

CHAIRMAN'S ADDRESS TO TERRAMIN AUSTRALIA LIMITED

ANNUAL GENERAL MEETING

28 MAY 2009

Dear Shareholders

Terramin's first year of mining operations coincided with the worst market and financial conditions in decades, in spite of this the Company has continued to progress. The Angas mine started production and soon after the Company reduced its debt and extended the repayment schedule, thereby putting our balance sheet in a strong position.

We accelerated the ramp up of production to improve revenues to counteract the current financial climate. This entailed a major rescheduling by the Angas team, which they achieved by the end of the first quarter, well ahead of the original schedule. Importantly we are pleased to report that production since the beginning of January has been strong and on target to achieve the full year's forecast of 60,000 tonnes of zinc and lead concentrate. The mine is producing positive cash flows for the Company. It is consolidating the year-to-date performance with ore development being well established on 140 Level. The Hanging wall lens is being intersected on 160 Level and the decline is pushing towards 180 Level.

I would like to take a moment to review the status of our project in Algeria, because that is now the major focus for Terramin. Three years ago, Terramin contracted to progress the Oued Amizour zinc project through mining studies and to arrange the financing for its development, committing to a minimum spend of US\$6.5 million. The exploration licence is owned by WMZ, a private Algerian company owned 35% by two government companies, ENOF and ORGM, and 65% by Terramin. Terramin manages the project studies for WMZ. The licence encompasses 125 km² containing several mineral deposits. The most important of these is Tala Hamza, containing 58.6 million tonnes of Indicated and Inferred lead and zinc Resource that has been the focus to date. The development of the deposit has been staged to allow Terramin to capitalise on the advancing skills and supply services emerging in Algeria and commence mining as early as possible. The full potential of the project has been revealed throughout the scoping study carried out by Worley Parsons, Golder Associates and Terramin. The first stage increased from about 1 million to 2 million tonnes per year. We expect that the project will eventually have a much higher mining rate, possibly 4-5 million tonnes per year, however to fully evaluate that possibility will require drilling and subsequent studies over the next two years. Additional scoping studies are underway for further expansion and it is expected that drilling will commence once the first stage development has commenced.

Terramin and WMZ selected a high-grade section of the Tala Hamza deposit for the first stage of project development. An intensive drilling programme on that section over the past two years culminated in the estimation of a 24.8 million tonne Indicated Resource, necessary for completing a prefeasibility study.

Terramin has worked closely with the Algerian Minister for Energy and Mines and the Algerian Ambassador to Australia to assist in the development of Algeria's mining industry

and critical support services. As a result Terramin staff and the joint-venture company, WMZ, have learnt much about operating effectively in this promising mining province.

The prefeasibility study conducted by Bateman, Golder Associates and Terramin reported favourably, concluding that the project will be viable even at the current low commodities prices. The studies revealed a thick, continuous orebody with a strong structural component, all favourable for the lowest-cost block caving mining method that is undergoing further evaluation. By the conclusion of the Prefeasibility Study, Terramin has expended US\$24 million on behalf of WMZ. A US\$10m feasibility study leading to a decision to mine is in planning and scoping studies for the development of the full deposit have commenced. The results will be incorporated into the design of the first stage to allow for expansion. A third stage of development could incorporate satellite deposits for which there is limited but encouraging drill data.

In summary, the Oued Amizour zinc project has all the hallmarks for a major long-term zinc operation. Importantly it is a large scale zinc operation that will benefit from its proximity to major infrastructure, including port, power, water and workforce. These will ensure that the operation is viable at all stages of the zinc price cycle, something that is in the forefront of concerns of shareholders and financing entities during this financial crisis.

The viability of the project will ensure long-term employment for many hundreds of people from the local and regional population, and indirect employment for thousands more.

As manager for the joint-venture parties Terramin is working to attract contractors for a competitive tender process to construct the Tala Hamza project.

The estimate of US\$266 million for the first stage development is remarkably low for a project of this magnitude due to its proximity to infrastructure. Importantly, given the current oversupply of zinc concentrates and mine closures, the project has been offered sale guarantees in the form of offtake agreements for all the first stage production. The offtake has been offered because the outlook for zinc concentrate supply over the next decade is for shortages, so the project is likely to commence production in very favourable circumstances. It is pertinent to point out that the offtake agreements do not involve forward pricing. They are a guarantee that the concentrate will be sold for the prevailing market price and on international benchmark terms at the time of production. This de-risks the project for investors and allows WMZ to implement a hedging policy as appropriate in the future.

The offtake arrangements are a major requirement to obtain bank financing. We have been very encouraged by the strong interest in financing the project by a number of European, Chinese and Algerian banks. The equity portion of financing will not be required until later in 2010.

We have recently been in China visiting large Chinese construction and mining groups, including our strategic partner NFC, to understand their capability to operate in Algeria and tender for project development. We are also exploring opportunities to work in collaboration with NFC on other potential zinc projects in a variety of countries.

Terramin has been strongly supported in its project developments by commodities trading companies that have committed US\$40m in loans secured by convertible notes. It would not have been possible to develop Angas and the first stages of the Tala Hamza project without the investments by RBS Sempra and Transamine. We have had a very positive engagement with RBS Sempra for Angas concentrate, and anticipate a similar relationship with Transamine.

Looking forward, the relationship with our Algerian partners and the operation itself will mature as the project enters the development phase. We have employed up to 100 Algerian staff in phases of the operation, and have been impressed by their commitment and skills. We are preparing for a greatly expanded workforce, particularly in Algeria, and are making the necessary arrangements for recruitment and training.

The Angas operation has a positive production profile going forward as more high-grade ore is accessed. It is well positioned to increase cash flows as the world economy recovers and enters the next growth phase. Major analysts predict substantial zinc supply deficits developing over the next five years given the absence of investment in exploration and development of good quality zinc projects, and as older mines exhaust resources and shut down. Terramin and its partners, both in Algeria and other countries, will continue to focus on identifying and developing zinc projects that are close to infrastructure that can be developed with low capital and operating costs.

Despite the secure financial position of your Company, supported by several million tonnes of metal reserves, low debt and funds to advance its projects, the market capitalisation is not performing accordingly. This has been partly a result of sales by institutional shareholders caught by the financial crisis, but we believe that this activity has largely ceased. On the positive side, our shareholder numbers have increased to over 4,100 showing strong investor support for the Company.

This meeting of shareholders is held at a pivotal time, for the resolutions before it will provide the means to realise a fourfold growth via production over the next four or five years. However that is just the beginning of the growth potential for your Company. Therefore we are recruiting directors and executives with the necessary experience and skills to realise our goals.

I look forward to reporting many positive developments for the Company and its shareholders over the coming months.

Kevin Moriarty
Executive Chairman
28 May 2009

The information in this report that relates to Exploration Results, Mineral Resources is based on information compiled by Mr. Robert Singer a Member of The Australasian Institute of Mining and Metallurgy. Mr Singer is Chief Geologist of Terramin Australia and is a full time employee. He has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting Exploration Results, Mineral Resources or Ore Reserves'. Mr. Singer consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.