



TERRAMIN AUSTRALIA limited

ABN 67 062 576 238

Financial Statements

Twelve (12) Months Ended 31 December 2004

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TERRAMIN AUSTRALIA LIMITED

DIRECTORS' REPORT

The Directors submit their report together with the financial accounts of Terramin Australia Limited for the twelve months ended 31 December 2004.

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. Age 58. Executive Chairman
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 51
Geological and mining experience over 10 years followed by a 18 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, Grad. Dip. Bus. Admin. Age 56
Over 13 years of metallurgical and mineral processing experience followed by 12 years in the securities industry and eight years in corporate roles for major listed mining companies. Currently Chairman of NuStar Mining Corporation Limited and a Director of Red 5 Limited. Appointed 20/08/03

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 \$454,584 which includes a write-off of \$11,958 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

During the year the Company undertook a major programme of drilling and resource evaluation on the Angas zinc project. A new interpretation of the mineralisation based on the Broken Hill model led to the definition of nearly 3 million tonnes of zinc and lead resources, with the potential to triple this resource down plunge. The scoping study was revised to accommodate this resource and estimated cash flows in excess of \$10m per annum from a 300,000 tpa operation. This was the basis for commissioning a pre-feasibility study, which reported after the balance date. It defined a near surface 890,000 tonne ore reserve and estimated that a 400,000 tpa operation would produce cash flows of over \$20m per annum at January, 2005 metal prices. In February 2005 a new drill programme commenced to expand the resources targeting a doubling in the ore reserves to support an initial five year mine life. Several smelting and trading organisations have expressed interest in financing the startup in return for zinc and lead concentrate off-take agreements. The Company continues to negotiate for the best terms.

The SA Government agreed to amalgamate expenditures over the three Fleurieu Licences, which includes the Angas project, allowing Terramin in the immediate time frame to concentrate resources and finances on development of the Angas mine.

Exploration at Menninnie has also produced major advances during 2004. Some 20 million tonnes of zinc and lead mineralisation has been outlined in zones extending for over 6 kilometres of the Menninnie Dam prospect. Whilst a substantial programme of infill drilling is justified by the potential to define significant JORC resources, Terramin prioritised engineering studies at Angas. Terramin was subsequently approached by a major zinc producer who offered to fund an \$8 million joint venture programme aimed at early definition of lead, zinc and copper resources.

Elsewhere on the Menninnie tenement, Terramin identified targets for larger copper, gold, zinc and lead orebodies under surface anomalies that exceed those over the Menninnie Dam prospect. This work has attracted a large grant under the SA Government's Plan for Accelerated Exploration, and a 16,000 metre aircore drill programme will commence to test these anomalies in April 2005.

Terramin formed a business development unit to evaluate zinc projects for acquisition with nearby existing infrastructure and high grade resources key criteria. The unit has negotiated to acquire an interest in a 50 million tonne zinc project and is awaiting foreign government approvals.

Additional information is contained in the Chairman's Statement and Operations Report.

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 ('WRF') in the District Court of South Australia. The claim arises from a former joint venture agreement with AXG Mining Limited ('AXG') (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.

On 8 April 2004 Terramin made separate claim against AXG in the District Court of South Australia seeking payment which totalled \$1.71 million. In addition to the exploration expenditure shortfall Terramin seeks restitution of losses related to potential joint venture exploration opportunities and various costs. The actions against WRF and AXG were successfully merged into a single claim on 22 June 2004.

The Company will continue to seek a favourable outcome in relation to this litigation.

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	Contract payments	Superannuation	Total
KC Moriarty	45,000	253,035	4,050	302,085
DA Paterson	40,000	-	3,600	43,600
CG Jackson	28,000	-	2,520	30,520

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 2004 were:

	Number held while in office	Number attended
Dr Kevin C Moriarty	12	12
Mr David A Paterson	12	12
Mr Colin G Jackson	12	12

There were no separate committees of directors during the year.

OPTIONS

No options were granted during the year.

INDEMNIFICATION OF DIRECTORS & OFFICERS

The Company has not during or since the end of the financial year indemnified or agreed to indemnify an officer or auditor of the Company against any liability incurred by an officer or auditor nor has it paid any insurance premium in respect of indemnity against such liability.

