

29 October 2007

Tala Hamza! About to get even bigger?

Significant drill results pending

- TZN now has 4 Rigs working 24hrs/day at Tala Hamza. We expect constant newsflow over next +6months. **Assays for 2 important holes due next week could vastly increase the size of the deposit by extending it to the south.** With a lack of large, quality zinc projects around the world Tala Hamza (55Mt at 5% Zinc and 1.2% Lead) is already one of the largest undeveloped deposits in the world. We remain positive on TZN's prospects as it moves through construction and into producer status at the Angas project in South Australia while continuing to advance the huge resource in Algeria. With its enormous zinc and lead leverage we remain bullish on TZN's prospects and retain a BUY and a \$3.74/sh price target.
- Despite being in Algeria Tala Hamza is well serviced by infrastructure. It is located just 15km from a deep water port used by multinationals to export oil and gas, an international airport and is the doorstep of Europe's smelters. Scoping studies are already underway for a 1.5Mtpa increasing to 3Mtpa operation which would see production rates of +200ktpa zinc and +60ktpa lead in concentrates. The prefeasibility is due by August '08 with a decision-to-mine in early '09.
- The Angas Zinc project will ramp up production from August '08 to 30,000tpa zinc and 12,000tpa lead with gold, silver and copper credits. Decline development is well underway, most plant is on site and civil works have commenced. At current prices the lead concentrate and contained credits would almost cover site cash costs with the zinc production for free!
- Menninnie Dam JV (TZN 24%, ZFX 76%):** Zinc/lead resource estimate for Menninnie Central commences this Q.
- Our TZN price target is \$3.74/sh** and we remain positive and see little downside due to the Angas operation coming online at an opportune time.

Company	
Stock code:	TZN
Share price:	\$2.98
Recommendation:	BUY

\$3.36 \$4.11

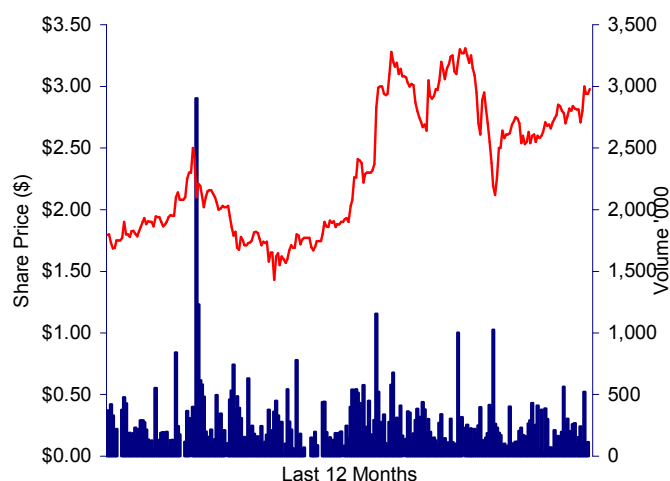


S&P/ASX 300 = 6805

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Company Statistics & Performance

Shares on Issue	85.3m	Daily Vol.	251,339
Market Cap.	\$254.2m	Debt	\$28.6m
52 Week Range	\$1.43 - \$3.31	Cash	\$28.9m



