



ASX Shareholder Report

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*Terramin is a
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TERRAMIN CALLS ON SA GOVERNMENT FOR

ACTION ON MINE PROJECT APPROVALS

ASX-listed Terramin Australia Limited has called on the SA Government to promptly finalise all remaining approvals for the Angas Zinc Project after today announcing the completion of a feasibility study which gives the \$63 million mine the financial green light.

Executive Chairman, Dr Kevin Moriarty, said a final feasibility study for the proposed zinc mine, located near Strathalbyn, confirmed the strong financial viability of the project.

“Terramin is in the starting gate with a project that will contribute tens of millions of dollars annually to the State’s economy and generate several hundred jobs,” Dr Moriarty said.

“It is now up to the State Government to clear the remaining regulatory hurdles with prompt approval of the mining lease required for us to get on with the job,” he said.

Dr Moriarty announced that Terramin had no difficulty accepting all 105 requirements that had recently been put forward by the State Government following six months of public consultation. The Government’s requirements included the adoption of a ‘zero discharge’ policy that will ensure no processing water leaves the site (see further details below).

“Terramin has listened to the community and acted on genuinely-held concerns from residents in the region,” Dr Moriarty said.

“Our design has always aimed at ensuring that any potential noise, dust, odour and traffic impacts will be at levels that will be undetectable by Strathalbyn township residents.

“Terramin welcomes the formation by the State Government of the Community Consultative Committee and looks forward to working closely with the Committee in the future construction, development and implementation phases of the project.

“We are now at the point where our feasibility study is being considered by two leading bankers, and we are confident we can raise the debt needed to finance this 21st Century project.

(more)



“Terramin has also taken options over the major pieces of equipment that will be required for the mine.

“If there are delays in receiving the mining lease, our construction and production timetable will be compromised.

“Terramin will outlay \$27 million a year in operating costs like wages and services, many of which could be supplied by small business in the region.

“The mine will create 70 jobs directly – for which we get daily enquiries from the public – but the spin-off effect will take the total number of jobs generated closer to 300.

“There are a lot of people who are keen to see the Angas Zinc Project get underway, we have had lots of job applications from the area,” he said.

Terramin enhances mine design:

Central to the enhanced plan is the manner in which the surface water, process waste (tailings) and rock waste will be managed.

The refinements by Terramin include:

- Adopting a ‘zero discharge’ policy by ensuring no contaminated water will leave the site
- Lining the base of the Tailings Storage Facility with impermeable, heavy plastic
- Thickening the tailings material by removing most of the water before the tailings enter the storage facility
- Recycling water to reduce the use of mains water for processing
- Monitoring of rainwater tanks at nearby residences
- A baseline study of adjacent houses to ensure no impact from blasting
- Strict operating time and routing conditions on truck movements.

“Terramin’s revised plan will further strengthen the environmental integrity of the Angas Zinc Project and ensure that this 21st Century project does not impact adversely on the social amenity of the Strathalbyn region. In fact it will enhance the social and economic character of the region,” Dr Moriarty said.

“In an environmental sense, the Angas site will actually be less contaminated by heavy metals than the natural levels in the surrounding landscape and waterways,” he said.

(Full details of the revised plan are attached).



Feasibility study confirms viability:

The feasibility study for the Angas Zinc Project confirms earlier capital cost estimates of \$63 million for the mine that will produce 319,300 tonnes of zinc concentrate and 122,300 tonnes of lead-copper concentrate over its seven year life.

The project is estimated to have a zinc breakeven cash cost (after credits) of US 17 cents a pound and a zinc breakeven total cost (after credits) of US 32 cents a pound, compared with the current zinc price of US\$1.75 per pound.

Key estimates of the financial performance of the Angas Zinc Project, based on forecasts by Macquarie Bank (MBL) and investment bank UBS, and included in the feasibility study, are outlined in the following table.

	<i>MBL</i>	<i>UBS</i>
<i>Internal Rate of Return</i>	<i>39%</i>	<i>51%</i>
<i>Payback period</i>	<i>32 months</i>	<i>30 months</i>
<i>Initial capital (pre-production plus six months of underground development)</i>	<i>\$63.3 million</i>	<i>\$63.3 million</i>
<i>Maximum cash outflow</i>	<i>\$61.2 million</i>	<i>\$58.0 million</i>
<i>Net Present Value at 8 percent discount rate</i>	<i>\$54.7 million</i>	<i>\$67.1 million</i>
<i>Net cash (after finance before tax)</i>	<i>\$78.8 million</i>	<i>\$94.7 million</i>
<i>EBITDA 2007</i>	<i>\$8.5 million</i>	<i>\$17.0 million</i>
<i>EBITDA 2008</i>	<i>\$55.1 million</i>	<i>\$69.6 million</i>



Executive Summary of Terramin's planning after consultation

Zero Discharge Policy: No process water or tailings will leave the site.

