



INTERIM FINANCIAL REPORT

30 JUNE 2008

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**INTERIM FINANCIAL REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2008
DIRECTORS' REPORT**

In accordance with the requirements of section 320 of the *Corporations Act 2001* and ASX Listing Rule 4.2A, the directors submit the consolidated financial report of Terramin Australia Limited (the "Company") and its controlled entities (together referred to as the "Consolidated Entity") for the six months ended 30 June 2008 and the review report thereon.

This report should be read in conjunction with the Company's 2007 Annual Financial Report.

BOARD OF DIRECTORS

The following persons were directors of the Company from the beginning of the interim period up to and including the date of this report.

Dr Kevin C Moriarty (Executive Chairman)
Mr David A Paterson
Mr Michael H Kennedy
Mr Steven A J Bonett
Mr James T Hazel

REVIEW OF OPERATIONS

Overview

The Company is focussed on investments in advanced mineral projects, with early cash flow potential and with a current preference for base metals, particularly zinc. To build on this business profile the Company seeks to identify and acquire projects with certain characteristics, in particular identified resources or targets, proximity to infrastructure, potential for high-grade reserves and the potential to grow resources or expand production to larger tonnages. The Company will consider greenfield exploration projects if the tenements are located near infrastructure or existing operations. The Company is actively advancing four main projects which are discussed in further detail below.

Highlights for the Half Year

The Company's activities progressed significantly in the 6 months to 30 June 2008 with the following points warranting special note:

- the announcement of a 3.8 million tonne Inferred Resource at the Menninnie Dam Exploration Joint Venture (MDEJV) on 22 January 2008;
- the announcement of results of the scoping study on the development of the Tala Hamza deposit on 2 February 2008;
- the formation of a funding and marketing alliance with Sempra Metals & Concentrates LLC (Sempra) in respect of the Oued Amizour Zinc project announced on 14 March 2008;
- the announcement on 23 May 2008 of plans to expand Algerian regional exploration operations;
- the execution of a Heads of Agreement with Minotaur Operations Pty Ltd to form the Nonning Joint Venture announced on 12 June 2008; and
- the completion of fully underwritten Share Purchase Plan raising \$16.5 million on 24 June 2008.

Highlights since 30 June 2008

Activity has continued at a fast pace since the period end with the following worthy of note :

- the commencement of the first drill hole as part of the planned regional exploration program in areas adjacent to Tala Hamza;
- the announcement on 18 July 2008 of first production from the Angas Zinc Mine; and
- the announcement of revised Probable Reserve and Indicated Resource at the Angas Zinc project on 29 July 2008.

A more detailed update will be provided in the September 2008 Quarterly Activities Report to be lodged with the Australian Stock Exchange Ltd ('ASX') during the month of October 2008.

DIRECTORS' REPORT (continued)

Oued Amizour Zinc project (Company 65%)

The Company's interest in the Oued Amizour Zinc project is held via a shareholding in an Algerian company Western Mediterranean Zinc Spa (WMZ). WMZ was formed following the signing of a joint venture agreement with Algerian Government entity Entreprise Nationale des Produits Miniers Non Ferreux et des Substances Utiles (ENOF) which agreement contemplates the completion of a feasibility study to mine the zinc-lead deposit of Tala Hamza, near Bejaia, Northern Algeria. The joint venture agreement also contemplates regional exploration.

Exploration Permit PE 5225 was granted to WMZ on 27 August 2006 for a term of 3 years. The permit covers 122.76 square kilometres and may be renewed at the end of the initial term.

The Company has a commitment to spend a minimum of US\$6.6m up to decision to mine and has pre-emptive rights over the remaining 35% of the shareholding in WMZ which is held by ENOF and a second Algerian Government entity, Office National de Recherche Géologique et Minière (ORGM). As at 30 June 2008, US\$13.8 million has been spent by the Company on the project.

Significant progress was made on the project during the interim period, including:

- the finalisation of the scoping study on the development of the Tala Hamza deposit which recommended a 2 million tonne per annum mine and confirmed the estimated cash cost is in the lowest quartile of zinc producers globally;
- commencement of a pre-feasibility study utilising resources of Bateman Engineering and Golder Associates;
- completion of a drilling program sufficient to outline a priority Indicated Resource to support the project; and
- commencement of regional exploration program in areas adjacent to Tala Hamza.

