



TERRAMIN AUSTRALIA limited

3rd Quarter 2004

Corporate

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|-------------------------|---|
| Kevin C Moriarty | Executive Chairman <i>BSc (Hons), PhD, MAusIMM</i> |
| David A Paterson | Director <i>BAppSc, GradDip Bus Admin., MAusIMM</i> |
| Colin G Jackson | Director <i>BSc (Hons), MSc, DIC, GradDip Bus Admin., MIMMM</i> |
| Peter E Cox | Company Secretary <i>FCA</i> |

Shareholder Structure

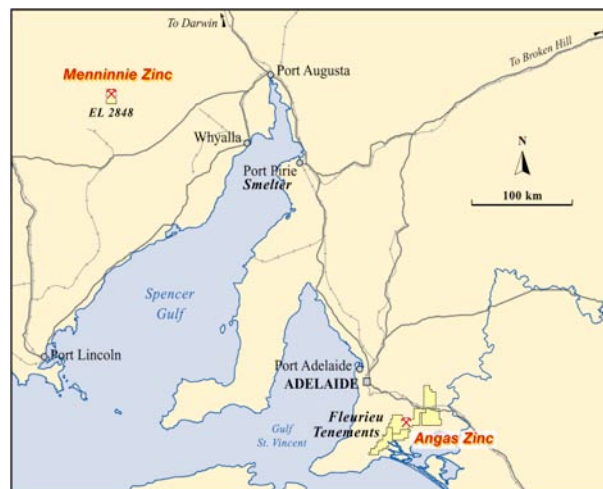
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|---------------------------|------------|
| Shares on issue | 55,235,005 |
| Quoted | 32,660,000 |
| Options (20 cent): | |
| Xstrata | 2,000,000 |
| Western Metals | 2,000,000 |
| Other | 8,523,500 |

The information in this report that relates to exploration activity is compiled by Dr K Moriarty PhD, M AusIMM who is a Competent Person as defined by the JORC code.

OVERVIEW

Angas Zinc Project

- Resource estimation underway
- Structural controls on the location of the zinc shoots have been identified
- Substantial targets for additional resources have been identified along the shoots
- Large conductive anomaly points to substantial new metal body at depth



Menninnie Project

- High grade drill intersections confirm continuity and grade of mineralisation in sulphide zone
- High grade lead discovery in the near surface oxide zone confirms lead and zinc oxide potential above the deeper sulphide zones
- Core of a large hydrothermal Cu, Zn, Pb and Au system identified southeast of lead-zinc zone
- Large copper-zinc drill target attracts funding from SA Government for drilling programme

Business Development

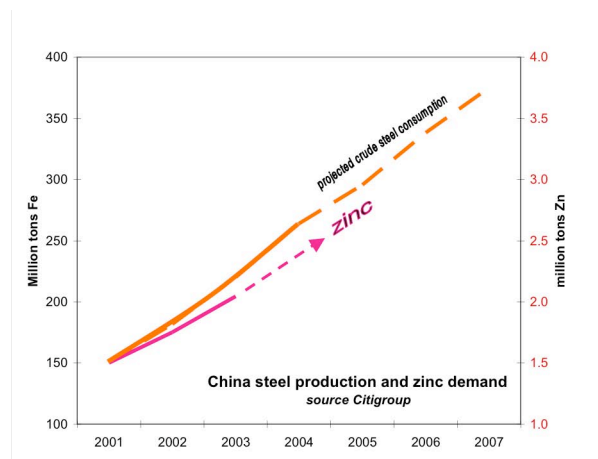
- Terramin is acquiring rights to advanced zinc projects with focus on grade and infrastructure
- These projects will position Terramin with a strong zinc, lead and copper portfolio in the strengthening commodity “super cycle”
- Terramin is progressing a strategic alliance with major miners based on joint ventures over Terramin’s prime projects

Chairman's Review

Terramin has been focussed on defining high-grade resources at its Angas and Menninnie projects, with the aim of early production and cash flows. At Angas this work has been successful in defining a high-grade resource extending from the surface, and the integration of results of a further infill programme is underway. This is expected to define an expanded resource, however it has also redefined the structure of the zinc bodies, showing that they trend toward a highly conductive anomaly suggestive of an extended body of massive mineralisation at depth. This could be a larger Broken Hill style ore body.

