



# 1<sup>st</sup>

## Quarter Report 2009

### HIGHLIGHTS

#### ANGAS ZINC MINE

- Stope production from both Garwood and Rankine shoots
- Full year concentrate output on target

#### OUED AMIZOUR PROJECT

- Prefeasibility report confirms Tala Hamza as a viable long term mine
- Capital estimate revised down by 25 percent to US\$266 million for a sub-level caving development
- Results received from three drill holes, including TH044, confirm the strong likelihood of additional mineralisation and increased grade to the south east of the Tala Hamza deposit

#### FINANCE

- Strategic partnerships negotiated with Transamine and NFC resulting in a total financing package of approximately A\$46 million
- Both parties bring access to further funding for the development of Tala Hamza
- Production from Tala Hamza development fully sold to underpin bank financing
- Cash at period end A\$12 million. A further approximately A\$24 million to be subscribed by June 2009 via strategic partnerships
- Recent rally in zinc and lead prices

#### FOCUS ON ZINC



#### DURABLE

Zinc extends the life cycle of steel and reduces maintenance costs



This quarter has been one of extraordinary achievement by Terramin, particularly considering the global recessionary environment and reduced demand for zinc mine output.

The Company secured A\$46 million in financing from a range of sources; attracted key strategic partners to its Tala Hamza project in Algeria; and the Angas Zinc Mine in South Australia was fully commissioned. The Company is on track to remain one of the world's lowest cost zinc miners and, as a result, will benefit from the market's recovery from current low commodity prices.

Further major highlights for the quarter include securing funds for early development and the sale of all first stage production from Tala Hamza. The pre-sale of concentrates, a necessary condition for financing of construction, is remarkable given the current contraction in the mining industry. On the key strategic partnership front, China Non-ferrous Metals Industry's Foreign Engineering and Construction Company (NFC), a large Chinese company with experience in many key foreign markets including Algeria, joins global commodities traders Transamine and RBS Sempra as cornerstone equity investors in Terramin, with the intention of supporting the growth of the Tala Hamza project. The backing of these parties provides an independent verification of the worth of the project, and in any normal market would have led to a substantial re-rating of the Company.



## Tala Hamza

During the quarter, the prefeasibility assessment report confirmed the Tala Hamza project could be successfully developed as a technically and financially viable long term mine. The prefeasibility report selected Sub-Level Caving, one of the most cost effective mining methods for the rock conditions found in the deposit. However, it recommended further study of Block Caving because it could reduce operating costs by 17%. This will therefore be a priority in the early stages of the feasibility study.

There is further scope to reduce operating costs by increasing production grades so this will also be the subject of optimisation studies. The prefeasibility study concentrated on technical outcomes, while the feasibility will focus on optimising these and achieving a better financial outcome. It is worth noting that there is a 25 per cent reduction in capital costs for the project, from US\$356m in the scoping study to US\$266m, a result of the logistical advantages of the deposit, which is close to a port, power and roads.

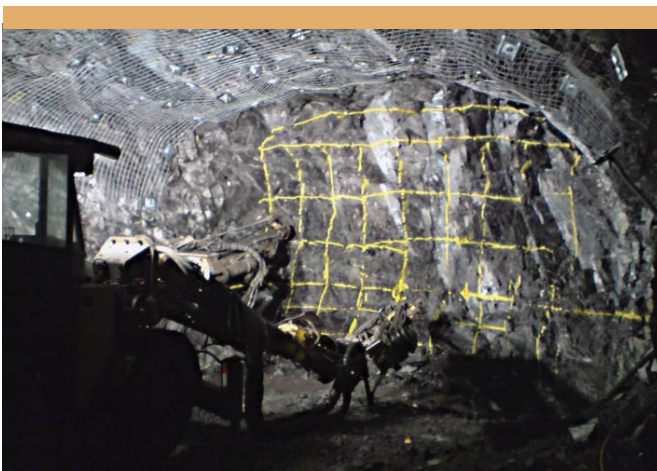
The joint venture partners will meet in early May to approve a feasibility programme.

