



ASX Shareholder Report

29 June 2011

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Terramin is a dedicated
base metals company
focused on developing
zinc mines close to
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Market Update

- **Strong performance at Angas Zinc Mine**
- **Board Changes**
- **Tala Hamza dialogue continues**
- **Due diligence commenced on Exploration JV opportunities**

Terramin Managing Director, Nic Clift, today announced further progress on the Company's strategic objective of strengthening the Company's balance sheet and maximising cashflows.

Angas operations

Following recent announcements that April ore throughput was the highest in the history of the Angas mine, strong mill throughput targets continue to be achieved with over 38,000 tonnes of ore treated during May. As a result, the Company anticipates further quarter on quarter increases in zinc concentrate production at the end of the second quarter.

Whilst production optimisation initiatives have resulted in demonstrable improvements, revenues have been unfavourably impacted by declining zinc and lead prices, compounded by the prevailing strong Australian Dollar. At these prices, the carrying value of the Angas asset in the balance sheet is expected to be subject to a significant impairment in the upcoming interim financial report. If current price trends continue, the economic life of the Angas operation will be impacted as cut off grades are reviewed in order to ensure positive cash contributions are sustained.

The management team at Angas continues to identify opportunities to increase net revenue through production improvements and cost efficiencies, as outlined in previous announcements. A diminishing cost profile is anticipated moving forward as the benefits of these efficiencies impact unit costs and margins.

Corporate

In addition to the site-based initiatives, the Company is implementing a number of significant cost cutting measures to reduce corporate overheads including a reduction in staffing levels.

The above measures aiming at maximising cash flow and reducing expenses and corporate overheads will allow the Company to continue to operate efficiently and effectively as the Company moves forward.



In addition, the Company and its financiers, Investec Bank (Australia) Limited (Investec), have agreed on the extension of the working capital facility established in May and a restructure of the existing revolving facility. The working capital facility of up to \$2.5m has been extended until 30 September 2012.

The restructure of the existing revolving facility includes a deferral of the \$11.2m principal and fee obligations under the revolving facility to 30 September 2012, previously maturing in August. The remaining \$11m of principal payments under this facility have been restructured to mature in June 2013, consistent with the revised production profile in line with current metal prices.

Nic Cliff said: "In a challenging environment of decreasing commodity prices and the strong Australian dollar, the cost cutting measures and initiatives to increase revenue allow the Company to maximise cash flows generated from the Angas operation. The Company has been able to secure the continued support of our financiers whilst it further progresses the various outcomes of the strategic review. These initiatives aimed at strengthening the balance sheet include the proposed sale of Tala Hamza to China Non-Ferrous Metal Industry's Foreign Engineering and Construction Co., Ltd (**NFC**); the continued engagement with our partner ENOF to resolve the differences over the outcomes of the DFS, and joint venture or possible divestment of South Australian exploration projects."

Board Changes

Mr Bryan Davis and Mr Steve Bonett have tendered their resignation as directors of the Company.

Mr Davis retires as Chairman and Non-Executive Director of the Company. Mr Davis joined the Terramin Board as a non-executive director in July 2009 and was elected as Chairman in May 2011. Mr Bonett has resigned as Non-Executive Director having held this position since June 2005 in addition to his role as Chairman of the Nomination & Remuneration Committee and member of the Audit Committee. Mr Davis and Mr Bonett both expressed their ongoing support for the Terramin Board and Managing Director.

Mr Michael H Kennedy, currently a Non-Executive Director, has been appointed as interim Chairman. Mr Kennedy has an extensive, 35 year career in the mining industry, and was appointed to the Terramin Board as a Non-Executive Director in June 2005.

Mr Kennedy said "On behalf of the Board, I wish to thank Bryan and Steve for their efforts during their tenure on the Board and in particular over the past year, which has been a challenging period in Terramin's history. I will continue to work with the Board and management team to progress the outcomes of the Company's' Corporate Strategic Review and work towards unlocking shareholder value". Further announcements will be made as the staged renewal of the Board progresses.



Tala Hamza

During a recent visit to Algeria, ENOF and Terramin agreed that the Company will submit a work plan, taking into account the JV partner's comments, in order to reconcile the differences over key issues in the Definitive Feasibility Study. This submission will provide the basis for renewed dialogue to agree how best the project should proceed.

Due diligence continues to be carried out by NFC in relation to the possible sale by Terramin of its interest in the Tala Hamza Project.

Exploration

As announced in late May, the Company is seeking expressions of interest for either joint venture or outright sale of the prospective Menninnie and Fleurieu exploration projects. A number of parties have expressed interest and are undertaking due diligence relevant to the projects. Further announcements will be made as these opportunities progress.