



## Helix Resources Limited

A.C.N. 009 138 738 Incorporated in Western Australia

### Chairman's Address 10<sup>th</sup> November, 2003

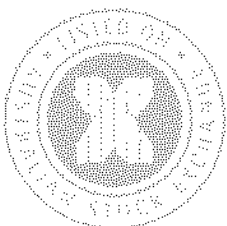
At the Annual General Meeting last year, I expressed, what must have been all our disappointments, that the Munni Munni platinum group metals deposit would not proceed to feasibility, owing to a collapse in the price of palladium, the principal metal in the deposit. At that time we believed that we could retain what had been our corporate focus as a platinum explorer.

World demand for platinum and palladium totals something like 500 tonnes per year, versus some 4,000 tonnes for gold. The demand for gold, principally for jewellery, is 3,400 tonnes, compared with a jewellery use of 105 tonnes of platinum and palladium. Whilst the sale of platinum for jewellery purposes is rising strongly, creating a platinum price, currently over US\$ 750, an all time high, palladium, a more industrial metal, has a price which languishes near US\$210. Autocatalysis, the principal use of palladium, was slashed, and substituted for, when prices reached absurd levels in the late 1990's. Munni Munni, with 60% palladium and 40% platinum, remains poorly placed, and with a rising Australian dollar, the in ground value is only half that of 2001.

In my commentary last year, I remarked that, because the world relies on Southern Africa and Russia for the supply of 90% of these metals, that it was only a matter of time before metal prices climbed, or their currencies became worthless. The remarks could also have been applied to gold, where South Africa and Russia produce 22% of world supply. Metal prices have risen strongly over the past year, though unhappily, not palladium, and currencies have strengthened a great deal

Compared with the other precious metals, gold and silver, the platinum group metals must be considered a boutique group, and the Board had to decide in the year just past, could we remain uni-focussed on platinum group metals or was there another arena in which we had a competitive advantage?

The Company has maintained an interest in gold, and in 1994 made a significant gold discovery at Glenburgh, and in 1996, a major new gold discovery on the Gawler Craton at Tunkillia. Over the years we had used Glenburgh in joint ventures, but had regained 100% ownership. By the continuance of modest expenditure at Tunkillia, when AngloGold had lost their initial enthusiasm, we had regained a 51% ownership. AngloGold had demonstrated a global resource of 600,000 ounces of gold, and as a first step, we elected to buy out their interest. It was a \$1.5 million transaction, including a deferred payment of \$500,000 upon definition of a mineable reserve of 350,000 ounces of gold. Recent drilling would indicate this target will be achieved. Glenburgh has also been upgraded



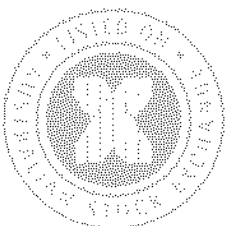
following the decision to focus on gold and prepare the Company as a gold producer, in gold we have a competitive advantage with demonstrated ounces in the ground, and in a rising gold market.

Is the rising gold market just a flash-in-the-pan as seem to have been the case at Munni Munni, when having prepared the company for production, the prices collapsed? I think not! Gold is by no means a boutique commodity, widely produced and freely traded. Its price is set now in US\$. As I have said on this and other platforms, the value of the US\$ is what we decide it to be. There is nothing against which it is measured. It is a matter of perception, driven by the US economy and its needs, as the Western, and indeed the whole world's industrial power house.