Angas Zinc project (Company 100%)

The Angas Zinc project is located 2 km outside the town of Strathalbyn, 60 km from Adelaide. Project development for the 400,000 tonne per annum mine commenced in early 2007. The following milestones for the Angas Zinc project were achieved during or immediately subsequent to the end of the interim period:

- the completion of construction of the processing plant and tailings storage facility with first concentrate shipments in late July;
- construction completed within budgeted costs;
- mine development has been advanced to the 125 level and a significant ore stockpile has been established at surface;
- a \$2.0 million exploration program established to focus on newly identified near-mine targets.

Menninnie Dam Exploration Joint Venture (Company 24%, Zinifex Australia Limited (Zinifex) 76%)

The MDEJV comprises a 101 sq km tenement located on northern Eyre Peninsula, South Australia. The project encompasses a large Pb-Zn-Ag system, extensive Cu-Au targets and significant iron occurrences. The Company, through its wholly owned subsidiary, Menninnie Metals Limited (MML) holds a 24% interest in the MDEJV. During the interim period, the MDEJV has:

- identified a resource of 3.8 million tonnes at 3.2%Pb, 4.0% Zn and 34g/t Ag at Menninnie Central;
- transferred joint venture management to Zinifex in March 2008; and
- total joint venture expenditure of \$3.5 million achieved on exploration.

During the interim period, to simplify the ownership structure of MML and the MDEJV, the Company acquired Zinifex's 20% shareholding in MML making MML a wholly owned subsidiary of the Company. As part of the same transaction, MML sold a 6% interest in the MDEJV to Zinifex. The Consolidated Entity's beneficial ownership of the MDEJV remains unchanged at 24%.

Nonning Joint Venture (Company earning up to 90%, Minotaur Operations Pty Ltd 100%)

The Nonning Joint Venture comprises a 312 sq km tenement which is adjacent to the MDEJV tenement. The Company, through its wholly owned subsidiary MML, may earn up to a 70% interest in the Nonning Joint Venture subject to satisfaction of an expenditure target of \$2.0 million over 3 years with a minimum expenditure commitment of \$300,000. Upon MML earning a 70% interest in the joint venture, Minotaur Operations Pty Ltd has the right to elect to make pro rata contributions to expenditure or convert to a 10% free carried interest (MML 90% interest) until decision to mine.

DIRECTORS' REPORT (continued)

Consolidated Entity Tenement Listing

Title Name and Location	Licence Number	Licence Area	Expiry Date	Terramin Interest	Minimum Expenditure Commitment
Angas - South Australia	ML6229	87.97 ha	16 Aug 2016	100%	Not applicable
Bremer - South Australia	EL 3641	457 km ²	26 Oct 2008	100%	\$345,000 from 1 July 2008 to 30 Jun 2009
Currency Creek - South Australia	EL 3128	174 km ²	16 Sep 2008	100%	Amalgamated with EL 3641
Hartley - South Australia	EL 3792	126 km ²	3 Jun 2009	100%	Amalgamated with EL 3641
Langhorne Creek - South Australia	EL 3310	275 km ²	23 Feb 2009	100%	Amalgamated with EL 3641
Menninnie Dam - South Australia ⁽¹⁾	EL 3640	101 km ²	26 Oct 2008	24%	\$80,000 per annum
Nonning - South Australia ^{(1) & (2)}	EL 3535	312 km ²	29 Mar 2010	0%	\$300,000 over 3 years
Oued Amizour - Algeria ⁽³⁾	5225 PE	12,276 ha	27 Aug 2009	65%	Not applicable

¹ Interest held by MML

² Refer page 2 summary of Nonning Joint Venture farm in arrangement

³ Interest held by WMZ

Financial

The Consolidated Entity made a profit for the half year ended 30 June 2008 of \$9,838,782 (half year to 30 June 2007 loss \$2,360,783). The result was impacted significantly by the recognition of a \$12.7 million unrealised gain on commodity hedging. A total of \$6.6 million of expenditure was incurred during the interim period on exploration and evaluation of the Consolidated Entity's tenements and has been carried forward as an asset in the Consolidated Entity's balance sheet and a total of \$23.1 million was incurred on development of the Angas Zinc project. A total of \$545,985 of exploration and evaluation expenditure was written off at period end.