Signed at Adelaide this 30th day of March 2005 in accordance with a resolution of the Board of Directors:



Kevin C Moriarty
Director



DA Paterson
Director

TERRAMIN AUSTRALIA LIMITED

STATEMENT OF FINANCIAL PERFORMANCE for the Year Ended 31 December 2004

	Notes	2004 \$	2003 \$
REVENUE FROM ORDINARY ACTIVITIES	2	179,911	44,328
Depreciation		(11,147)	(97)
Employee benefits expense		(36,397)	-
Exploration expenditure written off		(11,958)	(202,194)
Administration	3	(574,993)	(107,775)
LOSS FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE		(454,584)	(265,738)
Income tax expense	4	-	-
LOSS FROM ORDINARY ACTIVITIES AFTER INCOME TAX EXPENSE	10	(454,584)	(265,738)
Non owner related changes in equity		-	-
TOTAL CHANGES IN EQUITY OTHER THAN OWNER-RELATED TRANSACTIONS		(454,584)	(265,738)
Basic earnings (loss) per share (cents)	14	(0.82)	(0.93)
Diluted earnings (loss) per share (cents)	14	(0.82)	(0.93)

TERRAMIN AUSTRALIA LIMITED

STATEMENT OF FINANCIAL POSITION as at 31 December 2004

		2004	2003
		\$	\$
	Notes		
CURRENT ASSETS			
Cash assets	5	2,400,104	4,361,136
Other		13,848	14,792
TOTAL CURRENT ASSETS		2,413,952	4,375,928
NON CURRENT ASSETS			
Property, plant and equipment	6	45,014	2,798
Exploration and development	7	2,495,358	771,976
TOTAL NON CURRENT ASSETS		2,540,372	774,774
TOTAL ASSETS		4,954,324	5,150,702
CURRENT LIABILITIES			
Payables		327,312	70,108
Provisions		1,002	-
TOTAL CURRENT LIABILITIES		328,314	70,108
TOTAL LIABILITIES		328,314	70,108
NET ASSETS		4,626,010	5,080,594
EQUITY			
Contributed equity	9	5,992,109	5,992,109
Accumulated (Losses)	10	(1,366,099)	(911,515)
TOTAL EQUITY		4,626,010	5,080,594

TERRAMIN AUSTRALIA LIMITED

STATEMENT OF CASH FLOWS for the Year Ended 31 December 2004

	2004	2003
	\$	\$
Notes		
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(563,845)	(177,643)
Borrowing costs	-	(18,218)
Interest received	180,663	9,362
Net cash (outflow) from operating activities	(383,182)	(186,499)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for plant and equipment	(59,093)	(2,895)
Exploration expenditure payments	(1,518,757)	(209,076)
Net cash inflow/(outflow) from investing activities	(1,577,850)	(211,971)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares and share applications	-	5,200,475
Repayment of interest bearing loans	-	(120,391)
Share issue expenses	-	(429,568)
Net cash inflow/(outflow) from financing activities	-	4,650,516
Net increase/(decrease) in cash held	(1,961,032)	4,252,046
CASH AT THE BEGINNING OF THE FINANCIAL YEAR	4,361,136	109,090
CASH AT THE END OF THE FINANCIAL YEAR	2,400,104	4,361,136

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

Operating (loss) after income tax	(454,584)	(265,738)
Exploration expenditure written off	-	202,194
Depreciation	11,147	97
Changes in Assets and Liabilities		
Decrease (Increase) in other current assets	945	(7,830)
(Decrease) Increase in payables	58,308	(115,222)
(Decrease) Increase in provisions	1,002	-
Net cash used in operating activities	(383,182)	(186,499)

TERRAMIN AUSTRALIA LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the Year Ended 31 December 2004

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) Going concern

The financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realization of assets and settlement of liabilities in the ordinary course of business. As at 31 December 2004 the Company has sufficient cash to pay its debts as and when they fall due. It is the intention of the Directors to continue to explore, evaluate and develop its areas of interest for which rights of tenure are current. In order to do this further cash injections by way of equity or debt may be necessary. The Directors will take the appropriate action to ensure these funds are available when and as they are required.

