

**METALLICA MINERALS LIMITED**  
**CHAIRMAN'S ADDRESS PRESENTED TO ANNUAL GENERAL MEETING**  
**11.30 am Thursday 17<sup>th</sup> November 2005**

Ladies and Gentlemen,

It is my pleasure to welcome you to Metallica Minerals Limited's (Metallica) first Annual General Meeting since we listed on the Australian Stock Exchange in November 2004. If you have been following our regular ASX and press releases you will know that we have been extremely active on many fronts this year.

We have just this week completed a major drilling programme comprising 157 drill holes to upgrade our nickel/cobalt laterite resources and results of this program will be released in coming weeks. This latest programme on our flagship North Queensland Nickel Cobalt (NORNICO) project is expected to considerably increase our current resources base of 87,500t of contained nickel towards our mid 2006 resource target of 200,000t of contained nickel. This resource base and favourable metallurgical results received to date will form the platform for the proposed development of a low capital, high margin, and long life (20 year) nickel production strategy using Heap Leach processing.

As indicated in the recently distributed Annual Report, Metallica successfully raised \$3.15 million in November 2004 and in April 2005 followed up with a private placement to Anegada Metals Corp of \$1.86 million making them our largest single shareholder at 13%. Anegada has appointed experienced engineer Mr Brett Smith as Anegada's nominee to the Metallica Board.

While we have been active during the year in advancing our various projects we still have a reasonably healthy cash reserve, in excess of \$2.3 million.

The company under the leadership of Managing Director Andrew Gillies has been very active in advancing the development of our multi-commodity portfolio. The current status of the various projects is summarised as follows:

#### **NORNICO**

- Metallica signed a formal Joint Venture (JV) option agreement with BHP Billiton in August to farm-in to MLM's NORNICO North tenements (excluding known nickel laterite deposits) principally seeking nickel sulphide deposits.
- In October, Metallica and the BHP Billiton JV completed an airborne electromagnetic (EM) and magnetic survey over major parts of the NORNICO North-Burdekin JV area and over Metallica's NORNICO South and the Prospect project areas. Our geological team informs me that due to the excellent geological setting being largely under explored and the lack of modern exploration over our large tenement holdings, the prospectivity for nickel laterite, nickel-copper-platinoid sulphides, gold and other metals is encouraging and exciting. The imagery and priority targets generated from these surveys should become available in the next week or so.
- We have achieved significant progress with our Heap Leach nickel testwork on NORNICO ores. To date 40% of the nickel available has been extracted from Minnamoolka ores in approximately 3 months which is in accordance with our expectations. This provides a high level of confidence that we will achieve the expected final nickel extraction of over 70% within a nine month leach cycle.
- Following recent drilling at Lucky Break we have identified additional mineralisation and our resource base target is now approaching one million tonnes which could be sufficient for a proposed 4-6 year mine life. We have applied for a mining lease over the main resource and commenced a scoping study. In addition we have in place a JV with Metals Finance Corp. (MFC) for a feasibility study and the development of a demonstration heap leach nickel operation. This will be funded initially by MFC. Lucky Break Heap Leach Project (NORNICO Stage 1) is planned to form a major part of the feasibility of the much larger NORNICO Stage 2 (~10,000 t Ni pa) Heap Leach nickel operation.

#### **Bauxite**

We have (through our 50% owned associate Cape Alumina Pty Ltd) recently increased our tenement application holdings in the Weipa-Aurukun bauxite province by acquiring Sigma Kaolin Limited (and

its subsidiary Norkay Pty Ltd). Cape Alumina now holds 16 EPM applications covering extensive bauxite deposits along a 250 km coastal strip centred on Weipa. The tenements are adjoining and along strike of the world-class bauxite reserves and mining operations within the Alcan and Comalco mining leases and the Aurukun bauxite deposits. Cape Alumina is currently negotiating access to the areas with relevant Native Title claimants and aboriginal land trusts and anticipates gaining access for exploration during the 2006 dry season. Cape Alumina has also completed an independent desk-top scoping study into mining, beneficiation, haulage and shipping of bauxite for FOB sales.

### **Coal**

Our agreement with InterCoal Ltd to progress our coal projects unfortunately had to be terminated in June due to circumstances beyond the control of either company. Metallica is in the process of bringing its 100% held thermal coal assets, which now include Kingaroy, Condamine and the newly acquired Injune and Bymount coal projects under the umbrella of a new coal exploration and development company - MetroCoal. We have accumulated a large coal exploration tenement position in the Surat coal basin, with known coal resources and with steaming coal prices at attractive levels we are confident that we can realise value from these assets during the coming year.

### **Scandium**

During the year our JV partner Straits Resources Ltd (Straits) carried out further drilling at the Kokomo scandium deposit and added substantially to the scandium deposits size and its potential. Their work showed that the high grade scandium zone along the eastern margin of the ultramafic is approximately 1.7 km long with significant additional strike potential remaining on both Kokomo western and eastern fault margin zones. Further drilling and evaluation is planned by Straits for early 2006.

### **Limestone**

Metallica holds several high quality and strategically located limestone deposits (Boyne and Fairview) near Gladstone, and the Star deposit (near Townsville). We will be applying for two mining leases at Boyne to secure this large and valuable resource in preparation for marketing and future development.

### **Gold and Other Minerals**

Regional exploration is on-going on all our other mineral projects.

At **Texas – Warwick**, rock chip sampling and geological mapping has generated interesting silver-gold and copper anomalies which require detailed follow-up, including drilling.

At **Prospect**, airborne EM and magnetics covering 477 line kilometres has been flown and this data is now being modeled and assessed to identify drilling targets.

At **Six Mile and Kokomo gold projects**, Straits have identified 9 drill targets which require testing and a 2,280m drilling programme is currently being planned by Straits.

At **Sandy Creek**, Metallica signed a JV with Glengarry Resources Limited (Glengarry) in October, allowing Glengarry to acquire 80% of the uranium rights only for the Sandy Ck EPM. Sandy Creek is located immediately east and south of Glengarry's wholly owned Oasis uranium prospect and radiometric data indicates a strong radiometric anomaly, coincident with the Oasis uranium mineralisation and several other similar radiometric anomalies are unexplained and unchecked within Metallica's adjoining Sandy Ck tenement and JV area.

In May, Mr Rod Siller resigned from his position as director. Rod had been a director of MLM since 2001 and we thank Rod for his support and contribution to Metallica, particularly during some challenging times in Metallica's evolution and his input during this time has been greatly appreciated.

We look forward to the coming year with great enthusiasm as we continue to progress and develop our various projects. On behalf of the Board I would like to thank you for your continued support and also to acknowledge the efforts of Andrew and his dedicated team.

I believe that we are focused on the evaluation and development of our core projects which have excellent potential to increase shareholder value and the opportunity to build a major diversified resource development company in Queensland.

David K Barwick – Chairman 17.11.05