TERRAMIN AUSTRALIA limited

ANNUAL REPORT 2003

ABN 67 062 576 238

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Executive Chairman	***Directors***	***Company Secretary***
Dr Kevin C Moriarty	*David A Paterson* *Colin G Jackson*	*Peter E Cox*

DIRECTORS' REPORT

The Directors submit their report together with the financial accounts of Terramin Australia Limited for the twelve months ended 31 December 2003.

DIRECTORS

The names of the directors who have held office during the year and until the date of this report and their experience are:

Dr Kevin Charles Moriarty	BSc(Hons),PhD.	Executive Chairman	Age 57
	Mining exploration and development experience for over 30 years. 18 years corporate experience in roles including chairman and managing director of exploration companies. Member of the Australasian Institute of Mining and Metallurgy and the Geological Society of Australia. Appointed 01/09/00		
Mr David Alaster Paterson	BAppSc, Grad Dip Bus Admin.		Age 50
	Geological and mining experience over 10 years followed by a 17 year career in the stockbroking and finance industry. Currently a consultant with wealth management group, Prescott Consultants Ltd. An Affiliate of the Securities Institute of Australia, a member of the Australasian Institute of Mining and Metallurgy, and the Geological Society of Australia. Appointed 19/04/95		
Mr Colin George Jackson	BSc(Hons), MSc, DIC, Gr ad Dip Bus Admin		Age 55
	Over 13 years of metallurgical and mineral processing experience followed by 12 years in the securities industry and 8 years in corporate support roles for major mining companies. Currently a director of Taipan Resources and Red5 Limited. Appointed 20/08/03		
Mr Peter Eric Cox	FCA		Age 55
	Over 30 years public accounting and corporate administration experience. Currently Company Secretary. Appointed 23/03/02. Resigned 24/10/03.		

PRINCIPAL ACTIVITIES

The principal continuing activity of the company is the exploration for and development of base metal, gold and other economic mineral deposits.

FINANCIAL RESULTS

The operating loss for the reporting period was \$265,738 which includes a write off of \$202,194 of exploration expenditure incurred on tenements no longer held.

DIVIDEND

No dividends were paid or declared during the period and no recommendation is made to pay a dividend.

REVIEW OF OPERATIONS

Planning proceeded on programmes to expand the Angas Zinc project resource (0.93 mT of 20% zinc equivalent), based on prospective zones identified previously. Planned activities include 3D MIMDAS IP surveys to define zinc shoots, and a drill programme to test the northern extensions of the Rankine deposit.

A review of the company's Gawler Craton gold and copper-gold projects led to recommendations for further work to build on their prospectivity and attract joint ventures.

The Company concluded an agreement with Western Metals Copper Limited to incorporate the Menninnie zinc project within the Fleurieu joint venture (i.e. the Angas project) on favourable terms for the Company. The agreement included a reduction of the earn-in from \$4m to \$2m and the grant of a call option to the Company, allowing it to purchase 100% of the projects. The Menninnie zinc project offers the potential for a substantial zinc-lead-silver resource and mine close to infrastructure. It is expected that the innovative geophysical techniques that were the key to Terramin's success at Angas will enable the Company to define high-grade lodes at Menninnie.

These acquisitions saw the company well placed to raise capital to further its programmes, and \$5m was raised in the last quarter. Drilling and geophysical work commenced in late 2003.

CHANGES IN STATUS OF AFFAIRS
The company issued a fully underwritten prospectus dated 13th November 2003 and raised $5 million before costs. The Company's shares were quoted on Australian Stock Exchange Limited on the 23rd December 2003 (ASX ticker code = TZN).

SUBSEQUENT EVENTS
There has been no matter or circumstance, other than referred to in the financial statements or notes thereto, that can reasonably be considered at this time to be material to the ongoing operations of the company.

ENVIRONMENTAL DEVELOPMENTS
The Company's operations are subject to significant environmental regulations under both Commonwealth and South Australian Legislation in relation to its exploration and future mining and development activities. Exploration Licences are issued subject to ongoing compliance with all relevant legislation. Company directors and consultants are committed to achieving a high standard of environmental performance. At the appropriate time the board will appoint an Environmental Management Committee.

CORPORATE GOVERNANCE
The Board acknowledges and endorses the "Principles of Good Corporate Governance and Best Practice Recommendations" as formulated by the ASX Corporate Governance Council - March 2003. The Board has enacted and pursues the best practice recommendation guidelines as are deemed appropriate for the size of the Company and its development status. A summary of these practices is set out in the annual report.

LITIGATION
As at the date of this report, the Company is not involved in any litigation, other than the following.
On 18 September 2003 Terramin filed a claim for payment of $335,375 against WRF Securities Limited in the District Court of South Australia. The claim arises from a former joint venture agreement with AXG Mining Limited (a subsidiary of WRF) and WRF dated 25 March 2002. The joint venture agreement required that AXG incur minimum expenditure of $425,000 on exploration. WRF guaranteed the payment to Terramin of amounts due by AXG under the joint venture agreement. In the proceedings Terramin states that AXG did not incur the minimum exploration expenditure it was required to incur, and accordingly, WRF is liable to Terramin for the amount of unpaid balance. The company intends to progress this issue in the coming year.

