV obtaining bank financing, however with this capital raising the Company is now in a position to accelerate the settlement of the acquisition prior to bank financing being finalised. The plan is to settle the acquisition on or before the 29 October 2004, which will give the LJV immediate access to the mine and existing infrastructure and allow commencement of pre-mining activities ahead of the re-commencement of mining in December 2004.

UPDATED PRODUCTION PROFILE

The updated production profile is shown in Figure 2:

Figure 2: Proposed Production Profile

Deposit	Calendar year	2004	2005	2006	2007	2008	2009	Total
Ore Delivered	dmt	2,500	156,542	347,959	250,380	204,891	35,268	997,540
Grade	%	2.21	2.55	3.11	2.73	2.47	2.36	2.77
Contained nickel	dmt	55	3,999	10,811	6,831	5,069	832	27,597
Contained nickel (Donegal 25%)	dmt	14	1,000	2,703	1,708	1,267	208	6,900
Contained nickel (SMY 75%)	dmt	41	2,999	8,108	5,123	3,802	624	20,697

PROJECT FINANCING

AMC Consultants has completed its technical due diligence report for the financiers and revised offers are expected to be received from all interested parties by late this week. Project Financing should be completed before the end of November 2004, however it is no longer a condition precedent to settlement of the acquisition, which should enable the LJV to be in production during December as originally planned.

Yours faithfully,
SALLY MALAY MINING LIMITED



PETER HAROLD
Managing Director

The estimation of the Helmut South, Winner and Lanfranchi Resource figures was carried out by Allan Miller of Golder Associates. The Reserve figures for the Helmut South and Winner deposits were calculated by Ian Glacken of Snowden Mining Industry Consultants with assistance from Darryl Mapleson of BM Geological Services. The Reserve figures for the Lanfranchi deposit were calculated by Darryl Mapleson of BM Geological Services. All the above named individuals satisfy the requirements of a Competent Person as defined in the JORC Code (1999) and consent to the release of information in the form in which it is presented.

For further information please contact

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