



ASX Shareholder Report

2 October 2012

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Terramin is a dedicated
base metals company
focused on developing
zinc mines close to
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New Joint Venture for renewed exploration on Menninnie Project

- Farm-in and joint venture agreement signed with South Australia focused explorer, Musgrave Minerals Ltd, for the Menninnie Project (Silver-Zinc-Lead).
- Well capitalised JV partner to fund accelerated work program and to bring significant technical capability to the joint venture.
- Exploration work to begin immediately to test high quality targets.
- Terramin retains significant equity interest to leverage the exploration opportunities it has identified in the highly prospective Menninnie region.

Terramin Australia Ltd (ASX: TZN) is pleased to announce that, consistent with the strategic review announced last December, it has agreed a binding Heads of Agreement (**Agreement**) with Musgrave Minerals Ltd (**Musgrave**) (ASX: MGV) for the creation of a joint venture to progress the Menninnie Project.

The joint venture will fast track development of the Silver-Zinc-Lead Menninnie Project located in the northern Eyre Peninsula in South Australia.

Terramin's Managing Director, Nic Clift said: "Given the current market conditions, this is a very good opportunity for Terramin and Musgrave to advance and develop the resources on Menninnie Dam and other prospects with free carry rights whilst retaining exposure to exploration prospects of the project.

"With the assistance of corporate advisors Fortis Agō, the Board has carefully considered a number of options for the development of the Menninnie Project and is pleased that this stage of the strategic review undertaken in May 2012 enabled this JV opportunity with Musgrave. Terramin looks forward to working with Musgrave on this exciting new chapter of the Menninnie Project."



Musgrave is a dedicated Australian-based exploration company with offices in Adelaide and Perth. Musgrave has a very experienced in-house team with a strong technical focus that will quickly build on the exploration foundations laid by Terramin.

Exploration Targets:

Initial planning for a substantial drilling programme on Menninnie Dam prospects and regional targets was finalised in early 2012, and has formed the basis for presentation to joint venture partners. Exploration drilling planned on the Menninnie Dam tenement will target high priority IP/soil anomalies at Mannequin, Phone Hill, and Tank Hill, as well as testing the extent of shallow mineralisation known near Menninnie Central.

These targets are drill-ready and Musgrave has indicated that it intends to commence drilling on these in the December 2012 quarter.

Key Terms:

The key terms of the Agreement entered by Menninnie Metals Pty Ltd (**MMPL**), a wholly owned subsidiary of Terramin, are as follows:

- Musgrave will spend a minimum of \$1m on the project within the next 12 months;
- Musgrave will have the right to spend an additional \$5m within a further 4 years to earn a 51% interest in the Project;
- Following Musgrave's acquisition of a 51% interest in the Project, MMPL and Musgrave can contribute to exploration and development expenditure on a pro-rata basis;
- If MMPL elects not to contribute, Musgrave may earn a further 24% interest by spending an additional \$3 million over an additional 2 years;
- Following the acquisition of a 75% interest in the Project, MMPL and Musgrave can contribute to exploration and development expenditure on a pro-rata basis; and
- If either party elects not to contribute, that party's interest will dilute. If a party's interest dilutes to less than 10%, then that party's interest will convert to a 1% net smelter royalty.

The Agreement is subject to the following conditions precedent:

- The grant of a subsequent EL over the area previously covered by EL 3640;
- The assignment to Musgrave of MMPL's interest in all existing native title access agreements in respect of the Tenements on certain terms and conditions; and
- Any approvals or consents required under the *Mining Act*.



Menninnie Project

The Menninnie Project comprises a group of five Exploration Licences (“ELs”) covering a contiguous area of 2,471km² highly prospective for base metals (Cu, Zn, Pb) and precious metals (Ag and Au) in a well-endowed but underexplored part of the Gawler Craton (refer *Figure 3*).

These licences are Menninnie Dam (EL3640), Nonning (EL4813), Kolendo (EL4285), Taringa (EL4669), and Wipipippee Hill (EL 4865) (refer *Figures 1 and 3*). Menninnie Dam hosts the Menninnie Central and Viper deposits that have a combined Inferred Resource of 7.7 million tonnes at 3.1% Zn, 2.6% Pb and 27g/t Ag (March 2011) (refer *Figure 2*).