FUTURE DEVELOPMENTS
The Company intends to continue to undertake appropriate exploration and evaluation expenditure thereby enabling it to maintain good title to all of its prospective exploration properties until proper decisions can be made to successfully develop and exploit, sell or abandon such properties. Provision of any further information is likely to result in unreasonable prejudice to the Company.

DIRECTORS' INTERESTS
The relevant interest of directors of the company and their director related entities in shares in the company as at the date of this report are:

	Fully paid ordinary shares	20 cent options, expiry 17 December 2005
KC Moriarty	8,337,503	187,340
DA Paterson	7,997,502	666,800
CG Jackson	1,500,000	-

DIRECTORS' REMUNERATION
The following amounts have been charged in the accounts for the financial year in respect of remuneration of directors who held office:

	Director's fees	Salary	Superannuation	Total
KC Moriarty	1,233	3,698	444	5,375
DA Paterson	1,233	-	111	1,344
CG Jackson	1,233	-	111	1,344
PE Cox	-	-	-	-

The Company's policies regarding directors' remuneration are explained in the Corporate Governance section of the annual report.

MEETINGS OF DIRECTORS

The number of directors' meetings and number of meetings attended by each of the directors of the Company during the twelve months to 31st December 2003 were:

	Number held while in office	Number attended
Dr Kevin C Moriarty	4	4
Mr David A Paterson	4	4
Mr Peter E Cox (resigned 24 October 2003)	4	4
Mr Colin G Jackson (appointed 20 August 2003)	2	2

Note : During the period much of the business of the Company was appropriately addressed and covered by informal directors' meetings and various circular resolutions of the board.

OPTIONS

Details of options granted during the year are set out in Note 8 to the financial statements. No options were granted between the end of the year and the date of this report, and no options were exercised during the year or between the end of the year and the date of this report. The options granted to Messrs KC Moriarty and DA Paterson and their interests were pursuant to the operation of the Share Exchange Agreement dated 18 September 1996 and did not form part of a remuneration package.

INDEMNIFICATION OF DIRECTORS & OFFICERS

By operation of its Constitution the Company indemnifies each officer of out of the assets of the Company to the relevant extent against any liability incurred by the officer in or arising out of the conduct of the business of the Company or in or arising out of the discharge of the duties of the officer. Otherwise the Company has not during or since the end of the financial year paid or agreed to pay any premium for insurance against a current of former officer's or auditor's liability for legal costs.

Signed at Adelaide this 25th day of March 2004 in accordance with a resolution of the Board of Directors:

Kevin C Moriarty
Director

DA Paterson
Director

STATEMENT OF FINANCIAL PERFORMANCE
for the Year Ended 31 December 2003

	Notes	2003 $	2002 $
REVENUE FROM ORDINARY ACTIVITIES	2	44,328	3,841
Borrowing costs		-	(10,411)
Depreciation		(97)	-
Exploration expenditure written off	7	(202,194)	(9,071)
Prospectus/share issue costs		-	(66,270)
Administration	3	(107,775)	(57,019)
LOSS FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE		(265,738)	(138,930)
Income tax expense	4	-	-
LOSS FROM ORDINARY ACTIVITIES AFTER INCOME TAX EXPENSE	9	(265,738)	(138 930)
Non owner related changes in equity		-	-
TOTAL CHANGES IN EQUITY OTHER THAN OWNER-RELATED TRANSACTIONS		(265,738)	(138,930)

Basic earnings (loss) per share (cents)	13	(0.93)	(0.55)
Diluted earnings (loss) per share (cents)	13	(0.93)	(0.55)

STATEMENT OF FINANCIAL POSITION
as at 31 December 2003

	Notes	2003 $	2002 $
CURRENT ASSETS			
Cash assets	5	4,361,136	109,090
Other		14,792	6,962
TOTAL CURRENT ASSETS		4,375,928	116,052
NON CURRENT ASSETS			
Property, plant and equipment	6	2,798	-
Exploration and development	7	771,976	773,321
TOTAL NON CURRENT ASSETS		774,774	773,321
TOTAL ASSETS		5,150,702	889,373
CURRENT LIABILITIES			
Payables		70,108	193,557
Interest bearing liabilities		-	120,391
TOTAL CURRENT LIABILITIES		70,108	313,948
TOTAL LIABLILTIES		70,108	313,948
NET ASSETS		5,080,594	575,425
EQUITY			
Contributed equity	8	5,992,109	1,221,202
Accumulated (Losses)	9	(911,515)	(645,777)
TOTAL EQUITY		5,080,594	575,425

