



METALLICA MINERALS LIMITED

Subsidiary Companies: QLD Gold Pty Ltd ACN 085 384 045 - Orisone Australia Pty Ltd ACN 071 762 484
Cape Alumina Pty Ltd ACN 107 817 694 - Metropool Limited ABN 45 117 783 443 - SE QLD Energy Pty Ltd ACN 112 045 708 - SE QLD Coal Pty Ltd ACN 114 028 195

ASX Code: MILM

The General Manager
Adjudication Branch
Australia Competition & Consumer Commission
DICKSON ACT 2602

By facsimile: 02 8243 1211

Attention: Scott Gregson/Sharon Clancy

APPLICATIONS FOR AUTHORISATION A91009 AND A91001 DRAFT DETERMINATION ISSUED ON 2 NOVEMBER 2006

Metallica Minerals Limited ACN 078 696 092 through its wholly owned subsidiary SE QLD Energy Pty Ltd 112 045 708 ("SE QLD") is the holder of exploration permit EPC 882, which includes the Taabinga Coal Resource situated 25 kilometres to the north of the Tarong power stations, in the Tarong Basin.

We confirm that we are interested parties in respect of the above applicants as outlined in our letter of 22 November 2006 from our solicitors, Hopgood Ganim.

As outlined in the letter of 22 November 2006, we confirm that:

- SE Qld has previously been in preliminary discussions with Tarong in relation to the supply of coal from EPC882 to Tarong;
- Tarong's materials submitted to ACCC, as far as SE Qld is aware, did not make reference to the above discussions; and
- Given the proximity of EPC882 to the Tarong Power Station and these discussions both Metallica Minerals Limited and SE Qld is of the view that it is an interested party in respect of the above application.

We also believe the draft determination is against the public interest, and the interests of Metallica Minerals Limited and SEQ, as:

- SE QLD has a 196 million tonne JORC compliant measured and Indicated resource of coal, only 25 kilometres from the Tarong power stations, and given this, it is believed there would be at least 50 million tonnes of high margin extractable coal which should be able to be supplied at a lower price to Tarong given the fact that the SE QLD resource is much closer to Tarong. Tarong have attempted to exclude SE QLD as a possible supplementary supplier by setting unreasonable timelines on SE QLD (by requiring an expression of interest and data by February 2006-refer to attached correspondence), whereas it continued to negotiate with New Ackland, and also to evaluate the adjacent Kunioon Deposit which it has under option from Rio Tinto to this day. It even appears that Tarong are funding the evaluation of the Kunioon Deposit, whereas no such offer was made to SE QLD.
- SE QLD believes it could be a competitively priced supplier to Tarong as well as added resource security, and that by Tarong electing to negotiate with New Ackland, it is prejudicing the public interest in that a Government Owned Corporation will earn less profit, and therefore not be in a position to pay as large dividends to the taxpayers of Queensland. Alternatively, electricity consumers could be prejudiced by paying higher charges than would otherwise be the case.

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- The SE QLD Resource would result in employment and other substantial economic benefits in the Kingaroy area, whereas the New Ackland proposal would benefit the area around that mine. The SE QLD resource does not have access to the infrastructure that New Ackland has for export (or will have once the recently announced Surat railway is completed), and therefore the New Ackland option has an alternative market which is not available to SE QLD. Therefore if Tarong utilises the New Ackland option, there is no alternative market readily available to SE QLD, and the Kingaroy region will definitely be disadvantaged by having its potentially highly economic coal deposits stranded due to a 25 year term contract between Tarong and one supplier.
- The New Ackland deposit is a greater distance from Tarong than the SE QLD resource, and transport of the New Ackland Coal is therefore against the public interest as there is far more potential for disruption of landholders, businesses and other interested parties in the transport corridor between New Ackland and Tarong, as well as involving a higher economic cost in terms of transporting the New Ackland coal.

SE QLD believes Tarong has a demonstrated anti-competitive record based on its dealings with Tarong, and Tarong's failure to consider or even mention SE QLD in its ACCC submission is further evidence of this, and indicates that the Tarong Agreement regarding New Ackland is also anti-competitive and against the public interest, and requires a further and full examination by the ACCC.

MLM and SE QLD believe that in order to be acting in the public interest, and in a truly fair and competitive way, Tarong should have a transparent tender process where all parties who are able to potentially supply base load or supplementary fuel supply, are allowed to participate in this tender process. Tarong's current approach seems to be directed toward excluding interested parties contrary to the public interest.

One would assume that if a party operated a power station without it's own local fuel supply, one would keep open all fuel supply options open in order to ensure a secure supply of coal at the most competitive price? Tarong actions seem to be contrary to this basic logic by entering into a 25 year non-tendered contract at an undisclosed price.

Yours truly,



John Haley
Director

Metallica Minerals Limited/SE QLD Energy Pty. Ltd