



TERRAMIN AUSTRALIA LIMITED



2009

ANNUAL REPORT



FOCUS ON **ZINC**

TERRAMIN AUSTRALIA LIMITED *ABN 67 062 576 238*

DIRECTORS

Kevin C Moriarty

Executive Chairman

Michael H Kennedy

Non-Executive Director

Steven A Bonett

Non-Executive Director

Peter Zachert

Non-Executive Director

Robert W Jones

Non-Executive Director

R Bryan Davis

Non-Executive Director

Xie Yaheng

Non-Executive Director

JOINT COMPANY SECRETARY

Kate E McKeough

Mark J Terry

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AUDITORS

KPMG

Chartered Accountants

151 Pirie Street

Adelaide, 5000

South Australia

SHARE REGISTRY

Computershare Investor Services

Pty Limited

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COMPANY HISTORY

- Terramin was incorporated in December 1993 as Playford Resources NL with the objective of exploring and developing Australian mineral resources opportunities.
- In 1997, Terramin acquired the Fleurieu Project situated in Australia's first mining belt east of Adelaide. The tenements included the Angas Pb-Zn-Ag deposit.
- In 2003, Terramin acquired the Menninnie Dam tenement containing South Australia's largest Pb-Zn-Ag deposit and later that year, the Company listed on the ASX in a fully underwritten IPO.
- In 2006, Terramin acquired a 65% interest in the world class Oued Amizour Zinc Project on the Mediterranean coast of Algeria.
- July 2008 saw the commissioning of the Angas Zinc Mine at Strathalbyn in South Australia. The first zinc and lead concentrates were dispatched from site in the same month.

CHAIRMAN'S LETTER *to Shareholders*



Kevin Moriarty - Executive Chairman

The year has been another of great achievement for your Company against a backdrop of global financial uncertainty. The Angas Zinc Mine steadily increased production throughout the year and into 2010, improving both output and grade of concentrate. The mine itself became profitable in the second half of the year as production reached nameplate capacity of 400,000 tonnes per annum.

The positive pre-feasibility report on the Tala Hamza Zinc Project set the scene for the next stage of the study, recommending a 2 Mtpa mine producing 250,000 tonnes of lead and zinc concentrates a year. Many elements of the study were conducted at feasibility standard meaning the capital estimate for a block caving operation of a comparatively low US\$285 million is credible.

The study also recommended that a focus of the feasibility study be an analysis of the block cave method. In the meantime some further 22 holes were available upon which to recalculate resources. The combination of these factors resulted in the resource being upgraded to 51.1 million tonnes in Measured and Indicated categories, and another 17.5 million tonnes in Inferred category. In essence, the outcome improved the likelihood of the development of a long-term, high-output mining operation.

The performance by Terramin's team that saw the Angas Zinc Mine developed on time and on budget continued with an accelerated ramp up to full production, something that was essential given the financial conditions and metal prices. The mine is producing strong operating cash flows from a very low cost base, around US 30 cents/lb. The current EBITDA of around \$30 million is expected to rise to more than \$45 million from 2011, driven by higher grade ore feed. These figures assume zinc prices at around current levels, however our expectation is that prices will strengthen over the coming years as supply decreases owing to mine closures. Angas has been performing above expectations in 2010 which may lead to an upward revision of forecast concentrate shipments. All of these should further improve forecast EBITDA.

Regional exploration around Angas and on the mine lease will be stepped up over 2010. The object is to find more deposits and extend the life of the Angas operation. There are many old mines dating back to the 19th century that have seen very little exploration. There is therefore a very strong likelihood of more discoveries, some perhaps of the size of Angas. Whatever the size, such deposits could be developed to provide either an extension of the life of the Angas operation or build new operations.

With the successful development of the Angas operation, and the great progress towards development of a world-class mine at Tala Hamza, the Company turned its attention to enhancing its Board and management team. By the end of the year the Board had a broad range of experienced directors, had appointed an experienced General Manager at Angas and a Chief Executive Officer with an extensive mining, permitting and development background.

The management and Board have an extensive history of developing and operating major projects including, importantly, those with low cost bulk mining techniques. Terramin can call upon levels of appropriate expertise to successfully develop and operate projects at all scales, something that is exceptional for a company in comparison to its market peers. I believe it establishes a platform for the Company to grow to an appropriate capitalisation given its portfolio of projects containing over 2.8 million tonnes of metal.

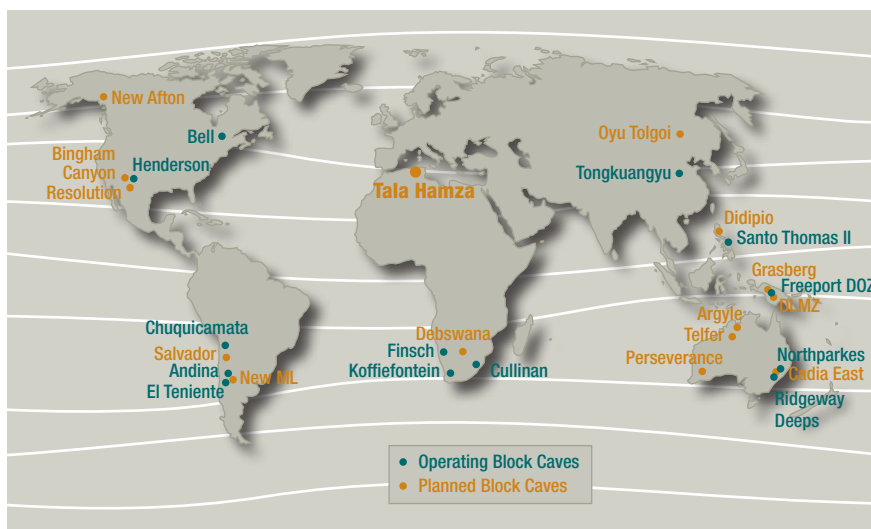
CHAIRMAN'S LETTER to Shareholders (cont.)

It is appropriate to explain some facts about the block cave method of mining, which is employed in an increasing number of operations globally as shown on the map. The method is now well-tested. Of particular importance to your company, has been the acceptance by Mr Bryan Davis of the Chairmanship of the Tala Hamza Risk Assessment Committee, in his capacity as director of the Company. Mr Davis has had extensive management and corporate oversight experience with caving operations in Australia.

Golder Associates have informed the Company that the proposed Tala Hamza operation has similarities with several working block cave mines. Block caving has many advantages as a mining method, not the least being its very low operating costs, which are estimated to be US\$4 to US\$5 per tonne at Tala Hamza. This compares with mining costs of over US\$20 per tonne in a typical stoping operation.

Tala Hamza enjoys many advantages that are standard to projects that Terramin invests in. These include access to grid power, deep-water port 15 km away, and the workforce in local communities. These all contribute to providing for a lower capital cost to commence operations, more than offsetting the additional upfront development costs attributable to block caving.

Finance for the development of the operation, which is expected to cost about \$300 million, is expected to be sourced from a combination of debt and equity. Although the major debt financing will not be required until 2011-2012, we have already been provided with indicative terms by banks.



In particular, an Algerian bank has indicated it would debt finance up to 70% of the capital based on its assessment of the pre-feasibility study. It would also provide these funds over a 15-year term.

Over the past year Terramin team members have attended several industry conferences where we have received consistent enquiries from smelters and offtake parties for zinc concentrates, both immediate and well into the future. All the signals from smelters and concentrate buyers is that there is a concentrate supply shortage looming in the foreseeable future. Why? The problem is not that there is a shortage of zinc deposits in the world, but a shortage of viable low-cost projects for development. It is going to take a considerable time, probably a decade, before there is a sufficient response in terms of investment in exploration and development to satisfy the looming supply shortfall. This appears to be a message that some commodity analysts are not appreciating, perhaps because they are not close enough to the engine room of exploration.

It should be appreciated that the boundaries of the Tala Hamza deposit have not yet been delineated, and therefore the resource can be expected to grow. Additionally, mineralisation has been identified in many of the 100 diamond drill holes drilled by our predecessor ORGM, outside of the Tala Hamza deposit. This highly prospective area measures at least 10kms by 6 kms. The joint-venture will be undertaking exploration programmes over the coming months and years focused on expanding the existing resource base.

I am confident that the Terramin strategy will deliver excellent returns for its investors, not just in the short term, which is looking very bright, but over the long term.

Kevin Moriarty
Executive Chairman

OVERVIEW OF OPERATIONS

VISION

Terramin is a base metal production company with an operating mine in South Australia and other advanced projects in Australia and overseas.

We focus on acquiring projects close to infrastructure such as ports, roads, water and power, ensuring low capital and operating costs.

The Company has highly capable technical, production, and financial teams to take projects from exploration through feasibility to production. These teams are supported by Terramin's management and Board who all have extensive practical and commercial experience in every stage of mining, processing and refining.

Terramin applies strict acquisition criteria designed to minimise capital costs and start up time and our developments incorporate the highest standards of sustainability and environmental protection.

The core assets in the Company's current portfolio were acquired at well below current and long term metal prices.

The Company has developed partnerships with trading houses RBS Sempra Metals & Concentrates LLC and Transamine S.A. and with the Chinese construction company, China Non-ferrous Metals Industry's Foreign Engineering and Construction Co., Ltd (NFC) that may assist in securing financing for future developments.

- **ASX listed growth portfolio of 2.8 million tonnes attributable zinc plus lead metal in resources**
- **Management and Board with extensive practical and commercial experience in all stages of project development, mining and mineral processing**
- **All projects close to infrastructure with low capex benefits**
- **400,000 tpa Angas Zinc Mine in production since July 2008**
- **68 million tonne Tala Hamza lead-zinc project progressing to be top tier producer**
- **Pre-feasibility confirms Tala Hamza as a viable long term operation**

PROJECTS

The Company's business development unit is constantly assessing new projects for growth.

Terramin's current projects in Australia and Algeria are on track to produce more than 200,000 tonnes of zinc and lead metal in concentrate per annum.

The owner-operated **Angas Zinc Mine** is a 400,000 tpa operation situated about 45 minutes from the city of Adelaide in South Australia. It commenced operation in July 2008 and produces about 70,000 tonnes of zinc and lead concentrate a year. Zinc concentrates are shipped to Asian markets and lead concentrate trucked directly to the Port Pirie smelter in South Australia.

The **Oued Amizour Project** in Algeria is centred on the 68 million tonne Tala Hamza lead-zinc deposit. The project is only 15 km from a deep water port and city on the Mediterranean coast. It is well positioned to supply premium feedstock to European smelters.

The pre-feasibility study was completed in the first quarter of 2009 and confirmed initial capital of US\$285 million for a 2Mtpa block caving development. The low capital cost is a result of the infrastructure advantages of the deposit.

A feasibility study into a block cave operation is well advanced and includes expansion to 4 Mtpa, which would place the mine in the top tier of producers.

The **Menninnie Zinc Project** is targeting resources close to significant infrastructure in South Australia, particularly the state's ports facilities and the Port Pirie lead smelter.

CURRENT PORTFOLIO *Zinc Projects*



ANGAS ZINC MINE

(100% interest)

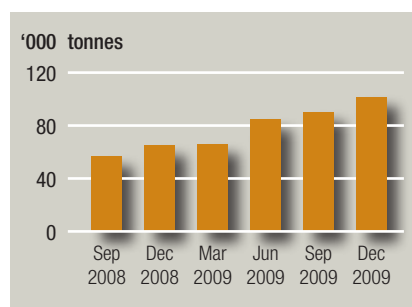
Angas Zinc Mine is 100% owned and operated by Terramin. Probable Reserves of 2.15 million tonnes at 10.5% Pb+Zn are sufficient for a further five year operation at current production rates. The mine is situated in an historic mining belt that has seen little exploration and could potentially provide for an increase in production and an extension of mine life.

The Angas Zinc Mine is located 2 km from the rural town of Strathalbyn, 60 km from Adelaide in South Australia and 70 km from Port Adelaide.

The 400,000 tpa operation was commissioned in July 2008 at a cost of \$71 million with low start up costs aided by the proximity of infrastructure.

Zinc concentrates (about 50,000 tpa) are trucked the 70 km to Port Adelaide for shipment to Asia; lead-copper-gold-silver concentrates (about 20,000 tpa) are trucked 280 km to the Nyrstar owned Port Pirie smelter.

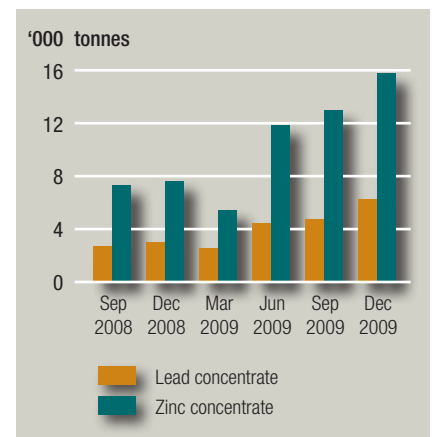
Terramin has a life of mine offtake agreement with The Royal Bank of Scotland plc for all zinc concentrate production and a 5 year offtake agreement with Nyrstar Port Pirie Pty Ltd in respect of the lead concentrate.



Quarterly Mill throughput

The mine achieved nameplate capacity (400,000 tpa) in the process plant during the final quarter of the year and milled a total of 342,953 tonnes in 2009. Quarterly throughput has progressively increased since startup of the operation and ongoing debottlenecking is expected to yield further increases in throughput.

The mine produced 45,583 tonnes of zinc concentrate and 17,735 tonnes of lead concentrate in 2009. Project records were achieved for both products in the final quarter. Payable metal production for the year was 19,456 tonnes of zinc and 8,902 tonnes of lead. In addition, other payable metals produced by the mine during the year were 123 tonnes of copper, 231,227 ozs of silver and 2,406 ozs of gold.



Quarterly Zinc & Lead concentrate production

The commonly used measure of cash costs – C1 (direct cash costs less net by-product credits) averaged US33 cents per pound for the year placing the mine in the bottom half of the industry cost curve for the period. Significant by-products reduce the zinc cash costs of the operation.

Fleurieu Regional Exploration

Terramin holds a highly prospective group of tenements surrounding the Angas Zinc Mine and covering 1,160 km². During the year the Company announced the stepping up of regional and near mine exploration to extend the life of the Angas operation. Drilling has commenced in early 2010 at a number of historic mines, which have not seen modern exploration. Initial drilling is targeted at the Preamimma, Lady Jane and Frahn's Mines. A programme of airborne geophysics is planned during 2010 to define additional drill targets with further drilling scheduled later in the year.

OUED AMIZOUR ZINC PROJECT *(65% interest)*

The Oued Amizour Zinc Project is 100% owned by Western Mediterranean Zinc Spa (WMZ). Terramin has a 65% shareholding in WMZ. The remaining 35% shareholding is held by two Algerian government owned companies: Enterprise National des Produits Miniers Non-Ferreux et des Substances Utiles Spa (ENOF) (32.5%) and Office National de Recherche Géologique et Minière (ORGM) (2.5%).

The project is on the north coast of Algeria on the Mediterranean Sea, 15 km from the city of Bejaia.

Infrastructure in close proximity to the deposit includes an international airport and deep-water port, grid power and dam water.

Exploration Permit 5225PE is a 125 km² tenement. The project contains several lead-zinc occurrences, of which the most advanced is the Tala Hamza deposit.



Exploration drilling at the Preamimma Mine, Fleurieu Regional Exploration, South Australia.

The most recent resource estimate (November 2009) at Tala Hamza gave a Measured and Indicated Resource of 51.1 million tonnes at 6.1% Pb+Zn within a global Measured, Indicated and Inferred Resource of 68.6 million tonnes at 5.7% Pb+Zn.

A pre-feasibility study conducted by Bateman Engineering, Golder Associates and Terramin was completed in early 2009. A European engineering company with experience in the region provided detailed costs for construction works. Environmental and social impact studies have subsequently been completed.



CURRENT PORTFOLIO *Zinc Projects (cont.)*

OUED AMIZOUR ZINC PROJECT *(cont.)*

Detailed feasibility work during 2009 has recommended a block cave mine. This resulted from geotechnical evaluation and a drill programme that significantly increased project resources.

A startup mining rate of 2 Mtpa is favoured, however block caving will greatly reduce operating costs and support production options up to 4 Mtpa based on the current resource. Concentrate production (combined zinc and lead) will be in the range of 250,000 tpa to 400,000 tpa depending upon the ultimate throughput rate of the plant.

The zinc concentrate has very low iron and silica content preferred for European smelters. Portal, plant site and tailings storage locations along with power, water and port facilities have been identified.

Work on the feasibility study is now well advanced and mining optimisation studies are assessing opportunities to improve throughput, costs and financial outcomes of the project. The Environmental Impact Study will be submitted with a Mining Lease application in early 2010.

MENNINIE ZINC PROJECT

The Menninnie Zinc Project comprises a contiguous group of three tenements:
- a joint venture between Minerals and Metals Group (76%) and Terramin wholly owned subsidiary, Menninnie Metals Pty Ltd (24%) on EL 3640 (Menninnie Dam); a Menninnie Metals earn-in of up to 70% from Minotaur Operations Pty Ltd on the adjacent EL 3535 (Nonning); and the 100% owned Kolendo tenement (EL 4285).

The Menninnie Dam tenement, EL 3640, is located on the northern Eyre Peninsula South Australia, about 160 km west of the lead smelter at Port Pirie, and encompasses the largest known lead-zinc-silver deposit in South Australia.

The tenement includes the Central deposit with an Inferred Resource of 3.8 million tonnes at 3.2% Pb, 4.0% Zn and 34g/t Ag at a 3.5% Pb+Zn cut-off.