Strong geophysical and geochemical targets occur nearby at the Tank Hill, Mannequin, and Phone Hill prospects, where mineralisation is modelled at comparatively shallow depths. The JV will drill these targets as soon as regulatory approvals are acquired.

Geophysical and geochemical data indicate that Ag-Pb-Zn mineralisation trends from the Menninnie Dam tenement onto the Nonning tenement, and very probably beyond onto the Taringa and Wipipippee Hill tenements. On Nonning and Taringa, distinctive quartz vein occurrences, alteration styles and geophysical features indicate several areas are prospective for epithermal gold-silver systems. The Phone Hill prospect on Menninnie Dam and the southern central part of Kolendo show lithological, geochemical and geophysical characteristics indicating good potential to host Paris-style silver (lead-zinc) and/or Menninnie-style lead-zinc (silver) deposits. *Figure 3* shows the locations of most of the early-stage exploration plays discussed above. No exploration holes have ever been drilled on Kolendo, only two have been drilled on Nonning, and one on Taringa. None of these 3 holes have tested MMPL exploration targets.

The joint venture with Musgrave will capitalise on the knowledge gained from Terramin’s intensive 9-year study of the Menninnie Dam mineralising system and understanding of the potential for related mineralisation in the surrounding region. Terramin welcomes Musgrave’s expertise, its enthusiasm, and the shared vision for rapid development of the Menninnie Project.

Competent Person’s Statement

The information that relates to Mineral Resources for Menninnie Dam is based on information compiled by Mr Robert Singer. Mr Singer is a Member of The Australasian Institute of Mining and Metallurgy. Mr Singer was Chief Geologist of Terramin Australia Limited at the time of his estimates. Mr Singer has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the ‘Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves’. Mr Singer consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