STATEMENT OF CASH FLOWS
for the Year Ended 31 December 2003

	Notes	2003 $	2002 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(177,643)	(111,756)
Borrowing costs		(18,218)	-
Interest received		9,362	3,841
Net cash (outflow) from operating activities		(186,499)	(107,915)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for plant and equipment		(2,895)	-
Exploration expenditure payments		(209,076)	(67,298)
Net cash inflow/(outflow) from investing activities		(211,971)	(67,298)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares and share applications		5,200,475	236,000
Repayment of interest bearing loans		(120,391)	-
Share issue expenses		(429,568)	-
Net cash inflow/(outflow) from financing activities		4,650,516	236,000
Net increase/(decrease) in cash held		4,252,046	60,787
CASH AT THE BEGINNING OF THE FINANCIAL YEAR		109,090	48,303
CASH AT THE END OF THE FINANCIAL YEAR	1(h), 5	4,361,136	109,090

RECONCILIATION OF OPERATING LOSS AFTER TAX TO NET CASH FLOWS FROM OPERATING ACTIVITIES

	2003	2002
Operating (loss) after income tax	(265,738)	(138,930)
Exploration expenditure written off	202,194	-
Depreciation	97	-
Changes in Assets and Liabilities		
Decrease (Increase) in other current assets	(7,830)	(6,286)
(Decrease) Increase in payables	(115,222)	37,301
Net cash used in operating activities	(186,499)	(107,915)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the Year Ended 31 December 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies which have been adopted in the preparation of this report are:

(a) Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

It has been prepared on the basis of historical costs and except where stated, does not take into account changing money values or fair values of assets.

These accounting policies have been consistently applied by the Company and are consistent with those of the previous year.

(b) Acquisitions of assets

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as fair value of assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their market value as at the date of acquisition, unless the notional price at which they could be placed in the market is a better indicator of fair value. Transaction costs arising on the issue of equity instruments are recognized directly in equity.

(c) Interests in Joint Ventures

The Company has an interest in an unincorporated joint venture. Joint operating control has not commenced on the venture at present. Once joint operating control commences, the Company's interests will be recognised by including in the financial statements under the appropriate headings the Company's proportion of the joint venture revenue, expenses, assets, and liabilities.

(d) Exploration and development expenditure

Exploration and development expenditure in relation to separate areas of interest for which rights of tenure are current is carried forward as an asset in the statement of financial position where:
- it is expected that the expenditure will be recovered through the successful development and exploitation of an area of interest, or by its sale; or
- exploration activities are continuing in an area and activities have not reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves.

Where a project or an area of interest has been abandoned, the expenditure incurred thereon is written off in the year in which the decision is made.
Where there has been a decision to proceed with development, accumulated expenditure will be amortised over the life of the associated resource once extraction operations commence.

(e) Recoverable amount of non-current assets

Non-current assets are not carried at an amount above their recoverable amount, and where carrying values exceed this recoverable amount, assets are written down. In determining recoverable amount, the expected net cash flows have not been discounted to their present value.

(f) Income tax

The company adopts the liability method of tax-effect accounting whereby the income tax expense shown in the profit and loss account is based on the operating profit before income tax, adjusted for any permanent differences between taxable and accounting income.

The effect of timing differences which arise from items being brought to account in different accounting periods for income tax and accounting purposes will be carried forward in the Statement of Financial Position as a future income tax benefit.

Future income tax benefits in relation to timing differences, will not be brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits in relation to tax losses will not be brought to account unless there is virtual certainty of the benefit being realised.

(g) Revenue recognition

Revenue includes interest income on short term investments, and is recognised on an accruals basis.

(h) Cash flows

For the purpose of the statements of cash flows, cash includes cash on hand and at bank and deposits held at call with banks.

(i) Depreciation of property, plant and equipment

Depreciation is calculated on diminishing balance basis so as to write off the net cost or revalued amount of each item of property, plant or equipment (excluding land or investment properties) over its expected useful to the economic entity. Estimates of remaining useful lives are made on a regular basis for all assets.
Rates of depreciation used are:
Office equipment - 40% per annum diminishing value.
Small items costing $300 or less are expensed on acquisition.

(k) Payables

These amounts represent liabilities for goods and services provided to the entity prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(l) Restoration obligations

No provision has been made in the accounts for restoration and rehabilitation of areas from which natural resources are extracted on the basis that significant exploration has not yet commenced. This policy will be subject to annual review.

(m) Seed Capital

Funding provided in 2002 via non-recourse, non-refundable, non-interest bearing loans extinguishable by the issue of shares in the Company was classified as contributed equity at the time of receipt of proceeds.

(n) Earnings per share

Basic earnings per share is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members, adjusted for;
costs of servicing equity (other than dividends) and preference share dividends;
the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; and is
divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(o) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the Australian Taxation Office are classified as operating cash flows.