(c) 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.

(d) Interests in Joint Ventures

The Company has had interests in unincorporated joint ventures. The Company's policy is that 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.

(e) 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.

(f) Recoverable amount

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 using a market determined risk adjusted discount rate.

(g) Revenue recognition

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

TERRAMIN AUSTRALIA LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the Year Ended 31 December 2004

(h) 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.

(i) 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.

(k) 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 life 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.

(l) 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.

(m) Employee benefits

Liabilities for employee's benefits to annual leave and other current employee benefits are measured as the amount unpaid at the reporting date at rates expected to be paid in respect of employees' services up to that date. Liabilities for other benefits, which are not expected to be paid or settled within twelve months of balance date are accrued in respect of all employees at the present values of the future amounts expected to be paid.

(n) 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.

(o) 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.

TERRAMIN AUSTRALIA LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the Year Ended 31 December 2004

(p) International Financial Reporting Standards

Basis of Preparation

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. Accordingly, the Company will prepare a financial report under IFRS for the first time for the half-year ending 30 June 2005. The prior period comparatives in that report will be based on an opening IFRS statement of financial position dated 1 January 2004.

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

- There is no IFRS which comprehensively deals with the accounting and reporting issues specific to the extractive industries. In the absence of such an industry based on IFRS, companies operating in the extractive industries will be required to determine their own accounting policy for accounting and evaluation expenditure which is compatible with the IFRS conceptual accounting framework definition of assets and expenses. Generally this will require exploration and evaluation expenditures to be expensed unless they lead to a successful discovery of economic value
Pending the completion of a comprehensive project on accounting for extractive industries, AASB 6 “Expenditure for and Evaluation of Mineral Resources” was issued in December 2004 to facilitate the introduction of IFRS in respect of the treatment of exploration and evaluation expenditure. This standard is the Australian equivalent to IFRS 6 issued by the AASB in December 2004, and will require exploration and evaluation expenditure incurred to be partially or fully capitalised and recognised as an asset so long as certain conditions are satisfied.
The IASB decided that the effective date of IFRS 6 would be 1 January 2006 to allow affected companies more time to make the transition to IFRS. Despite the lateness of the issuance of the Australian equivalent accounting standard AASB 6, Terramin Australia Ltd will be required to apply the standard from 1 January 2005.
- Testing for impairment of non-current assets will be undertaken on the smallest grouping of assets generating cash flows, called cash generating units, and will be determined on a discounted future net cash flow basis. Such testing may result in write-downs of carrying amounts of some non-current assets.
- Deferred tax assets and liabilities will generally be based on the differences between the accounting and tax basis of assets and liabilities under the “balance sheet” approach which may result in the recognition of more deferred tax assets and liabilities.
- Under IFRS the cost of employee remuneration provided in the form of equity-based remuneration (including shares and options) will be measured based on the fair value of those instruments and amortised to the profit and loss over the vesting period.

The AASB and IASB have significant ongoing projects including a comprehensive “Extractive Industries” project that could affect the differences between current Australian GAAP and IFRS as described above and could further impact the Company’s financial reports in future years. The future impacts of any new or amended IFRS will depend on the particular circumstances in those years.

A detailed evaluation of the impact of IFRS on the Company’s accounting policies and business information requirements has not been performed at 31 December 2004, but is expected to be completed by 30 June 2005.

TERRAMIN AUSTRALIA LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the Year Ended 31 December 2004

	Notes	2004 \$	2003 \$
2. REVENUE			
Ordinary activities – operating activities			
Tenement management fees		-	27,315
Ordinary activities – outside the operating activities			
Interest		179,911	17,013
Total revenue		179,911	44,328

3. EXPENSES			
Administration expenses include the following:			
Accounting and secretarial		43,935	2,281
Auditors' remuneration	11	15,000	8,500
ASX fees		19,448	20,743
Consulting fees and contract staff		220,543	3,371
Directors' fees and superannuation		123,170	2,819
Insurance		12,088	-
Legal and other fees		9,907	15,446
Public relations		778	7,230
Rent and office services		59,575	17,690
Share registry and reports		20,598	6,744
Other		49,951	22,951
Total administration expense		574,993	107,775