The Nonning tenement, EL 3535, adjoins Menninnie Dam and is prospective for similar lead-zinc mineralisation to that of Menninnie Dam. Initial exploration has identified a number of prospective targets.

The Kolendo tenement, EL 4285, granted to Menninnie Metals in July 2009, has an area of 208 km² and lies to the west of Nonning. The tenement is also being explored for Menninnie Dam style mineralisation.



Hydrogeological testing in a diamond drill hole at Tala Hamza, Algeria.

RESOURCES AND RESERVES

The following table sets out the current Resource and Reserve position for the Company.

TABLE OF RESOURCES

	Terramin interest (%)	Measured Resource						Indicated Resource						Inferred Resource						Total Resources					
		Tonnes (Mt)	Zn (%)	Pb (%)	Cu (%)	Ag (g/t)	Au (g/t)	Tonnes (Mt)	Zn (%)	Pb (%)	Cu (%)	Ag (g/t)	Au (g/t)	Tonnes (Mt)	Zn (%)	Pb (%)	Cu (%)	Ag (g/t)	Au (g/t)	Tonnes (Mt)	Zn (%)	Pb (%)	Cu (%)	Ag (g/t)	Au (g/t)
Angas ¹	100	-	-	-	-	-	0.29	2.90	1.39	0.14	16	0.34	0.24	3.7	1.9	0.1	24	0.4	0.53	3.3	1.6	0.1	20	0.4	
Tala Hamza ²	65	30.6	5.74	1.59	-	-	20.5	3.57	0.79	-	-	-	17.5	3.7	0.6	-	-	-	68.6	4.6	1.1	-	-	-	
Menninnie Dam ³	24	-	-	-	-	-	-	-	-	-	-	-	3.8	4.0	3.2	-	34	-	3.8	4.0	3.2	-	34	-	
Total (100%)	-	30.6	5.74	1.59	-	-	20.8	3.56	0.80	-	-	-	21.5	3.8	1.1	-	-	-	72.9	4.6	1.2	-	-	-	
Total (Terramin share)	-	19.9	5.74	1.59	-	-	13.6	3.56	0.80	-	-	-	12.5	3.7	0.8	-	-	-	46.0	4.6	1.1	-	-	-	

TABLE OF RESERVES

	Terramin interest (%)	Proven Reserves						Probable Reserves						Total Reserves					
		Tonnes (Mt)	Zn (%)	Pb (%)	Cu (%)	Ag (g/t)	Au (g/t)	Tonnes (Mt)	Zn (%)	Pb (%)	Cu (%)	Ag (g/t)	Au (g/t)	Tonnes (Mt)	Zn (%)	Pb (%)	Cu (%)	Ag (g/t)	Au (g/t)
Angas ⁴	100	-	-	-	-	-	2.15	7.55	2.91	0.24	32	0.53	2.15	7.55	2.91	0.24	32	0.53	
Tala Hamza ⁵	65	-	-	-	-	-	24.1	5.89	1.67	-	-	-	24.1	5.89	1.67	-	-	-	
Total (100%)	-	-	-	-	-	-	26.3	6.03	1.77	-	-	-	26.3	6.03	1.77	-	-	-	
Total (Terramin share)	-	-	-	-	-	-	17.8	6.09	1.82	-	-	-	17.8	6.09	1.82	-	-	-	

- Resources for Angas are estimated at a cut off of 2% Pb+Zn.
- Resources for Tala Hamza are estimated at a cut off of 2.5% ZnEq. The Zinc Equivalence formula for Tala Hamza is %ZnEq = %Zn + 0.59 x %Pb and is based on long term predicted prices at October 2009 of Pb USD1,323/t and Zn USD1,764/t and metal recoveries of Pb 62% and Zn 88%.
- Resources for Menninnie Dam are estimated at a cut off of 3.5% Pb+Zn.
- Reserve cut off grade at Angas is 3.5% Pb+Zn.
- Reserve cut off grade at Tala Hamza is 3.17% Zn.

Note: Angas Resources and Reserves: Estimated as at 30 April 2009. Resources are additional to Reserves. Indicated Resources are exclusive of those Resources converted to Reserve. Resources exclude oxide and transitional material. Tala Hamza Resources and Reserves: Resources estimated as at 15 November 2009. Reserve is as at 31 March 2009. Reserve is for sub-level cave option. Resources are inclusive of Reserves. Menninnie Dam Resources are as at 31 December 2007.

The information in this report that relates to Exploration Results and Mineral Resources is based on information compiled by Mr Robert Singer. The information that relates to Angas Ore Reserves is based on information compiled by Mr Andrew Robertson. The information that relates to Tala Hamza Ore Reserves is based on information compiled by Dr Yi Huang. All are Members of The Australasian Institute of Mining and Metallurgy. Mr Singer is Chief Geologist of Terramin Australia Limited and is a full time employee. Mr Andrew Robertson was General Manager Operations of Terramin Australia Limited and was a full time employee at the time of estimation. Dr Huang was a full time employee of Golder Associates Pty Ltd at the time of the estimation. All have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting Exploration Results, Mineral Resources or Ore Reserves'. Mr Singer, Mr Robertson and Dr Huang consent to the inclusion in the report of the matters based on his information in the form and context in which it appears.



Geologists undertake drill core logging at the Tala Hamza exploration facility, Algeria.

DIRECTORS *and Management Team*

MANAGEMENT TEAM

GREG COCHRAN

Chief Executive Officer

Mr Cochran is a mining engineer with extensive international experience in the resources industry. He has held various management positions in metalliferous and coal mining operations, project management, finance and business development, as well as senior corporate roles in BHP Billiton, Mitsubishi Development and most recently Uranium One Inc., where he was the regional executive in charge of Australia & Asia. Mr Cochran has broad experience in multiple jurisdictions and a wide range of commodities including gold, coal, base metals, industrial minerals, uranium and diamonds.

MARTIN JANES

Chief Financial Officer

Mr Janes has more than 20 years' experience in the finance sector of the resources and banking industries, most notably at Normandy Mining Limited and Adelaide Bank Limited. He has extensive experience in project and corporate finance, leasing and capital markets issuance. He is an economist and a fellow of the Australian Institute of Company Directors and the Finance and Treasury Association.

ROBERT SINGER

Chief Geologist

Mr Singer manages Terramin's resource development and exploration teams. He is a geologist with more than 30 years' experience in operating mines and exploration in diverse terrains. Previously he was chief geologist for the Newmont-Barrick "Super Pit" operations at Kalgoorlie, mining 13 Mtpa of gold ore and also leader of the team responsible for a major expansion of zinc resources at the 1.2 Mtpa Golden Grove mine. He is a member of the Australian Institute of Mining and Metallurgy.

BOARD OF DIRECTORS

Terramin Australia Limited is governed by a Board with an emphasis on entrepreneurial skills and experience in mineral exploration, development, production and finance. The Company relies upon its strong team of technical and commercial experts with broad

experience of mining projects in Australia and internationally.

Details of your Directors' qualifications and experience can be found on pages 10 and 11 of the Directors' Report.

JEAN-PIERRE WILHELM

Vice President North Africa

Mr Wilhelm manages operational support and business development for Terramin in North Africa. He has degrees in banking, logistics and management and a career spanning finance, the military, logistics and metal refineries. Over the past 10 years he managed logistics for a number of projects in Eastern Europe and the former Yugoslavia. He directed the re-commissioning of nickel and ferro-silica smelters in Eastern Europe and Macedonia and in the process developed a strong foundation for liaising with governments at high level.

JOHN BURGESS

General Manager Tala Hamza Project

Mr Burgess is a process and environmental engineer with 35 years' experience in zinc plants mostly at Broken Hill. He consulted to Zinifex on the Century Mine and on various nickel and gold operations and has held positions as Manager of Metallurgy and Environment at Broken Hill and General Manager of the Renison Tin Mine. He has extensive experience in commissioning nickel, copper and gold plants and most recently, he managed the successful commissioning of the Angas Zinc Mine.

MARK TERRY

Business Development Manager & Joint Company Secretary

Mr Terry is an accountant with more than 15 years' experience in the mineral exploration and mining industry. He previously held a series of diverse senior finance positions with Normandy Mining Limited, Newmont and at Xstrata Zinc where he was Finance and Commercial Manager for Australian operations. He has broad experience in corporate treasury, mergers and acquisitions, resource project evaluation, accounting, tax and general management roles.

IAN MCALEESE

Investor Relations Manager

Mr McAleese has more than 20 years of experience in funds management and business analysis, as a mining analyst and subsequently as a portfolio manager. More recently he was the Corporate Development and Investor Relations Manager at Macarthur Coal. Originally trained as a geologist, Mr McAleese was involved in exploration and mine geology, including in base metals, in a variety of countries and companies before moving into the financial sector.



TERRAMIN AUSTRALIA LIMITED

2009

FINANCIAL STATEMENTS

DIRECTORS' REPORT *for the year ended 31 December 2009*

Your Directors submit their report on Terramin Australia Limited (the Company or Terramin) and on the consolidated entity, being the Company and its controlled entities (the Group), for the financial year ended 31 December 2009 and auditors' report thereon.

DIRECTORS

The names of the Directors in office at any time during or since the end of the year are listed below.

Dr Kevin C Moriarty BSc(Hons), PhD

Appointed 1 September 2000

Dr Moriarty is a professional geologist and company director whose career has included involvement in geophysical and geological projects in both the petroleum and minerals sectors. Both his early and later career has focussed on base and precious metal exploration and industrial mineral projects in many countries. Dr Moriarty is the Chairman of the Board and a director of Western Mediterranean Zinc Spa, the company which owns and operates the Oued Amizour Zinc Project in Algeria.

Mr Michael H Kennedy BComm (Economics)

Appointed 15 June 2005

Mr Kennedy has enjoyed a 35 year career in the mining industry and has held a number of senior marketing and logistics roles with CRA; managed raw material sales from the Broken Hill, Cobar and Woodlawn mines; managed raw material supply into the Port Pirie lead smelter, Budel zinc smelter (Netherlands) and the Avonmouth (UK) and Cockle Creek (Newcastle) zinc/lead smelters. He was the resident director of the Korea Zinc group of companies in Australia from 1991 until early 2005. Mr Kennedy is Chair of the Company's Risk & Compliance Committee and a member of the Audit and Nominations & Remuneration Committees.

Mr Steven AJ Bonett BCom, LLB (Hons)

Appointed 15 June 2005

Mr Bonett is a corporate lawyer and company director, holding degrees in Commerce and Law. He is a former partner of Finlaysons Lawyers and in that role led several major transactions in Australia and overseas. He is currently a consultant to Adelaide commercial law firm, Kelly & Co. Lawyers and a director of numerous companies in the Precision Group, a national property, finance and investment group. He is recognised as an expert in the field of corporate and commercial law, mergers and acquisitions and corporate governance.

He has also served on the Boards of not for profit organisations, including most recently The Queen Elizabeth Hospital Research Foundation. Mr Bonett is Chair of the Company's Nominations & Remuneration Committee and a member of the Audit Committee.

Mr Peter Zachert BBus, MGeoscience, MCom, FCA, FAIM

Appointed 5 June 2009

Mr Zachert is a Chartered Accountant and company director. His executive background is primarily in resources and diversified industrials in Australia and overseas, most recently as Chief Financial Officer of Elders Limited. Previous positions held by Mr Zachert include Director and CFO of Cyprus Australia Coal Company, CFO of Delta Gold Limited and senior roles in Prodeco SA and Exxon Coal and Mineral Company Limited. Mr Zachert has been a Director of ASX listed Agricultural Land Trust Limited since July 2007, and has held the position of Chairman of its Board since September 2009. Mr Zachert is also a director of a number of private companies. Mr Zachert is Chair of the Company's Audit Committee and a member of the Risk & Compliance Committee.

Mr Robert W Jones B.App. Sc., Dip. Prim. Met.

Appointed 5 June 2009

Mr Jones is a metallurgist with over 35 years of experience in the zinc-lead and copper resources sector in both mining and refining. He has overseen the construction, commissioning and operation of mining and mineral processing operations in both Australia and the US. Mr Jones spent a number of years as President of US Operations for Pasminco Limited, most notably responsible for the Tennessee zinc mining and smelting operations, and as GM of the company's Port Pirie lead smelter. Throughout his career he has been actively involved in the zinc industry, including executive positions with the International Lead Zinc Research Organization and the American Zinc Association. Mr Jones is a member of the Company's Tala Hamza Risk Assessment and Risk & Compliance Committees.

Mr Robert (Bryan) Davis BSc (Tech), FAIMM, MAICD

Appointed 23 July 2009

Mr Davis is a qualified mining engineer with over 40 years' experience in the mining and resources industry. Mr Davis has held a variety of senior corporate and operational roles during his career, including as Chief Executive Officer and subsequently, as a non-executive director of Newcrest Mining Limited. Mr Davis was formerly Executive Director - Mining at Pasminco Limited, and held senior management positions at CRA Limited.

He currently acts as an independent, non-executive director on the boards of OneSteel Limited (appointed December 2004) and Coal & Allied Limited (appointed September 2000). In addition, Mr Davis was a director of Newcrest Mining Limited from April 1998 to October 2008. Mr Davis is Chair of the Company's Tala Hamza Risk Assessment Committee and a member of the Nominations & Remuneration Committee.

Mr Xie Yaheng MSc, Senior Engineer

Appointed 18 September 2009

Mr Xie is Vice-President of China Non-ferrous Metals Industry's Foreign Engineering and Co., Ltd (NFC) and Chairman of Guangdong Zhujiang Rare Earth Ltd, a company in which NFC holds a 72% interest. Mr Xie's first degree is in Electrical Engineering and he was a senior electrical engineer at the Design Institute. Mr Xie has further degrees in Finance and Business Administration, and project management experience at zinc and copper mines in Mongolia, Zambia and Vietnam.

Mr David A Paterson BAppSc, Grad Dip Bus Admin

Appointed 19 April 1995 and resigned 4 April 2009

Mr Paterson was appointed to the Board in April 1995 and resigned in April 2009. Mr Paterson is a geologist and company director, having worked during his early career with Zinc Corporation, Minerals, Mining and Metallurgy, New Guinea Goldfields Ltd and BHP Exploration. He was a Member of the Australian Stock Exchange Limited and enjoyed a 20-plus year career in stockbroking and capital markets. During his tenure as a director of the Company, Mr Paterson served as Chair of the Audit Committee and as a member of the Company's Risk & Compliance Committee.

Mr James T Hazel B.Ec

Appointed 26 April 2007 and resigned 5 June 2009

Mr Hazel was appointed to the Board in April 2007 and resigned in June 2009. Mr Hazel is a professional company director of over 10 years experience. His executive background is primarily in the finance industry, including periods as managing director of Primelife Corporation Limited and in other senior executive roles in a number of listed and unlisted public companies, most notably as Chief General Manager of Adelaide Bank Limited and as Chairman of Rural Bank Limited. During the 3 years ending on the date of his resignation, Mr Hazel also served as a director of the following listed companies:

- Non-executive Director – ImpediMed Limited (appointed May 2007, listed 24 October 2007); and
- Non-executive Director – Becton Property Group Limited (appointed 4 April 2008).

During his tenure as a director of the Company, Mr Hazel served as Chair of the Audit Committee.

Joint Company Secretary

Mrs Kate E McKeough BA, BCom, LLB (Hons), GDLP

Appointed 26 April 2007

Mrs McKeough is a Senior Associate in the corporate and commercial team of Adelaide law firm Kelly & Co. Lawyers. Mrs McKeough practices in the areas of companies and securities law, fundraising, mergers and acquisitions and general commercial law. In addition to her position as Company Secretary, Mrs McKeough held the position of the Company's in-house legal counsel until September 2009 and in that capacity advised the Company on a range of matters including capital raisings, joint ventures and a variety of general commercial issues.

Mr Mark J Terry BAcc, CPA

Appointed 18 September 2009

Mr Terry is an accountant with more than 15 years' experience in the mineral exploration and mining industry. He previously held a series of diverse senior finance positions with Normandy Mining Limited, Newmont and at Xstrata Zinc where he was Finance and Commercial Manager for Australian operations. He has broad experience in corporate treasury, mergers and acquisitions, resource project evaluation, accounting, tax and general management roles.

DIRECTORS' REPORT *for the Year Ended 31 December 2009 (cont.)*

MEETINGS OF DIRECTORS

The number of meetings of the Company's Board of Directors and of each Board Committee held during the year ended 31 December 2009, and the number of meetings attended by each Director were:

	Directors' Meetings		Audit Committee		Nominations & Remuneration Committee		Risk & Compliance Committee		Tala Hamza Risk Assessment Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
KC Moriarty	10	10	-	-	-	-	-	-	-	-
MH Kennedy	10	10	4	4	4	4	4	4	-	-
SA Bonett	10	10	2	2	4	4	2	1	-	-
P Zachert	5	5	3	3	-	-	2	2	-	-
RW Jones ¹	4	3	-	-	-	-	2	2	3	2
RB Davis ¹	5	4	-	-	3	3	-	-	3	3
Y Xie	3	2	-	-	-	-	-	-	-	-
DA Paterson	3	3	1	1	-	-	1	1	-	-
JT Hazel	4	4	1	1	-	-	-	-	-	-

¹ Note the Directors were not able to attend a Board meeting called at short notice due to absence overseas.