	Notes	2003 $	2002 $
2. REVENUE			
Ordinary activities – operating activities			
Tenement management fees		27,315	-
Ordinary activities – outside the operating activities			
Interest		17,013	3,841
Total revenue		44,328	3,841

3. EXPENSES

	Notes	2003 $	2002 $
Administration expenses include the following:			
Auditors' remuneration	10	8,500	4,000
ASX fees		20,743	-
Consulting fees		2,281	31,250
Legal and other fees		15,446	2,269
Public relations		7,230	5,674
Rent		12,000	-
Other		41,575	13,826
Total administration expense		107,775	57,019

4. INCOME TAX

The amount of income tax attributable to the financial period differs from the prima facie benefit on the operating loss. The difference is reconciled as follows:

	2003 $	2002 $
Prima facie income tax benefit at 30% (2002: 30%) on operating loss	(79,721)	(41,679)
Tax effect of permanent differences:		
– non deductible items	926	20,972
Prima facie tax benefit adjusted for permanent differences	(78,795)	(20,707)
Net future income tax benefits not brought to account	78,795	20,707
Income tax attributable to operating loss	Nil	Nil

The Company has potential future income tax benefits of $151,138 (2002: $ 72,343) calculated at 30% (2002: 30%) attributable to tax losses and timing differences carried forward. They have not been brought to account because the directors do not believe it is appropriate to record the realisation of the future tax benefit as virtually certain. The benefits of these tax losses will only be obtained if:

(a) the Company derives future assessable income of a nature and of an amount sufficient to enable the benefits to be realised;
(b) the Company can comply with the conditions for deductibility imposed by tax legislation; and
(c) no changes in the income tax legislation adversely affect the Company in realising the benefit from the deduction of the loss.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the Year Ended 31 December 2003

5. CASH

Cash at hand and at bank	61,136	109,090
Short term bank deposits	4,300,000	-
	4,361,136	109,090

6. PROPERTY, PLANT AND EQUIPMENT

Plant and equipment – office equipment, at cost	2,895	-
Less, accumulated depreciation	(97)	-
	2,798	-

7. EXPLORATION AND DEVELOPMENT

Costs carried forward in respect of areas of interest in exploration and evaluation phase		
Balance at beginning of the year	773,321	696,758
Expenditure for the year	200,849	85,634
Less, amounts written off	(202,194)	(9,071)
Balance at the end of the year	771,976	773,321

Expenditure during the year ended 31 December 2003 and amounts written off includes $150,000 paid to RMG Services Pty Ltd as consideration for termination of the Gawler Lakes Exploration Joint Venture.

8. CONTRIBUTED EQUITY

Fully paid ordinary shares		
(a) Seed capital	-	236,000
(b) Share capital		
Fully paid ordinary shares	5,992,109	985,202
Total contributed equity	5,992,109	1,221,202

(b) Movements in ordinary fully paid share capital	**Number**	**$**
Fully paid ordinary shares		
Balance at 1st January 2002 and 31st December 2002	25,125,005	985,202
Conversion of seed capital	2,360,000	236,000
Option agreement pursuant to farm-in agreement with RMG Services Pty Ltd, includes $100 premium for 1,000,000 share options	750,000	475
Issue of seed capital	2,000,000	200,000
Issue pursuant to prospectus	25,000,000	5,000,000
Less, share issue expenses	-	(429,568)
Balance at 31st December 2003	55,235,005	5,992,109

During 2002 $236,000 of seed capital funding was raised via non-recourse, non-refundable, non-interest bearing loans and converted to 2,360,000 fully paid ordinary shares in May 2003.

During 2003 the Company issued the following options to subscribe for fully paid ordinary shares at 20 cents per share:

	Expiry date	**Number**
(a) Issue pursuant to share exchange agreement	17 December 2005	5,523,500
(b) Issue pursuant to Carrapateena JV	23 January 2006	2,000,000
(c) Issue pursuant to Fleurieu JV agreement	16 July 2006	2,000,000
(d) Issue pursuant to underwriting agreement	17 December 2008	2,000,000
(e) Issue pursuant to RMG Services Pty Ltd farm-in agreement	23 December 2008	1,000,000
		12,523,500

(a) Pursuant to a Share Exchange Agreement dated 18 September, 1996, specific shareholders of the Company were granted 5,523,500 free options to acquire shares in the capital of the Company following admission to the Official List of the Australian Stock Exchange Limited. The holders of the free options are entitled to acquire shares in the capital of the Company at 20 cents per share, being the price at which the public subscription occurred, exercisable at any time within a period of two years after the date of issue. KC Moriarty was entitled to 3.39% of any options issued, being 187,340, and DA Paterson and related entities 12.07%, being 666,800.

(b) Issued to MIM Exploration Ltd in consideration for providing MIMDAS over the Angas prospect.

(c) Issued to Western Metals Copper Limited (in receivership) pursuant to the terms of the amended Fleurieu Menninnie Dam Joint Venture Agreement in July 2003.

(d) Issued to Taylor Collison Ltd pursuant to their underwriting of the public subscription via prospectus dated 13 November 2003.

(e) Issued to RMG Services Pty Ltd for $100 pursuant to the now extinguished Gawler Lakes Joint Venture Agreement.