The US has become the world's greatest debtor nation, and in the world debt, is becoming cheaper. When debt is cheaper than the cost of equity capital, there is imbalance in the world economy. Japan, the world's second largest economy, has a banking system in chaos, and with huge debt, is possibly already bankrupt. Interest rates in Japan are close to zero. In Europe, the other large trading bloc, interest rates are under pressure as its economy slows. For the time being, funds will flow towards the higher interest regions in Europe and Australia, increasing pressure on the US\$ with already mighty current account and budget deficits. The US with its 1% interest rate can hardly drop much further, and this itself distorts a world which uses dollars. Cheap debt means soaring indebtedness, and when the music stops, and people will no longer lend to governments to finance its debt, because the bond rates are too low, then inflation will be seen as a strategy, and the money printers will have a party. All this uncertainty can only support major increases in the price of gold. The gold now being mined is not going into the vaults of the Central Banks, it is being fabricated into beautiful objects, because there is a perception that, unlike much commercial paper, these objects will give pleasure and have lasting value.

During the last twelve months, the price of gold in US\$ terms has increased by 21%. The Australian dollar, in the same period, has increased in value against the US\$ by 28%, the Canadian \$ by 21%, and the South African Rand by a massive 46%. South Africa, Australia and Canada together contributed over 30% of the world's gold production in 2002. Whilst the value of gold in Australian dollar terms, has fallen from \$563 - \$538, a fall of 4.5%, the value of gold in Rand terms has fallen by over 17%. As South Africa still contributes over 15% of the world's gold supply, such a downward pressure on price, can only reduce further their gold production. The continued shrinking of South African production as the world's largest producer, can only further assist the rising gold price.

Australian gold production has fallen from its 1997 peak of 314 tonnes to 264 tonnes in 2002, a drop of 16%. How has this come about? Is there a perception that exploring and producing gold is a waste of time? John Bowler, MLA, Member for Eyre, in the Ministerial Inquiry which he chaired into Greenfields Exploration in Western Australia, observed, and I quote "Many large established mining companies no longer regard frontier or greenfields exploration, as something which is worthwhile for their shareholders". There is a notion that everything that is worthwhile has been found. This is untenable, when in Southern Spain, where mineral exploration and mining has been carried out for far more than 2000 years, a new major European nickel copper deposit at Aguablanca is expected to be commissioned early in 2004, producing annually, some 8,000 tonnes of nickel, 5,000 tonnes of copper, and 20,000 ounces of platinum group metals. This is a pristine discovery. Going over even well prospected ground, can be a worthwhile activity for shareholders!



Helix has focussed on the right commodity at the right time. The Company must now be seen in a period of transition, as it makes its journey from a platinum explorer to a gold producer. It expects to bring its Tunkillia and Glenburgh Projects to production, and is actively seeking other gold projects for acquisition, based on the assumption that gold is the commodity in which to invest, explore and develop mining opportunities.

As the Company progresses with the transition from exploration to mining and exploration I have advised the Board that it is my intention to retire as your Chairman in early 2004. I will assist the Board in the determination of the future Board structure appropriate for our emerging production profile.

Because we issued shares pursuant to a Share Purchase Plan, and shares and options to AngloGold in July 2003, the Company's capacity to issue additional securities has been reduced. We seek shareholders approval to restore the ability to issue up to the 15% threshold, so that, if necessary, we can respond quickly to any new opportunity that may present itself for acquisition.

Shareholders may remember that the Directors and senior management accepted a 25% cut in remuneration, with effect from 1<sup>st</sup> January 2003, as a consequence of Munni Munni not proceeding. You may remember also, that the Executives had, as part of their remuneration package, options with an average exercise price of \$1.00. The Remuneration Committee has recommended the cancellation of these options, and as an incentive, new options be granted at an average exercise price of 46 cents. According to Black-Scholes Option Pricing Model, these options would have a value of less than \$200,000. In the opinion of the Board, this is an appropriate incentive to encourage your skilled management team, and I recommend it to shareholders.

To conclude, I have thoroughly enjoyed my eight years as your Chairman, and I know that I leave the Company in good hands to complete the transition from explorer to gold miner. It is my wish to leave during the first quarter of 2004. I would like to place on record my gratitude to my colleagues on the Board, and the Management team, for their support over the years; we have travelled a long way.

Finally, I would like to thank shareholders for their support, and it is my expectation that the best is yet to come.

Thank you