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:

Prima facie income tax benefit at 30% (2003: 30%) on operating loss	(136,375)	(79,721)
Tax effect of permanent differences:		
– non deductible items	2,064	926
Prima facie tax benefit adjusted for permanent differences	(134,311)	(78,795)
Net future income tax benefits not brought to account	134,311	78,795
Income tax attributable to operating loss	Nil	Nil

The Company has potential future income tax benefits of \$285,449 (2003: \$151,138) calculated at 30% (2003: 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.

TERRAMIN AUSTRALIA LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the Year Ended 31 December 2004

	2004	2003
	\$	\$
5. CASH		
Cash at hand and at bank	1,902,749	61,136
Short term bank deposits	497,355	4,300,000
	2,400,104	4,361,136
6. PROPERTY, PLANT AND EQUIPMENT		
Office equipment, at cost	33,118	2,895
Less, accumulated depreciation	(11,244)	(97)
Plant and equipment, at cost	6,990	-
Less, accumulated depreciation	(1,628)	-
Motor vehicle, at cost	21,881	-
Less, accumulated depreciation	(4,103)	-
	45,014	2,798

Reconciliation of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year are set out below.

Office equipment

Carrying amount at the beginning of the year	2,798	-
Additions	30,223	2,895
Depreciation expense	(11,147)	(97)
Carrying amount at the end of the year	21,874	2,798

Plant and equipment

Carrying amount at the beginning of the year	-	-
Additions	6,990	-
Depreciation charged to exploration	(1,628)	-
Carrying amount at the end of the year	5,362	-

Motor vehicle

Carrying amount at the beginning of the year	-	-
Additions	21,881	-
Depreciation charged to exploration	(4,103)	-
Carrying amount at the end of the year	17,778	-

7. EXPLORATION AND DEVELOPMENT

Costs carried forward in respect of areas of interest in exploration and evaluation phase

Balance at beginning of the year	771,976	773,321
Expenditure for the year	1,723,382	200,849
Less, amounts written off	-	(202,194)
Balance at the end of the year	2,495,358	771,976

TERRAMIN AUSTRALIA LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the Year Ended 31 December 2004

	2004	2003
	\$	\$
8. PROVISIONS		
Employee entitlements	1,102	-
Number of employees at the end of the financial year	3	-
9. CONTRIBUTED EQUITY		
Fully paid ordinary shares		
Share capital		
Fully paid ordinary shares	5,992,109	5,992,109
Total contributed equity	5,992,109	5,992,109
Movements in ordinary fully paid share capital		
On issue at the beginning of the year – 55,235,005 shares (2003: 25,125,005 shares)	5,992,109	985,202
Conversion of seed capital – 2,360,000 shares	-	236,000
Option agreement pursuant to farm-in agreement with RMG Services Pty Ltd, include \$100 premium for 1,000,000 share options – 750,000 shares	-	475
Issue of seed capital – 2,000,000 shares	-	200,000
Issue pursuant to prospectus – 25,000,000 shares	-	5,000,000
Less, share issue expenses	-	(429,568)
Balance at the end of the year	5,992,109	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.

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 underwriting agreement	17 December 2008	2,000,000
(d) Issue pursuant to RMG Services Pty Ltd farm-in agreement	23 December 2008	1,000,000
		10,523,500

2,000,000 options issued to Western Metals Copper Limited (in receivership) pursuant to the terms of the amended Fleurieu Menninnie Dam Joint Venture Agreement in July 2003 lapsed as part of the agreement whereby Terramin Australia Limited acquired their 40% interest in Fleurieu Menninnie Dam Joint Venture in December 2004 – refer Note 19.

No options were issued by the Company during the year ended 31 December 2004.

(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.

TERRAMIN AUSTRALIA LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the Year Ended 31 December 2004

- (c) Issued to Taylor Collison Ltd pursuant to their underwriting of the public subscription via prospectus dated 13 November 2003.
- (d) Issued to RMG Services Pty Ltd for \$100 pursuant to the now extinguished Gawler Lakes Joint Venture Agreement.