9. ACCUMULATED LOSSES

	2003 $	**2002** **$**
Accumulated losses at the beginning of the year	645,777	506,847
Loss for the year	265,738	138,930
Accumulated losses at the end of the year	911,515	645,777

10. AUDITORS' REMUNERATION

Amounts paid or payable to the auditors for			
Audit or review of financial reports	3	8,500	3,000
Prospectus costs (included in Note 8 as share issue expenses)		13,000	-
Total remuneration		21,500	3,000

11. REMUNERATION OF DIRECTORS

Income paid or payable, or otherwise made available to directors in connection with the management of affairs of the Company	8,063	43,250
The numbers of directors whose total income from the Company was within the specified bands are as follows:		
$0 - $9,999	3	2
$40,000 - $49,999	-	1

The Company has commenced paying directors' fees since quotation of the Company's shares on the Official List of Australian Stock Exchange Ltd on 23 December 2003.

12. RELATED PARTY INFORMATION

Directors - The names of persons holding the position of director of the Company during the year ended 31 December 2003 were:

KC Moriarty
DA Paterson
PE Cox – resigned 24 October 2003
CG Jackson – appointed 20 August 2003

Amounts totalling $12,000 (2002: Nil) have been included in the financial statements as payments for rent of premises and equipment and $Nil (2002: $55,250) for consulting services provided to the Company by Towarnie Geosciences, an entity controlled by KC Moriarty,

At balance date the relevant interest of each Director in ordinary fully paid shares, and options of the Company were:

Director	**2003** Shares	**2003** Options	**2002** Shares	**2002** Options
KC Moriarty	8,337,503	187,340	8,837,503	-
DA Paterson	7,997,502	666,800	9,287,502	-
CG Jackson (appointed 20 August 2003)	1,500,000	-	-	-
PE Cox (resigned 24 October 2003)	-	-	200,000	-

Except for 100,000 shares held by CG Jackson, all of the above shares and options are subject to Restriction Agreements with Australian Stock Exchange Ltd expiring 23 December 2005.

Options held by Messrs Moriarty and Paterson (or their interests) were granted in accordance with the Share Exchange Agreement referred to in note 8.

During the year the Company repaid a loan of $81,391 to BL Paterson, the spouse of DA Paterson, together with accrued interest of $11,393 as at 31 December 2002. No interest was charged on the loan amounts in 2003. The Company also repaid a loan of $39,000 to Sanglo Pty Ltd a company controlled by DA Paterson and his spouse together with accrued interest of $6,825 as at 31 December 2002. No interest was charged on the loan amounts in 2003. During the year the Company paid to KC Moriarty the sum of $158,339 pursuant to a consultancy agreement on 15th August 1997, before KC Moriarty became a director of the Company. The agreement expired on 15th August 2002.

The amount of $158,339 due had been recorded in the 2002 accounts. No interest has been paid or is payable on outstanding amounts.

13. EARNINGS PER SHARE

	2003	**2002**
Basic earnings (loss) per share (cents)	(0.93)	(0.55)
Diluted earnings (loss) per share (cents)	(0.93)	(0.55)
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	28,468,594	25,125,005

The calculation of diluted earnings per share does not include weighted dilutive potential ordinary shares on issue as to do so would have the effect of reducing the amount of the loss per share.

14. FINANCIAL INSTRUMENTS

Credit Risk - The credit risk on financial assets of the Company which have been recognised on the statement of financial position is the carrying value.

Interest Rate Risk - The Company's exposure to the effective interest rates on each class of financial instrument is set out below:

2003	Note	Floating interest rate **$**	Non-interest bearing **$**	TOTAL **$**
Financial Assets				
Cash and deposits	5	4,361,136	-	4,361,136
Other		-	14,792	14,792
		4,361,136	14,792	4,375,928
Weighted average interest rate		5.4%		
Financial Liabilities				
Accounts payable		-	70,108	70,108
Interest bearing liabilities		-	-	-
Net Financial assets		-	70,108	70108
Weighted average interest rate		Nil %		
2002				
Financial Assets				
Cash and deposits	5	109,090	-	109,090
Other		-	6,962	6,962
		109,090	6,962	116,052
Weighted average interest rate		3.4%		
Financial Liabilities				
Accounts payable		-	193,557	193,557
Interest bearing liabilities		120,391	-	120,391
Net Financial assets		120,391	193,557	313,948
Weighted average interest rate		8.6%		

Net fair values - The directors consider that the carrying value of financial instruments approximates their net fair value.

15. SEGMENT INFORMATION

The Company operates in the mineral exploration industry in South Australia.

16. EVENTS SUBSEQUENT TO BALANCE DATE

For reporting periods beginning on or after 1 January 2005, the Company must comply with International Financial Reporting Standards (IFRS) as issued by the Australian Accounting Standards Board.