At Menninnie, substantial drill intersections have confirmed the potential for zinc and lead orebodies along at least 6 kilometres of drilled stratabound horizons. Assessment of previous results, combined with Terramin's drilling, suggest that a modest infill drill programme could define multi-million tonne lead and zinc resources that Terramin could develop. There are also large Pb, Zn, Ag and Cu-Au targets based on hydrothermal replacement and Broken Hill style mineralisation models. These and the Angas target have attracted interest from several major mining companies who are reviewing the project for possible joint venture.

I want to take this opportunity to outline Terramin's growth strategy bearing in mind that our main focus is on the projects described above. The price of zinc generally lags other metals in the cycle, and has only recently responded to the bullish demand conditions. Its demand is closely linked to iron and steel production, which have been rising strongly, particularly in China (see chart). Major iron ore miners are expanding production, thus zinc demand is projected to increase proportionately over the coming years. Stockpiles have been falling in response to a worldwide deficit. Demand and prices for lead are also growing strongly, and lead production is allied to zinc.



Given the positive fundamentals for lead and zinc, and interest by major companies in joint venture and strategic alliances, Terramin is expanding its portfolio and is negotiating for the rights to base metal projects, including Copper, particularly where it occurs with zinc, as is the case with Menninnie south.

Terramin has found opportunities for acquiring sizeable projects that have not been developed because of previously unfavourable conditions, including the low zinc prices prevailing for some years. Our criteria for the assessment of base metal projects are designed to maximise the prospect of early development and/or joint venture investment by major mining companies; these include:

- Nearness to infrastructure i.e. ports, roads, power, workforce. Having these in proximity means not only lower development and capital costs, but also low cost production and transport –an important factor in bulk commodity profitability;
- High grade deposits or large (greater than 1 million tonnes contained metal) deposits with a high grade core to ensure viability;
- Reasonable security and investment conditions.

Terramin has negotiated terms for the acquisition a large lead-zinc deposit fitting our criteria, and is awaiting formal acceptance and regulatory approvals. This acquisition would substantially augment our existing resources and facilitate access to sources of capital.

Over the next weeks and months, I look forward to reporting advances at our Angas and Menninnie projects and additions to our base metal portfolio. Zinc prices have firmed and are expected to increase as zinc stocks continue to reduce in the face of a worldwide deficit. The lead price has doubled in 2004. Terramin's focus on a counter-cyclical acquisition augurs well for a profitable future.

Kevin Moriarty
Executive Chairman

PROGRESS DURING THE QUARTER

Portfolio

Terramin has confirmed its 60% ownership in the Fleurieu and Menninnie Dam joint venture (FMDJV) after spending \$2m on exploration since 1997. Terramin is the operator and has a controlling interest. In addition to the core zinc projects, the FMDJV tenements cover some 1000 square kilometres prospective for copper, zinc, lead and precious metals.

Personnel

Several new appointments during the quarter have strengthened the Terramin team.

- **Peter Mitchell** - *Manager of Business Development*
Peter worked for fifteen years as a geologist in Africa, Iran, Australia and the U.K. After several years as resource analyst with Prudential Bache he was appointed manager of corporate services for Lowell Capital. His experience includes financial and technical analysis of projects and companies; assessment of project risk; identifying potential problems and financial issues in developing a business, resource or technology. This includes a wide range of projects and acquisition proposals in Australia and overseas, including projects in Australia and elsewhere including the USA, China and east Asia, Mongolia, Zambia, Egypt, Romania, Iran and Zimbabwe.
- **David Larsen** - *Senior Geologist*
David has 24 years experience in exploration and mining projects for companies including North Limited, and Pasmaico in Broken Hill; and Normandy in the Tanami. He is skilled in resource and reserve estimation, which will be important as Terramin advances toward mining its base metal projects.

Angas Zinc Project– EL 2839

(Terramin 60%: Option to acquire 100%)

The Angas Zinc project is located under an industrial zone and quarry, about 60 km from Adelaide.

