

Terramin Australia

AUD \$0.430

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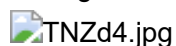
HIGH**B**

Angas project continues to grow

Terramin Australia is an emerging zinc producer that is rapidly progressing development on its advanced, flagship Angas Zinc Project in South Australia. The company is also accelerating evaluation work on a second project, Menninnie, which ranks as the largest known lead-zinc and silver deposit in South Australia. Zinifex, the world's biggest zinc producer, is funding a multi-million dollar exploration and evaluation program to earn a 70% stake.

"Angas is significant because of its size and grade, and because of its exploration potential has the capacity to be a robust new source of zinc concentrate. Zinc concentrates are in strong demand worldwide by smelters."

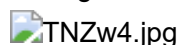
Angas is an advanced, unmined zinc and silver-lead deposit that was discovered in 1991 by Aberfoyle, but was deemed not large enough to warrant development. Terramin Australia took a different view and, after acquiring the leases in 1997, commenced an intensive drilling program to further define the mineral reserves. Approximately \$9 million has been spent on the project to date, including the finalization of a \$3 million mining feasibility study, which is due for completion in January 2006.



Resource integrity on the Angas deposit is high, with a comprehensive drilling database of more than 320 holes having established a JORC-compliant Indicated zinc and silver-lead Resource of 3.04 million tonnes grading 8.0% zinc, 3.1% lead, 34 g/t silver, 0.5 g/t gold, and 0.3% copper.

The first reserve estimate at Angas was calculated early in 2005, measuring 890,000 tonnes grading of mineralisation at a 6% cut-off grade, however an update reserve was announced in early December that more than doubled the figure to 2.2 million tonnes at a 4% cut-off grade. Importantly from a development perspective, this figure surpassed the target of 1.8 million tonnes that was necessary to support a mining decision. The upgraded reserve totals 2.17 million tonnes grading 8.3% zinc, 3.1% lead, 0.3% copper, 33g/t silver and 0.5g/t gold.

Although the deposit lies close to surface, mining will be undertaken by underground methods due to the steeply-dipping nature of the orebody. The underground mining widths have been increased from 7 metres in the pre-feasibility study to 9 metres in the current reserve estimate, boosting the tonnage per vertical metre. With more than half of the ore reserve in the top 150 metres of the orebody, the company estimates that this will significantly lower mining costs.



Full feasibility sign-off on the project is expected in January 2006, with Roche Mining due to complete its mine design studies during December. Metallurgical testwork indicates that a simple jaw crusher-SAG mill and conventional two-stage flotation flow sheet is technically feasible, minimizing costs and risk.


Angaslocation.jpg

The project is now on track for production and based on the revised reserve estimate will comfortably support a seven-year mining operation, based on a zinc with substantial gold and silver credits. There is significant resource upside as the current reserve estimate does not include any drilling below 340 metres depth, and we are confident of an eventual doubling of mine life. The resource remains open at depth and two rigs are drilling targets below and around the orebody to extend mine life.

Production will be sold to Sempra Metals & Concentrates, who have contracted to take all of the Angas concentrates and are working on the best options for processing of the gold and silver mineralisation.

In terms of project development, development and working capital costs are estimated at around \$42 million, with the project expected to be funded entirely by debt with no equity component. The company has the support of its key shareholders Sempra and Macquarie Bank with a combined 10% stake, while the world's biggest zinc producer, Zinifex, is a 20% shareholder in subsidiary Menninnie Metals.

Annual ore throughput at the Angas mine, when fully operational from early 2007, is expected to ramp up to 400,000 tonnes, producing at its peak 65,000 tonnes of zinc and 16,000 tonnes of silver-lead concentrate. The start-up construction and working capital of the Angas project is estimated at \$42 million. The project is expected to generate gross revenues of about \$100 million a year at current zinc prices and net cashflows of \$20 million annually.

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Terramin's second project is its Menninnie Zinc Project, located on South Australia's northern Eyre Peninsula and about 160km west of the lead smelter at Port Pirie. The project encompasses the largest known lead-zinc and silver deposit in South Australia, with almost equal proportions of lead and zinc, plus extensive copper targets in the south.

Substantial drill intersections over a 6km strike length have already confirmed the significance of this mineralisation, estimated to have a 20 million tonne envelope in the central area alone, as well as potential for other much larger orebodies.

Resource definition of the lead-zinc-silver deposits is to be fast-tracked under a heads of agreement between the company and Zinifex Resources. The agreement will see up to \$8 million spent on the project to earn a 70% stake.

Terramin represents a growth company with two key zinc projects. There are relatively few emerging zinc producers on our market, which enhances its appeal. With zinc prices trading strongly and likely to continue to do so, the company will be able to take advantage of the current window of opportunity, with mining expected to commence in the second half of 2006 and first concentrate sales anticipated in the first quarter of 2007. **We recommend Terramin Australia as a buy to all Members around 43 cents.**

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Snapshot Terramin Australia

Terramin Australia

Terramin is an emerging base metal producer through the development of its three lead and zinc projects. Its advanced projects total more than 58 million tonnes of resources that contain nearly 4 million tonnes of lead and zinc. All of its projects are distinguished by high grades in proximity to quality infrastructure such as ports, roads, water and power. Its projects in Australia and Algeria are on track to produce more than 300,000 tonnes of zinc and lead metal in concentrate annually. The first, Angas, in South Australia commenced production in late 2008 and ramped up to full production in February 2009, whilst the much larger Tala Hamza project in Algeria will produce ten times as much metal beginning in 2011.

Market Capitalisation:\$20m

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