This financial report has been prepared in accordance with Australian accounting standards and other financial reporting requirements (Australian GAAP). The differences between Australian GAAP and IFRS identified to date as potentially having a significant effect on the Company's financial performance and financial position are summarised below. The summary should not be taken as an exhaustive list of all the differences between Australian GAAP and IFRS. No attempt has been made to identify all disclosure, presentation or classification differences that would affect the manner in which transactions or events are presented.

The Company has not quantified the effects of the differences discussed below. Accordingly, there can be no assurances that the financial performance and financial position as disclosed in this financial report would not be significantly different if determined in accordance with IFRS.

Regulatory bodies that promulgate Australian GAAP and IFRS have significant ongoing projects that could affect the differences between Australian GAAP and IFRS described below and the impact of these differences relative to the Company's financial reports in the future. The potential impacts on the Company's financial performance and financial position of the adoption of IFRS, including system upgrades and other implementation costs which may be incurred, have not been quantified as the actual impacts will depend on the particular circumstances prevailing on adoption in the half-year commencing on 1 January 2005.

The key potential implications of the conversion to IFRS on the Company are as follows:

- Impairment of assets will be determined on a discounted basis, with strict tests for determining whether goodwill and cash-generating operations have been impaired.
- Equity-based compensation in the form of shares and options will be recognised as expenses in the periods during which the employee provides related services.

17. CONTINGENT LIABILITIES

Nil

18. COMMITMENTS FOR EXPENDITURE – NOT RECOGNISED IN THE ACCOUNTS

(a) Operating lease – office accommodation

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:	**2003** **$**	**2002** **$**
Within one year	3,280	-
Total commitments	3,280	-

(b) Exploration tenements

Commitments for minimum expenditure on exploration tenements on which the Company has title are payable as follows:	**2003** **$**	**2002** **$**
Within one year	973,000	755,000
Between 2 and 5 years	-	150,000
Total commitments	973,000	905,000

1. Fleurieu Menninnie Dam Joint Venture ("FMDJV") (Terramin 60%)

The company continues to be involved in a joint venture over three exploration licences located on the Fleurieu Peninsula south east of Adelaide and EL 2848 located 55 km north of Kimba on Eyre Peninsula. Details of the titles and related expenditures are provided in the following table.

Title Name	Licence Number	Area (sq kms)	Licence Expiry	Terramin Interest	Minimum Expenditure Commitment
Langhorne Creek	EL 2677	617	02/12/2003 (renewal pending)	60%	$110,000 (estimated)
Bremer	EL 2839	457	09/09/2004	60%	$270,000
Currency Creek	EL 3128	174	16/09/2004	60%	$45,000
Menninnie Dam	EL 2848	101	23/09/2004	60%	$78,000

Under the terms of the joint venture agreement the Company has spent $913,104 as at 31 December 2003 on exploration over FMDJV titles. Pursuant to the First Amending Deed dated 23 June 2003 the terms of this joint venture were varied such that Terramin is now required to contribute a total of $2.0 million in expenditure in total on the titles by 31 December 2005 to confirm its interest in the above titles. The amending deed also includes buy out terms whereby Terramin can at its option at any time until 31 December 2005, acquire 100% of the titles by (a) the issue of $1.0 million of listed shares to Western Metals Copper Limited ("WMCL") and (b) the grant of a royalty to WMCL equal to 2.5% of the net smelter return from mineral products produced from FMDJV titles. The royalty is capped at $12 million.

The Company has an obligation to meet various expenditure commitments as imposed and/or negotiated with Primary Industries and Resources SA ("PIRSA"). The Company could elect to withdraw from the joint venture relinquishing its interest and have no further obligations either to WMCL or PIRSA.

2. Other Titles located in South Australia

The company currently holds title to the following exploration licences located in northern South Australia.

Title Name	Licence Number	Area (sq kms)	Licence Expiry	Terramin Interest	Minimum Expenditure Commitment
Ingomar	EL 2969	1,236	12.06.2004	100%	$150,000
Lake Eyre	EL 2970	252	12.06.2004	100%	$150,000
Phar Lap	EL 2987	72	24.07.2004	100%	$75,000
National Trig	EL 3039	659	24.10.2004	100%	$95,000

These titles were subject of a joint venture that ceased on 24 March 2003.
The Company has an obligation to meet various expenditure commitments as imposed and/or negotiated with PIRSA. Relinquishment of part or all of the titles will reduce the above commitments.

TERRAMIN AUSTRALIA LIMITED

DIRECTORS' DECLARATION

The directors declare that the financial statements and notes set out on pages 8 to 17:

(a) comply with Australian Accounting Standards, the Corporations Regulations 2001, and other mandatory professional reporting requirements; and

(b) give a true and fair view of the Company's financial position as at 31 December 2003 and of its performance, as represented by the results of its operations and its cash flows, for the financial year ended on that date.