Angas has defined resources of 930,000 tonnes grading 20% zinc equivalent and Terramin has been drilling in order to upgrade the resource preparatory to mining feasibility.

New model for zinc lodes

Recent extensive drilling has been integrated into a new model for the mineralisation. This is assisting with updating the resources and drill planning for extensions.

High-grade mineralisation is concentrated in linear banded-sulphide zones (BSZ) that plunge to the south. In addition to the major Rankine deposit, two potential BSZ have been identified above and below it and it is expected that others will be found. Vectors from down-hole electromagnetic (DHEM) surveys support the projected trends of these BSZ.

Veins of remobilised mineralisation, often of high grade, extend from margins of the BSZ, in places apparently overlapping between the zones.

The Rankine trend continues for hundreds of metres down plunge to the south, a priority target for a large addition to resources. Other zones such as the Garwood zone and another in the vicinity of AN12 could also augment resources when drilled along plunge axes.

This model is likely to apply to other prospects in the area, such as the Strathalbyn Mine. This will be drilled after access is obtained to rural land south of the mine. A landowner has objected to access and appropriate compensation will be decided in the Mining Wardens court in early November.

Rankine Deposit

Assaying of recent holes in and around the Rankine deposit was completed and a new resource is being estimated.

Hole AN 65 from within the deposit returned 1.75 metres at 15.6% zinc equivalent from 73.65 metres; plus a 1.75 metre interval from 127.9 metres at 25.5% zinc equivalent.

AN 68 intersected 3.15 metres of massive pyrrhotite assaying 1.1% zinc equivalent from 453.6 metres. Although below the main trend, this hole was instrumental in defining the Rankine zinc rich zone so future holes can be accurately targeted.

Gemmel Area

Located immediately north of Rankine, this area was thought likely to host zinc deposits based on MIMDAS and metal rich soil anomalies. Instead, four holes drilled by Terramin intersected precious metal mineralisation over intervals ranging from 9 to 34 metres. For example, AN 49 intersected 12 metres at 0.78 g/t Au and 7.7g/t silver, including 5 metres at 1.48 g/t Au. AN 51 intersected 21 metres at 0.51 g/t Au and 4.9 g/t Ag. The significance of these results is being evaluated. In the same area AN 7, an earlier hole, had intersected 26 metres at 0.62 g/t Au.

AN21 deep target

A review of electromagnetic (EM) surveys has identified a substantial conductive anomaly at depth along plunge and beneath the Rankine zone. Modelling of the EM anomaly indicates a large body of mineralisation, and a drill programme to test it is being planned.

Menninnie Project – EL 2848

(Terramin 60%: Option to acquire 100%)

The Menninnie project is located in northern Eyre Peninsula, about 160km west of the world's largest lead smelter in Port Pirie, SA. The Menninnie system encompasses a large Pb-Zn-Ag deposit with almost equal proportions of lead and zinc, plus extensive copper targets in the south.

Terramin is currently focussed on defining additional resources within high-grade stratabound sulphide horizons thought to be fault controlled replacement deposits. There are already 76 drill holes outlining some 20 million tonnes of mineralisation, but the holes are mostly too wide spaced to define resources. Many significant intersections are 200 to 400 metres apart. Proving continuity of the zinc deposits will allow resources to be defined with minimal additional drilling.

During the quarter Terramin drilled 15 medium depth holes aimed at verifying that metal anomalism in the soil overlies mineralised basement under the typically thick weathered profile of the Gawler Craton. Previous rotary air blast (RAB) drilling did not always penetrate through weathered zone, however, where it did, it intersected marked zinc and lead anomalism under soil anomalies. The latest round of drilling used a reverse circulation (RC) rig to ensure deeper penetration with the aim of defining metal anomalies above the basement, preparatory to a diamond drill programme to define resources. 6 targets were tested within a 1km by 1.5km subarea of the large Menninnie Dam mineralised system.