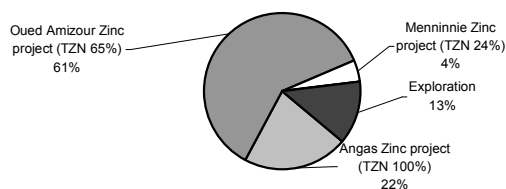
Investment Summary

Year End December 31	2007F	2008F	2009F	2010F
Reported Earnings				
Net Profit (\$m)	(16.2)	(11.4)	28.9	38.3
EPS (cents)	(18.9)	(13.4)	33.9	44.9
EPS growth (%)	na	70.9	(252.6)	132.3
PER (x)	(15.7)	(22.2)	8.8	6.6
EBITDA				
EBITDA (\$m)	(11.4)	4.7	69.9	96.7
EV/EBITDA (x)	(28.4)	81.3	5.6	3.9
Cashflow Multiples				
Gross Cashflow (\$m)	(18.3)	(3.5)	48.9	68.0
GCFPS (cents)	(21.4)	(4.1)	57.3	79.7
PGCF (x)	(13.9)	(72.7)	5.2	3.7
Free Cashflow (\$m)	(63.7)	(54.7)	(10.8)	8.9
FCFPS (cents)	(74.6)	(64.2)	(12.7)	10.5
PFCF (x)	na	na	na	28.4
Dividend				
Dividend (cents)	0.0	0.0	0.0	0.0
Yield (%)	0.0	0.0	0.0	0.0
Franking (%)	0.0	0.0	0.0	0.0

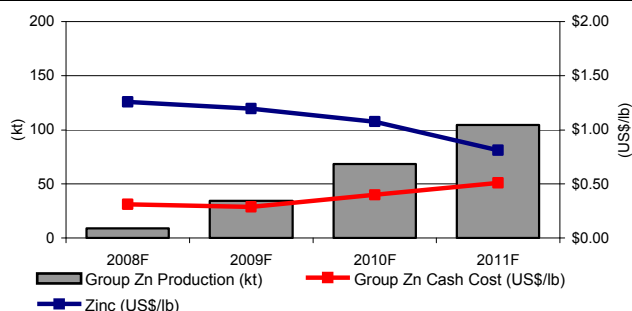
Terramin Australia Ltd		\$2.98	
Valuation	A\$m	A\$/sh	
Angas Zinc project (TZN 100%)	99	0.85	
Oued Amizour Zinc project (TZN 65%)	280	2.40	
Menninnie Zinc project (TZN 24%)	20	0.17	
Corporate	(45)	(0.39)	
Unpaid Capital	23	0.19	
Debt	(29)	(0.24)	
Exploration	60	0.51	
Equity Investments	0	0.00	
Cash	29	0.25	
NPV	437	3.74	
@ 8% Discount Rate			
Price Target	437	3.74	
@ 0% premium to DCF			

Sensitivities	-10%	0	+10%
A\$: US\$	\$4.19	\$3.74	\$3.37
Zinc Price	\$2.76	\$3.74	\$4.71
Lead Price	\$3.58	\$3.74	\$3.90

Valuation Summary of Operating Assets



Zinc Production Summary



Reserves & Resources

Reserves	(Mt)	(%, g/t)	(kt,koz)
Angas Zinc	2.00		
Zinc		8.3	166
Lead		3.1	62
Copper		0.3	6
Silver		33.0	660
Gold		0.5	10
Resources			
Angas Zinc	3.04		
Zinc		8.3	252
Lead		3.1	94
Copper		0.3	9
Silver		34.0	1,034
Gold		0.5	15
Oued Amizour	55		
Zinc		5.0	2,750
Lead		1.2	660

Directors

Name	Position
Kevin Moriarty	CEO/Executive Chairman
David Paterson	Non Executive Director
Steve Bonett	Non Executive Director
Jim Hazel	Non Executive Director
Michael Kennedy	Non Executive Director

Substantial Shareholders

Shareholder	Shares (m)	%
David Paterson	9.18	9.22
Kevin Moriarty	9.04	9.08
Geologic Resource Fund	6.51	6.54
Sempra Metals	5.83	5.85
Colonial Resource Fund	5.61	5.63
Top 20	48.2	51.9

Commodity Assumptions	2007F	2008F	2009F	2010F
A\$:US\$	\$0.83	\$0.82	\$0.78	\$0.78
Gold (US\$/oz)	\$681	\$749	\$776	\$820
Silver (US\$/oz)	\$13.14	\$13.96	\$15.09	\$12.82
Copper (US\$/lb)	\$3.28	\$3.23	\$2.97	\$2.57
Zinc (US\$/lb)	\$1.50	\$1.26	\$1.20	\$1.08
Lead (US\$/lb)	\$1.16	\$1.32	\$1.10	\$0.73