In the directors' opinion:

(a) the financial statements and notes are in accordance with the Corporations Act 2001, and

(b) there are reasonable grounds to believe that the Company will be able pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

KC Moriarty Director	DA Paterson Director

Dated this 25th day of March 2004

At Adelaide, South Australia

Independent audit report to members of Terramin Australia Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Terramin Australia Limited (the "Company"), for the year ended 31 December 2003.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

Audit opinion

In our opinion, the financial report of Terramin Australia Limited is in accordance with:

a) the *Corporations Act 2001*, including:

   i. giving a true and fair view of the Company's financial position as at 31 December 2003 and of its performance for the financial year ended on that date; and

   ii. complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

b) other mandatory financial reporting requirements in Australia.

KPMG

Peter Robertson
Partner

Adelaide
25 March 2004

CORPORATE GOVERNANCE

ADOPTED POLICIES

Corporate governance is the system by which companies are directed and managed. It influences how the objectives of the Company are set and achieved, how risk is monitored and assessed, and how performance is optimised. Good corporate governance structures encourage companies to create value (through entrepreneurism, innovation, development and exploration) and provide accountability and control systems commensurate with the risks involved.

Good corporate governance will evolve with the changing circumstances of a company and must be tailored to meet these circumstances. Terramin is a junior exploration company which listed on the Australian Stock Exchange on 23 December 2003. The Company currently operates with limited permanent staff, relying largely on specialist consultants and casual field staff to assist in the formulation and implementation of exploration programmes.

The Company's Board and management are committed to a high standard of corporate governance practices, ensuring that the Company complies with the Corporations Act 2001, Australian Stock Exchange Listing Rules, Company Constitution and other applicable laws and regulations. However, at this stage of the Company's corporate development, implementation of the ASX Corporate Governance Council ten core principles, whilst wholeheartedly supported, is not practical in every instance given the modest size and simplicity of the business. The core principles are noted as follows:

The core principles are establishment of the role of the Board, its composition (with a balance of skills, experience and independence appropriate to the nature and extent of operations), and the need for integrity (among those who influence strategy and financial performance, together with responsible and ethical decision-making). Presenting the Company's financial and non-financial position requires processes that safe guard, both internally and externally, the integrity of company reporting and its provision in a timely and balanced manner. The rights of Company shareholders must be recognised and upheld. Risk must be managed through effective oversight and internal control. Board and management effectiveness must be encouraged. Remuneration must attract and maintain talented and motivated directors and employees with a clear relationship to corporate and individual performance. And finally, the legitimate interests of all stakeholders must be recognised.

The details of the current and evolving corporate governance practices are identified below.

BOARD OF DIRECTORS

Role of the Board

The Board has the responsibility of protecting the rights and interests of shareholders and enhancement of long-term shareholder value. To fulfil this role, the Board is responsible for:

- the corporate governance of the Company;
- the overall strategic direction and leadership of the Company;
- approving and monitoring management implementation of objectives and strategies; and
- reviewing the performance against stated objectives by receiving regular management reports on the business situation, opportunities and risks.

Structure of the Board

The Company has a majority non-executive Board comprising one executive director and two non-executive directors. The experience of directors is noted in the Directors' Report.

It is noted that both Messrs Moriarty and Paterson are substantial shareholders. Dr Moriarty has led the Company through the recent growth phase and the Board considers the interest of all shareholders are best served if he continues in the role of Executive Chairman.

Mr Paterson has been allocated special responsibility for audit and corporate governance. Consideration will be given at an appropriate juncture in the Company's development, most probably when the Board expands, for the creation of both nomination and remuneration committees.

Directors and the Company Secretary are consulted on the activities of the Company on a regular, often weekly basis, and consider this an appropriate insurance of good governance.

None of the directors has a trading relationship with the Company other than the supply of services in a non-material manner, and none of the directors has a conflict of interest in any business or relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company.

AUDIT PROCESSES AND POLICIES

The Board is responsible for the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Company. It has appointed a non-executive Director to oversee internal auditing on behalf of the Board.

The responsibilities include:-

- reviewing and approving the annual financial reports, the half yearly financial report and all other financial information distributed externally;
- monitoring the effective operation of the risk management framework;
- reviewing the effectiveness of the organisation's internal control environment including compliance with applicable laws and regulations;
- the nomination of the external auditors and the review of the adequacy of the existing external audit arrangements;
- considering whether non-audit services provided by the external auditor are consistent with maintaining the external auditor's independence; and
- reviewing and monitoring of related party transactions.

SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

The Executive Chairman and Chief Financial Officer formally state to the Board that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results, and are in accordance with the relevant Australian Accounting Standards.

RESPECT THE RIGHTS OF SHAREHOLDERS AND STAKEHOLDERS

The Board has adopted communications strategies and practices to promote communication with shareholders, in language capable of interpretation, and to encourage effective participation at general meetings. The external auditor will attend meetings to respond to specific questions from shareholders. In parallel, the Board will establish a code of conduct to guide compliance with the legitimate interests of all stakeholders.

TIMELY AND BALANCED DISCLOSURES

The Board supports the Australasian Investor Relations Association "Best Practice Guidelines for Communication between Listed Entities and the Investment Community". The Board endorses a culture in favour of continuous disclosure and recognises the benefits of consistency to be achieved through a dedicated communications officer and authorised spokesperson.