## Strategic partnerships

Further to securing support from RBS Sempra, Terramin has reached an agreement with Transamine and NFC to strengthen the Company's cash reserves and position it favourably for future growth.

These strategic partners have indicated that their confidence in Terramin is based on the positive outlook for zinc and lead demand over the next decade and they anticipate that the lack of investment in low-cost zinc projects and the closure of exhausted mines will create a supply shortage in coming years. These investors see the value in Terramin's focus on low-cost projects and proximity to infrastructure, and subscribed for shares at a 50% premium to the prevailing market prices.

The agreements provide about A\$46 million for Tala Hamza and other growth initiatives. Importantly this secures funds to complete feasibility and commence the construction of twin declines to access the ore body, maintaining the potential for a 2011 start up of mining.



*Jumbo rig drilling blast holes on a drive underground at the Angas Zinc Mine.*



40 tonne Volvo dump trucks haul waste rock and ore to the surface via the Rankine Decline at the Angas Zinc Mine.

As well as providing funding, NFC brings considerable experience in mining construction, having built mines and smelters in a number of challenging countries ranging from Mongolia to Iran and Zambia. It also has a related company involved in current infrastructure projects in Algeria, and therefore the capability to tender for construction of the Tala Hamza plant. The NFC partnership also provides potential access to low-cost finance via Chinese development banks.

Terramin continues to attract international support, with Algerian banks expressing strong interest in financing the Tala Hamza project, subject to approval processes. Middle Eastern funds have told us they remain interested in investing in Terramin and its project as it progresses.

Similarly Transamine, which is joining with RBS Sempra in guaranteeing the sale of concentrates produced by the Tala Hamza project, are seeking financial backing from smelters for the construction of the project. Transamine is providing the finance to assist with the construction of the early stages of the decline access to the deposit. We are completing the environmental impact statements and other documentation required to apply for a mining permit and would expect to have documentation submitted in the third quarter 2009. As a result of these funding initiatives and offtake guarantees, we expect this project could be constructed by the end of 2011.

## Angas

Our Angas Zinc Mine near Adelaide achieved full production status by the end of the reporting period, setting the scene to maximise cash flow from sustained zinc and lead concentrate output for the rest of 2009. There were some delays in the ramp-up as operational issues were resolved, but production has been sustained through April. As at 25 April, zinc metal production is 88% above March. A highlight of the first quarter was the commencement of ore production from the Garwood shoot to the south of the main Rankine deposit. The Garwood shoot has to date delivered considerably higher grades than were recorded in the resource model, assisting with maintaining metal production.

## Metal price outlook

Metal prices have risen well above previous lows, indicating that the market over corrected on the downside. Zinc and lead stocks are still at low levels relative to consumption, which indicates that the market's expectation of large surpluses did not occur. Reports in China suggest that the majority of small mines, which contributed to the dramatic rise in zinc supply around 2005, closed by late 2008. This has substantially reduced local mine supply to Chinese smelters, however, due to the relatively unregulated nature of smaller producers in China, it is unlikely that this development will flow through to official statistics for some time. More recent reports are that mines have reopened because Chinese prices have a large premium. If true, it could act as a cap to zinc prices, but any downside is limited by the high operating costs of these mines.

Terramin believes it is well positioned to benefit from the market recovery due to its strong balance sheet, access to cash reserves and key strategic partnerships. We remain confident that Terramin can maintain momentum around its key projects and we look forward to updating shareholders on future developments.

**Kevin Moriarty**  
Executive Chairman



# ANGAS ZINC MINE

The Angas Zinc Mine is 100% owned by Terramin. ML6229 is located 2km outside the town of Strathalbyn, 60 km from Adelaide, South Australia.

