



## ASX Shareholder Report

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Terramin is a dedicated  
base metals company  
focused on developing  
zinc mines close to  
infrastructure.

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## Finance and operations update

### Tala Hamza financing

Over the past year, following the release of the scoping study of the Tala Hamza zinc project in Algeria, financial institutions attracted by the stature of the project have approached Terramin Australia Limited (ASX:TZN) with a view to participating in the financing of development. Such approaches continue to be made despite the credit crisis.

More recently, with the release of the pre-feasibility study imminent, Terramin's Executive Chairman, Dr Kevin Moriarty outlined the current status to interested Middle Eastern and North Africa (MENA) focussed banks and fund managers, focusing on indicative capital requirements and the potential for a larger operation.

The current feasibility studies centre on a 2 million tonne-per-year mine, whose capital cost is low compared to similar size mines proposed for development owing to favourable logistical factors. Whilst the project funding is not required until 2010, clear advantages would accrue if the scope of the studies were expanded to define the full potential for higher output. This would reduce costs of future expansions by incorporating earthworks and underground plans into the design phase. It would also improve bank-financing parameters. Accordingly, several North America and MENA based funds are evaluating the Company and its projects with a view to financing the project, including an earlier injection of funds for a modest expansion of the evaluation programme at Tala Hamza.

"Interestingly, some managers for the funds commented on the extent to which Terramin and other companies are undervalued by the equity markets," commented Dr Moriarty, "They recognise that the market is substantially undervaluing resource companies, as is shown by recent deals commanding very significant premiums over the market."

Dr Moriarty said that one of the factors driving the premia for zinc producers arose from the looming supply crisis as many mines are due to run out of reserves over the next few years. Some planned closures have been accelerated by the fall in metal price arising from the global financial crisis, with the net outcome an amplified supply crisis as economies recover.

Dr Moriarty added that Terramin had "analysed the 12 largest projects listed by the ILZSG in 2007 for development from 2009, and found that of these only three can be regarded as viable in current circumstances. One of them is Tala Hamza (part of the Oued Amizour project). The remaining nine projects are either in suspension owing to high operating costs or are projects requiring high capital for development, and so are not likely to be funded in the medium term."



Drilling at Tala Hamza has concluded pending definition of remaining requirements to complete the feasibility study in mid 2009. This has significantly reduced cash outlays, and it is envisaged at this stage that one rig will restart on the feasibility programme in January.

## **Angas Zinc Mine**

Life of mine schedules and budgets for the Angas zinc mine are being finalised. They show that development and ramp-up of the Angas mine continues until June 2009 when the mill will be supplied with ore to full capacity. In the following months mined grade will increase and cash costs reduce further. The Company has budgeted for the ramp-up phase assuming zinc prices continue at the relatively stable levels of the past five months, however it expects that the various global stimulus measures and zinc mine closures will lift prices by second quarter 2009. The debt repayment schedule for Angas is only \$2 million during calendar year 2009. Interest on the outstanding convertible notes can be satisfied by the issue of shares to the holder.