

## **CHAIRMAN'S ADDRESS TO TERRAMIN AUSTRALIA LIMITED**

### **ANNUAL GENERAL MEETING**

**31 May 2012**

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Dear Shareholders

Welcome to Terramin's Annual General Meeting.

I would like to take this opportunity to report on our 2011 year.

As it has only been approximately two months since I last addressed shareholders at the EGM, there have been some developments since late March on which I would like to focus my attention.

Nic Clift, Managing Director, will talk in more detail about our operational achievements and strategic direction. There will be opportunity to ask questions after the MD's presentation and address.

Shareholders will recall that the Board announced a Strategic Review in December last year to explore pathways for creating value for shareholders.

The first announcement on the Review was made in April when Terramin announced that discussions have been taking place with China Non-Ferrous Metal Industry's Foreign Engineering and Construction Co. Ltd (NFC) for the potential sale of Terramin's interest in the Tala Hamza project. As part of this process, NFC has advised Terramin that it wishes to complete its technical and corporate due diligence before finalising a transaction and as such the sale process may take a number of months. Whilst this process continues, Terramin will progress discussions with its Algerian partner with the intent of reaching agreement and reconciling the differences in opinion on the results of the definitive feasibility study.

In the last few days, the Company has announced the next stage of the Strategic Review. Terramin is seeking expressions of interest to either joint venture or for the outright sale of the prospective Menninnie and Fleurieu exploration projects which incorporate a large inferred zinc-lead resource and several drill-ready copper-gold prospects.

This initiative will allow the Company to either further our interests in these projects and/or unlock the potential value contained within them. Terramin has engaged Fortis Agō as corporate finance advisor to assist with this process.

Terramin will continue to keep the market informed of material developments.

I would now like to turn my attention to the Angas Zinc Mine. When I last updated the market, I mentioned that the mine had achieved its highest quarterly production in the December quarter 2011. As announced this week, the April ore throughput of over 40,000 tonnes was the highest in the history of the mine.

Operational performance at the mine continues to move in a positive direction and although still early in the year, we expect to meet our increased metal production targets. The objective over the next period is to convert higher levels of production into improved net cash flows through cost efficiencies.

I would now like to discuss the Company's cash position. As you can appreciate, a considerable amount of attention has been placed on the Tala Hamza project over the last year and I would like to reassure shareholders that the required focus and effort will continue until a successful outcome can be achieved.

In the meantime, our primary financier Investec Bank (Australia) Limited, have continued to support the Company with deferral of debt payments and the advance of additional funding enabling the Company to continue to operate effectively as the transaction progresses.

More recently they have provided a short- term working capital facility of \$2.5m. This has been provided whilst a broader review of the Company's debt facility and funding requirements progresses.

The Company is seeking access to sufficient funding over the balance of 2012 whilst the Company's strategic review is progressed, together with the restructure of near term principal maturities to align with the forecast Angas free cash flow profile over the remaining mine life.

Furthermore, to conserve cash, planned work on exploration prospects that were identified across the Company's tenements during 2011 was postponed as part of the Strategic Review process.

Again, I would like to say to all shareholders that the last 12 months have been challenging on a number of fronts: the time taken to progress the Tala Hamza Project, further deterioration in financial markets, combined with the negative impact on our revenue from downward pressure on zinc prices and the strong Australian Dollar.

The Board and management team are clearly focused on managing the Company through this difficult process, and I would like to extend my thanks to Nic and his team for their dedication during this period.

I look forward to announcing further outcomes of the Strategic Review in the months to come.

Bryan Davis  
Chairman  
31 May 2012