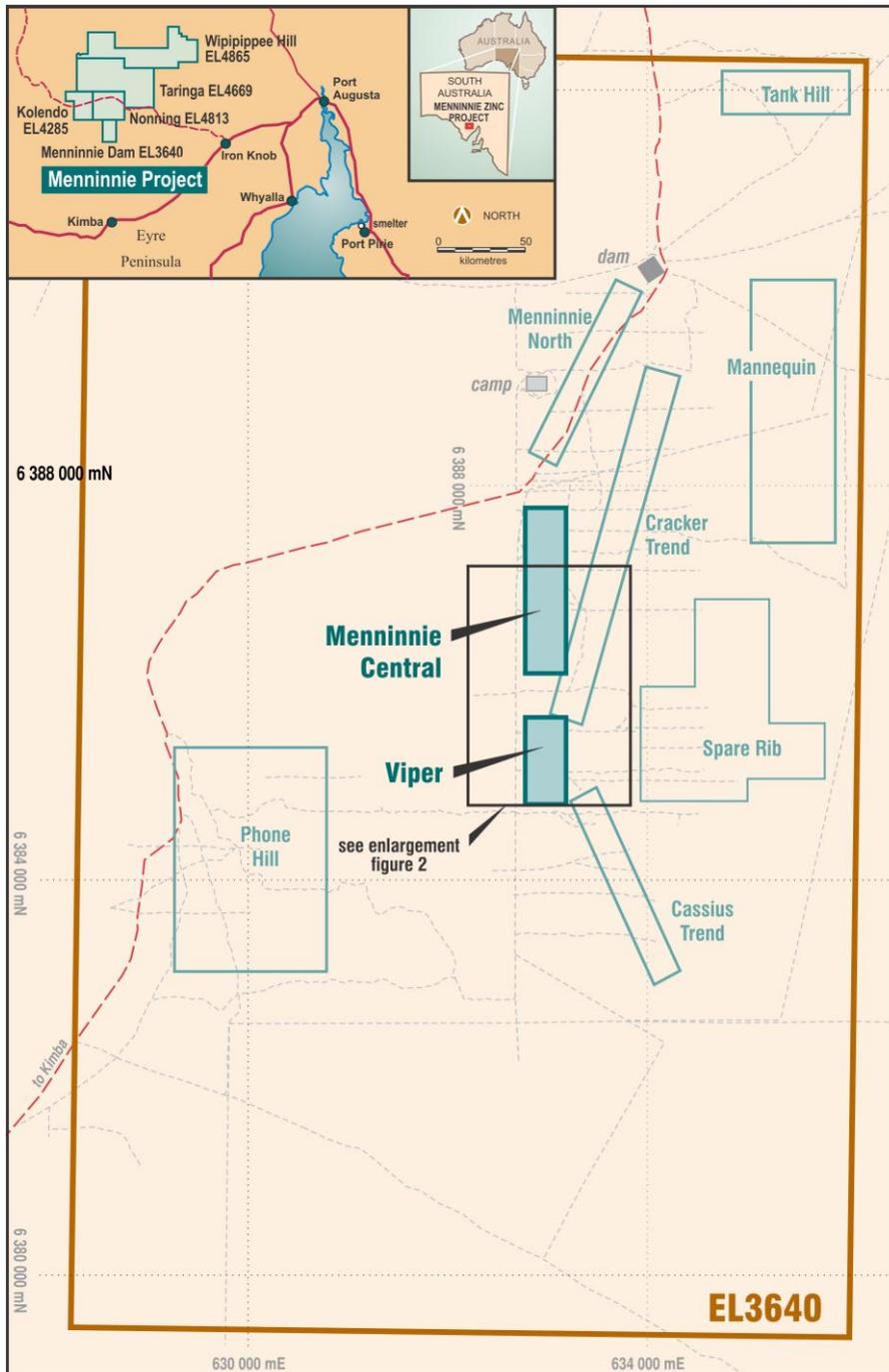


Figure 1: Menninnie Project location and principal prospects on the Menninnie Dam tenement