Directors' interests

The Directors of the Company had the following direct or indirect interests in the equity of the Company as at the date of this report:

	Fully paid ordinary shares	Options	Options exercise price	Options expiry date
KC Moriarty	9,026,313	500,000	\$4.11	04-May-11
	-	500,000	\$4.93	04-May-11
MH Kennedy	300,000	300,000	\$2.76	08-May-10
SA Bonett	250,000	250,000	\$4.11	04-May-11
P Zachert	-	-	-	-
RW Jones	190,000	150,000	\$1.97	22-Feb-12
RB Davis	31,470	-	-	-
Y Xie	-	-	-	-
Total	9,797,783	1,700,000		

PRINCIPAL ACTIVITIES

There were no significant changes in the nature of the Group's principal activities during the reporting period, which continue to focus on the mining, development of and exploration for base metals (in particular zinc and lead) and other economic mineral deposits.

OPERATING RESULTS

The consolidated loss of the Group after providing for income tax and eliminating non-controlling interests amounted to \$9.0 million for the year to 31 December 2009 which compared to a loss of \$19.4 million for the previous year to 31 December 2008. Major contributors to the result included non-cash charges for depreciation and amortisation of \$15.0 million, partially offset by non-cash credits relating to the mark to market on USD convertible notes (\$6.9 million). Operating revenues and expenses for the reporting period were significantly higher than in 2008 as a result of the first full year of operations at the Angas Zinc Mine (2008: 5.5 months). The operating profit for the Angas Zinc Mine was \$9.5 million before depreciation and amortisation charges of \$15.0 million.

Project expenditure on the Angas Zinc Mine, Oued Amizour Zinc Project, Menninnie Zinc Project and Fleurieu regional exploration totalled \$15.8 million which includes mine development and construction, purchases of property, plant and equipment and exploration and evaluation expenditure. Of this expenditure, \$9.4 million represents exploration and evaluation expenditure during the period on the Group's tenements.

During the period the Company raised \$33.04 million from the issue of 46,369,684 new shares. A total of 27,038,462 shares were issued at \$0.65 per share and a further 19,331,222 shares were issued at \$0.80 per share. The Company also raised a further US\$10 million from the issue of 10 million unlisted, unsecured redeemable convertible notes, each having a face value of US\$1.00. Further details of the terms on which these notes were issued can be found at note 16 to the financial statements.

DIVIDENDS PAID OR RECOMMENDED

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

REVIEW OF OPERATIONS

During the year the Company focused on optimising the operation of its Angas Zinc Mine in South Australia and on the feasibility studies of its large Oued Amizour Zinc Project in Algeria as well as examining new opportunities in Australia and overseas. Highlights for each of the Group's major projects are reported below.

Angas Zinc Mine (*Terramin 100%*)

The Angas Zinc Mine achieved steady state production during 2009 and set a number of production records in the final quarter. Full year ore production of 357,219 tonnes and mill throughput of 342,953 tonnes exceeded budget forecasts and resulted in higher than expected concentrate and metal sales for the year.

Following a safety incident in the third quarter the Company halted underground development for one week and introduced a retraining programme and review of procedures for the underground workforce. The programme was successful with a good safety outcome in the final quarter of the year. A number of ongoing programmes have been designed to ensure the continuous improvement of safety performance at the Mine site.

The 2009 Probable Reserve of 2.15Mt at 7.55% Zn and 2.91% Pb for the Angas Zinc Mine (as at 30 April 2009) was announced late in July. Additional drilling, improved understanding of geological controls, a change in the cut off grade and depletion from mining led to an 11% reduction in the Probable Reserve. Despite the reduction in tonnes there was only a small reduction (4%) in contained zinc and lead as the estimated grades increased. A programme of underground drilling that took place in the second half of the year will be incorporated into the 2010 reserve and resource estimate.

Mine development continued with the decline extending a further 433 metres to 997 metres from the portal at the period end. Total development for the year reached 2,487 metres with drives being established on the 200 level late in the fourth quarter. Development drives are established on all levels above the 200 level with stopes established in the Rankine and Garwood Shoots. Concentrate production for the year totalled 45,583 tonnes of zinc concentrate and 17,735 tonnes of lead-copper-precious metals concentrate. New production records were established in the fourth quarter for both concentrate products. Payable metal production for the year was 19,456 tonnes of zinc and 8,902 tonnes of lead.

C1 cash costs (direct cash costs net of by-product credits) averaged US 33 cents/lb for the period with the average trending down over the course of the year. Cash costs in the first quarter were US 76 cents/lb compared to US 31 cents/lb in the final quarter. The reduction in costs was due to improved performance of the mine and mill and higher by-product credits associated with an increased lead price. In addition, base treatment charges for both zinc and lead concentrates were lower than in the previous year as smelters around the world actively bid for feed for their plants.

Oued Amizour Zinc Project (*Terramin 65%*)

Significant progress was made on the mining assessment of the Tala Hamza deposit, part of the large Oued Amizour Zinc Project. The pre-feasibility assessment report issued in the first quarter confirmed that the Tala Hamza deposit could be successfully developed as a technically and financially viable long-term mine. The pre-feasibility study estimated that the cost of developing a sub level cave (SLC) mine would be US\$266 million based on an initial Probable Reserve of 24.1Mt at 5.89% zinc and 1.67% lead. The study also assessed a block cave mine concluding that development would cost US\$285 million, however mine operating costs would be 40% lower than a SLC mine. The report recommended the possibility of using the lower cost block caving method rather than the previously preferred SLC method and indicated that further work was required in the feasibility study to verify the viability of the method.

Following completion of the pre-feasibility study, work continued on the feasibility study, Environmental Impact Statement (EIS) and Environmental Management Plan (EMP) that are required to be submitted to the relevant Algerian government departments for the purpose of a Mining Lease Application (MLA). Two drill rigs continued to drill geotechnical and hydrological holes for the Project with the programme nearly complete by the end of the year. The site for the portal, process plant and Tailings Storage Facility (TSF) were chosen and followed up with drilling and mapping.

Work completed over the year has confirmed block caving as the preferred mining method and led to a significant upgrade in total Measured, Indicated and Inferred Resources for the Project. The total Resource in all categories (as at 15 November 2009) is 68.6Mt at 4.6% zinc and 1.1% lead comprising a Measured Resource of 30.6Mt at 5.74% zinc and 1.59% lead, an Indicated Resource of 20.5Mt at 3.57% zinc and 0.79% lead and an Inferred Resource of 17.5Mt at 3.7% zinc and 0.6% lead.

DIRECTORS' REPORT *for the Year Ended 31 December 2009 (cont.)*

Terramin now expects its Algerian operating company, Western Mediterranean Zinc Spa, will lodge a MLA in the first quarter of 2010.

A total of \$9.9 million was spent by Terramin on the pre-feasibility and feasibility studies for the Project during 2009.

Menninnie Zinc Project

(a) Menninnie Dam Exploration Joint Venture *(Terramin 24%)*

The Project remained on care and maintenance for the duration of the year with Terramin waiting for notification from the joint venture Manager, Minerals and Metals Group, on the progress and outcome of the sale process for its interest in the Project announced in October 2008. The only significant progress was agreement of the terms of the Native Title Mining Agreement (NTMA) with the local native title claimant group. The terms of the new agreement have been expanded to incorporate the Nonning tenement in addition to the Menninnie Dam tenement. The revised agreement has been executed and is expected to be registered and become enforceable during the first quarter of 2010.

(b) Nonning Joint Venture *(Terramin earn in of up to 70%)*

In June 2008, the Company, by way of its wholly owned subsidiary Menninnie Metals Pty Ltd (MMPL), signed a Heads of Agreement with Minotaur Operations Pty Ltd for the formation of a joint venture to explore the Nonning tenement (EL 3535), situated on the northern Eyre Peninsula of South Australia and adjacent to the Menninnie Dam tenement. Pursuant to the Heads of Agreement, MMPL agreed to spend up to \$3,000,000 over 3 years to earn up to a 70% interest in the joint venture.

Activity in 2009 was limited to exploration planning and discussions with relevant native title claimant group about the NTMA for the Project area. A nominal amount was spent on the Project during the year.

(c) Kolendo Project area *(Terramin 100%)*

MMPL was granted the Kolendo Licence (EL 4285) in July 2009. The tenement shares a boundary with the Nonning tenement and consolidates a large region of highly prospective exploration ground in the northern Eyre Peninsula. The annual exploration commitment for the tenement is \$50,000. Work since the grant of the tenement consisted of a review and interpretation of the available data in the Project area.

Corporate

During the year, the Company attracted key investors who subscribed for shares despite the adverse equity market conditions. Transaminvest S.A., a subsidiary of Transamine S.A. (a European-based global non-ferrous commodities trading house), subscribed for 11,538,462 shares at \$0.65 per share in March 2009 and US\$10 million of convertible notes in September 2009. In addition, NFC subscribed for 15,500,000 shares for \$0.65 per share in July 2009. Both issues were completed at a premium of approximately 50% to the prevailing market price of the Company's shares at the time of issue, reflecting investor confidence in the value of the Company's asset portfolio.

In November 2009, the Company placed 19,331,222 shares to existing and new institutional and sophisticated investors at \$0.80 per share to raise \$15,464,978.

The Company took advantage of the terms of its various convertible note facilities to issue two tranches of shares (1,318,388 in total) in satisfaction of interest payment obligations in March and June 2009.

Transaminvest S.A. has an obligation to subscribe for a further US\$7.5 million in convertible notes under the same terms as the notes issued in September 2009. In addition, Transaminvest S.A. will subscribe for US\$2.5 million in shares issued at the volume weighted average price of the Company's shares over the five trading days immediately preceding the due date for payment. The issue of the convertible notes and shares will take place following a "decision to mine" in respect of the Tala Hamza deposit.

Business development activities

Throughout 2009, the Company continued to identify, assess and, where appropriate, pursue the acquisition of interests in advanced zinc projects with a close proximity to infrastructure.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

No significant change in the state of affairs of the Group occurred during the financial year, other than as already referred to elsewhere in this report.

SUBSEQUENT EVENTS

During the period, the Company announced the appointment of Mr Greg Cochran to the role of Chief Executive Officer, which he commenced on 18 January 2010. Following his commencement, primary responsibility for the day-to-day operations of the Company has been formally delegated by the Board to Mr Cochran. This delegation is subject to transitional arrangements pursuant to which Dr Moriarty will progressively withdraw from his executive role within the Company to take on a purely non-executive Chairman's role.

On 21 January 2010, a total of 2,200,000 unlisted options were issued to various Company employees (including Mr Cochran, pursuant to the terms of his employment contract) as follows:

- 500,000 unlisted options with an exercise price of \$1.25 and an expiry date of 20 January 2015;
- 1,000,000 unlisted options with an exercise price of \$1.17 and an expiry date of 20 January 2015;
- 600,000 unlisted options with an exercise price of \$1.12 and an expiry date of 20 January 2013; and
- 100,000 unlisted options with an exercise price of \$1.08 and an expiry date of 20 January 2013.

In the Directors' opinion, no other events or circumstances have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the Company or the Group, the results of those operations or the state of affairs of the Group in future financial years that have not been otherwise disclosed in this report.

FUTURE DEVELOPMENTS

The Company intends to continue to undertake appropriate exploration and evaluation expenditure thereby enabling it to maintain good title to all its prospective mineral properties until proper decisions can be made to successfully develop and exploit, sell or abandon such properties. New projects will continue to be sought and evaluated. The Directors believe, on reasonable grounds, that the disclosure of any further information on the Group's future operations is likely to result in unreasonable prejudice to the Company or Group.

ENVIRONMENTAL MANAGEMENT

The Group is subject to significant environmental regulation under Commonwealth, South Australian and Algerian legislation in relation to its exploration, development and mining activities. Exploration Licences and Mining Leases are issued subject to various obligations as to environmental monitoring and rehabilitation, and ongoing compliance with all relevant legislative obligations. The Group's Directors, employees and consultants are committed to achieving a high standard of environmental performance and in this regard the Board has an established and active Risk & Compliance Committee.

In respect of the Angas Zinc Mine, the Department of Primary Industries and Resources SA (PIRSA) has advised the Company that the level of water in the tailings storage facility is above compliance levels as detailed in the Mine's Mining and Rehabilitation Plan. The Company is working with PIRSA and the Environmental Protection Authority to resolve this issue, which it does not expect to have a material adverse impact on its future operations.

Insofar as the Directors are aware, there have been no other material breaches or other material instances of non-compliance, nor any recorded known areas of outstanding non-compliance, with any applicable environmental legislation or other regulations.

CORPORATE GOVERNANCE

The Board acknowledges and endorses the ASX Corporate Governance Council's "Corporate Governance Principles and Recommendations – 2nd Edition" (ASX Recommendations). The Board continually monitors and reviews its existing and required policies, charters and procedures with a view to ensuring its compliance with the ASX Recommendations to the extent deemed appropriate for the size of the Company and its development status.

A summary of the Company's ongoing corporate governance practices is set out in the Corporate Governance section of this report.

Good corporate governance practices are also supported by the ongoing activities of the following Board Committees:

- Audit Committee
- Nominations & Remuneration Committee
- Risk & Compliance Committee
- Tala Hamza Risk Assessment Committee

DIRECTORS' REPORT *for the Year Ended 31 December 2009 (cont.)*

SHARE CAPITAL

(a) Ordinary shares

As at 31 December 2009 and as at the date of this report, there were 158,388,667 fully paid ordinary shares in the capital of the Company on issue.

(b) Unlisted options outstanding at the date of this report

As at 31 December 2009 there were 13,686,630 unlisted options over fully paid ordinary shares in the capital of the Company on issue. As at the date of this report, there are 15,886,630 unlisted options over fully paid ordinary shares in the capital of the Company on issue.

Expiry date	Exercise price \$	Number of options on issue
08-May-10	2.76	300,000
16-Jun-10	0.52	185,000
16-Feb-11	0.60	130,000
03-May-11	1.44	25,000
04-May-11	4.11	750,000
04-May-11	4.93	500,000
07-Jun-11	1.26	467,000
07-Aug-11	1.42	280,000
22-Feb-12	1.97	725,000
08-May-12	2.43	1,075,000
21-May-12	2.16	4,629,630
17-Jun-12	3.32	150,000
09-Sep-12	2.92	100,000
11-Nov-12	3.74	50,000
19-Dec-12	3.55	325,000
23-Jan-13	2.66	275,000
15-Mar-13	2.80	3,125,000
20-Jul-13	2.45	575,000
07-Sep-13	2.12	20,000
20-Jan-13	1.08	100,000
20-Jan-13	1.12	600,000
20-Jan-15	1.17	1,000,000
20-Jan-15	1.25	500,000
TOTAL		15,886,630

No person entitled to exercise an option had or has any right by virtue of the option to participate in any share issue of the Company or any other body corporate.

(c) Unlisted options exercised during the year

The following unlisted options over fully paid ordinary shares in the capital of the Company were exercised during the period:

Exercise dates	Number exercised	Exercise price \$	Funds received \$
25-Sep-09	75,000	0.60	45,000
TOTAL	75,000		45,000

Upon exercise, each option entitled the holder to be issued with one fully paid ordinary share in the capital of the Company.

(d) Unlisted options exercised since 31 December 2009

No unlisted options over fully paid shares in the Company have been exercised since 31 December 2009.

REMUNERATION REPORT - AUDITED

Directors and other key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company. The information regarding remuneration and entitlements of the Company's Board, key management personnel and relevant Group executives required for the purposes of section 300A of the *Corporations Act 2001* is provided below.

The following persons were Directors of the Company during the financial year and up until the date of this report:

(i) Executive Directors

Dr KC Moriarty *Executive Chairman*

(ii) Non-Executive Directors

Mr MH Kennedy *(Independent)*
 Mr SA Bonett *(Independent)*
 Mr P Zachert *(Independent)*
(appointed 5 June 2009)
 Mr RW Jones *(Independent)*
(appointed 5 June 2009)
 Mr RB Davis *(Independent)*
(appointed 23 July 2009)
 Mr Y Xie *(Non-Independent)*
(appointed 18 September 2009)
 Mr DA Paterson *(Non-Independent)*
(resigned 4 April 2009)
 Mr JT Hazel *(Independent)*
(resigned 5 June 2009)

The following persons were both the key management personnel of the Group, and the five relevant Group executives of the Group who received the highest remuneration during the financial year (collectively Specified Executives). Key management personnel are those persons who make or participate in making decisions affecting the whole or a substantial part of the business of the Company or its financial standing.

(iii) Specified Executives

Mr MS Janes	<i>Chief Financial Officer</i>
Mr RP Singer	<i>Chief Geologist</i>
Mr AC Robertson	<i>General Manager Operations</i>
Mr J Burgess	<i>General Manager Tala Hamza Project</i>
Mr JP Wilhelm	<i>Vice President North Africa</i>

(a) Remuneration report and practices

This report outlines the remuneration arrangements for Directors and Specified Executives of the Company. It is recognised that the performance of the Company depends on the quality and skills of its Directors and executives. The Board is mindful of the need to attract, motivate and retain highly skilled Directors and executives. To this end, the Company strives, by way of the Board and its Nominations & Remuneration Committee, to devise and offer remuneration packages that are competitive, transparent and justifiable to shareholders.

The Company has continued throughout the period to review and monitor its remuneration practices at all levels, with a view to ensuring, to the greatest extent possible, consistency with market expectations and the practices of similarly sized companies. These objectives are achieved through the development and implementation of policies and practices which support the following key principles underlying the Company's remuneration policy:

- to provide competitive remuneration to attract high calibre people;
- to actively consult with the established Nominations & Remuneration Committee in determining remuneration policies and practices;
- to have reference to independent advice and confirmation where appropriate;
- to establish appropriately demanding hurdles in relation to performance based remuneration, where appropriate; and
- where appropriate, to link executive Director and senior management reward to the creation of shareholder value and/or Company milestones and production budgets.