The regional landscape and waterways have high levels of heavy metals owing to them occurring naturally in the soils and rock. There is no evidence that these have caused any health problems. The Angas operation will process relatively inert forms of metals, nevertheless all water involved in processing operations will be contained on site. Specially engineered drains will be constructed to capture run-off water which will be returned to the processing plant.

Storm water will be directed around the processing plant and the Tailings Storage Facility (TSF) by constructed drains and walls (or bunds) and, therefore, will not come into contact with processing operations or tailings. This water will leave the area as it does now but will be monitored to ensure the water quality is consistent with normal run-off.

Terramin's plant design is based on, and will handle, a one-in-100 year weather event of five days of rainfall totalling 220 millimetres.

Safely storing tailings: An impermeable liner has been added.

In a major design refinement, Terramin has elected to line the base of the Tailings Storage Facility with heavy duty plastic to prevent seepage. This will ensure no tailings material enters the groundwater or river systems in the area.

In another significant improvement, Terramin has decided to thicken the tailings. The resulting material will be equivalent to 70% solids. As such, the potential movement of any tailings will be reduced to almost zero in the extremely unlikely event of a catastrophic breakdown in the TSF retaining wall. The thickened tailings process will also reduce the amount of fresh water required in the project's processing plant. Terramin is planning to minimise water use from the mains supply for processing activities with recycled process water and from mine dewatering.

The effectiveness of the TSF's retention of tailings will be monitored through bores to assess groundwater quality.

Controlling acid mine drainage:

Water passing through rocks rich in sulphides can produce acid -this is occurring naturally in the region and would also occur in the tailings left after removal of the economic metals. Terramin will install engineered barriers, such as plastic liners, to prevent contamination on the Angas project site.

The Tailings Storage Facility has also been designed to ensure effective long term acid control measures. As well as a heavy plastic lining on the base of the TSF to prevent seepage, Terramin has decided to cover the TSF with plastic after the conclusion of operations. In encapsulating the tailings, water (rain) and oxygen (air) will be prevented from contacting the tailings and possibly producing acid.

Terramin will closely monitor the project site, particularly waste rock storage areas and the TSF, to ensure that its acid control measures are working effectively. Much of the waste rock and tailings material will be progressively returned underground as mining leaves cavities to be filled.



Road safety and traffic measures:

Terramin is committed to minimising the impact that project and contractor vehicles have on local roads, and no heavy vehicles will be allowed to pass through Strathalbyn without written permission from Primary Industries and Resources SA.

Trucks carrying Angas concentrate to market will travel east along Callington Road away from the Strathalbyn township. Contracts for companies providing transport services to Terramin will include specific conditions to ensure this requirement is met.

Noise levels will be low:

Terramin has agreed to maximum noise levels at the private house nearest to the project of 40 decibels at night and 48 decibels during the day. These levels are in the range between living room noise (around 40 decibels) and conversational speech (60 decibels).

Blasting will not be a nuisance:

Blasting rock is an integral part of any mining operation but Terramin will undertake this activity in a way that ensures it is not a public nuisance.

Underground blasting will occur between shift changes. Since it is an underground activity, the noise from blasting will not be heard by Strathalbyn residents. However, some residents closest to the mine may detect a few seconds of slight ground vibration, not unlike that generated at a railway level crossing.

Terramin has considered limiting blast vibrations during non-working hours, Sundays and public holidays. However, the Company has found that such a requirement would present logistical constraints that would compromise safety and efficiency.

Dust suppressed:

Effective dust suppression measures will ensure that Environment Protection Authority conditions are met. Terramin's activities will involve 'wet' processing (in which no dust is produced), enclosed crushing facilities, dust extractors, sealed roads and spraying to suppress dust.

A positive impact on the region:

The project will have a net positive impact, bringing job opportunities, business activity and wealth to the region. It will do so while operating a 21st Century, best practice mine and processing plant with strict environmental protection and monitoring. The Angas Zinc Project will not impact adversely on the social amenity of the Strathalbyn community, and is likely to improve financial and other support for the community.

The mine and processing site, including the Tailings Storage Facility, will be rehabilitated and re-vegetated as mining progresses.