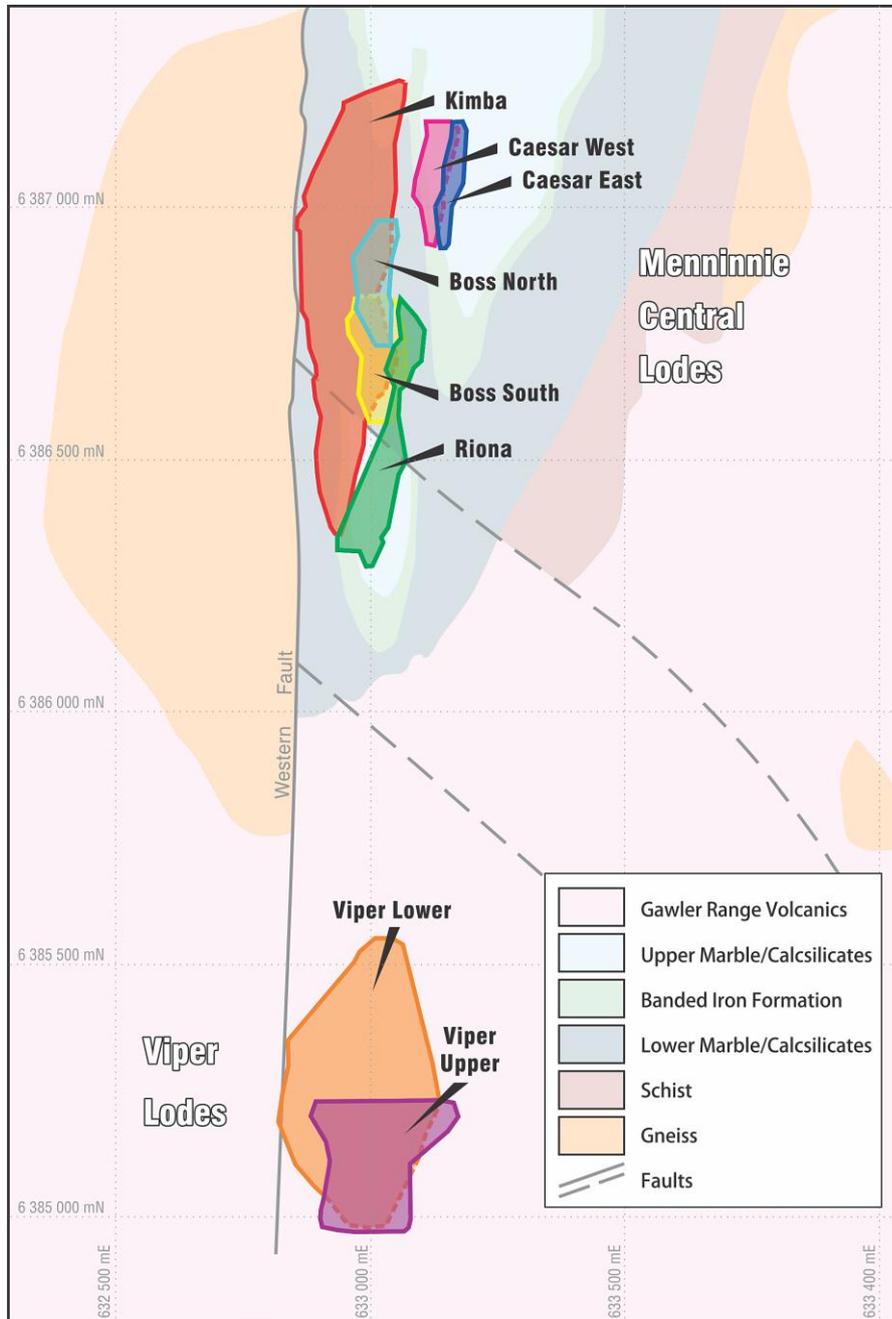


Figure 2: Menninnie Central and Viper deposits, showing the inferred resource outlines of the main Pb-Zn-Ag lodes and their geological setting

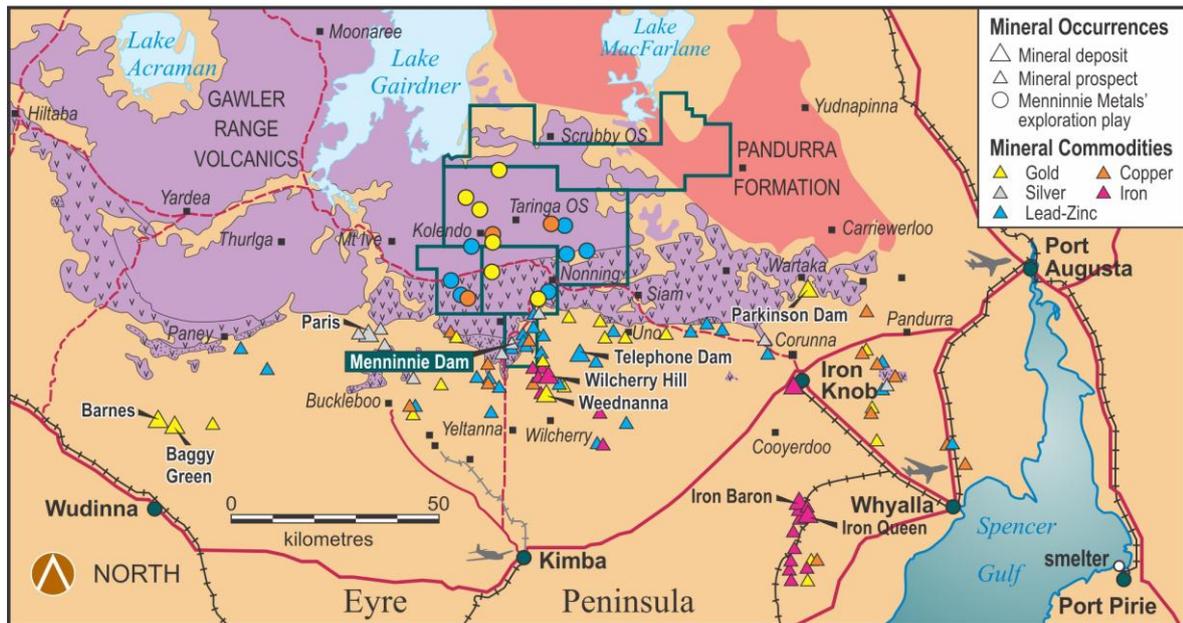


Figure 3: Mineral deposits and exploration plays within and near Menninnie Project tenements