NOMINATIONS AND REMUNERATION COMMITTEE

The current members of the Committee are Mr Bonett (Chair), Mr Kennedy and Mr Davis. The Company Secretary also attends meetings as required. The objectives of the Committee are to assist the Board to:

- ensure it is of an effective composition, size and commitment to adequately discharge its responsibilities and duties; and
- independently ensure that the Company adopts and complies with remuneration policies that:
 - attract, retain and motivate high calibre executives and directors so as to encourage enhanced performance by the Company;
 - are consistent with the human resource needs of the Company;
 - motivate Directors and management to pursue the long-term growth and success of the Company within an appropriate control framework and ensure that shareholder and employee interests are aligned;
 - demonstrate a clear relationship between key executive performance and remuneration; and
 - are consistent with current governance and legal developments.

REMUNERATION AND INCENTIVE STRUCTURES

Executives

Fixed remuneration

The fixed portion of executive remuneration packages comprises a base salary, statutory superannuation payment and FBT charges related to employee benefits, such as car parking. Executive performance and remuneration packages are reviewed at least annually by the Board or its nominee (historically, the Executive Chairman).

Performance based remuneration and entitlements

The Board will from time to time approve the award of bonuses including cash and/or equity securities, designed to reward or incentivise executives, contractors and staff on such terms and conditions determined by the Board (in consultation with the Executive Chairman or senior management) to be appropriate at the time of payment or issue. Often, the grant or vesting of options or other bonuses will be linked to the achievement of specific Company objectives (such as operational milestones) with a direct link to the creation of shareholder value.

DIRECTORS' REPORT *for the Year Ended 31 December 2009 (cont.)*

Directors

Remuneration and incentives

The maximum aggregate fee payable to non-executive Directors is subject to approval by shareholders at general meeting (the current limit is \$350,000). All securities issued to Directors and related parties must be approved by shareholders at general meeting. Non-executive Directors are either paid a base fee plus superannuation or remunerated via contractual arrangements approved by the Board and negotiated in consultation with the Nominations & Remuneration Committee. Company policy supports the issue, where appropriate, of equity securities to Directors (whether executive or non-executive) to help ensure Directors' interests are aligned with those of shareholders.

Retirement or other post employment benefits

The Company has not provided benefits to its Directors upon their retirement, other than by making the statutory superannuation guarantee contributions as required by law.

(b) Parent entity Directors' remuneration and entitlements

During the period, the following cash and non-cash payments were made to the Directors:

2009	Short term		Post employment		Share-based payments		Total
	Salary & fees	Contract payments	Superannuation benefits	Termination benefits	Value of options	%	
KC Moriarty	-	511,060	-	-	-	-	511,060
MH Kennedy	54,404	-	4,896	-	-	-	59,300
SA Bonett	49,817	-	4,484	-	-	-	54,301
P Zachert	-	22,750	-	-	-	-	22,750
RW Jones	-	21,000	-	-	-	-	21,000
RB Davis	30,415	-	2,737	-	-	-	33,152
Y Xie	-	1,500	-	-	-	-	1,500
DA Paterson	-	18,047	-	-	-	-	18,047
JT Hazel	21,750	-	1,958	-	-	-	23,708
TOTAL	156,386	574,357	14,075	-	-	-	744,818

2008	Short term		Post employment		Share-based payments		Total
	Salary & fees	Contract payments	Superannuation benefits	Termination benefits	Value of options	%	
KC Moriarty	-	402,415	-	-	643,204	62	1,045,619
MH Kennedy	40,000	-	3,600	-	-	-	43,600
SA Bonett	40,000	-	3,600	-	185,133	81	228,733
DA Paterson	-	81,422	-	-	-	-	81,422
JT Hazel	50,000	-	4,500	-	-	-	54,500
TOTAL	130,000	483,837	11,700	-	828,337	-	1,453,874

(c) Specified Executive remuneration

Details of the remuneration of the Specified Executives s300A(c)(iii) named above appears below:

2009	Short Term		Post Employment		Share-based payments		Total
	Salary & fees	Contract payments	Superannuation benefits	Termination benefits	Value of options	%	
2009							
MS Janes	215,596	-	19,404	-	-	-	235,000
RP Singer	235,000	-	21,150	-	-	-	256,150
AC Robertson	200,009	-	18,001	-	-	-	218,010
J Burgess	-	274,065	-	-	-	-	274,065
JP Wilhelm	-	252,670	-	-	-	-	252,670
TOTAL	650,605	526,735	58,555	-	-	-	1,235,895
2008							
MS Janes	218,272	-	19,644	-	45,442	16	283,358
RP Singer	238,888	-	21,500	-	-	-	260,388
AC Robertson	200,009	-	18,001	-	-	-	218,010
J Burgess	-	219,300	-	-	-	-	219,300
JP Wilhelm	-	240,337	-	-	123,510	34	363,847
TOTAL	657,169	459,637	59,145	-	168,952	-	1,344,903

All Directors and Specified Executives are subject to the Company's Share Trading Policy (accessible via the Company's website at www.terramin.com.au) with respect to limiting their exposure to risk in relation to the Company's securities, including securities issued as an element of executive remuneration. The Company's Share Trading Policy requires all officers, employees and key consultants to the Company to notify the Executive Chairman and Company Secretary of any intention to deal in the Company's securities, whether by sale or purchase of shares on market, or the exercise of options. The notified dealing is subject to the approval of the Executive Chairman. The Board considers that, in light of the size and structure of the Company and the absence of a secondary market for the Company's securities, this policy provides adequate protection against unauthorised dealings by Directors and Specified Executives, in particular in relation to risk mitigation.

No bonuses were paid to Specified Executives during the year.

(d) Options issued during the year

There were no options over unissued shares in the capital of the Company issued to Directors or Specified Executives during the year.

DIRECTORS' REPORT *for the Year Ended 31 December 2009 (cont.)*

(e) Shareholdings and options

The relevant interest of each Director and Specified Executive in shares and options over shares in the Company at the end of the period is disclosed below:

	Shares balance 1/01/2009	Options balance 1/01/2009	Shares acquired during year	Options received as incentive	Shares disposed of during year	Options exercised	Options expired	Balance options 31/12/2009	Balance shares 31/12/2009
Parent Entity Directors									
KC Moriarty	9,026,313	3,000,000	-	-	-	-	(2,000,000)	1,000,000	9,026,313
MH Kennedy	300,000	300,000	-	-	-	-	-	300,000	300,000
SA Bonett	250,000	250,000	-	-	-	-	-	250,000	250,000
P Zachert	-	-	-	-	-	-	-	-	-
RW Jones	190,000	150,000	-	-	-	-	-	150,000	190,000
RB Davis	31,470	-	-	-	-	-	-	-	31,470
Y Xie	-	-	-	-	-	-	-	-	-
DA Paterson	9,164,302	500,000	-	-	-	-	(500,000)	- ¹	- ¹
JT Hazel	55,000	250,000	-	-	-	-	(250,000)	- ²	- ²
Specified Executives									
MS Janes	46,470	630,000	-	-	-	-	-	630,000	46,470
AC Robertson	-	350,000	-	-	-	-	-	350,000	-
RP Singer	-	350,000	-	-	-	-	-	350,000	-
J Burgess	-	300,000	-	-	-	-	-	300,000	-
JP Wilhelm	-	200,000	-	-	-	-	-	200,000	-
Total	19,063,555³	6,280,000	-	-	-	-	(2,750,000)	3,530,000	9,844,253

- DA Paterson resigned on 4 April 2009. His share balance at this date was 9,164,302. As Mr Paterson is no longer a Director of the Company his share holdings as at 31 December 2009 have not been disclosed. During the period, 500,000 options held by Mr Paterson expired.
- JT Hazel resigned on 5 June 2009. His share balance at this date was 55,000. As Mr Hazel is no longer a Director of the Company, his share holdings as at 31 December have not been disclosed. During the period, 250,000 options held by Mr Hazel expired.
- The balance of shares held by Directors and Specified Executives as at 31 December 2008 was 18,842,085. The balance of shares held by Directors and Specified Executives as at 1 January 2009 has been amended to reflect the existing shareholdings of RW Jones and RB Davis at their respective appointment dates.

(f) Contracts and agreements

The Company is operating in an environment where there is significant competition for skilled staff and contractors. To ensure project continuity the Company has employment agreements with each Specified Executive which prescribe termination by either party on the provision of 1 months' notice, or payment in lieu of notice at the Company's election. On termination, Specified Executives are also entitled to receive statutory entitlements of accrued annual and long service leave plus superannuation benefits.

Agreements with Specified Executives that differ from the above are detailed below:

Dr Kevin Moriarty *Executive Chairman*

Dr KC Moriarty is engaged by the Company as a consultant to manage day to day activities. Dr Moriarty also serves as Chairman of the Board.

This arrangement has no fixed term and is reviewed annually by the Nominations & Remuneration Committee. Dr Moriarty's hourly rate is \$200 plus GST, with consultancy fees payable to Towarnie Geosciences. There are no fixed termination entitlements in respect of this arrangement.

Mr Gregory Cochran *Chief Executive Officer*

Mr G Cochran commenced employment on 18 January 2010 as the Company's Chief Executive Officer. The employment agreement has no fixed term and may be terminated by either party upon 6 months notice, or payment in lieu, with an additional 6 months base salary payable by the Company to Mr Cochran in the event of termination as a result of redundancy. Recommendation under the agreement is structured as follows:

- Base salary of \$400,000 per annum plus superannuation and other package benefits to be reviewed annually.
- 1,000,000 options to be issued upon commencement of employment pursuant to the terms of the Terramin Australia Limited Employee Option Plan (Options). All Options will vest immediately upon issue but be issued in 2 tranches of 500,000 Options, the first tranche having a three year term and an exercise price set at a 35% premium to the volume weighted average price of the Company's shares on ASX for the 30 days preceding the date of issue ("30 day VWAP"), and the second tranche having a five year term and an exercise price set at a 50% premium to the 30 day VWAP. On 21 January 2010, the first tranche of Options were issued at an exercise price of \$1.12 and the second tranche of Options were issued at an exercise price of \$1.25.
- Entitlement to annual awards of long term incentives (LTIs) equivalent to up to 100% of his base salary. In the first year of employment, the value of the Options will count towards the total annual LTI award. The vesting of LTI entitlements will be subject to performance based vesting conditions determined by the Board in consultation with the CEO.

Mr John Burgess *General Manager Tala Hamza Project*

In February 2007, a consulting company controlled by Mr J Burgess signed an initial agreement to provide his services to the Company as General Manager Angas Zinc Mine. In January 2009, a new contract was signed by Mr Burgess as an agreement to provide his services to the Company as General Manager Tala Hamza Project at a daily rate of \$1,000 plus GST. The contract is for a fixed period of 3 years, with an option to renew for a further 2 years at the election of the Company.

The consultancy arrangement between Mr Burgess' company and the Company entitles either party to terminate the agreement upon the giving of 3 months' notice in writing. Apart from outstanding consultancy fees incurred under the arrangement, no entitlements are payable upon termination of this agreement.

Mr Burgess has been appointed General Manager Tala Hamza and will manage the completion of the feasibility studies and development in respect of that deposit.

Mr Jean-Pierre Wilhelm *Vice President North Africa*

In January 2008, a consulting company controlled by Mr JP Wilhelm signed an agreement to provide his services to the Company as Vice President North Africa. Consultancy fees are paid at a rate of €12,500 per month, inclusive of GST or any other applicable taxes. The consultancy arrangement is for a fixed term of 5 years.

The consultancy arrangement between Mr Wilhelm's company and the Company entitles either party to terminate the agreement upon the giving of 30 days' notice in writing. Apart from outstanding consultancy fees incurred pursuant to the agreement, no entitlements are payable upon termination of this agreement.

(g) Indemnification of Directors and Officers

Directors' and Officers' Liability Insurance has been secured to insure the Directors, officers and senior executives of the Group to the extent permitted by the *Corporations Act 2001*. The officers of the Company and the Group covered by the insurance policy include any person acting in the course of duties for the Company or the Group who is or was a Director, Secretary or senior executive. The contract of insurance prohibits the disclosure of the nature of the liability covered and the amount of the premium.

The Group has not otherwise, during or since the end of the period, indemnified or agreed to indemnify an officer or auditor of the Group or any related body corporate against a liability incurred as such an officer or auditor.

NON-AUDIT SERVICES

Additional services provided during the period by the Company's auditors, KPMG, included taxation advice for the Company and the Group in Australia, Spain and Algeria. Fees paid for these services totalled \$30,000 for the period and have been accounted for as administrative expenses. In accordance with advice from Terramin's Audit Committee, the Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. Also in accordance with the advice of the Audit Committee, the Directors are satisfied that the nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

DIRECTORS' REPORT for the Year Ended 31 December 2009 (cont.)

AUDITORS' INDEPENDENCE DECLARATION

The auditors' independence declaration for the year ended 31 December 2009 can be found on page 24 and forms part of the Directors' Report.

LITIGATION

As at the date of this report, no person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company of all or any part of those proceedings. No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

ROUNDING

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

Signed in Adelaide this 25th day of February 2010 in accordance with a resolution of the Board of Directors.



Kevin C Moriarty
Executive Chairman



Peter Zachert
Director

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. the financial statements and notes, as set out on pages 27 - 62, and the remuneration disclosures contained in pages 16 - 21 of the Directors' Report, are in accordance with the *Corporations Act 2001*, and:
 - (a) comply with Accounting Standards and the *Corporations Regulations 2001*; and
 - (b) give a true and fair view of the financial position as at 31 December 2009 and of the performance for the year ended on that date of the Company and the economic entity;
2. the Executive Chairman and Chief Financial Officer have each declared that:
 - (a) the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
 - (b) the financial statements and notes for the financial year comply with the Accounting Standards;
 - (c) the declaration is provided in accordance with section 295A of the *Corporations Act 2001* and is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks; and
 - (d) the financial statements and notes for the financial year give a true and fair view.
3. 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
25 February 2010



Peter Zachert
Director
25 February 2010

AUDITORS' INDEPENDENCE DECLARATION



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 audit for the financial year ended 31 December 2009 there have been:

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

KPMG

KPMG

A handwritten signature in black ink, appearing to read 'Derek Meates'.

Derek Meates
Partner

Adelaide

25 February 2010

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.

INDEPENDENT AUDIT REPORT



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

Report on the financial report

We have audited the accompanying financial report of Terramin Australia Limited (the Company), which comprises the statements of financial position as at 31 December 2009, and income statements and statements of comprehensive income, statements of changes in equity and statements of cash flows for the year ended on that date, a description of significant accounting policies and other explanatory notes 1 to 30 and the directors' declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the 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 an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's and the Group's financial position and of their performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDIT REPORT *(cont.)*



Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion the financial report of Terramin Australia Limited is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Company's and the Group's financial position as at 31 December 2009 and of their performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 31 December 2009. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Terramin Australia Limited for the year ended 31 December 2009, complies with Section 300A of the *Corporations Act 2001*.

KPMG

Derek Meates
Partner

Adelaide

25 February 2010

INCOME STATEMENTS *for the Year Ended 31 December 2009*

	Note	Consolidated		Parent	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Revenue	3	41,054	9,723	41,054	9,723
Other income	3	281	7,876	281	7,877
Raw materials, consumables and other direct costs		(31,917)	(11,634)	(31,917)	(11,634)
Change in inventories of finished goods and WIP		1,152	2,898	1,152	2,898
Employee expenses		(2,148)	(1,811)	(2,148)	(1,810)
Depreciation and amortisation		(15,041)	(5,146)	(15,041)	(5,143)
Exploration and evaluation write down	13(a) & (b)	(23)	(2,509)	(23)	(2,349)
Impairment of investment in associate		-	(1,243)	-	-
Provision for diminution of investment in subsidiary		-	-	-	(839)
Administration expenses	4	(2,998)	(3,055)	(2,950)	(3,299)
Share option expense	18(e)	(214)	(1,708)	(214)	(1,708)
Loss before net financing income/(costs) and income tax		(9,854)	(6,609)	(9,806)	(6,284)
Finance income	5	7,127	1,884	7,127	1,860
Finance costs	5	(6,268)	(14,680)	(6,306)	(14,700)
Net finance income/(cost)		859	(12,796)	821	(12,840)
Loss before income tax		(8,995)	(19,405)	(8,985)	(19,124)
Income tax expense	21	-	-	-	-
Loss for the year attributable to equity holders of the Company		(8,995)	(19,405)	(8,985)	(19,124)
Earnings per share attributable to the ordinary equity holders of the Company:					
	Note	Consolidated			
		2009	2008		
"Basic earnings/(loss) per share (cents per share)"	28	(6.89)	(18.66)		
"Diluted earnings/(loss) per share (cents per share)"	28	(6.89)	(18.66)		

STATEMENTS OF COMPREHENSIVE INCOME *for the Year Ended 31 December 2009*

	Note	Consolidated		Parent	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Loss for the period		(8,995)	(19,405)	(8,985)	(19,124)
Other comprehensive income/(loss)					
Foreign currency translation differences for foreign operations	19	(3,968)	1,591	-	-
Other comprehensive (loss)/income for the period, net of income tax		(3,968)	1,591	-	-
Total loss for the period					
Attributable to equity holders of the Company		(12,963)	(17,814)	(8,985)	(19,124)

The Income Statements and Statements of Comprehensive Income are to be read in conjunction with the notes to the financial statements.