Probable Reserves of 2.41 million tonnes at 9.7% Pb+Zn are sufficient for an initial seven year operation. Situated in prospective ground in an historical mining belt, further exploration on the Company's tenements could potentially lead to an increase in production and an extension of mine life.

## Safety report

No lost time injuries were recorded at the Angas Zinc Mine during the quarter. This positive result is significant for a new mining operation. Two medically treated injuries (MTI's) related to back strain were recorded during the period. Training has focussed on fundamentals such as manual handling and the creation of the mine rescue squads.

## Operations Summary

Ore production for the quarter was 66,683 tonnes which was 25% below plan. The shortfall resulted from delays in commencing the first Rankine stope, and in intersecting the Hanging Wall lens on the 140 Level – a consequence of revisions to the production optimisation plan (reported last quarter) designed to access higher grade material and stabilise the mill feed grade.

In parallel, the zinc head-grade was lower than budget by 32% but once the higher grade stope production from the Garwood shoot commenced, zinc concentrate production greatly improved. As at 25 April, zinc metal production was 88% above that of March.

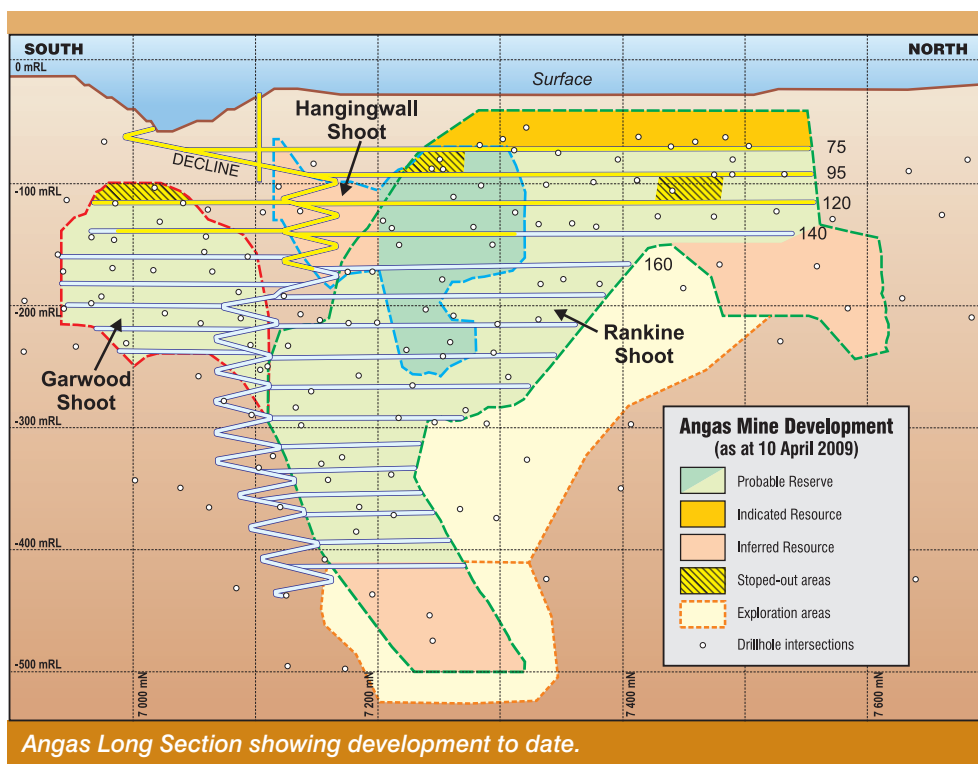
A total of 637 metres of development was completed during the quarter, in line with budget. The decline advanced to 705 metres from the portal and 160 metres below the surface.

Development was completed on the 75 Level and on 120 Level to the south which allowed stoping to commence on the top level of the high grade Garwood shoot. Development of the 140 Level continued during the quarter and both Rankine and Garwood shoots were intersected. The decline reached the 160 Level at the end of the quarter so the next level intersection will be developed in the June quarter.