This is complemented by the National Investor Relations Institute (USA) "Code of Ethics" which amongst other elements demands the timely communication of information, whether favourable or unfavourable to the Company.

Material information is lodged immediately with the ASX and on acknowledgement disseminated by posting to the website. Shareholders, potential investors and interested parties can avail themselves of an email alert facility. A strict protocol is practised for all investor/analyst/media meetings, group briefings and conference calls.

DIRECTORS, OFFICERS AND EMPLOYEES DEALING IN COMPANY SHARES.

Directors must advise the Company of any transactions conducted by them in the shares of the Company, in accordance with the Corporations Act 2001 and the Listing Rules of Australian Stock Exchange Limited. Company policy also requires officers and employees to notify any dealings in Company shares and which must be in accordance with provisions of the Corporations Act 2001.

REMUNERATE FAIRLY AND RESPONSIBLY

The Company does not have a separate remuneration committee due to both the limited size of the Board and the Company's staff. Directors and key executives are remunerated in accordance with market conditions and performance as adjudged by the Board. The Executive Chairman's remuneration, performance criteria and termination entitlements have been made available to shareholders.

ACCESS TO PROFESSIONAL ADVICE

Issues of substance are considered by the Board with external advice from its professional advisers as required. The Board's individual members can seek independent professional advice at the Company's expense in carrying out their duties. Prior written approval of the Chairman is required, but will not be unreasonably withheld.

ADDITIONAL INFORMATION

1. DISTRIBUTION OF SHAREHOLDERS AS AT 31 MARCH 2004

Spread of Equity Security Holders

	Number of Holders Fully paid shares	Unlisted options
0 – 1,000	1	-
1,001 – 5,000	43	-
5,001 – 10,000	106	1
10,001 – 100,000	431	6
100,001 and over	67	24
	648	31

Shareholders holding less than a marketable parcel (1,819 shares) – 2
The percentage held by the 20 largest shareholders – 50.16%

2. SHAREHOLDER VOTING RIGHTS

At a general meting of shareholders, on a show of hands, each person who is a member or sole proxy has one vote. On a poll, each shareholder is entitled to one vote for each fully paid share.

3. SUBSTANTIAL SHAREHOLDERS

KC Moriarty – 8,337,503 fully paid ordinary shares (15.09% of voting shares) and 187,340 options exercisable at 20 cents each at any time on or before 17 December 2005.

DA Paterson – 7,997,502 fully paid ordinary shares (14.48% of voting shares) and 666,800 options exercisable at 20 cents each at any time on or before 17 December 2005.

4. TAXATION

The company is taxed as a public company.

5. STATEMENT OF QUOTED SECURITIES

Of the 55,235,005,105 ordinary fully paid shares on issue, 31,910,000 are listed on the Australian Stock Exchange Limited.

6. RESTRICTED SECURITIES

There are 22,325,005 ordinary fully paid shares subject to restriction agreements as follows:-

Number of shares	Restriction period end
750,000	15 May 2004
875,000	11 November 2004
21,700,005	23 December 2005

There are also 12,523,500 options all exercisable at 20 cents per share subject to restriction agreements as follows:

Number of options	Expiry date	Restriction period end
5,523,500	17 December 2005	17 December 2004
2,000,000	23 January 2006	15 May 2004
2,000,000	16 July 2006	16 July 2004
2,000,000	17 December 2008	23 December 2005
1,000,000	23 December 2008	15 May 2004

7. FULLY PAID ORDINARY SHARES

The names of the twenty largest shareholders as shown in the Company's register at 31 March 2004 are:

Shareholder	Number of Shares	%
Kevin C Moriarty	7,550,000	13.67
David A Paterson	5,487,502	9.93
ANZ Nominees Limited	2,500,000	4.53
Villaford Pty Ltd	2,500,000	4.53
Colin G Jackson	1,500,000	2.72
Girth Pty Ltd	900,000	1.63
KC Moriarty <Towarnie Super Fund>	787,503	1.43
Gadzooks Pty Ltd	733,500	1.33
JP Morgan Nominees Australia Ltd	625,000	1.13
Rodolpho A Gomez	550,000	1.00
RE & HE Greiner	500,000	0.91
Maretta A Moriarty	500,000	0.91
UBS Nominees Pty Ltd	500,000	0.91
Pamela C Williams	500,000	0.91
WR Brand Nominees Pty Ltd	500,000	0.91
REL & MG Yin	500,000	0.91
Symington Pty Ltd	459,600	0.83
Brands Properties Pty Ltd	400,000	0.72
Calex Nominees Pty Ltd	400,000	0.72
David S Garwood	400,000	0.72

8. APPLICATION OF CASH RESOURCES

Cash and cash assets on hand at the time of admission to Australian Stock Exchange Limited have, from the date of admission until the date of this report, been applied consistently with the business objectives of the Company and as set out in the Prospectus dated 13 November 2003.