STATEMENTS OF FINANCIAL POSITION *for the year ended 31 December 2009*

	Note	Consolidated		Parent	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Assets					
Other financial assets	11	-	-	37,836	27,952
Property, plant and equipment	13(a)	89,380	98,279	88,441	96,665
Exploration and evaluation	13(b)	33,642	27,162	880	667
Investments in equity accounted investees	12	1,078	1,080	-	-
Total non-current assets		124,100	126,521	127,157	125,284
Inventories	7	4,390	3,411	4,252	3,110
Derivative financial instruments	10	18	101	18	102
Other assets	9	210	24	222	36
Trade and other receivables	8	8,308	1,179	8,274	1,046
Cash and cash equivalents	6	21,904	14,499	21,347	13,979
Total current assets		34,830	19,214	34,113	18,273
Total assets		158,930	145,735	161,270	143,557
Equity					
Share capital	18	113,667	80,675	113,667	80,675
Reserves	19	5,572	9,340	8,096	7,896
Accumulated losses		(48,766)	(37,699)	(36,767)	(27,782)
Total equity attributable to equity holders of the Company		70,473	52,316	84,996	60,789
Non-controlling interest	20	11,854	9,783	-	-
Total equity		82,327	62,099	84,996	60,789
Liabilities					
Loans and borrowings	16	58,412	63,820	58,412	63,820
Provisions	17	4,970	4,074	4,970	4,074
Total non-current liabilities		63,382	67,894	63,382	67,894
Loans and borrowings	16	5,871	3,614	5,871	3,614
Trade and other payables	14	6,109	11,543	5,744	10,229
Provisions	17	1,241	585	1,241	585
Other liabilities	15	-	-	36	446
Total current liabilities		13,221	15,742	12,892	14,874
Total liabilities		76,603	83,636	76,274	82,768
Total equity and liabilities		158,930	145,735	161,270	143,557

The Statements of Financial Position are to be read in conjunction with the notes to the financial statements.

STATEMENTS OF CHANGES IN EQUITY *for the Year Ended 31 December 2009*

	Share capital \$'000	Share option reserve \$'000	Translation reserve \$'000	Accumulated losses \$'000	Total \$'000	Non-controlling interest \$'000	Total equity \$'000
PARENT 2009							
Balance at 1 January 2009	80,675	7,896	-	(27,782)	60,789	-	60,789
Total comprehensive income for the period							
Loss for the period	-	-	-	(8,985)	(8,985)	-	(8,985)
Other comprehensive income							
Foreign currency translation differences	-	-	-	-	-	-	-
Total other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	(8,985)	(8,985)	-	(8,985)
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Issue of ordinary shares	33,804	-	-	-	33,804	-	33,804
Share issue costs	(871)	-	-	-	(871)	-	(871)
Share options exercised	45	-	-	-	45	-	45
Transfer from option reserve on exercise	14	(14)	-	-	-	-	-
Share options expensed/cancelled	-	214	-	-	214	-	214
Total contributions by and distributions to owners	32,992	200	-	-	33,192	-	33,192
Changes in ownership interests in subsidiaries that do not result in a loss of control							
Non-controlling interest share of parent JV contributions	-	-	-	-	-	-	-
Total changes in ownership interests in subsidiaries	-	-	-	-	-	-	-
Balance at 31 December 2009	113,667	8,096	-	(36,767)	84,996	-	84,996
PARENT 2008							
Balance at 1 January 2008	57,008	4,470	-	(8,658)	52,820	-	52,820
Total comprehensive income for the period							
Loss for the period	-	-	-	(19,124)	(19,124)	-	(19,124)
Other comprehensive income							
Foreign currency translation differences	-	-	-	-	-	-	-
Total other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	(19,124)	(19,124)	-	(19,124)
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Issue of ordinary shares	23,563	-	-	-	23,563	-	23,563
Share issue costs	(595)	-	-	-	(595)	-	(595)
Share options exercised	582	-	-	-	582	-	582
Transfer from option reserve on exercise	117	(117)	-	-	-	-	-
Share options issued (embedded options)	-	709	-	-	709	-	709
Share options expensed/cancelled	-	2,834	-	-	2,834	-	2,834
Total contributions by and distributions to owners	23,667	3,426	-	-	27,093	-	27,093
Changes in ownership interests in subsidiaries that do not result in a loss of control							
Non-controlling interest share of parent JV contributions	-	-	-	-	-	-	-
Total changes in ownership interests in subsidiaries	-	-	-	-	-	-	-
Balance at 31 December 2008	80,675	7,896	-	(27,782)	60,789	-	60,789

Statements of Changes in Equity are to be read in conjunction with the notes to the financial statements.

STATEMENTS OF CHANGES IN EQUITY *for the Year Ended 31 December 2009 (cont.)*

	Share capital \$'000	Share option reserve \$'000	Translation reserve \$'000	Accumulated losses \$'000	Total \$'000	Non-controlling interest \$'000	Total equity \$'000
CONSOLIDATED 2009							
Balance at 1 January 2009	80,675	7,896	1,444	(37,699)	52,316	9,783	62,099
Total comprehensive income for the period							
Loss for the period	-	-	-	(8,995)	(8,995)	-	(8,995)
Other comprehensive income							
Foreign currency translation differences	-	-	(3,968)	-	(3,968)	-	(3,968)
Total other comprehensive income	-	-	(3,968)	-	(3,968)	-	(3,968)
Total comprehensive income for the period	-	-	(3,968)	(8,995)	(12,963)	-	(12,963)
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Issue of ordinary shares	33,804	-	-	-	33,804	-	33,804
Share issue costs	(871)	-	-	-	(871)	-	(871)
Share options exercised	45	-	-	-	45	-	45
Transfer from option reserve on exercise	14	(14)	-	-	-	-	-
Share options expensed/cancelled	-	214	-	-	214	-	214
Total contributions by and distributions to owners	32,992	200	-	-	33,192	-	33,192
Changes in ownership interests in subsidiaries that do not result in a loss of control							
Non-controlling interest share of parent JV contributions	-	-	-	(2,071)	(2,071)	2,071	-
Total changes in ownership interests in subsidiaries	-	-	-	(2,071)	(2,071)	2,071	-
Balance at 31 December 2009	113,667	8,096	(2,524)	(48,766)	70,473	11,854	82,327
CONSOLIDATED 2008							
Balance at 1 January 2008	57,008	4,470	(147)	(12,218)	49,113	4,185	53,298
Total comprehensive income for the period							
Loss for the period	-	-	-	(19,405)	(19,405)	-	(19,405)
Other comprehensive income							
Foreign currency translation differences	-	-	1,591	-	1,591	-	1,591
Total other comprehensive income	-	-	1,591	-	1,591	-	1,591
Total comprehensive income for the period	-	-	1,591	(19,405)	(17,814)	-	(17,814)
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Issue of ordinary shares	23,563	-	-	-	23,563	-	23,563
Share issue costs	(595)	-	-	-	(595)	-	(595)
Share options exercised	582	-	-	-	582	-	582
Transfer from option reserve on exercise	117	(117)	-	-	-	-	-
Share options issued (embedded options)	-	709	-	-	709	-	709
Share options expensed/cancelled	-	2,834	-	-	2,834	-	2,834
Total contributions by and distributions to owners	23,667	3,426	-	-	27,093	-	27,093
Changes in ownership interests in subsidiaries that do not result in a loss of control							
Non-controlling interest share of parent JV contributions	-	-	-	(6,076)	(6,076)	6,076	-
Acquisition of non-controlling interest	-	-	-	-	-	(478)	(478)
Total changes in ownership interests in subsidiaries	-	-	-	(6,076)	(6,076)	5,598	(478)
Balance at 31 December 2008	80,675	7,896	1,444	(37,699)	52,316	9,783	62,099

Statements of Changes in Equity are to be read in conjunction with the notes to the financial statements.

STATEMENTS OF CASH FLOWS *for the Year Ended 31 December 2009*

	Note	Consolidated		Parent	
		2009 \$	2008 \$	2009 \$	2008 \$
Cash from operating activities					
Receipts from customers		32,965	11,155	32,965	11,011
Proceeds on realisation of hedge book		-	8,192	-	8,192
Payments to suppliers and employees		(38,078)	(14,859)	(38,241)	(14,754)
Financing costs and interest paid		(3,112)	(4,842)	(3,112)	(4,842)
Interest received		275	1,917	275	1,893
Total cash from/(used by) operating activities	22	(7,950)	1,563	(8,113)	1,500
Cash flows from investing activities					
Proceeds from the sale of fixed assets		-	973	-	-
Proceeds from sale of interest in exploration tenement		-	804	-	-
Acquisition of property, plant and equipment		(2,577)	(29,694)	(2,482)	(28,185)
Mine construction and development expenditure		(4,328)	(8,441)	(4,328)	(8,441)
Acquisition of minority interest		-	(817)	-	-
Exploration and evaluation expenditure		(12,189)	(16,711)	(236)	(982)
Proceeds from/(Investment in) term deposit		-	2,250	-	2,250
Investments in subsidiaries		-	-	(11,922)	(15,784)
Net cash used by investing activities		(19,094)	(51,636)	(18,968)	(51,142)
Cash flows from financing activities					
Proceeds from the issue of share capital		33,085	23,119	33,085	23,119
Payment of transaction costs		(871)	(595)	(871)	(595)
Realised foreign exchange losses		(451)	-	(451)	-
Proceeds from other non-current borrowings		11,756	56,651	11,756	56,651
Transaction costs - borrowings		-	(488)	-	(488)
Repayment of borrowings		(8,494)	(53,469)	(8,494)	(53,469)
Net cash from financing activities		35,025	25,218	35,025	25,218
Other activities					
Net (decrease)/increase in cash and cash equivalents		7,981	(24,855)	7,944	(24,424)
Net foreign exchange differences		(576)	-	(576)	-
Cash and cash equivalents at beginning of year		14,499	39,354	13,979	38,403
Cash and cash equivalents at end of year	6	21,904	14,499	21,347	13,979

Statements of Cash Flows are to be read in conjunction with the notes to the financial statements.

NOTES to and forming part of the Financial Statements for the Year Ended 31 December 2009

1 General information

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian interpretations) adopted by the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial report covers the economic entity of Terramin Australia Limited and its controlled entities (the Group), and Terramin Australia Limited as an individual parent entity (the Company). Terramin Australia Limited is a listed public company, incorporated and domiciled in Australia.

The financial report was authorised for issue by the Directors on 25 February 2010.

The following is a summary of the material accounting policies adopted by the Group in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

2 Basis of preparation

(a) Reporting basis and conventions

The financial report is presented in Australian dollars (AUD) and has been prepared on an accruals basis and is based on historical costs, except for derivative financial instruments measured at fair value.

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

New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the Group in the period of initial application. They are available for early adoption at 31 December 2009, but have not been applied in preparing this financial report.

- AASB 2009-5 *Further amendments to Australian Accounting Standards arising from the Annual Improvements Process* affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for

the Group's 31 December 2010 financial statements, are not expected to have a significant impact on the financial statements.

- AASB 2009-9 *Amendments to Australian Accounting Standards - Group Cash-settled Share-based Payment Transactions* resolves diversity in practice regarding the attribution of cash-settled share based payments between different entities within a group. As a result of the amendments AI 8 *Scope of AASB 2* and AI 11 *AASB 2 - Group Treasury and Treasury Share Transactions* will be withdrawn from the application date. The amendments, which become mandatory for the Group's 31 December 2010 financial statements, are not expected to have a significant impact on the financial statements.

(b) 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 2009 the Group incurred a loss of \$9.0m, bringing accumulated losses to \$48.8m. As at 31 December 2009 the Group has net assets of \$82.3m including cash of \$21.9m. The Group had an operating cash outflow of \$8.0m in 2009 and expects to generate positive net operating cash flows in 2010 from the Angas Zinc Mine. It is the intention of the Directors to continue to explore, evaluate and develop the Group's areas of interest for which rights of tenure are current.

(c) Use of estimates and judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the following notes:

- Note 2(k) - Recoverable Amount: estimates of fair values and future cash flows. The key sensitivities in the value in use model for the Angas Zinc Mine relate to zinc and lead prices

and the USD to AUD exchange rate. Recognised analyst forecast assumptions and prevailing market forward rates for commodity prices and exchange rates have been applied in determining the cash flow estimates. These assumptions are in excess of current spot prices.

- Note 2(m) - Exploration and Evaluation Expenditure: fair values and ore resource estimates.
- Note 17 – Mine rehabilitation provision: estimates of amount and timing of future mine closure costs.
- Note 21 - Recognition of tax losses: assessment of the point in time at which it is deemed probable that future taxable income will be derived.
- Note 27 - Share Based Entitlements and Payments: assumptions are required to be made in respect to measuring share price volatility, dividend yield, future option holding period and other inputs to the Trinomial model fair value calculations.
- Note 29 – Contingencies.

(d) Principles of consolidation

A controlled entity is any entity in respect of which the Company has the power to control the financial and operating policies so as to obtain benefits from its activities. Refer to note 25 for details of controlled entities.

Each controlled entity has a 31 December financial year end.

All inter-company balances and transactions between entities in the Group, including any unrealised profits and losses, have been eliminated on consolidation. Accounting policies of the controlled entities have been changed when necessary to ensure consistency with those policies applied by the parent entity.

Where a controlled entity entered the economic entity during the year, the operating results have been included from the date control was obtained. Non-controlling interest in the equity and results of the controlled entities are shown as a separate item in the consolidated financial report.

(e) Comparative figures

When required by AASBs, comparative figures have been reclassified to conform to changes in presentation. No reclassifications occurred in the comparative financial period.

(f) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

(g) 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.

(h) Trade and other receivables

Trade and other receivables are recognised at cost and carried at original invoice amount less allowances for impairment losses.

Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment.

(i) Property, plant and equipment

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

Property

Freehold land and buildings are shown at their cost.

Plant and equipment

Plant and equipment are measured on the cost basis less depreciation and any impairment losses recognised.

The depreciable amount of all property, plant and equipment, excluding freehold land, is depreciated on either a diminishing value, straight line or units of use basis over their useful lives to the Group commencing from the time the asset is held ready for use. The depreciation rates used for each class of depreciable asset is the lesser of the life of the mining operation and:

Class of asset	
Motor vehicles	22.5 – 25%
Computer & office equipment	15 – 40%
Plant and equipment	5 – 33%
Leasehold improvements	20%

The assets' useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

NOTES to and forming part of the Financial Statements for the Year Ended 31 December 2009 (cont.)

Mining property and development

Mining property and development expenditure for the establishment of access to mineral reserves, together with expenditure transferred from exploration and evaluation and expenditure incurred in commissioning of a mine are capitalised to the extent that the expenditure results in future benefits. These amounts are amortised, upon commencement of production, over the estimated economic reserve of the mine on a units of use basis.

Construction in progress

During the construction phase, self-constructed assets are classified as construction in progress within property, plant and equipment. Once commissioned these assets are reclassified to property, plant and equipment at which time they will commence being depreciated. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

(j) Impairment of assets

Non-financial assets

At each reporting date, the Group reviews the carrying values of its non-financial assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset is determined and compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is recognised as an expense in the income statement.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit (CGU) to which the asset belongs. A CGU is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised, with the exception that any previously impaired goodwill should not be recognised.

Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the income statement.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss.

Angas cash generating unit impairment test

An impairment test on the Angas CGU was undertaken as at 31 December 2009 which was based on the 'value in use' methodology. Value in use in relation to the Angas CGU, was determined by discounting the future cash flows generated from the continued use of the asset and was based on the following:

- 5 year mine life;
- Production based on the most recent reserve statement;
- Recognised analyst forecast assumptions for commodity prices and exchange rates have been applied in determining the cash flow estimates. These assumptions are in excess of current spot prices; and
- A range of pre-tax discount rates (10% - 18% (a sensitivity)) based on the Company's weighted average cost of capital adjusted for business risk specific to the CGU.

The impairment test concluded at a range of appropriate discount rates that the 'value in use' was in excess of the carrying value of the Angas CGU.

(k) Recoverable amount

The recoverable amount of non-financial assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the

asset. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the CGU to which the asset belongs.

(l) Associates and jointly controlled entities (equity accounted investees)

Joint ventures are accounted for using the equity method (equity accounted investees) where the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. The consolidated financial statements include the Group's share of the income and expenses of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discounted except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Interests in such entities are accounted for using the equity method and are carried at the lower of the equity amount and recoverable amount.

(m) Exploration and evaluation expenditure

Exploration and evaluation costs, including the costs of acquiring licenses, are capitalised as exploration and evaluation assets (E&E assets) on an area of interest basis pending determination of the technical feasibility and commercial viability of the project. The capitalised costs are presented as either tangible or intangible E&E assets according to the nature of the assets acquired. When a licence is relinquished or a project is abandoned, the related costs are recognised in the income statement immediately.

Tangible and intangible E&E assets that are available for use are depreciated (amortised) over their estimated useful lives. Upon commencement of production, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

E&E assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount (see impairment note 2(j)). For the purposes of impairment testing, E&E assets are allocated to CGUs consistent with the determination of reporting segments.

The technical feasibility and commercial viability of extracting a mineral resource is considered to be determinable when proven reserves are determined to exist. Upon determination of proven reserves, intangible E&E assets attributable to those reserves are first tested for impairment and then reclassified from E&E assets to a separate category within tangible assets.

Pre-licence expenditure and expenditure deemed to be unsuccessful is recognised in the income statement immediately.

(n) Trade and other payables

Trade payables and other payables are stated at cost.