Production drilling and blasting activity increased because more stoping blocks became available. The first stope at the north end of the Rankine lode was blasted, extracted and back-filled during the quarter. The 120 Level Garwood stope provided very high grade material when it commenced production towards the end of the quarter.

Over the next quarter, underground operations at Angas will continue to focus on improving production rates, including the introduction of a temporary continuous roster to maximise utilisation of underground mobile equipment.

The process plant continued to perform to plan with mill availability at 93.8%, well above the forecast 91%. Availability is expected to improve further at the end of the quarter due to the introduction of a scavenger magnet on the mill feed conveyor belt. This is removing a significant amount of tramp steel that was causing increased wear on the SAG mill liners and trommel.



Zinc concentrate grade and recoveries were marginally lower than forecast due to the lower head grade, whilst lead concentrate grades and recoveries were at or above plan. Ore from high grade stopes from the Garwood shoot has demonstrated that the zinc circuit performs at its optimum when throughput is within the design grade specification. As development moves into the centre of the Rankine shoot, head grades will remain at the desired levels. A 50% increase in lead filter capacity has been installed to improve throughput flexibility for periods of varying lead zinc mill feed ratios.



## Exploration activity

There was limited exploration activity on the Fleurieu tenements, including Angas, with the focus for the quarter being the compilation of drilling data and integration into the existing Angas geological model. A revised resource model will be prepared and used to upgrade the Ore Reserve at Angas. This is expected to be completed by the end of the second quarter. Total exploration expenditure was A\$39,000.

## Production table including C1 cash cost data

	March Quarter 2009	Year to date
<b>Production statistics</b>		
<b>Total ore mined (tonnes)</b>	63,381	63,381
<b>Total ore treated (tonnes)</b>	66,683	66,683
Ore grade:		
– Pb%	2.20	2.20
– Zn%	4.61	4.61
– Cu%	0.20	0.20
– Ag g/t	19.7	19.7
<b>Lead concentrate (tonnes)</b>	2,440	2,440
Grade:		
– Pb%	49.3	49.3
– Cu%	4.2	4.2
– Ag g/t	406	406
– Au g/t	8.4	8.4
Recoveries:		
– Pb%	82.0	82.0
– Cu%	75.6	75.6
– Ag%	75.2	75.2
<b>Zinc concentrate (tonnes)</b>	5,349	5,349
Grade:		
– Zn%	48.9	48.9
Recovery:		
– Zn%	85.0	85.0
<b>Payable metal</b>		
– Zn tonnes	2,186	2,186
– Pb tonnes	1,130	1,130
– Cu tonnes	23	23
– Ag ounces	27,903	27,903
– Au ounces	524	524

### C1 Cash Costs (US c/lb payable zinc)

<b>Production costs</b>	<b>71.06</b>	<b>71.06</b>
– Mining	35.70	35.70
– Processing	26.63	26.63
– Other site costs	8.73	8.73
<b>Realisation Costs</b>	<b>32.91</b>	<b>32.91</b>
– Transport & handling	7.95	7.95
– Zinc treatment charges	24.97	24.97
<b>Net By-product Credits</b>	<b>(39.20)</b>	<b>(39.20)</b>
<b>C1 Cash Cost</b>	<b>64.77</b>	<b>64.77</b>

Notes: The 12 month payable metal figures include adjustments based on final invoice numbers where available. The ore mined figures are estimated based on tonnes trucked to the surface whilst the ore treated figures are calculated from a weightometer.

The C1 cash cost was higher than previous guidance due to the lower tonnes milled and lower grade in the quarter and consequential adverse impact of fixed costs. Costs for the June quarter are forecast to improve significantly and performance during April is confirming that expectation.