A1 zone

RCP 3 -the deepest hole of the program, drilled through the oxidised zone and sampled unweathered basement. It intersected two zones of high grade lead-zinc-silver mineralisation totalling 16 metres (figure 2), and terminated in mineralisation at 189m. Intersections in hole RCP 3 include 5 metres from 179m at 11.5% Zn, 7.7% lead, 65 ppm silver, 0.31 ppm gold; and 2 metres at 10.9% Zn, 8.4% Pb, 67 ppm Ag, 0.26 Au from 166m. The 5 metre intersection occurs within a 14 metre wide zone from 175 metres grading 6% Zn, 4.1% Pb, 34 ppm Ag and 0.15 ppm Au. These results are the best in the northeast Menninnie grid.

BC1 zone

RCP 14 was a lead discovery at unexpectedly shallow depth, intersecting 8m assaying 18.0% Pb and 18 g/t Ag from 27m. Tests on the lead mineral have identified it as cerussite (lead carbonate), which is a possible smelter input for the nearby Pt Pirie lead plant. A further 5m of anomalous zinc and lead with 27 g/t silver was intersected from 77m.

RCP 1 intersected 14m @ 1.4% Zn, 0.06% Pb, 3.6g/t Ag from 36m in highly weathered clays indicative of an oxidised zone above a substantial primary target. To the south, RCP 6 intersected 15m @ 0.45% Pb from 49m in saprolite, a result that also indicates an underlying primary target. RCP 1, 6 and 14 confirm the potential to host lead and zinc deposits over at least 600m of untested strike of the B1 and C1 zones.

A2/B2 zone

All holes in the A2 and B2 zones intersected significantly anomalous metals above EM and IP anomalies. The degree of mineralisation is consistent with continuation of ore grade potential from prior deep intersections up to the weathered zone, i.e. over about 200m up dip.

Hydrothermal Core

In the southeast part of the test area, RCP 10 intersected altered volcanics with trace Cu, Zn, Pb sulphides and Au mineralisation indicative of an epithermal environment. North along A1, RCP 9 intersected intensely pyrite-altered graphitic calcsilicates. When considered with the presence of outcropping volcanic breccia to the east, large Cu, Zn, Mo, U soil anomalies to the south, and radiometric anomalies, these results are indicative of a complex alteration system in the southeast quadrant of the grid that may be the hydrothermal core to the prospect. A large untested copper and zinc soil anomaly on the southeast margin of this core region is an obvious target for a copper-zinc orebody. Further south, deeper levels of this system are prospective for copper and gold orebodies.

The SA Government has advised Terramin that its proposal to drill test these targets has been successful in attracting funding under the Plan for Accelerating Exploration (PACE). Many more proposals were received than could be accommodated so a panel with extensive industry experience ranked the proposals in order of merit.

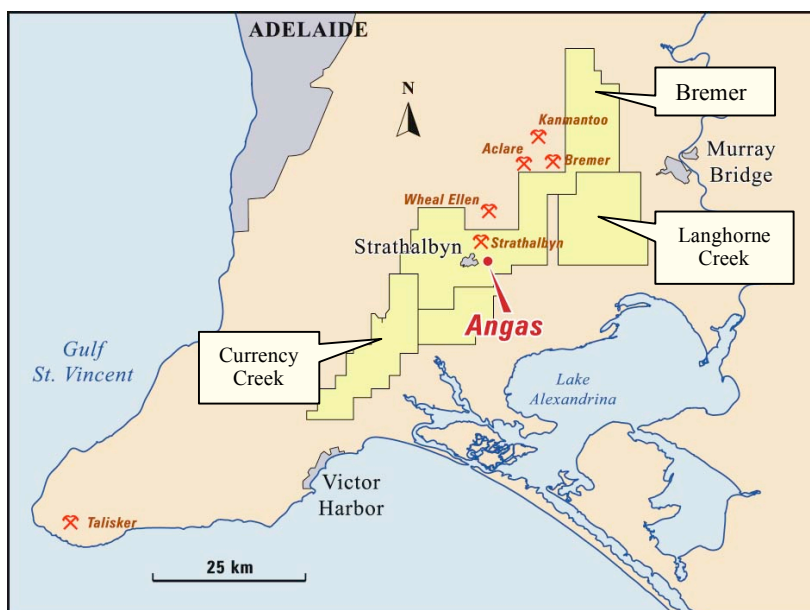
Currency Creek - EL 3128, Langhorne Creek - EL 2677

(Terramin 60%: Option to acquire 100%)

The Fleurieu tenements are in the G2 Corridor and prospective for significant deposits of three principal local ore types, small to medium exhalative Zn-Pb-Ag, stockwork Cu (-Au) and hydrothermal Au.