(o) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

A provision is recognised for the estimated cost of rehabilitation, decommissioning and restoration relating to areas disturbed during operation of the Angas Zinc Mine up to reporting date but not yet rehabilitated. The provision is based upon current cost estimates and has been determined on a discounted basis with reference to current legal requirements and technology. As the provision represents the discounted value of the present obligation, using a pre-tax rate that reflects current market assessments and the risks specific to the liability, the increase in value of the provision due to the passage of time will be recognised as a borrowing cost in the income statement in future periods. The provision is recognised as a non-current liability with a corresponding asset taken to account and amortised over the life of the mine. At each reporting date the rehabilitation liability is reviewed and re-measured in line with changes in discount rates and timing or the amounts of the costs to be incurred based on area of disturbance at reporting date. Changes in the liability relating to the re-assessment of rehabilitation estimates are added to or deducted from the related asset.

(p) Employee benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods

NOTES to and forming part of the Financial Statements for the Year Ended 31 December 2009 (cont.)

of service. Expected future payments are discounted using market yields at the reporting date on national Government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Share based payments

The Company uses share options to provide incentives to Directors, employees and consultants. At the Company's 2008 Annual General Meeting, shareholders approved the issue of options to employees of the Company under the Terramin Australia Limited Employee Option Plan (EOP). The Board, upon the recommendation of senior management, has discretion to determine the number of options to be offered to Eligible Employees (as that term is defined by the EOP) and the terms upon which they are offered, including exercise price and vesting conditions. The fair value of options at grant date is independently determined using a Trinomial option pricing model that takes into account the exercise price, the term of Option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option. Historical volatility has been the basis for determining expected share price volatility as it assumed that this is indicative of future trends, which may not eventuate. The life of the options is based on the historical exercise patterns, which may not eventuate in the future.

The fair value of options granted is recognised as an expense with a corresponding increase in equity. The fair value is measured at grant date and recognised as an expense over the period during which the Directors, employees or consultants become unconditionally entitled to the options.

Upon the exercise of options, the balance of the share based payments reserve relating to those options is transferred to share capital.

(q) Leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases (refer notes 16, 24 and 29(f)). Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included as loans and borrowings. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the lesser of the asset's useful life and the lease term.

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

(r) Loans and borrowings

Borrowings are recognised initially at fair value less attributable transaction costs.

Subsequent to initial recognition, loans and borrowings are stated at amortised cost, with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

(s) Financing costs

Financing costs include interest payable on borrowings calculated using the effective interest method, amortisation of ancillary costs incurred in connection with the arrangement of borrowings, finance lease charges, mark to market of USD denominated monetary assets and liabilities, and the impact of the unwind of discount on long-term provisions for site restoration.

Financing costs incurred in relation to the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other financing costs are expensed as incurred.

(t) Foreign currency transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction.

The consolidated financial statements are presented in AUD, which is the Group's functional and presentation currency. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined. Foreign currency differences are recognised in the income statement.

The assets and liabilities of foreign operations are translated to AUD at exchange rates at the balance date. The income and expenses of foreign operations are translated to AUD at exchange rates at the dates of the transactions. These foreign currency differences at the reporting date are recognised directly in equity.

(u) Share capital

Ordinary shares are classified as equity. Qualifying transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

(v) Income tax

The charge for current income tax expenses is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The Company does not recognise any deferred tax balances (refer note 21).

The Company is not part of an income tax consolidated group under the Australian Tax Consolidation Regime.

(w) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(x) Revenue

Revenue from commodity sales is recognised when the risks and rewards of ownership have been transferred to the buyer, the quantity of the goods has been reasonably accurately determined, the price is determinable and recovery of consideration is probable. This is generally when title to the goods transfers to the buyer.

Commodity sales are recognised net of all discounts and pricing adjustments, refining and distribution costs as applicable based on either fixed or provisional pricing and assays. Commodity sales

contracts allow for provisional prices and assays to be estimated where metal prices or final assays are not able to be established until future periods.

Revenue on provisional commodity sales is adjusted in future periods as final pricing and assays are confirmed.

Management fee revenue is recognised as the service is provided to the customer (joint venture associate), and is determined based on the basis of a percentage expenditure funded by the joint venture partner as per the agreement with the joint venture partner.

(y) Derivatives

Commodity and foreign exchange hedging, in the form of fixed forward contracts, is utilised to reduce short term exposure to commodity and foreign exchange risk.

These derivative financial instruments are initially recognised at fair value on the date the derivative contract is entered into and are subsequently re-measured to fair value. The method of recognising the changes in fair value subsequent to initial recognition is dependent on whether the derivative is designated as a hedging instrument, the nature of the underlying item being hedged and whether the arrangement qualifies for hedge accounting.

The Group has not designated the derivative contracts entered into during the period as hedges for accounting purposes. As such, changes in fair value of hedges are recognised immediately in the income statement and are included in other income or expenses.

(z) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprises convertible notes and share options granted to employees, Directors, consultants and other third parties.

(aa) Segment reporting

As of 1 January 2009 the Group determines and presents operating segments based on the information that internally is provided to the CEO, who is the Group's chief operating decision maker. This change in accounting policy is due to the adoption of AASB 8 Operating Segments. Previously operating segments were determined and presented in accordance with AASB 114 Segment Reporting. The new accounting policy in respect of segment operating disclosures is presented as follows.

NOTES to and forming part of the Financial Statements for the Year Ended 31 December 2009 (cont.)

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. The CEO monitors the results of its operating segments separately for the purpose of making decisions about resource allocation and performance assessment.

Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

Segment capital expenditure consists of additions of property, plant and equipment, mine properties and development and exploration and evaluation assets.

(bb) Compound financial instruments

Compound financial instruments issued by the Group comprise convertible notes that can be converted to share capital at the option of the holder where the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not include an equity conversion option. The equity component is recognised initially as the difference between the fair value of the compound financial instrument as a whole and the fair value of the debt component. Subsequent to recognition, the liability component is measured on the amortised cost basis until extinguished on conversion or redemption. The equity component is not re-measured.

(cc) Financial risk management

The Group's activities expose it to the following risks from the use of financial instruments:

Credit risk

The risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. This arises principally from the Group's product sales, short term cash investments and derivatives.

The Company manages its credit risk by limiting its transactions to high credit quality financial institutions. Credit risk associated with outstanding receivables is limited to customers who are well established and reputable industry participants.

Liquidity risk

The risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages this exposure by ensuring that at any time, it has access to sufficient cash financing facilities available on demand to settle all obligations due within 45 days (refer note 16 for detail on available financing facilities).

Market risk

The risk that changes in market prices, such as commodity prices, foreign exchange rates and interest rates will affect the Group's income or value of its holdings of financial instruments. The Group may enter into commodity derivatives, foreign exchange derivatives and may also incur financial liabilities (debt), in order to manage market risks. All such transactions are carried out within Board approved limits.

The Group's financial risks are managed primarily by the Chief Financial Officer and Chief Executive Officer as a part of the day-to-day management of the Company's affairs.

Finance and risk reporting is a standard item in the report presented at each Board meeting.

Specific details of how these risk exposures impact the Group, and the use of derivative financial instruments to hedge market risk, is provided in note 24 to the financial statements.

Capital management

The Board seeks to maintain a strong capital base sufficient to maintain the future development of the Group's business. The Board closely monitors the Group's level of capital so as to ensure it is appropriate for the Group's planned level of activities. There were no changes to the Group's approach to capital management during the year. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

3 Revenue and other income

	Consolidated		Parent	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Revenue				
Sales revenue	59,118	16,593	59,118	16,593
Pricing adjustments	409	(181)	409	(181)
Refining and other selling costs	(18,473)	(6,689)	(18,473)	(6,689)
	41,054	9,723	41,054	9,723
Other income				
Rent, hire & office services	20	10	20	10
Cost recoveries	238	312	238	281
Management fees	5	82	5	125
Unrealised derivative gains	18	145	18	155
Realised commodity derivative gains	-	7,306	-	7,306
Other income	-	21	-	-
	281	7,876	281	7,877

4 Administration expenses

	Consolidated		Parent	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Auditor's fees ¹	133	110	133	110
ASX fees	72	100	72	98
Computer and IT expenses	32	32	32	32
Consulting & professional fees	824	903	781	852
Insurance	35	51	35	51
Legal fees	134	235	134	235
Printing, postage & stationery	35	47	35	47
Rent payments	376	396	376	396
Share registry	76	22	76	22
Staff recruitment	75	57	75	57
Travel	401	288	401	288
Other expenses	805	814	800	1,111
	2,998	3,055	2,950	3,299

1 Auditors of the Company KPMG Australia:

Audit and review of financial reports	113	90	113	90
Non-audit services	30	30	30	30
Overseas KPMG firms:				
Audit	20	20	20	20
	163	140	163	140

NOTES to and forming part of the Financial Statements for the Year Ended 31 December 2009 (cont.)

5 Finance income and costs

	Consolidated		Parent	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Finance income				
Interest income	273	1,884	273	1,860
Unrealised foreign exchange gains	6,854	-	6,854	-
	7,127	1,884	7,127	1,860
Finance costs				
Interest on convertibles notes	1,562	1,139	1,562	1,139
Interest on borrowings	2,339	2,114	2,339	2,114
Unwinding of discount on mine rehabilitation provision	212	180	212	180
Other borrowing costs	904	4,373	942	4,393
Unrealised foreign exchange losses	557	6,874	557	6,874
Realised foreign exchange losses	694	-	694	-
	6,268	14,680	6,306	14,700
Interest on borrowings				
Bank loan interest	1,880	1,668	1,880	1,668
Lease liability interest	459	446	459	446
	2,339	2,114	2,339	2,114

6 Cash assets

	Consolidated		Parent	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Cash on hand	6	5	5	4
Bank balances	3,168	2,739	2,612	2,220
Short-term deposits	18,730	11,755	18,730	11,755
	21,904	14,499	21,347	13,979

Short term deposits includes \$7.0m and US\$7.6m with maturity dates between 30 and 90 days and interest rates ranging from 4.23% to 4.45% and 0.43% to 0.48% respectively.

7 Inventories

	Consolidated		Parent	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Raw materials and consumables (at cost)	1,953	2,127	1,815	1,826
Work in progress - ore run of mine (at cost)	477	-	477	-
Finished goods	1,960	1,284	1,960	1,284
Total inventories at cost	4,390	3,411	4,252	3,110

Finished goods in 2009 at cost, 2008 at net realisable value.

8 Receivables

	Consolidated		Parent	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Current				
Trade receivables	7,748	674	7,756	674
Accrued interest receivable	54	55	54	55
Other receivables	506	450	464	317
	8,308	1,179	8,274	1,046

Trade receivables relate to sales of concentrates.

9 Other assets

	Consolidated		Parent	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Current				
Prepayments	210	24	210	24
Subsidiary loans receivable	-	-	126	87
Provision for non-recovery of subsidiary loans receivable	-	-	(114)	(75)
	210	24	222	36

Loans receivable from controlled entities are non-interest bearing and repayable on demand.

10 Derivative financial instruments

	Consolidated		Parent	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Current				
Financial instruments	18	101	18	101
	18	101	18	101

Relates to US\$10.2m of currency hedging against AUD held at the end of the period (2008: US\$0.8m) measured at fair value.

NOTES to and forming part of the Financial Statements for the Year Ended 31 December 2009 (cont.)

11 Other financial assets

	Consolidated		Parent	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Non-current				
Investments in subsidiaries ¹	-	-	1,305	1,305
Investments in subsidiaries - expenditure contributions ²	-	-	36,531	26,647
	-	-	37,836	27,952

1 Investments in subsidiaries are carried at cost.

2 Cash funding and expenditure incurred directly by the Company on the Tala Hamza deposit (owned by Western Mediterranean Zinc Spa (WMZ)).

12 Investments in equity accounted investees

	Consolidated		Parent	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Investment in associate	1,078	1,080	-	-
	1,078	1,080	-	-

Represents the carrying value applied to Menninnie Dam Exploration Joint Venture (MDEJV).

13 (a) Property, plant and equipment

	Consolidated		Parent	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Freehold land				
At cost	3,208	3,208	3,208	3,208
Total freehold land	3,208	3,208	3,208	3,208
Leasehold improvements				
At cost	56	57	56	57
Less accumulated depreciation	(22)	(12)	(22)	(11)
Total leasehold improvements	34	45	34	46
Buildings and other infrastructure				
At cost	45	28	45	28
Less accumulated depreciation	(7)	(1)	(7)	(1)
Total buildings and other infrastructure	38	27	38	27
Plant and equipment				
At cost	60,382	58,690	58,989	56,772
Less accumulated depreciation	(12,261)	(3,674)	(11,807)	(3,370)
Total plant and equipment	48,121	55,016	47,182	53,402
Mining property and developments assets				
At cost	42,006	37,488	42,006	37,487
Less accumulated amortisation	(7,705)	(1,628)	(7,705)	(1,628)
Total mining property and development assets	34,301	35,860	34,301	35,859
Construction in progress				
At cost	123	505	123	505
Total construction in progress	123	505	123	505
Mine rehabilitation assets				
At cost	4,222	3,812	4,222	3,812
Less accumulated depreciation	(667)	(194)	(667)	(194)
Total mine rehabilitation assets	3,555	3,618	3,555	3,618
Total property, plant and equipment	89,380	98,279	88,441	96,665

NOTES to and forming part of the Financial Statements for the Year Ended 31 December 2009 (cont.)

13 (b) Exploration and evaluation

	Consolidated		Parent	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Exploration and evaluation				
At cost	33,642	27,162	880	667
Total exploration and evaluation	33,642	27,162	880	667
Total property, plant & equipment and exploration & evaluation	123,022	125,441	89,321	97,332

13 (a) & (b) cont.

Movements in carrying amounts

	Freehold land \$'000	Leasehold improvements \$'000	Buildings and other infrastructure \$'000	Plant and equipment \$'000	Mining property and development \$'000	Construction in progress \$'000	Exploration and evaluation \$'000	Mine rehabilitation assets \$'000	Total \$'000
CONSOLIDATED									
Opening carrying amount	3,208	45	27	55,016	35,860	505	27,162	3,618	125,441
Additions	-	-	-	94	-	6,353	9,358	604	16,409
Transfers ¹	-	-	17	2,110	4,518	(6,735)	-	-	(90)
Depreciation and amortisation	-	(11)	(6)	(8,280)	(6,077)	-	-	(667)	(15,041)
Writedowns	-	-	-	(50)	-	-	(23)	-	(73)
Foreign currency movement	-	-	-	(769)	-	-	(2,855)	-	(3,624)
Carrying amount at the end of year	3,208	34	38	48,121	34,301	123	33,642	3,555	123,022
PARENT									
Opening carrying amount	3,208	45	27	53,402	35,860	505	667	3,618	97,332
Additions	-	-	-	-	-	6,353	236	604	7,193
Transfers ¹	-	-	17	2,110	4,518	(6,735)	-	-	(90)
Depreciation and amortisation	-	(11)	(6)	(8,280)	(6,077)	-	-	(667)	(15,041)
Writedowns	-	-	-	(50)	-	-	(23)	-	(73)
Carrying amount at the end of year	3,208	34	38	47,182	34,301	123	880	3,555	89,321

¹ The transfer of \$6.7m out of Construction in progress, includes \$90 thousand of minor capital spares that was transferred to Inventory - raw materials and consumables.

14 Trade and other payables

	Consolidated		Parent	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Current				
Unsecured liabilities				
Trade payables	1,959	2,913	1,959	2,880
Other payables and accrued expenses	4,150	8,630	3,785	7,349
	6,109	11,543	5,744	10,229

15 Other liabilities

	Consolidated		Parent	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Current				
Intercompany loans	-	-	36	446
	-	-	36	446

NOTES to and forming part of the Financial Statements for the Year Ended 31 December 2009 (cont.)

16 Loans and borrowings

	Consolidated		Parent	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Current				
Lease liabilities (note 29(f)) ¹	1,871	1,614	1,871	1,614
Bank loans - secured - Angas Zinc Mine ²	4,000	2,000	4,000	2,000
	5,871	3,614	5,871	3,614
Non-current				
Lease liabilities (note 29(f)) ¹	2,272	3,896	2,272	3,896
Bank loans - secured - Angas Zinc Mine ²	17,634	25,981	17,634	25,981
Convertible notes ³	38,506	33,943	38,506	33,943
	58,412	63,820	58,412	63,820
Financing facilities				
Bank loan facilities - available ²	23,000	30,000	23,000	30,000
Bank loan facilities - undrawn	-	-	-	-
Bank loan facilities - drawn	23,000	30,000	23,000	30,000
Less: unamortised transaction costs	(1,366)	(2,019)	(1,366)	(2,019)
Carrying amount at 31 December	21,634	27,981	21,634	27,981
Guarantee facility - available ⁴	5,000	5,000	5,000	5,000
Guarantee facility - undrawn	-	-	-	-
Guarantee facility - drawn	5,000	5,000	5,000	5,000

1 Lease liabilities are effectively secured by rights to the leased assets.

2 The Company has a corporate revolving AUD loan facility provided by Investec Bank (Australia) Limited. Interest is payable on the facilities at bank bill swap reference rate for the period plus a margin. Interest is payable quarterly on the facility. Repayment of principal on the facility commenced in August 2009 with the final repayment due in August 2012. Proceeds from the exercise of part or all of the total 7,754,630 options held by Investec Bank (Australia) Limited (4,629,630 of which are exercisable at \$2.16 before May 2012 and the remaining 3,125,000 of which are exercisable at \$2.80 before March 2013, subject to extension) must be applied by the Company to repayment of the facility.