10. ACCUMULATED LOSSES

	2004	2003
	\$	\$
Accumulated losses at the beginning of the year	911,515	645,777
Loss for the year	454,584	265,738
Accumulated losses at the end of the year	1,366,099	911,515

11. AUDITORS' REMUNERATION

Amounts paid or payable to the auditors for

Audit or review of financial reports	3	15,000	8,500
Prospectus costs		-	13,000
Total remuneration		15,000	21,500

12. DIRECTORS AND EXECUTIVES DISCLOSURES

(a) Details of Specified Directors and Specified Executives

(i) Specified directors

KC Moriarty	Chairman (executive)
DA Paterson	Director (non-executive)
CG Jackson	Director (non-executive)

(ii) Specified executives

PR Mitchell	Business Development Manager, commenced October 2004
D Larsen	Exploration Geologist, commenced October 2004
JC Trewartha	Mining Engineer, commenced November 2004
PE Cox	Secretary and CFO

(b) Remuneration of Specified Directors and Specified Executives

(i) Remuneration Policy

The Board of directors of Terramin Australia Limited is responsible for determining and reviewing compensation arrangements for the directors and the executive team. The Board assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executives.

TERRAMIN AUSTRALIA LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the Year Ended 31 December 2004

(ii) Remuneration of Specified Directors and Specified Executives

Specified Directors

	<u>Directors' fees</u>	<u>Contract payments</u>	<u>Superannuation</u>	<u>Total</u>
KC Moriarty				
2004	45,000	253,035	4,050	302,085
2003	986	-	89	1,075
DA Paterson				
2004	40,000	-	3,600	43,600
2003	986	-	89	1,075
CG Jackson				
2004	28,000	-	2,520	30,250
2003	614	-	55	669
Total Remuneration: Specified Directors				
2004	113,000	253,035	10,170	376,205
2003	2,586	-	233	2,819

Specified Executives

	<u>Salaries</u>	<u>Contract payments</u>	<u>Superannuation</u>	<u>Total</u>
PR Mitchell				
2004	-	24,000	-	24,000
2003	-	-	-	-
D Larsen				
2004	26,386	-	2,375	28,761
2003	-	-	-	-
JC Trewartha				
2004	12,125	-	1,091	13,216
2003	-	-	-	-
PE Cox				
2004	-	43,935	-	43,935
2003	-	2,281	-	2,281
Total Remuneration: Specified Executives				
2004	38,511	67,935	3,466	109,912
2003	-	2,281	-	2,281

(c) Remuneration options: Nil

TERRAMIN AUSTRALIA LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the Year Ended 31 December 2004

(d) Option holdings of Specified Directors.

	Balance at 1 January 2004	Granted as remuneration	Lapsed	Balance at 31 December 2004
<u>Specified Directors</u>				
KC Moriarty	187,340	-	-	187,340
DA Paterson	666,800	-	-	666,800
CG Jackson	-	-	-	-
Total	854,140	-	-	854,140

There are no option holdings by specified executives.

(e) Shareholdings of Specified Directors and Specified Executives

	Balance at 1 January 2004	Acquired	Disposed	Balance at 31 December 2004
<u>Specified Directors</u>				
KC Moriarty	8,337,503	-	-	8,337,503
DA Paterson	7,997,502	-	-	7,997,502
CG Jackson	1,500,000	-	-	1,500,000
Total	17,835,005	-	-	17,835,005

Specified Executives

PR Mitchell	100,000	-	-	100,000
D Larsen	-	-	-	-
JC Trewartha	-	26,000	-	26,000
PE Cox	250,000	-	-	250,000
Total	350,000	26,000	-	376,000

There were no equity transactions with specified directors and specified executives during the year.

(f) Other transactions with Specified Directors and Specified Executives - services

Specified Directors

Amounts totaling \$12,000 were included in the 2003 financial statements as payments for rent of premises and equipment provided to the Company by Towarnie Geosciences, an entity controlled by KC Moriarty.

