



ASX Shareholder Report

2 May 2013

Enquiries on this Report
or the Company
may be directed to:

Nic Clift

Chief Executive Officer
+61 8 8123 1415

Mark Gell

+61 419 440 533

Website Address:

www.terramin.com.au

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

**TERRAMIN
Australia Limited**

ABN 67 062 576 238

Address

Suite 116, 147 Pirie Street
Adelaide SA 5000
Australia

Telephone

+61 8 8213 1415

Facsimile

+61 8 8213 1416

Tala Hamza Project - Terramin to Commence Arbitration Proceedings to Resolve Differences

Following the latest meeting with ENOF in Algiers on Tuesday 23 April 2013, Terramin Australia Limited (**Terramin** or the **Company**) announces that it has today informed its Algerian partner and the Algerian government that it is commencing arbitration proceedings pursuant to the joint venture agreement dated 22 February 2006 (**JV Agreement**).

The proceedings will be brought before the International Chamber of Commerce in Paris with the intention of bringing a resolution to the continuing differences between the partners regarding Terramin's proposal for developing the Tala Hamza project as set out in the Definitive Feasibility Study (**DFS**) which was completed and submitted in October 2010. The differences regarding the mining method are expected to be addressed given that, despite the lack of any expert opinion to support them, ENOF is firmly opposed to the Block Caving mining method selected by Terramin on the basis of recommendation from international mining expert, Golder Associates (**Golder**).

The Tala Hamza project is owned by Western Mediterranean Zinc Spa, a joint venture company owned by Terramin (65%) and two Algerian State owned companies ENOF (Entreprise National des Produits Non-Ferreux et des Substances Utiles, 32.5%) and ORGM (Office de Recherche Geologique et Miniere, 2.5%).

The JV agreement was signed for the purpose of developing a mine to exploit the Tala Hamza deposit. Since the inception of the Joint Venture agreement and as required by the JV Agreement, Terramin has been funding all expenditure on the project. In accordance with the terms of the JV Agreement, a completed DFS was submitted to Terramin's Algerian partners and to the Algerian Ministry of Mines on 10 October 2010. Terramin's expenditure on the project is in excess of US\$42m.

The DFS, which complies with the requirements of the Joint Venture Agreement and international standards, was produced by two leading international mining consultants, Golder Associates and Bateman Engineering (**Bateman**). The resultant mine would be one of the largest zinc mines in the world, employing around 600 employees directly and with the potential to create indirect



employment of up to a further 3000 people in the Bejaia region. The proposal for the development of the mine by Terramin would benefit the Bejaia region by providing employment and economic development to a talented and well-educated local population experiencing chronic unemployment.

Following Terramin's submission of the DFS, instead of the one-month review of the DFS that Terramin had been expecting of its partners, as provided under the JV Agreement, given the opportunity available for review and consultation over the previous years of study, ENOF instead engaged an independent international consultant to review the DFS. Terramin was advised by ENOF of the outcome of ENOF's final review of the DFS almost a year later in September 2011. ENOF has expressed a number of criticisms of the DFS including that the Block Caving mining method, which had been recommended by Golder as being the safest and most financially viable for this complex orebody, was unsuitable. ENOF considers this mining method as unsafe. However, despite numerous requests, no report from ENOF's expert consultants has ever been shared with Terramin to support any of ENOF's assertions regarding the DFS. The original JV Agreement does not exclude any mining method, and it remains a surprise that ENOF decided that the Block Caving mining method was unsuitable after completion of the DFS and not before the completion of the DFS.

Since December 2010, Terramin has undertaken every reasonable effort to find a way forward with its partner by:

- diligently responding to all ENOF's queries and concerns on the basis of expert opinions;
- holding a number of meetings and workshops including flying experts from Golder and Bateman to Algiers to meet with ENOF and its consultants. The aim of these workshops was to better understand ENOF's concerns and to provide any supporting expert opinion and explanation required to resolve the issues raised. Neither this nor any subsequent initiative has succeeded in bringing the partners to agreement, despite the regular assertions of both ENOF and of Ministry of Mines officials regarding their commitment to move ahead with the project. Despite confirmation from Golder that, due to the nature of the Tala Hamza orebody, only Block Caving will meet the required standards of safety, environment protection, and economic exploitation, ENOF have continued to oppose this mining method without proposing any workable alternative.
- agreeing to redo part or all of the DFS provided that clear guidelines should be provided as to what would be acceptable to ENOF and the Algerian government prior to further significant expenditure – no such guidelines have been forthcoming despite numerous requests.
- agreeing to discuss the conditions for ENOF to have a larger share in the project, of up to 51%, in line with legislation passed several years after the WMZ joint venture agreement was signed, even though that legislation was not retro-active;
- agreeing to discuss the conditions for ENOF to take a larger share of the project as well as becoming directly involved in working with Terramin to resolve the technical disagreements;
- discussing the conditions for the involvement of another partner in the form of a larger company with extensive technical expertise and financial backing that might be suitable to ENOF;



- submitting a modified proposed approach to the mining method, based on discussions with ENOF in February 2013

Commenting on the above matter, Terramin Managing Director Nic Clift said: “We understand that the Algerian Government is very keen to develop the mining industry in partnership with external companies that can bring expertise into Algeria to accelerate the development of this potentially important source of economic development and new employment. We also know that Tala Hamza will be the first significant new mine for decades, and so we have been expecting some possible delays, and as a result we have patiently made every effort to find a way forward. However at present the only option available to Terramin is to seek a resolution by an independent third party arbitrator.”

Terramin’s preference is that the arbitration process should provide the opportunity for the partners in WMZ to reach a mutually agreeable basis for proceeding with the Tala Hamza mine. However, a range of outcomes are possible, including that ENOF or the Algerian government will seek to terminate the JV Agreement unilaterally. Terramin has sought expert legal advice and this advice confirms that ENOF does not have the right to terminate unilaterally the JV Agreement given that Terramin is not in breach of that agreement. If termination was sought, Terramin would be likely to make a claim for a very significant amount of damages to ENOF for the losses suffered by the Company.

Nic Clift commented further: “The Algerian Ministry of Mines has been working hard to build bridges with the international mining community and has reached out to mining countries, including Australia, for their support in developing the Algerian mining sector. Therefore, an adverse outcome for Terramin in this case, despite having met all of its obligations, would send a very negative message to international investors in general and mining investors in particular.”