3 RBS Sempra Metals & Concentrates LLC (RBS) holds US\$20.05m (A\$22.4m) in five year unlisted convertible redeemable notes issued by the Company, with a maturity date of 31 March 2013. The notes are repayable in either cash or shares with reference to the volume weighted average price (VWAP) of the Company's shares around the time of repayment.

The notes can be converted to shares at the discretion of the Company at any time, or at the election of RBS after the earlier of two years after issue date of the notes or after the completion of the definitive feasibility study for the Tala Hamza deposit. Any unconverted notes are to be repaid in cash at maturity. Interest is payable semi-annually based on the London Interbank Offered Rate (LIBOR) plus a margin of 200 basis points and can be paid in cash or shares at the election of the Company. The USD balance owing has been translated to AUD equivalents using the spot currency rate at 31 December 2009, which has given rise to an unrealised foreign currency exchange gain of \$6.6m for the year.

In September 2008, the Company issued \$5.0m in five year unlisted convertible notes having a maturity date of 17 September 2013 to an institutional investor. The note holder has the right to convert the notes into fully paid ordinary shares in the capital of the Company at a conversion price of \$2.21 per note. The interest rate is fixed at 8.00% per annum, with interest payable in cash or shares at the discretion of the Company.

In September 2009, the Company issued US\$10.0m (A\$11.1m) in 5 year unlisted convertible redeemable notes to Transaminvest S.A. The notes have a maturity date of 23 September 2014. The notes are repayable in either cash or shares with reference to the volume weighted average price (VWAP) of the Company's shares around the time of repayment.

The notes can be converted to shares at the discretion of the Company at any time or at the election of Transaminvest S.A at any time after 12 months subject to a minimum VWAP of \$1.70. Interest is payable semi annually based on the LIBOR plus a margin of 200 basis points and can be paid in cash or shares at the election of the Company. The USD balance owing has been translated to AUD equivalents using the spot currency rate at 31 December 2009, which has given rise to an unrealised foreign exchange gain of \$0.3m for the year.

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

17 Provisions

	Consolidated		Parent	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Current				
Employee benefits	991	585	991	585
Other	250	-	250	-
	1,241	585	1,241	585
Non-current				
Employee benefits	161	82	161	82
Mine rehabilitation	4,809	3,992	4,809	3,992
	4,970	4,074	4,970	4,074

	Employee benefits \$'000	Mine rehabilitation \$'000	Other \$'000	Total \$'000
Consolidated				
At 1 January 2009	667	3,992	-	4,659
Increases in provisions	1,598	605	250	2,453
Paid during the period	(1,113)	-	-	(1,113)
Unwind	-	212	-	212
At 31 December 2009	1,152	4,809	250	6,211

The Group recognises that it has an obligation to rehabilitate its Angas Zinc Mine at the end of the life of mine. A provision is recognised for these costs based on the area of disturbance at balance date. The mine rehabilitation costs are provided for at present value of future expected expenditure. A corresponding asset is also recognised as a tangible asset in property, plant and equipment to the extent that future economic benefits are considered probable.

18 Issued capital

(a) Ordinary shares

	Consolidated		Parent	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
158,388,677 (2008: 110,625,605) ordinary shares	116,914	83,051	116,914	83,051
Share issue costs	(3,247)	(2,376)	(3,247)	(2,376)
	113,667	80,675	113,667	80,675

The holders of ordinary shares are entitled to one vote per share at meetings of the Company and participation in dividends declared.

NOTES to and forming part of the Financial Statements for the Year Ended 31 December 2009 (cont.)

18 Issued Capital (cont.)

(b) Capital issued during the year

Type of share issue	Number of ordinary shares on issue	Exercise price \$	Share capital \$'000	Employee, consultant or other
Opening balance 1 January 2009	110,625,605		80,675	
Shares issued in lieu of interest	505,648	0.39	197	Other
Share placement	11,538,462	0.65	7,500	Other
Shares issued in lieu of interest	812,740	0.70	567	Other
Share placement	15,500,000	0.65	10,075	Other
Exercise of options	75,000	0.60	45	Employee
Share placement	19,331,222	0.80	15,465	Other
Closing balance 31 December 2009	158,388,677		114,524	
Share issue costs			(871)	
Transfer of option reserve to issued capital following option exercise			14	
Issued capital			113,667	

(c) Table of share options outstanding for the Group at 31 December 2009

Expiry date	Exercise price \$	Number of options on issue
08-May-10	2.76	300,000
16-Jun-10	0.52	185,000
16-Feb-11	0.60	130,000
03-May-11	1.44	25,000
04-May-11	4.11	750,000
04-May-11	4.93	500,000
07-Jun-11	1.26	467,000
07-Aug-11	1.42	280,000
22-Feb-12	1.97	725,000
08-May-12	2.43	1,075,000
21-May-12	2.16	4,629,630
17-Jun-12	3.32	150,000
09-Sep-12	2.92	100,000
11-Nov-12	3.74	50,000
19-Dec-12	3.55	325,000
23-Jan-13	2.66	275,000
15-Mar-13	2.80	3,125,000
20-Jul-13	2.45	575,000
07-Sep-13	2.12	20,000
TOTAL		13,686,630

(d) Options exercised during the year

75,000 fully paid ordinary shares in the capital of the Company were issued on the exercise of options. The exercise price of the options was 60 cents.

(e) Table of share options movement for the Group at 31 December 2009

	Number of options	Options expense this period \$'000	Total option value \$'000
Opening balance	16,661,630	-	-
Options issued	-	-	-
Total	16,661,630	-	-
Options exercised during the period	(75,000)	-	-
Options lapsed during the period	(2,900,000)	(15)	-
Expense relating to prior years option issues	-	229	-
Option expense capitalised as transaction cost	-	-	-
Total	13,686,630	214	-

19 Reserves

	Consolidated		Parent	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Foreign currency reserve				
Balance at the beginning of the year	1,444	(147)	-	-
Adjustment arising on translation into presentation currency	(3,968)	1,591	-	-
Balance at the end of the year	(2,524)	1,444	-	-
Share option reserve				
Balance at the beginning of the year	7,896	4,470	7,896	4,470
Options expensed during the period	214	1,708	214	1,708
Options expense capitalised as transaction cost	-	1,126	-	1,126
Embedded options capitalised as transaction cost	-	709	-	709
Options exercised during the period	(14)	(117)	(14)	(117)
Balance at the end of the year	8,096	7,896	8,096	7,896
Total reserves	5,572	9,340	8,096	7,896

During the year no options were issued.

NOTES to and forming part of the Financial Statements for the Year Ended 31 December 2009 (cont.)

20 Non-controlling interest

	Consolidated		Parent	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Balance at the beginning of year	9,783	4,185	-	-
Shares issued	-	-	-	-
Share of profit/(loss)	2,071	5,598	-	-
Balance at the end of the year	11,854	9,783	-	-

Profit attributable to the non-controlling interest in 2009 relates to the 35% minority interest (ENOF 32.5% and ORGM 2.5%) in exploration and evaluation costs for the Oued Amizour Zinc Project funded directly by the Company through its 65% shareholding in WMZ. During 2009, the Company funded approximately \$9.9m of exploration and evaluation costs in Algeria, of which ENOF and ORGM are entitled to \$3.5m (35%). 35% of all assets contributed to WMZ by the Company effectively accrue to ENOF & ORGM for nil consideration (other than forming part of the Company's 65% earn-in) and has therefore been included in profit attributable to the non-controlling interest.

21 Income tax expense

	Consolidated		Parent	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Prima facie tax benefit on loss before income tax at 30% (2008: 30%)	(2,699)	(5,821)	(2,696)	(5,737)
Decrease in income tax benefit due to:				
(Deductible)/non-deductible items	(2,050)	1,622	(2,050)	1,771
	(4,749)	(4,199)	(4,746)	(3,966)
Deferred tax asset not brought to account	(4,749)	4,199	(4,746)	3,966
Balance	-	-	-	-
Unused tax losses for which no deferred tax asset has been recognised	64,293	39,988	63,395	38,348
Potential tax benefit	19,288	11,996	19,019	11,504
The applicable weighted average effective tax rates are as follows:	30%	30%	30%	30%

The Company has potential future net income tax benefits of \$8.9m (net of deferred tax liabilities in relation to mine development, property plant & equipment and exploration expenditure not shown above) (2008: \$6.3m) calculated at 30% attributable to tax losses and temporary differences carried forward. These have not been brought to account because the Directors do not consider the realisation of the future tax benefit as probable. The benefit of these tax losses will be obtained if:

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

22 Cash flow information

(a) Reconciliation of cash

For the purposes of the cash flow statement, cash and cash equivalents comprise the following at year end:

	Consolidated		Parent	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Cash at banks and in hand	3,174	2,744	2,617	2,224
Short-term deposits	18,730	11,755	18,730	11,755
Closing cash balance	21,904	14,499	21,347	13,979

(b) Reconciliation of cash flow from operations with profit from ordinary activities after income tax

	Consolidated		Parent	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Loss for the period	(8,995)	(19,405)	(8,985)	(19,124)
Adjustment for				
Depreciation and amortisation	15,041	5,146	15,041	5,143
Unrealised (gain)/loss on foreign exchange	(6,297)	-	(6,297)	-
Unrealised derivative (gain)/loss	(18)	(100)	(18)	(100)
Non-cash inventory movements	334	278	334	278
Share options expense	214	1,708	214	1,708
Exploration expenditure written off	23	2,509	23	2,349
Impairment of investment in associate	-	1,243	-	-
Intercompany loan forgiveness	-	-	39	20
Provision for diminution	-	-	-	839
Shares issued in lieu of interest	764	1,027	764	1,027
Writedown of fixed assets	50	-	50	-
Realised foreign exchange (gain)/loss	1,026	-	1,026	-
Net financing costs	1,815	12,311	1,815	12,311
Other	(4)	(364)	(4)	124
(Increase)/Decrease in trade and other receivables	(7,128)	347	(7,576)	420
(Increase)/Decrease in inventory	(977)	(3,412)	(1,115)	(3,112)
(Increase)/Decrease in prepayments	(185)	102	(209)	102
(Decrease)/Increase in trade payables and accruals	(3,246)	(204)	(2,848)	(862)
(Decrease)/Increase in provisions	485	(475)	485	(475)
(Decrease)/Increase in unearned income	(852)	852	(852)	852
Cashflow from operating activities	(7,950)	1,563	(8,113)	1,500

23 Related parties

Directors and other key management personnel during the year:

Executive Directors	KC Moriarty	
Non-executive Directors	MH Kennedy	RB Davis (appointed 23 July 2009)
	SA Bonett	Y Xie (appointed 18 September 2009)
	P Zachert (appointed 5 June 2009)	DA Paterson (resigned 4 April 2009)
	RW Jones (appointed 5 June 2009)	JT Hazel (resigned 5 June 2009)
Specified Executives	MS Janes	Chief Financial Officer
	AC Robertson	General Manager Operations
	RP Singer	Chief Geologist
	J Burgess	General Manager Tala Hamza Project
	JP Wilhelm	Vice President North Africa

Key management personnel – options and rights over equity instruments

	Shares balance 1/01/2009	Options balance 1/01/2009	Shares acquired during year	Options received as incentive	Shares disposed of during year	Options exercised	Options expired	Balance options 31/12/2009	Balance shares 31/12/2009
Parent Entity Directors									
KC Moriarty	9,026,313	3,000,000	-	-	-	-	(2,000,000)	1,000,000	9,026,313
MH Kennedy	300,000	300,000	-	-	-	-	-	300,000	300,000
SA Bonett	250,000	250,000	-	-	-	-	-	250,000	250,000
P Zachert	-	-	-	-	-	-	-	-	-
RW Jones	190,000	150,000	-	-	-	-	-	150,000	190,000
RB Davis	31,470	-	-	-	-	-	-	-	31,470
Y Xie	-	-	-	-	-	-	-	-	-
DA Paterson	9,164,302	500,000	-	-	-	-	(500,000)	- ¹	- ¹
JT Hazel	55,000	250,000	-	-	-	-	(250,000)	- ²	- ²
Specified Executives									
MS Janes	46,470	630,000	-	-	-	-	-	630,000	46,470
AC Robertson	-	350,000	-	-	-	-	-	350,000	-
RP Singer	-	350,000	-	-	-	-	-	350,000	-
J Burgess	-	300,000	-	-	-	-	-	300,000	-
JP Wilhelm	-	200,000	-	-	-	-	-	200,000	-
Total	19,063,555³	6,280,000	-	-	-	-	(2,750,000)	3,530,000	9,844,253

- 1 DA Paterson resigned on 4 April 2009. His share balance at this date was 9,164,302. As Mr Paterson is no longer a Director of the Company his share holdings as at 31 December 2009 have not been disclosed. During the period, 500,000 options held by Mr Paterson expired.
- 2 JT Hazel resigned on 5 June 2009. His share balance at this date was 55,000. As Mr Hazel is no longer a Director of the Company, his share holdings as at 31 December have not been disclosed. During the period, 250,000 options held by Mr Hazel expired.
- 3 The balance of shares held by Directors and Specified Executives as at 31 December 2008 was 18,842,085. The balance of shares held by Directors and Specified Executives as at 1 January 2009 has been amended to reflect the existing shareholdings of RW Jones and RB Davis at their respective appointment dates.

Key management personnel compensation

	Consolidated		Parent	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Short-term employee benefits	807	787	807	787
Post-employment benefits	73	71	73	71
Share-based payments	-	997	-	997
	880	1,855	880	1,855

Other key management personnel transactions

Some key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

These entities transacted with the Company in the reporting period. The terms and conditions of the transactions were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis.

The value of transactions relating to Key Management Personnel and entities over which they have control or significant influence were as follows:

	Transaction	Note	Consolidated		Parent	
			2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
KC Moriarty	Consultant fees	1	511	402	511	402
KC Moriarty	Other		9	-	9	-
DA Paterson	Consultant fees	2	18	81	18	81
JP Wilhelm	Consultant fees	3	253	240	253	240
J Burgess	Consultant fees	4	274	219	274	219
			1,065	942	1,065	942

- 1 Dr Moriarty is engaged by the Company as a consultant to manage day to day activities.
- 2 Mr Paterson provided regular consultancy services to the Company including investor relations, marketing, new projects and select financial matters prior to his resignation on 4 April 2009.
- 3 Mr Wilhelm provides services relating to the management of the Company's activities in Algeria.
- 4 Mr Burgess provides services relating to the management of the Tala Hamza project and the Angas Zinc Mine.

Information regarding the compensation of individual directors and key management personnel and some equity instruments disclosures as required by Corporations Regulation 2M.3.03 is provided in the Remuneration Report section of the Directors' Report on page 16.

There are no other related party transactions.

24 Financial instruments and risk exposures

The Group is exposed to market risk in the form of commodity price risk, foreign currency exchange risk, and interest rate risk. The carrying value of the financial assets and liabilities of the Company and Group, together with the equity and profit or loss impact during the period (if any), that are affected by market risk are categorised as follows:

	Note	Consolidated		Parent	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Receivables	8	8,308	1,179	8,274	1,046
Financial liabilities at amortised cost	16	(64,283)	(67,434)	(64,283)	(67,434)
Financial assets at fair value through profit and loss	24.1(b)	18	101	18	101
		(55,957)	(66,154)	(55,991)	(66,287)

Fair value

The fair values of the financial assets and liabilities of the Company and Group are equal to the carrying amount in the accounts (as detailed above). In the case of loans and borrowings it is considered that the variable rate debt and associated credit margin is in line with current market rates and therefore is carried in the accounts at fair value.

The Group's exposure and sensitivity to financial risk is detailed as follows:

1. Market risk

(a) Commodity price risk

The Company is exposed to commodity price and exchange rate volatility in respect to future sales of commodities derived from the Angas Zinc Mine. The Company has no outstanding commodity hedging contracts as at 31 December 2009.

Sensitivity analysis

Sensitivity to fluctuations in commodity prices in the below tables has been assessed based on existing price exposures in respect of commodity sales that occurred during the reporting period. There were no fixed forward commodity contracts in place at 31 December 2009.

A 10 percent increase in the zinc and lead commodity prices at 31 December 2009 would have decreased losses by the amounts shown below. This analysis assumes that all other variables remain constant, in particular interest rates, currency rates and other metal prices.

Effect in AUD thousands

31 December 2009	Consolidated		Parent	
	Equity	Profit or (loss)	Equity	Profit or (loss)
Zinc	-	-	-	-
Lead	851	851	851	851
Total	851	851	851	851

There was no outstanding zinc price exposure in respect of zinc sales that occurred in the reporting period.

Note that a 10 percent fall in lead commodity prices at 31 December 2009 would have increased losses by \$851 thousand.

(b) Currency risk

The Group is exposed to foreign currency risk on debt, as a result of USD convertible note issues, purchases and cash at bank which are denominated in a currency other than AUD. The currencies giving rise to this are primarily USD and Algerian Dinar (DZD). The Company does not enter into derivative financial instruments to hedge such transactions denominated in a foreign currency.

The Group is also exposed to foreign currency risk on future USD denominated commodity sales. This exposure is partially mitigated by the AUD/USD fixed forward hedging contracts below (see note 10).