13. RELATED PARTY INFORMATION

Directors - The names of persons holding the position of director of the Company during the year ended 31 December 2004 were:

KC Moriarty
DA Paterson
CG Jackson

TERRAMIN AUSTRALIA LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the Year Ended 31 December 2004

14. EARNINGS PER SHARE

	2004	2003
Basic earnings (loss) per share (cents)	(0.82)	(0.93)
Diluted earnings (loss) per share (cents)	(0.82)	(0.93)
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	55,235,005	28,468,594

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.

15. 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:

		Floating interest rate \$	Non-interest bearing \$	TOTAL \$
<u>2004</u>	Note			
Financial Assets				
Cash and deposits	5	2,400,104	-	2,400,104
Other		-	13,848	13,848
		2,400,104	13,848	2,413,952
Weighted average interest rate		5.3%		
Financial Liabilities				
Accounts payable		-	163,213	163,213
Net Financial assets		-	163,213	163,213
Weighted average interest rate		Nil %		
 <u>2003</u>				
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	70,108
Weighted average interest rate		Nil %		

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

TERRAMIN AUSTRALIA LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the Year Ended 31 December 2004

16. SEGMENT INFORMATION

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

17. EVENTS SUBSEQUENT TO BALANCE DATE

On 10 February 2005 the Company entered into a contract to acquire a residential property at Strathalbyn, South Australia, adjacent to the proposed mining site at the Angas deposit. A deposit of \$20,000 was paid on that date and the remaining commitment to settle the contract is approximately \$398,000 on 13 May 2005.

18. CONTINGENT LIABILITIES

Nil

19. COMMITMENTS FOR EXPENDITURE – NOT RECOGNISED IN THE ACCOUNTS

(a) Operating lease – office accommodation

Commitments for minimum lease payments in relation to non-cancelable operating leases are payable as follows:	2004	2003
	\$	\$
Within one year	3,023	3,280
Total commitments	3,023	3,280

(b) Consultant contracts

The Company has contracted with Peter R Mitchell, Business Development Manager, to a retainer of \$7,500 per month plus \$660 per day in excess of 120 days per annum, together with initial success fee of \$5,000 per approved project and final success fee of up to \$100,000 for any completed acquisition or joint venture. The contract period expires 30 September 2006.

(c) Exploration tenements

Commitments for minimum expenditure on exploration tenements on which the Company has title are payable as follows:	2004	2003
	\$	\$
Within one year	1,100,000	973,000
Between 2 and 5 years	-	-
Total commitments	1,100,000	973,000

1. Fleurieu Menninnie Dam Titles ("FMD")

The Company was 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. On 13 December 2004 an agreement was concluded with Western Metals Copper Limited (receivers and Managers appointed) (in Liquidation) which saw Terramin acquire their 40% interest in the titles. As at the date of this report the transfer of the titles is being processed.

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 3310	275	23/02/2006	100%	Amalgamated with EL 2839

TERRAMIN AUSTRALIA LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the Year Ended 31 December 2004

Bremer	EL 2839	457	09/09/2006	100% (a)	\$600,000 min. from 01.07.2004 to 30.06.2005
Currency Creek	EL 3128	174	16/09/2005	100% (a)	Amalgamated with EL 2839
Menninnie Dam	EL 2848	101	23/09/2006	100% (a)	\$45,000 pa (exceeded in current term)

The Company has an obligation to meet various expenditure commitments as imposed and/or negotiated with Primary Industries and Resources SA ("PIRSA"). Terramin could elect to relinquish some or all of its interest and have reduced or no further obligations to PIRSA as the case may be.

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	12.06.2005	100%	\$150,000
Lake Eyre	EL 2970	252	12.06.2005	100%	\$150,000
Phar Lap	EL 2987	72	24.07.2005	100%	\$75,000
National Trig	EL 3039	659	24.04.2005	100%	\$95,000

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 5 to 19:

- (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 2004 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 30th day of March 2005.

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 2004..

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.

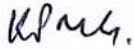
Independence

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

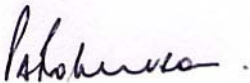
Audit opinion

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 2004 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
30 March 2005