During the interim period the Company raised \$16.5 million from the issue of 4,852,942 new shares at \$3.40 each under a fully underwritten Share Purchase Plan. In addition another 860,000 shares were issued pursuant to the exercise of unlisted options raising \$581,700 (refer note 6).

During the interim period the Company also raised \$16.3 million (US\$15m) from the issue of 15,000,000 five year unlisted convertible unsecured redeemable early repayable securities to Sempra with a coupon rate of LIBOR plus a margin of 300 basis points (reducing to 200 on practical completion of the Angas Zinc project processing plant) payable semi-annually. The interest and capital is payable in either cash or shares at the discretion of the Company, with the unconverted securities to be repaid in cash at maturity. Sempra also has the right to convert the securities to shares but not until the earlier of a 2 year period from subscription date or completion of the Tala Hamza feasibility study. The number of shares to be issued upon conversion by either party is calculated by calculating the AUD equivalent of the USD face value of the notes to be converted at the prevailing exchange rate and dividing the AUD value by the volume weighted average price of Terramin shares at the time of conversion. The terms of the existing US\$5.05m of unlisted convertible unsecured redeemable early repayable securities issued in June 2005 were amended to align with the terms of the new issue. During the interim period, the Company elected to satisfy an interest obligation by way of the issue of 64,853 shares at \$3.70 each.

No dividends were paid during the interim period and the directors have not recommended the payment of a dividend.

Subsequent Events

Other than those referred to in the Director's Report and note 13, there have been no significant events subsequent to the half year ended 30 June 2008 impacting on the half year interim report.

Auditor's Independence Declaration

The auditor's independence declaration under section 307C of the *Corporations Act 2001* is set out on page 5 and forms part of the Directors' Report for the six months ending 30 June 2008.

DIRECTORS' REPORT (continued)

This report is signed in accordance with a resolution of the Board of Directors.



Kevin C Moriarty
Executive Chairman
28th August 2008



James T Hazel
Director
28th August 2008



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Terramin Australia Limited:

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 30 June 2008 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

A handwritten signature in black ink, appearing to read 'Derek Meates', written in a cursive style.

Derek Meates
Partner

Adelaide

28 August 2008

CONSOLIDATED INTERIM INCOME STATEMENT
FOR THE HALF-YEAR ENDED
30 JUNE 2008

	Note	Half Year	
		30 Jun 2008 \$'000	30 Jun 2007 \$'000
Revenue		-	-
Other Income		234	212
Change in inventories of finished goods and WIP		1,070	-
Raw materials, consumables and other direct costs		(778)	-
Employee expenses		(730)	(557)
Depreciation and amortisation	2	(792)	(41)
Exploration and evaluation write down	4	(546)	(217)
Administration expenses		(1,653)	(1,516)
Share option expense		(1,371)	(573)
Unrealised commodity derivative gains/(losses)	2	12,747	-
Profit/(loss) on sale of non-current assets	2	297	-
Profit/(Loss) before net financing income/(costs) and income tax		8,478	(2,692)
Finance income	2	2,176	697
Finance costs		(815)	(366)
Profit/(Loss) before income tax		9,839	(2,361)
Income tax expense		-	-
Profit/(Loss) for the period		9,839	(2,361)
Earnings per share attributable to the ordinary equity holders of the Company:			
		2008	2007
Basic earnings/(loss) per share - (cents per share)	9	9.82	(2.70)
Diluted earnings/(loss) per share - (cents per share)	9	9.41	(2.70)

The income statement is to be read in conjunction with the notes to the financial statements

**TERRAMIN AUSTRALIA LIMITED ABN 67 062 576 238
AND CONTROLLED ENTITIES**

**CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 30 JUNE 2008**

Consolidated statement for half-year ended 30 June 2008:

	Share Capital	Accumulated Losses	Share Option Reserve	Foreign Currency Reserve	Minority Equity Interests	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Equity as at beginning of period	57,008	(12,219)	4,470	(147)	4,186	53,298
Profit for the period		9,839				9,839
Shares issued during the period	16,742					16,742
Share issue costs	(534)					(534)
Share options exercised	582					582
Transfer from option reserve on exercise	117		(117)			-
Share options issued			1,371			1,371
Foreign currency reserve				(110)		(110)
Minority interest share of JV contributions		(1,930)			1,930	-
Profit/(loss) attributable to minority interest		(67)			67	-
Minority interest elimination on acquisition of OEI (Note 7)					(479)	(479)
Sub-total	16,907	7,842	1,254	(110)	1,518	27,411
Equity as at 30 June 2008	73,915	(4,377)	5,724	(257)	5,704	80,709

Consolidated statement for half-year ended 30 June 2007:

	Share Capital	Accumulated Losses	Share Option Reserve	Foreign Currency Reserve	Minority Equity Interests	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Equity as at beginning of period	22,759	(5,656)	772	2	992	18,869
Loss for the period		(2,361)				(2,361)
Shares issued during the period	13,685					13,685
Share issue costs	(548)					(548)
Transfer from option reserve on exercise	108		(108)			-
Share options issued			574			574
Foreign currency reserve				(25)		(25)
Minority interest share of parent JV contributions		(918)			918	-
Profit/(loss) attributable to minority interest		9			(9)	-
Sub-total	13,245	(3,270)	466	(25)	909	11,325
Equity as at 30 June 2007	36,004	(8,926)	1,238	(23)	1,901	30,194

The statement of changes in equity is to be read in conjunction with the notes to the financial statements

CONSOLIDATED INTERIM BALANCE SHEET
AS AT
30 JUNE 2008

	Note	30 June 2008 \$'000	31 December 2007 \$'000
Current assets			
Cash and cash equivalents		37,204	39,354
Trade and other receivables		764	1,526
Inventories		1,943	-
Derivative financial instruments		7,815	179
Other assets		207	126
Total current assets		47,933	41,185
Non-current assets			
Other financial assets		2,250	2,250
Derivative financial instruments		5,818	1,914
Investments in equity accounted investees		1,846	988
Property, plant and equipment	3	90,608	61,378
Exploration and evaluation	4	16,857	10,853
Total non-current assets		117,379	77,383
TOTAL ASSETS		165,312	118,568
Current liabilities			
Trade and Other Payables		9,250	8,652
Interest bearing liabilities	5	16,954	1,530
Provisions		306	241
Derivative financial instruments		-	62
Total current liabilities		26,510	10,485
Non-current liabilities			
Trade and Other Payables		-	-
Interest bearing liabilities	5	55,102	52,738
Provisions		2,991	901
Derivative financial instruments		-	1,146
Total non-current liabilities		58,093	54,785
TOTAL LIABILITIES		84,603	65,270
NET ASSETS		80,709	53,298
EQUITY			
Share capital	6	73,915	57,008
Reserves		5,467	4,323
Accumulated losses		(4,377)	(12,219)
Parent interest		75,005	49,112
Minority interest		5,704	4,186
TOTAL EQUITY		80,709	53,298

The balance sheet is to be read in conjunction with the notes to the financial statements

