

TERRAMIN AUSTRALIA LTD

FIRST QUARTER UPDATE – APRIL 2003

Highlights:

Exploration

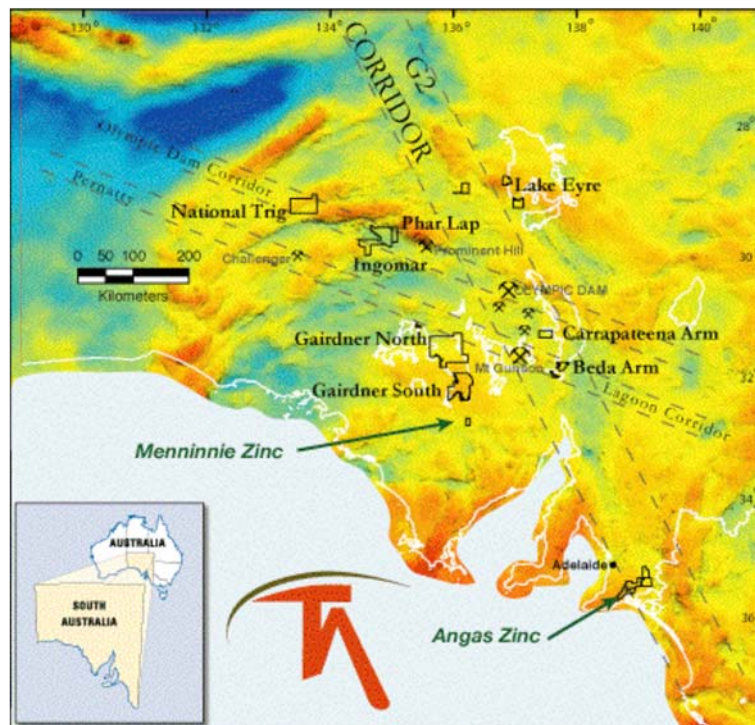
- MIM finish gravity and commence MIMDAS surveys over Carrapateena targets
- MIMDAS survey over Angas Prospect confirms north and south mineralised shoots
- Ingomar gravity surveys highlight anomalous gold targets
- Flinders Diamonds offers joint venture over Fleurieu tenements for diamond search

Corporate

- Sydney securities house proposes corporate advisory role and capital raising
- Listed company undertakes due diligence for proposed investment of up to \$2m
- Several security brokers propose to assist in funding and IPO for Terramin

Acquisitions and divestments

- Western Metals agree to transfer SA projects immediately
- Two low prospectivity Gawler Craton tenements relinquished to conserve funds



Terramin project locations

Briefing

The past six months has been very productive for our exploration but disappointing in that poor market conditions have meant postponement of the IPO. We completed arrangements which would result in MIM and Western Metals having substantial equity positions in Terramin when it listed. In return, Terramin has been able to access MIM's proprietary IP technology, and will acquire 100% of substantial metal deposits in SA from Western Metals.

A prospectus was prepared but withheld pending conducive markets. Investors have been understandingly nervous in a climate of escalating aggression and this effect has been accentuated by falling economic indicators. Some floats have proceeded but many have traded well under issue price. Although Terramin has an advantage in its near term cash flow projects and major equity partners to support its share price, its ability to attract capital is affected by metal prices which remain depressed.

Zinc prices are now averaging about US\$780 per tonne, well below the US\$1150 of 3 years ago. Prices are forecast to recover soon as lower smelter output reduces metal stockpiles. Increased industrial production will improve prices and 2004 forecasts range from \$890 - \$1000. At the lower price Angas could generate \$9m per annum in pre-tax surpluses assuming success of our programme to expand the Angas Resource (see below) to sustain a 200,000 tpa operation.

In 2001 Maptek calculated more than 4 million tonnes within a mineralised envelope around the defined zinc Resources at Angas and proposed additional shoots to the north and south. As part of our cooperative relationship, MIM carried out a pilot MIMDAS survey late last year and established that significant chargeable mineralisation occurred in all three areas. Terramin has been modelling the results and will complete a detailed survey before drilling to define new resources in these zones.

Because the Maptek resource potential was calculated using actual drill intercepts and Terramin has developed a robust mineralisation model, our independent geologist has reported that there is a "very high" likelihood of significantly expanding the resource. In addition to validating this, MIMDAS also provides the means to save on drilling costs because it can detect shoots in the subsurface to guide the drill locations.

Our aim is to define a multi-million tonne high-grade resource capable of sustaining a 300,000 tpa operation. As a first stage, we are aiming to define at least 2 million tonnes by drilling around existing resources and the North and South zones, upgrade metallurgical data and update the mining pre-feasibility study. The cost of this programme is estimated at \$300,000 and we hope to complete it in the next quarter. If it performs according to expectations, Terramin will be in a prime position to raise substantial capital to complete full mining feasibility.

Financing arrangements:

We have continued to promote Terramin's projects to attract capital and broker support. We have conducted visitors on inspections of our projects and given presentations in Melbourne, Sydney and Perth over the past months. This has resulted in a firm proposal from a Sydney securities broker to raise seed capital and support an IPO. The board accepted this proposal on a non-exclusive basis. Several other funding options are being advanced concurrently. The aim is to raise another \$500,000 in capital pending improved market conditions and an IPO.

Secure tenure needs to be established over the major metals tenements before Terramin will invest these funds. Recently we proposed to Western Metals that the SA projects be sold to Terramin immediately in return for 5 million shares and 2 million 20 cent options. If Terramin

has not listed or spent \$1.5m within two years the projects Western Metals can opt to take back ownership after refunding Terramin's expenditure. This proposal was accepted and Western Metals are preparing the necessary documentation to effect it.

The effect of these arrangements with Western Metals and MIM on Terramin's capital structure is summarised as:

- MIM and Western Metals would have 4 million options exercisable at 20 cents
- Western Metals will hold approximately 14% of the undiluted shares after the seed raising
- MIM have the option to take a placement equal to 10% of the issued shares after listing at 90% of market price.

The future:

As a result of these measures, Terramin has positioned itself to continue its targeted expansion of metal resources and initiation of cash flows from 2004/5. A bonus would be encouraging results from initial drill holes by MIM into the giant Olympic Dam style targets on Carrapateena. AXG Mining are also continuing to explore gold targets around the Challenger gravity structure on Ingomar, and to investigate Olympic Dam style anomalies on the Lake Eyre and National Trig tenements.

Terramin remains well placed to take advantage of improved share market conditions, which, in part, will be linked to improved metal prices and therefore to return on investment.

Dr Kevin Moriarty
Chairman