## Sales

A total of 5,302 dry tonnes of zinc concentrate was shipped to Asia during the quarter and a further shipment was dispatched in early April. During the quarter 2,642 dry tonnes of lead-copper-gold-silver concentrate were sold.

Zinc treatment charges (TCs) for the 2009 calendar year were agreed during the period, based on industry benchmark terms and will equate to a 13% reduction in treatment costs, based on the current zinc price. The TCs for lead concentrate are awaiting benchmark terms to be set, but are expected to result in at least a 20% reduction in treatment costs, based on the current lead price.

## Commodity Prices

Commodity prices were relatively stable during the quarter:

Average prices in US\$ per tonne	Zinc	Lead
March 2009 quarter	\$1,172	\$1,156
December 2008 quarter	\$1,185	\$1,244

An improved economic outlook in China and restocking has resulted in a further increase in zinc and lead prices since the end of the quarter.

## Average realised price

The average realised zinc price for the quarter was US\$1,063 per tonne. This includes unfavourable final revenue adjustments of US\$40 per tonne relating to prior year sales (volume related only). Current quarter sales (weights and grades currently provisional) realised a price of US\$1,102 per tonne.

The average realised lead price was for the quarter was US\$1,639 per tonne. The average price was improved by both provisional pricing adjustments (US\$297 per tonne) and prices finalised on 2008 sales (US\$211 per tonne).

## Finance and production

The Company continues to remain focussed on production optimisation. Forecast full year lead concentrate output from Angas remains unchanged and zinc production is also expected to be on target by year end (see Table 1 below). Shortfalls in production during the first quarter will be mitigated by a significant increase in head grade related to higher grade stoping blocks from the Rankine shoot and by additional tonnes from the 140 and 160 Level development ore.

The start up capital programme is now complete. Cost control continues to be an objective and a cost review is ongoing.

Table 1. Forecast production levels in tonnes for 2009.

2009	Ore Milled	Lead concentrate	Zinc concentrate
Q2	82,000	4,300	12,800
Calendar year	330,000	15,000-16,000	43,000-45,000



# OUED AMIZOUR ZINC PROJECT

The Oued Amizour Zinc Project is 100% owned by Western Mediterranean Zinc Spa (WMZ). Terramin has a 65% shareholding in WMZ. The other 35% is held by two Algerian government-owned companies.

Exploration Permit 5225PE is a 123 square km tenement with the current tenure renewable in August 2009. The project is situated in northern Algeria on the coast of the Mediterranean Sea, 15 km from the deep water port of Bejaia. In addition to its infrastructure advantages - roads, power, water, and labour force - the project is well positioned to supply feedstock to European smelters.

The most recent resource estimate (October 2008) at Tala Hamza gave an Indicated Resource of 24.8 million tonnes at 8.3% Pb+Zn, within a global Indicated and Inferred Resource of 58.6 million tonnes at 6.5% Pb+Zn.

Current studies focus on a first stage 2 million tpa mine producing 209,000 tpa of zinc concentrate and 43,000 tpa of lead concentrate. The Company is committed to the objective of ramping up to mining 4-5 million tpa.

Agreements have been reached for the sale of all production from the first stage of mining.

## Prefeasibility study

The Tala Hamza prefeasibility study by Bateman Engineering, Golder Associates and Terramin, concludes that even at the current low levels of commodity pricing, the Tala Hamza deposit can be developed successfully as a viable long-term project.

The study has confirmed that the project has the advantage of low capital and operating costs in an environment of globally increasing mining costs.

Geotechnical analysis indicates that Sub-Level Caving and Block Caving mining methods are the most technically favourable options for development of the deposit.

The major highlights of the prefeasibility study (as reported to the ASX on the 8th April 2009) are:

- The capital estimate has been revised down by 25 per cent to US\$266 million for a Sub-Level Caving development;
- Mining costs are low by world standards and could be reduced even further by optimisation now underway;
- Life-of-mine C1 cash costs are estimated at US 42 c/lb payable zinc (at a lead price of at 60 c/lb and a treatment charge of US\$229 per tonne of concentrate).