CONSOLIDATED INTERIM CASH FLOW STATEMENT
FOR THE HALF-YEAR ENDED
30 JUNE 2008

	Half Year	
	30 June 2008	30 June 2007
	\$'000	\$'000
Cash from operating activities:		
Receipts from customers	-	-
Payments to suppliers and employees	(3,723)	(1,558)
Financing costs and interest paid	(2,707)	(261)
Interest received	1,136	243
Total cash from operating activities	(5,294)	(1,576)
Cash flows from investing activities:		
Proceeds from sale of interest in exploration tenement (refer Note 7)	804	-
Joint venture contributions received	-	752
Acquisition of minority interest (refer Note 7)	(818)	-
Acquisition of property, plant and equipment	(5,138)	(1,109)
Mine construction & development expenditure	(20,924)	(11,865)
Exploration and evaluation expenditure	(6,112)	(5,016)
Net cash used by investing activities	(32,188)	(17,238)
Cash flows from financing activities:		
Proceeds from the issue of share capital	17,082	13,685
Payment of transaction costs	-	(548)
Proceeds from other non-current borrowings	18,756	10,333
Transaction costs - borrowings	-	(75)
Repayment of borrowings	(506)	-
Net cash used by financing activities	35,332	23,395
Net increase/(decrease) in cash and cash equivalents	(2,150)	4,581
Cash and cash equivalents at beginning of half year	39,354	9,553
Cash and cash equivalents at end of half year	37,204	14,134

The cash flow statement is to be read in conjunction with the notes to the financial statements

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2008

Note 1: Basis of Preparation

(a) General Information and Reporting Basis

The consolidated interim financial report is a general purpose financial report that has been prepared in accordance with AASB 134 *Interim Financial Reporting*, and the *Corporations Act 2001*.

The consolidated interim financial report covers the economic entity of Terramin Australia Limited and its controlled entities (together referred to as the "Consolidated Entity"). Terramin Australia Limited is a listed public company, incorporated and domiciled in Australia.

The interim financial report does not include full disclosures of the type normally included in an annual financial report, and therefore it is recommended that this financial report be read in conjunction with the annual financial report for the year ended 31 December 2007, and any public announcements made by the Company during the interim reporting period in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

The consolidated interim financial report was authorised for issue by the Directors on 28 August 2008.

Where required by accounting standards, comparative figures have been reclassified to conform with changes in presentation in the current interim financial period.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with the Class Order, amounts in the financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

This report has been prepared in Australian dollars on the basis of historical costs and does not take into account changing money values or fair values of assets.

(b) Estimates

The preparation of the interim financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this consolidated interim financial report, the significant judgements made by management in applying the Consolidated Entity's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 31 December 2007.

(c) Statement of Significant Accounting Policies

The accounting policies applied by the Consolidated Entity in the consolidated interim financial report are the same as those applied by the Consolidated Entity in its consolidated financial report as at and for the year ended 31 December 2007, with the addition of a new accounting policy for the accounting for inventories as follows:

Inventories

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. The cost of mining stocks include direct material, direct labour, transportation costs and a proportion of variable and fixed overhead costs relating to mining activities. Net realisable value is the amount to be obtained from the sale of the item of inventory in the normal course of business less the estimated costs of completion and any anticipated selling costs to be incurred prior to its sale.

(d) Going Concern

The financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. During the 2008 interim period the Consolidated Entity realised a profit of \$9.8m, reducing accumulated losses to \$4.4m. As at 30 June 2008 the Consolidated Entity has net assets of \$80.7m and sufficient cash to pay its debts as and when they fall due and to fund near term anticipated activities. It is the intention of the directors to continue to explore, evaluate and develop the Consolidated Entity's areas of interest for which rights of tenure are current. In order to achieve this, further cash injections by way of equity or debt may be necessary. Subject to market conditions, the Consolidated Entity has the ability to raise additional equity and debt finance as required and at the time of this report, the directors consider that the Consolidated Entity could raise cash by way of equity or debt to fund anticipated activities. The directors will take the appropriate action to ensure these funds are available as and when they are required.

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2008

Note 2: Expenses

Profit/(Loss) before income tax includes the following specific expenses:

	Half Year	
	30 Jun 2008	30 Jun 2007
	\$'000	\$'000
Depreciation and amortisation		
Plant and equipment	475	41
Leasehold improvements	6	-
Mining property and development assets	311	-
Mine rehabilitation assets	-	-
Total depreciation and amortisation	792	41
Profit/(loss) on sale of non-current assets		
Loss on sale of property, plant & equipment	(131)	-
Profit on sale of 6% interest in Menninnie Dam Exploration JV (Note 7)	428	-
Total profit/(loss) on sale of non-current assets	297	-
Unrealised commodity derivative gains/(losses)		
Unrealised gain on AUD zinc hedging contracts (13,200 tonnes)	8,179	-
Unrealised gain on AUD lead hedging contracts (5,312 tonnes)	4,568	-
Total unrealised commodity derivative gains/(losses)	12,747	-
There was no commodity hedging as at 30 June 2007		
Foreign exchange gain/(loss) - included in Finance Income		
Unrealised foreign exchange gain/(loss) on convertible notes	1,256	454
Realised foreign exchange gain/(loss)	(221)	-
Total foreign exchange gain/(loss)	1,035	454