Production Summary

Production Summary	2007F	2008F	2009F	2010F
Angas Zinc project				
Zn in Concentrate (kt)		9.1	34.6	30.6
Pb in Concentrate (kt)		3.2	11.6	10.9
Cu in Concentrate (kt)		0.3	0.9	0.9
Silver in Cu Concentrate (moz)		0.1	0.3	0.3
Gold in Cu Concentrate (koz)		1.4	5.2	4.9
Zn Cash Costs (US\$/lb)		\$0.31	\$0.29	\$0.41

** (Net of Pb, Cu, Ag & Au credits)**

Oued Amizour Zinc project

Zn in Concentrate (kt)	37.9
Pb in Concentrate (kt)	21.6
Zn Cash Costs (US\$/lb)	\$0.49

** (Net of Pb credits)**

Group Zn Production (kt)	9.1	34.6	68.5
Group Zn Cash Cost (US\$/lb)	\$0.31	\$0.29	\$0.40

** (Net of all credits)**

Profit & Loss (A\$m)

Profit & Loss (A\$m)	2007F	2008F	2009F	2010F
Sales Revenue	0.5	34.2	119.5	174.9
Other Income	2.2	1.3	2.0	2.5
Operating Costs	0.0	10.4	30.8	59.5
Exploration Exp.	9.3	14.2	14.5	14.8
Corporate/Admin	4.8	6.1	6.2	6.4
EBITDA	(11.4)	4.7	69.9	96.7
Depn & Amort	0.0	7.5	20.0	29.8
EBIT	(11.4)	(2.8)	49.9	67.0
Interest	3.8	7.4	8.6	12.3
Operating Profit	(15.2)	(10.2)	41.3	54.7
Tax expense	0.0	1.2	12.4	16.4
Minorities	0.9	0.0	0.0	0.0
Abnormals and FX adjustments	0.0	0.0	0.0	0.0
NPAT	(16.2)	(11.4)	28.9	38.3
Normalised NPAT	(16.2)	(11.0)	28.9	38.3

Cash Flow (A\$m)

Cash Flow (A\$m)	2007F	2008F	2009F	2010F
Adjusted Net Profit	(16.2)	(11.0)	28.9	38.3
+ Interest/Tax/Expl Exp	13.1	22.8	35.5	43.5
- Interest/Tax/Expl Inc	15.3	22.8	35.5	43.5
+ Depn/Amort	0.0	7.5	20.0	29.8
+/- Other	0.0	0.0	0.0	0.0
Operating Cashflow	(18.3)	(3.5)	48.9	68.0
- Capex (+asset sales)	47.8	51.2	59.8	59.1
- Other investing cashflow	5.6	0.0	0.0	0.0
- Working Capital Increase	(8.0)	0.0	0.0	0.0
Free Cashflow	(63.7)	(54.7)	(10.8)	8.9
- Dividends (ords & pref)	0.0	0.0	0.0	0.0
+ Equity raised	34.1	0.0	0.0	0.0
+ Debt drawdown (repaid)	46.6	61.2	22.8	35.9
Net Change in Cash	6.5	11.9	44.9	(4.6)
Cash at End Period	26.6	33.1	45.0	89.9
Net Cash/(LT Debt)	(26.7)	(81.5)	(92.3)	(83.4)

Balance Sheet (A\$m)

Balance Sheet (A\$m)	2007F	2008F	2009F	2010F
Cash/Bullion	26.6	33.1	45.0	89.9
Total Assets	130.7	190.1	264.8	353.9
Total Debt	53.0	114.0	136.6	172.4
Total Liabilities	73.3	143.6	189.4	240.3
Shareholders Funds	57.4	46.4	75.3	113.6

Ratios

Net Debt/Equity (%)	46.5	175.5	122.5	73.4
Interest Cover (x)	na	na	5.8	5.4
Return on Equity (%)			38.4	33.7

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