## Feasibility study

Following completion of the prefeasibility study, detailed planning for the feasibility study is now underway. The WMZ joint venture partners will meet in early May to approve the programme.

Terramin is preparing an Environmental Impact Statement for completion by August 2009, following which the application for a mining permit can proceed.

There were a number of value added opportunities identified in the prefeasibility study. To produce the best return for this project, these opportunities will be investigated early in the feasibility study in order to optimise cost, production and timing schedules.

The identified cost opportunities include:

- Considerable capacity to add to resources and reserves, as demonstrated by recent drilling results, including potential for at least a 40% increase in Indicated Resources of the same grade with further infill drilling. This could allow for an increased extraction rate, better mining efficiencies and higher throughput;
- The use of Block Caving as primary mining method would be expected to reduce mining costs and could potentially sustain a higher production rate and improve cash flows;
- A hybrid mining system combining Sub-Level Caving and Block Caving could potentially optimise production grade and cashflow;
- An underground ore crushing/screening and conveyor system which could potentially reduce costs and allow increased production, whilst reducing ventilation requirements; and
- Possibility for the early development of twin mine declines. More timely commencement of the decline excavation would accelerate project development. This will provide for earlier plant construction and cash flows.



## Ore Reserve

During the quarter an Ore Reserve for Tala Hamza was prepared by Golder Associates as part of the prefeasibility study.

This was released to the ASX on 8 April 2009. The Reserve for the Sub-Level Cave option is summarised in the table:

Category	Mt	Zn (%)	Pb (%)
Proved	-	-	-
Probable	24.1	5.89	1.67
Total	24.1	5.89	1.67

*Cut-off grade of 3.17% Zn was applied, based on the following parameters (all figures are Australian dollars unless otherwise stated): Mining cost - \$13.25/t ore, Mining dilution - 20% (with 0% Zn), Mill recovery - 90% for Zn and 71% for Pb, Milling cost - \$17.0/t ore, Shipping cost - \$5.30/t ore, Smelter recovery - 85% for Zn and 95% for Pb, Smelter treatment cost - \$31.2/t ore, assuming average in situ ore grade 6.75% Zn, metal prices - US\$0.80/lb for Zn and US\$0.40/lb for Pb, exchange rate - AUD\$1=USD\$0.75, Royalty - 2% of net revenue.*

## Exploration activity

There was no drilling activity at the Tala Hamza site during the quarter. Preparations are underway for the resumption of drilling during the second quarter. This drilling will target geotechnical and hydrological work required to finalise the design of the portal and twin declines, and to complete the Environmental Impact Study. This will enable submission of a mining lease application as Terramin targets an early start to decline development.

Results received from three holes drilled in late 2008 are shown in the table below. The results were received following the installation and auditing of an on site sample preparation facility. This is now fully operational.

TH044 was drilled at the south eastern edge of the 59 million tonne Indicated and Inferred Resource outline. The hole intersected a significantly increased thickness of mineralisation with higher grades and gives strong encouragement for additional resources to the south east.

Hole TH049 was drilled at the south western limit of the current Indicated Resource and the results were consistent with surrounding holes. This hole was notable as it returned some of the highest individual lead assays recorded to date, including 51.2% Pb, 41.9% Pb and 38.6% Pb associated with elevated silver. TH048 was drilled in the western part of the Inferred Resource and achieved a thick intersection of overall lower grade, as predicted by the block model.

## Expenditure

Expenditure on the Oued Amizour Project over the period totalled A\$2.27 million. The bulk of this relates to the Tala Hamza prefeasibility study, with minimal expenditure on exploration.