Note 3: Property, plant and equipment

Acquisitions

During the six months ended 30 June 2008 the Consolidated Entity acquired assets with a total cost of \$30.311 million (six months ended 30 June 2007: \$13.556 million) including expenditure on mining property and development of \$8.346 million (2007: \$nil) and construction in progress \$14.776 million (2007: \$13.268 million).

Note 4: Exploration and evaluation

	Half Year	
	30 Jun 2008	30 Jun 2007
	\$'000	\$'000
Balance at the beginning of the period	10,853	16,181
Expenditure for the half year	6,550	5,026
Less: Amount recovered from JV partner	-	(1,091)
Less: Amount transferred to development	-	(14,504)
Less: Amount written off	(546)	(217)
Balance at the end of the period	16,857	5,395

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2008

Note 5: Interest bearing liabilities

	30 Jun 2008	31 Dec 2007
	\$'000	\$'000
Current		
Lease liabilities ¹	1,154	730
Bank loans - secured - Angas Zinc project ^{2 & 5}	15,800	800
	16,954	1,530
Non-current		
Lease liabilities ¹	3,387	2,414
Bank loans - secured - Angas Zinc project ²	30,904	44,598
Convertible Notes ³	20,811	5,727
	55,102	52,739
Financing facilities		
Bank loan facilities - available ^{2 & 5}	72,962	72,449
Bank loan facilities - undrawn	(22,000)	(22,000)
Bank loan facilities - drawn	50,962	50,449
Less: unamortised transaction costs	(4,258)	(5,051)
Carrying amount at end of period	46,704	45,398
Guarantee facility - available ⁴	5,000	5,000
Guarantee facility - undrawn	-	(2,000)
Guarantee facility - drawn	5,000	3,000

¹ Lease liabilities are effectively secured as rights to the leased assets revert to the lessor in the event of default.

² The Company has AUD loan facilities provided by three lending institutions for the Angas Zinc project. Interest is payable on the facilities at bank bill swap reference rate for the period plus a margin that varies pre and post practical completion of project construction. In relation to a \$10m tranche of the facility, interest is capitalised up until practical completion, thereby increasing available facilities, with the capitalised interest not being repayable until end of loan term. Interest is payable quarterly on the balance of the facilities. Repayment terms vary between 12 and 60 months but are subject to ongoing review over the term of the Angas Zinc project. In respect to a further \$10m tranche of the facility, proceeds from the exercise of part or all of the 4,629,630 options held by Investec Bank (Australia) Limited (Investec) must be utilised by the Company to repay this facility. The options can not be transferred or exercised by Investec prior to 22 November 2008.

³ During the period the Company raised \$16.3 million (US\$15m) from the issue of 15,000,000 five year unlisted convertible unsecured redeemable early repayable securities to Sempra, maturing 31 March 2013, with a coupon rate of LIBOR plus a margin of 300 basis points (reducing to 200 on practical completion of the Angas Zinc project processing plant) payable semi-annually. The interest and capital is payable in either cash or shares at the discretion of the Company, with the unconverted notes to be repaid in cash at maturity. Sempra also have the right to convert the securities to shares but not until the earlier of a 2 year period from subscription date or completion of the Tala Hamza feasibility study. The number of shares to be issued upon conversion by either party is calculated by calculating the AUD equivalent of the USD face value of the notes to be converted at the prevailing exchange rate and dividing the AUD value by the volume weighted average price of Terramin shares at the time of conversion. The terms of the existing US\$5.05m of unlisted convertible unsecured redeemable early repayable securities issued in June 2005 were amended to align with the terms of the new issue, including the 31 March 2013 maturity date. The US\$20.05m balance owing has been translated to AUD equivalents using the spot currency rate at 30 June 2008, which has given rise to an unrealised foreign currency exchange gain of \$1,256,163 for the interim period. A total of 64,853 shares were issued during the period in lieu of a cash interest payment of US\$231,429.