The area has a potentially highly prospective structure –the Bremer fault- which was active during sedimentation in the Cambrian and reactivated during metamorphism. Numerous granites intrude the sequence.

The Harriet Hill complex within EL 2677 has a magnetic signature very similar to the area north west of the Kanmantoo copper mine. It reflects a tightly folded and faulted section of magnetic Tapanappa Formation with potential to include Angas Garnet Member, the host for the Angas prospect zinc shoots.



Attention was first focussed on this area by airborne INPUT anomalies. Sixteen percussion holes drilled in 1992/3, following ground magnetics, EM and gravity surveys, intersected up to 8m @ 0.4% Pb+Zn and untested off-hole conductors were defined by downhole EM. With repetition resulting in many kilometres of implied strike, this anomalous area remains under-explored. It is prospective for both zinc and copper mineralisation.

No new work was conducted on these tenements during the quarter due to the major programme on the Angas prospect in the Bremer tenement. The expenditure commitments have been amalgamated with Bremer, EL 2839 expenditure.

Ingomar – EL 2969
Lake Eyre – EL 2970
National Trig – EL 3039
Phar Lap – EL 2987
(Terramin 100%)

The potential for discovery of both Cu-Au-Ag-U-REE deposits associated with iron oxides and Pb-Zn-Ag mineral deposits within the tenements is considered to be highly favourable. There is also considerable potential for gold and precious metal deposits.

Hydrothermal alteration is pervasive throughout the Moonta Subdomain extending northwest under the Stuart Shelf to at least the Mount Woods Inlier. Alteration is widespread, often closely associated with mineralisation. The Ingomar project area is located on the southern and western edges, respectively, of the basement domains of the Coober Pedy Ridge and Mt Woods Inlier. The National Trig project is situated further to the northwest and lies over the western part of the Mabel Creek Gravity High.

Ingomar is close to the Prominent Hill discovery on same major structure with similar setting. The presence of anomalous platinum and palladium assays from several holes in the general vicinity of the Ingomar Project is encouraging and essentially untested. Anomalous platinum was recorded within the Ingomar tenement in a variably weathered hornblende-bearing quartz-magnetite rock but has not yet been followed up.

The south of the tenement has gold anomalies in similar setting to that of the Challenger gold mine. At only 8-20 metres the cover is less than at Prominent Hill and many Gawler Craton prospects. This allows for low cost prospecting and mining.

National Trig tenement has elliptical shaped magnetic low zones adjacent to the Mabel Creek Ridge probably indicating the presence of Hiltaba aged granite. Batholith size intrusions have been identified but in detail these are likely multi-phase or composite intrusions. Some, particularly those to the south of Derelict Bore, have associated zones or rims of elevated magnetics suggesting probable magnetite or Fe-enrichment. The presence of these granites and potential alteration implies that the area is prospective for Olympic Dam and/or Cloncurry style Cu-Au-Ag-U-REE deposits.

The sharp, regionally arcuate but locally ENE-trending, breaks in magnetics and gravity to the south side of both the Mabel Creek Gravity High and the Coober Pedy Ridge are probably indicative of major thrust faults. The southeast part of National Trig covers one such break and this is similar to the break on the south side of the Mt Woods Inlier where the Minotaur's Prominent Hill discovery is located. The deflection of this break or thrust around granite plutons south of Derelict Bore has potentially created dilational or extensional features that enhance the prospectivity of this area. A consultant has recently confirmed considerable potential for gold and copper-gold.

There was no new expenditure on these tenements awaiting the results of a legal action underway to obtain missing records and to recover losses from the breach of contract by AXG Mining Ltd. who joint ventured the tenements in 2001, agreeing to spend a minimum of \$425,000 in the first year. Actual expenditure by AXG is estimated at less than \$90,000. WRF Securities Ltd guaranteed performance of AXG, and the action against both parties is proceeding.