## Summary drill results

Drill hole	Total mineralised interval					Significant included intervals				
	From	m	Pb %	Zn %	Pb+Zn%	From	m	Pb %	Zn %	Pb+Zn%
TH044	544.3	<b>68.0</b>	3.59	6.93	<b>10.52</b>					
TH048	288.7	<b>198.2</b>	0.49	3.60	<b>4.09</b>	319.6	<b>44.7</b>	0.88	6.93	<b>7.81</b>
TH049	432.0	<b>179.8</b>	1.66	3.62	<b>5.28</b>	533.0	<b>52.1</b>	4.31	6.48	<b>10.79</b>

*Note: Total mineralised interval is quoted at 1% Pb+Zn cut-off.  
Included intervals are minimum width of 20m at 5% Pb+Zn cut off; intercepts are down hole.*

Hole ID	Easting	Northing	RL	Azimuth	Dip	Total Depth (m)
TH044	704036	376579	263	-	-90	633
TH048	703738	376809	210	-	-90	525
TH049	704004	376681	237	250	-82	635



# MENNINNIE ZINC PROJECT

The Menninnie Zinc project comprises a joint venture between OZ Minerals Australia Limited (76%) and Terramin wholly owned subsidiary, Menninnie Metals Pty Ltd (24%) on EL3640 (Menninnie Dam) and a Menninnie Metals earn-in of up to 70% from Minotaur Operations Pty Ltd on EL3535 (Nonning).

## Menninnie Dam

There was no activity on the licence during the quarter. The project remains on care and maintenance pending advice from the manager (OZ Minerals Australia Limited) on the progress and outcome of the sale process announced in October 2008. The terms of a Native Title Mining Agreement were agreed during the quarter. Terramin expenditure for the period was nil, as the project is sole funded by OZ Minerals while on care and maintenance.

## Nonning

Activity on the Nonning licence was restricted to discussions with the Native Title Claimant Group regarding necessary clearances. Discussions are progressing well. Total expenditure by Terramin was A\$3,140.



Panorama of the Angas Zinc Mine.

## CORPORATE INFORMATION

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### CAPITAL STRUCTURE

at 27 April 2009

**Shares on issue** ..... 122,669,715

**Unlisted Options** ..... 16,636,630

**Unlisted convertible/redeemable notes** ..... US\$20,050,000

and 2,263,529 notes at \$2.21 per share conversion .....\$5,002,400

### DIRECTORS

**Kevin C Moriarty**

*Executive Chairman*  
BSc (Hons), PhD, MAusIMM

**David A Paterson**

*Director (Resigned 4 April 2009)*  
BAppSc, GradDip Bus Admin., MAusIMM

**Michael H Kennedy**

*Director* BCom (Economics)

**Steve A Bonett**

*Director* BCom, LLB (Hons), AICD, SIA

**James T Hazel**

*Director* BEcon, F. Fin

### MANAGEMENT

**Martin S Janes**

*Chief Financial Officer*  
BEcon, MAICD

**Jean Pierre Wilhelm**

*Vice President, North Africa*  
MBA, MSc

**Robert P Singer**

*Chief Geologist*  
BSc (Hons), MAusIMM

**Andrew C Robertson**

*General Manager – Operations*  
BEng (Min), MAusIMM

**Kate E McKeough**

*Company Secretary*  
BA, BCom, LLB (Hons), GDLP, ACLA

The information in this report that relates to Exploration Results and Mineral Resources is based on information compiled by Mr Robert Singer. The information that relates to Angas Ore Reserves is based on information compiled by Mr Andrew Robertson. The information that relates to Tala Hamza Ore Reserves is based on information compiled by Dr Yi Huang. All are Members of The Australasian Institute of Mining and Metallurgy. Mr Singer is Chief Geologist and Mr Andrew Robertson is General Manager Operations of Terramin Australia Limited and both are full time employees. Dr Huang is a full time employee of Golder Associates Pty Ltd. All have 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, Mr Robertson and Dr Huang consent to the inclusion in the report of the matters based on his information in the form and context in which it appears.