⁴ A \$5.0 million guarantee facility has been provided by Investec in relation to rehabilitation bonds required by Department of Primary Industries and Resources South Australia (PIRSA) over ML 6229.

⁵ Under the terms of the Angas Zinc project financing facility with Investec, the debt repayment schedule reflects the expectations of the parties at the date that the facility was entered into. The debt repayment schedule (and the current liability as disclosed in the accounts) is based on the assumption that the Company will fully draw upon on the project financing facility provided by Investec. As at the date of this report, the Company does not expect the funding facility to be fully drawn. The project financing facility provided by Investec allows for the debt repayment schedule to be amended to reflect cash flows and debt levels and it is therefore anticipated that negotiations will result in the current liability portion of this facility being substantially deferred.

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2008

Note 6: Issued Capital

Table of issued capital for the half year ended 30 June 2008:

Type of Share Issue	Number of Ordinary Shares on issue	Weighted average price	Share Capital \$
Opening Balance	99,737,574		57,007,775
Underwritten Share Purchase Plan	4,852,942	3.40	16,500,003
Shares issued in lieu of interest	64,853	3.73	241,902
Exercise of options	860,000	0.68	581,700
Closing Balance	105,515,369		74,331,379
Share issue costs			(533,908)
Transfer of option reserve to issued capital following option exercise			116,929
Issued Capital			73,914,400

Table of issued capital for the half year ended 30 June 2007:

Type of Share Issue	Number of Ordinary Shares on issue	Weighted average price	Share Capital \$
Opening Balance	83,927,008		22,758,970
Exercise of options	1,250,000	0.93	1,157,500
Share placement	3,525,600	1.65	5,817,240
Share purchase plan	4,066,966	1.65	6,710,494
Closing Balance	92,769,574		36,444,204
Share issue costs			(548,492)
Transfer of option reserve to issued capital following option exercise			108,177
Issued Capital			36,003,889

At the Company's 2008 Annual General Meeting shareholders formally approved the future issue of securities under the Terramin Employee Option Plan. Details of the first employee options issued pursuant to this plan are provided in Note 13.

Note 7: Investments in Controlled Entities

In order to simplify the ownership structure of MML and the MDEJV, on 30 June 2008 the Company completed a transaction to acquire the 20% outside equity interest (OEI) in MML, previously held by Zinifex. Simultaneously, MML sold a 6% interest in the MDEJV to Zinifex. As a result of this transaction, MML became a wholly owned subsidiary of the Company while the Consolidated Entity's beneficial ownership of the MDEJV remained unchanged at 24%.

The cash consideration of \$817,721 paid by the Company for the 3,500,000 shares, or 20% equity interest, held by Zinifex in MML was determined from the deemed fair values of assets and liabilities (MDEJV asset and net working capital) of MML at 30 June.

The cash consideration of \$804,393 paid by Zinifex to MML for the simultaneous sale of the 6% interest in the MDEJV was determined using the same fair value of the MDEJV asset.

As the joint venture interest was carried at a lower value (being historical cost) in the accounts of MML prior to the transaction, a net gain of \$428,000 has been recognised by the Consolidated Entity from the sale and purchase transactions. The fair value increment paid by the Company on acquisition of the 20% OEI in MML results in the recognition on consolidation of an increase in the carrying value of the investment in an associate of \$339,000.

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2008

Note 8: Segment Reporting

The consolidated entity comprises the following main geographic segments:

- Australia
- Northern Africa

Primary reporting format – geographic segments

	Australia		Northern Africa		Economic Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Segment Revenue	234	212	-	-	234	212
Segment Results	9,839	(2,361)	-	-	9,839	(2,361)
Income tax expense	-	-	-	-	-	-
Gain/(loss) after income tax	9,839	(2,361)	-	-	9,839	(2,361)

Note 9: Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share at 30 June 2008 was based on the net profit attributable to equity holders of the Company of \$9,839,000 (2007: loss of \$2,361,000) and a weighted average number of ordinary shares outstanding during the period ended 30 June 2008 of 100,163,627 (2007: 87,385,076), calculated as follows:

	Half Year	
	30 Jun 2008 \$'000	30 Jun 2007 \$'000
Net profit/(loss) for the half year	9,839	(2,361)
Issued ordinary shares	105,515,369	92,769,574
Weighted average number of ordinary shares	100,163,627	87,385,076
Basic earnings per share (cents)	9.82	(2.70)

(b) Diluted earnings per share

The calculation of diluted earnings per share at 30 June 2008 takes into account the potential ordinary shares issuable upon exercise of outstanding options. The convertible notes have not been incorporated as to do so would result in an increase in the earnings per share after allowing for the earnings adjustment in respect to interest expense.

The 2007 calculation 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.

	Half Year	
	30 Jun 2008 \$'000	30 Jun 2007 \$'000
Net profit/(loss) for the half year	9,839	(2,361)
Weighted average number of ordinary shares	100,163,627	87,385,076
Weighted average number of options	4,411,955	-
Weighted average number of shares and potential ordinary shares used in the calculation of diluted earnings per share	104,575,582	87,385,076
Diluted earnings per share (cents)	9.41	(2.70)

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2008

Note 10: Contingencies & Commitments

Since the last annual reporting date there has been no material change in contingent assets or liabilities.

(a) Capital expenditure commitments

	30 Jun 2008	31 Dec 2007
	\$'000	\$'000
Capital expenditure commitments contracted for:		
Within 1 year	1,139	16,134
Total	1,139	16,134

(b) Finance leases

Commitments in relation to finance leases for the purchases of mobile mining equipment are:

Within 1 year	1,518	980
Longer than 1 year and not longer than 5 years	3,822	2,744
Minimum lease payments	5,340	3,724
Less: Future Finance Charges	799	581
Total lease liabilities	4,541	3,143
Representing:		
Current	1,154	730
Non-Current	3,387	2,413
	4,541	3,143

The interest rate implicit in the various leases vary from 8.9% to 9.8%.

Note 11: Controlled Entities

Name	Country of incorporation	Percentage Owned 2008	Percentage Owned 2007
Parent Entity:			
Terramin Australia Limited	Australia		
Subsidiary of parent entity:			
Menninnie Metals Limited ¹	Australia	100%	80%
Western Mediterranean Zinc Spa	Algeria	65%	65%
Terramin Spain S.L.	Spain	100%	100%
Terramin Exploration Pty Ltd	Australia	100%	100%
Terramin Investments S.L. ²	Spain	100%	0%

¹ Increased interest from 80% to 100% on 30th June 2008

² 100% interest acquired 18th June 2008

Note 12: Related Party Transactions

There were no loans or related party transactions between key management personnel and the Company and its subsidiaries during or subsisting at the end of the interim period, other than remuneration arrangements which remain in place and are consistent with those disclosed in the 2007 Annual Report.

Note 13: Subsequent Events

Various events are disclosed in the Director's Report and in addition the following are considered material.

- i. On 21 July, the Company issued 700,000 options having an exercise price of \$2.45 to eligible employees under Company's employee option scheme. Each option has a five year term and vesting periods of either 1 or 2 years.

DIRECTORS' DECLARATION

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 6 to 16:
 - (a) comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations; and
 - (b) give a true and fair view of the economic entity's financial position as at 30 June 2008 and of its performance for the half-year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Kevin C Moriarty
Executive Chairman
28th August 2008



James T Hazel
Director
28th August 2008



Independent auditor's review report to the members of Terramin Australia Limited

Report on the financial report

We have reviewed the accompanying interim financial report of Terramin Australia Limited, which comprises the consolidated interim balance sheet as at 30 June 2008, income statement, statement of changes in equity and cash flow statement for the half-year period ended on that date, a description of accounting policies and other explanatory notes 1 to 13 and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the interim financial report in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the interim financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 30 June 2008 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Terramin Australia Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Terramin Australia Limited, is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2008 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001.

KPMG

KPMG

Derek Meates
Partner

Adelaide

28 August 2008