	Consolidated		Parent	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Current assets	18	101	18	101
Non-current assets	-	-	-	-
Current liabilities	-	-	-	-
Non-current liabilities	-	-	-	-
Net amount recognised in income statement	18	101	18	101

The Group's exposure to foreign currency risk at balance date was as follows:

In AUD thousand equivalent	31 December 2009		31 December 2008	
	USD	DZD	USD	DZD
Cash at bank	10,497	-	-	-
Trade receivables	7,743	-	641	-
Trade payables	-	(365)	-	(911)
Convertible note	(33,504)	-	(28,941)	-
Gross balance sheet exposure	(15,264)	(365)	(28,300)	(911)

The Company's exposure to foreign currency risk at balance date was as follows:

In AUD thousand equivalent	31 December 2009		31 December 2008	
	USD	DZD	USD	DZD
Cash at bank	10,497	-	-	-
Trade receivables	7,743	-	641	-
Trade payables	-	-	-	-
Convertible note	(33,504)	-	(28,941)	-
Gross balance sheet exposure	(15,264)	-	(28,300)	-

NOTES to and forming part of the Financial Statements for the Year Ended 31 December 2009 (cont.)

24 Financial instruments and risk exposures (cont.)

The following significant exchange rates applied for the Group balance sheet:

	Currency	2009 USD	2008 USD
Year end rates used for the consolidated balance sheets, to translate the following currencies into AUD	AUD	0.90	0.69

	Currency	2009 DZD	2008 DZD
Year end rates used for the consolidated balance sheets, to translate the following currencies into AUD	AUD	66.47	50.48

Sensitivity analysis

Sensitivity to fluctuations in foreign currency rates is based on outstanding monetary items at 31 December 2009 which are denominated in a foreign currency. A 10 percent strengthening of the AUD against the following currencies at the end of the reporting period would have decreased losses by the amounts shown below. This analysis assumes that all other variables remain constant, in particular interest rates.

Effect in AUD thousands

31 December 2009	Consolidated		Parent	
	Equity	Profit or (loss)	Equity	Profit or (loss)
USD	2,478	2,478	2,478	2,478
Total	2,478	2,478	2,478	2,478

A 10 percent weakening of the AUD against the following currencies at the end of the reporting period would have increased losses by the amounts shown below.

Effect in AUD thousands

31 December 2009	Consolidated		Parent	
	Equity	Profit or (loss)	Equity	Profit or (loss)
USD	(3,019)	(3,019)	(3,019)	(3,019)
Total	(3,019)	(3,019)	(3,019)	(3,019)

(c) Interest rate risk

The Group has an exposure to future interest rates on investments in variable-rate securities and variable-rate borrowings. The Group does not use derivatives to mitigate these exposures.

The Group's exposure to interest rate risk and effective weighted average interest rates are as follows:

	Effective interest rate	Total \$'000	Floating interest rate \$'000	Fixed interest rate \$'000
Consolidated - 2009				
Cash ¹	0.62%	3,174	3,174	-
Short-term deposits ¹	2.50%	18,730	18,730	-
Finance lease liabilities	9.58%	(4,143)	-	(4,143)
Bank loans - secured	6.56%	(23,000)	(23,000)	-
Convertible notes ¹	3.25%	(38,506)	(33,504)	(5,002)
Net financial liabilities		(43,745)	(34,600)	(9,145)
Parent - 2009				
Cash ¹	0.62%	2,617	2,617	-
Short-term deposits ¹	2.50%	18,730	18,730	-
Finance lease liabilities	9.58%	(4,143)	-	(4,143)
Bank loans - secured	6.56%	(23,000)	(23,000)	-
Convertible notes ¹	3.25%	(38,506)	(33,504)	(5,002)
Net financial liabilities		(44,302)	(35,157)	(9,145)
Consolidated - 2008				
Cash ¹	3.35%	2,744	2,744	-
Short-term deposits	4.72%	11,755	11,755	-
Finance lease liabilities	9.72%	(5,510)	-	(5,510)
Bank loans - secured	6.93%	(30,000)	(30,000)	-
Convertible notes ¹	5.30%	(33,943)	(28,941)	(5,002)
Net financial assets		(54,954)	(44,442)	(10,512)
Parent - 2008				
Cash ¹	3.35%	2,224	2,224	-
Short-term deposits	4.72%	11,755	11,755	-
Finance lease liabilities	9.72%	(5,510)	-	(5,510)
Bank loans - secured	6.93%	(30,000)	(30,000)	-
Convertible notes ¹	5.30%	(33,943)	(28,941)	(5,002)
Net financial assets		(55,474)	(44,962)	(10,512)

¹ Includes AUD and USD denominated balances.

Sensitivity analysis

As the Group does not account for any financial assets and liabilities at fair value and does not use interest rate derivatives a change in interest rates at reporting date would have no effect on profit and loss.

For the 2009 financial year however, a 1 percent increase in the effective interest rate would have increased losses by \$205 thousand.

NOTES to and forming part of the Financial Statements for the Year Ended 31 December 2009 (cont.)

24 Financial instruments and risk exposures (cont.)

2. Credit risk

The Group has no significant concentrations of credit risk. Derivative counterparties and cash term deposits are limited to high credit quality financial institutions.

The Group does however have a credit exposure to outstanding receivables resulting from commodity sales. Existing off take agreements regarding commodities result in a limited number of customers, all of whom are well established and reputable industry participants.

3. Liquidity risk

The contractual maturities of financial liabilities, including estimated interest payments:

	Carrying amount \$'000	Contractual cash flows \$'000	6 mths or less \$'000	6-12 mths \$'000	1-2 years \$'000	2-5 years \$'000	More than 5 years \$'000
Consolidated 2009							
Non-derivative financial liabilities							
Trade and other payables	6,109	(6,109)	(6,109)	-	-	-	-
Bank loans - secured	23,000	(25,868)	(754)	(4,688)	(20,426)	-	-
Convertible notes	38,506	(44,103)	(626)	(626)	(2,504)	(40,347)	-
Finance lease liabilities	4,143	(4,597)	(1,085)	(1,085)	(2,360)	(67)	-
	71,758	(80,677)	(8,574)	(6,399)	(25,290)	(40,414)	-

Parent 2009

Non-derivative financial liabilities

Trade and other payables	5,744	(5,744)	(5,744)	-	-	-	-
Bank loans - secured	23,000	(25,868)	(754)	(4,688)	(20,426)	-	-
Convertible notes	38,506	(44,103)	(626)	(626)	(2,504)	(40,347)	-
Finance lease liabilities	4,143	(4,597)	(1,085)	(1,085)	(2,360)	(67)	-
	71,393	(80,312)	(8,209)	(6,399)	(25,290)	(40,414)	-

Refer table in note 24.1(b) for maturity profile of derivative financial instruments.

Consolidated 2008

Non-derivative financial liabilities

Trade and other payables	11,543	(11,543)	(11,543)	-	-	-	-
Bank loans - secured	30,000	(35,163)	(1,039)	(3,005)	(18,703)	(12,416)	-
Convertible notes	33,943	(41,609)	(867)	(866)	(3,466)	(36,409)	-
Finance lease liabilities	5,510	(6,408)	(1,032)	(1,032)	(3,759)	(586)	-
	80,996	(94,723)	(14,481)	(4,903)	(25,928)	(49,411)	-

Parent 2008

Non-derivative financial liabilities

Trade and other payables	10,230	(10,230)	(10,230)	-	-	-	-
Bank loans - secured	30,000	(35,163)	(1,039)	(3,005)	(18,703)	(12,416)	-
Convertible notes	33,943	(41,609)	(867)	(866)	(3,466)	(36,409)	-
Finance lease liabilities	5,510	(6,408)	(1,032)	(1,032)	(3,759)	(586)	-
	79,683	(93,410)	(13,168)	(4,903)	(25,928)	(49,411)	-

25 Controlled entities

Incorporation of subsidiaries

Name	Country of incorporation	2009	Percentage Owned	2008
Parent entity				
Terramin Australia Limited	Australia			
Subsidiary of parent entity				
Menninnie Metals Pty Ltd ¹	Australia	100%		100%
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.	Spain	100%		100%

1 During the reporting period, Menninnie Metals Limited was converted to a proprietary limited company, Menninnie Metals Pty Ltd.

26 Segment reporting

For management purposes, the Group is organised into business units based on geography and has two reportable operating segments:

Australia – Develops and mines zinc and lead deposits

Northern Africa – Developing a zinc and lead deposit

No operating segments have been aggregated to form the above reportable operating segments.

	Australia		Northern Africa		Consolidated	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Revenue						
External customers	41,054	9,723	-	-	41,054	9,723
Total revenue	41,054	9,723	-	-	41,054	9,723
Results						
Depreciation and amortisation	(15,041)	(5,146)	-	-	(15,041)	(5,146)
Exploration and evaluation write down	(23)	(2,509)	-	-	(23)	(2,509)
Loss before income tax	(8,995)	(19,396)	-	(9)	(8,995)	(19,405)
Income tax expense	-	-	-	-	-	-
Loss for the period attributable to equity holders of the Company	-	-	-	-	(8,995)	(19,405)
Operating assets	124,697	116,871	34,233	28,864	158,930	145,735
Operating liabilities	76,238	82,725	365	911	76,603	83,636
Other disclosures						
Capital expenditure ¹	7,216	51,419	9,193	9,713	16,409	61,133

1 Capital expenditure consists of additions of property, plant and equipment, mine properties and development and exploration and evaluation assets.

NOTES to and forming part of the Financial Statements for the Year Ended 31 December 2009 (cont.)

26 Segment reporting (cont.)

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, the Group's income taxes are managed on a Group basis and are not allocated to operating segments.

27 Share based entitlements and payments

The Company uses share options to provide incentives to Directors, employees and consultants. At the Company's 2008 Annual General Meeting, shareholders approved the issue of options to employees of the Company under the Terramin Australia Limited Employee Option Plan (EOP). The Board, upon the recommendation of senior management, has discretion to determine the number of options to be offered to Eligible Employees (as that term is defined by the EOP) and the terms upon which they are offered, including exercise price and vesting conditions.

There were no share options issued during the year.

28 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share at 31 December 2009 was based on the net loss attributable to equity holders of the Company of \$9.0m (2008: \$19.4m) and a weighted average number of ordinary shares outstanding during the year ended 31 December 2009 of 130,487,796 (2008: 103,966,348), calculated as follows:

	2009 \$'000	Consolidated 2008 \$'000
Net loss for the year attributable to the equity holders of the Company	(8,995)	(19,405)
Issued ordinary shares	158,388,677	110,625,605
Weighted average number of ordinary shares	130,487,796	103,966,348
Basic earnings per share (cents)	(6.89)	(18.66)

(b) Diluted earnings per share

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

	2009 \$'000	Consolidated 2008 \$'000
Diluted earnings per share (cents)	(6.89)	(18.66)

29 Commitments and contingencies

There are contractual commitments at the reporting date as follows:

	Consolidated		Parent	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
(a) Operating lease				
Non-cancellable operating leases contracted but not capitalised in the financial statements payable:				
Within one year	900	729	900	729
One to five years	3,093	2,642	3,093	2,624
Total	3,993	3,371	3,993	3,353
Represents a property lease with a five-year term, rent payable monthly and a three year option to renew.				
(b) Consultant contracts				
Commitments for the payment of services under consultant contracts in existence at the date of this report but not recognised as liabilities, payable:				
Within one year	470	535	470	535
One to five years	738	960	738	960
Total	1,208	1,495	1,208	1,495
(c) Employee remuneration contracts				
Commitments for the payment of salaries and other remuneration under long term employment contracts in existence at the date of this report but not recognised as liabilities, payable:				
Within one year	32	180	32	180
One to five years	-	29	-	29
Total	32	209	32	209
(d) Minimum expenditure on exploration tenements on which the Group has title				
Within one year	580	470	390	390
Total	580	470	390	390
(e) Capital expenditure commitments				
Capital expenditure commitments contracted for:				
Within one year	697	482	697	482
Total	697	482	697	482

NOTES to and forming part of the Financial Statements for the Year Ended 31 December 2009 (cont.)

29 Commitments and contingencies (cont.)

	Consolidated		Parent	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
(f) Finance leases				
Commitments in relation to finance leases for the purchases of equipment are as follows:				
Within one year	2,169	2,064	2,169	2,064
One to five years	2,428	4,344	2,428	4,344
Minimum lease payments	4,597	6,408	4,597	6,408
Less future finance charges	454	898	454	898
Total lease liabilities	4,143	5,510	4,143	5,510
Representing				
Current	1,871	1,614	1,871	1,614
Non-current	2,272	3,896	2,272	3,896
Total lease liabilities	4,143	5,510	4,143	5,510

The interest rate implicit in the various leases vary from 6.7% to 11%.

Oued Amizour Zinc Project

In February 2006, the Company signed a joint venture agreement in respect of the Oued Amizour Zinc Project with Entreprise Nationale des Produits Miniers Non Ferreux et des Substances Utiles (ENOF) an Algerian Government company involved in exploration and mining activities. The Company agreed to manage and finance the joint venture until a decision to mine.

Finders fee

A second tranche of a finder's fee is payable to a non-related party and linked to the commencement of commercial production from the first producing mine established in respect of the Oued Amizour Zinc Project. The amount payable will be US\$62,500 which will be converted into the AUD equivalent at the time of the contingent payment in the future, as well as 100,000 unlisted options exercisable at 25 cents each within 3 years of date of issue.

Bank guarantees – Angas Zinc Mine

As at 31 December 2009 the Company had lodged bank guarantees having a face value of \$5.0 million with PIRSA.

Litigation

As at the date of this report, the Company is not involved in any litigation.

30 Events after the Balance Sheet date

During the period, the Company announced the appointment of Mr Greg Cochran to the role of Chief Executive Officer, in which role he commenced on 18 January 2010. Following his commencement, primary responsibility for the day-to-day operations of the Company has been formally delegated by the Board to Mr Cochran in his capacity as Chief Executive Officer. This delegation is subject to transitional arrangements pursuant to which Dr Moriarty will progressively withdraw from his executive role within the Company to take on a purely non-executive Chairman's role.

On 21 January 2010, a total of 2,200,000 unlisted options were issued to various Company employees (including Mr Cochran, pursuant to the terms of his employment contract) as follows:

- 500,000 unlisted options with an exercise price of \$1.25 and an expiry date of 20 January 2015;
- 1,000,000 unlisted options with an exercise price of \$1.17 and an expiry date of 20 January 2015;
- 600,000 unlisted options with an exercise price of \$1.12 and an expiry date of 20 January 2013; and
- 100,000 unlisted options with an exercise price of \$1.08 and an expiry date of 20 January 2013.

No other events or circumstances have arisen since the end of the financial year that have significantly affected or may significantly affect the operations or the state of affairs of the Group in future financial years that have not been otherwise disclosed in this report.

CORPORATE GOVERNANCE STATEMENT *for the Year Ended 31 December 2009*

ADOPTED POLICIES & DIRECTION

The Board and management are committed at all times to preserving and enhancing shareholder wealth in accordance with the highest standards of corporate governance. The Board is committed, where possible and reasonable, to compliance with the ASX Corporate Governance Council's "Corporate Governance Principals and Recommendations – 2nd Edition" (ASX Recommendations) to better satisfy its obligations to shareholders and the broader community.

The details of the Company's key current and evolving corporate governance practices as they relate to the 8 key principles of the ASX Recommendations are identified below. To the extent that Company policies and practices departed from the ASX Recommendations during the period, the nature and extent of this departure is explained in the table on page 67 of this statement.

PRINCIPLE 1:

Lay solid foundations for management and oversight

Role of the Board

The Board has the responsibility of protecting the rights and interests of shareholders and achieving growth in shareholder value over the long term.

To fulfil this role, the Board is responsible for:

- the general oversight of the Company, including its control and accountability systems;
- appointing and removing the Chief Executive Officer and executive management and approving relevant terms of engagement and termination benefits;
- reviewing and adopting strategic plans prepared by senior management and monitoring performance against plan;
- ensuring systems are in place to facilitate the effective management of material risks to the Company;
- ensuring that the Company has established reporting systems and internal controls (financial, operational and legal), and monitoring their effectiveness;
- approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures;
- protecting the Company's financial position and its ability to meet its debts and other obligations as they fall due;

- ensuring that the Company's accounts comply with relevant accounting standards and present a true and fair view;
- ensuring senior management have sufficient resources to carry out the strategic plans approved by the Board;
- adopting an annual budget for the financial performance of the Company and monitoring performance against it; and
- ensuring that the Company has an effective process for communicating with shareholders, other stakeholders and the public.

Additional details regarding the role of the Board are contained in the Board Charter, which can be found in the Corporate section of the Company's website.

The Board delegated responsibility for the day-to-day operation and administration of the Company and matters not expressly reserved to the Board to the Executive Chairman and the senior management team. Subsequent to the end of the reporting period, Mr Greg Cochran commenced in the position of Chief Executive Officer. Following his commencement, primary responsibility for the day-to-day operations of the Company has been formally delegated by the Board to Mr Cochran. During 2010, the Executive Chairman will continue to have some involvement in specific areas of the Company's corporate and operational activities as a transitional measure.

Upon their appointment, all non-executive Directors are provided with a formal letter of appointment, setting out the key terms and conditions of their appointment including duties, rights and responsibilities, the time commitment required to properly perform the role of a non-executive Director and the Board's expectations regarding involvement in Board Committees. A comprehensive set of induction papers is provided to the new Directors containing a range of information about the Company's operations and internal policies and procedures.

Like all new employees of the Company, senior executives (including the Chief Executive Officer) are required to participate in a formal induction process at the commencement of their engagement by the Company. The induction process is managed by the Human Resources Manager, with the involvement of such other relevant management personnel as may be appropriate given the role in question. The aim of the induction process is to provide new personnel with such information and training as necessary to enable them to contribute fully and effectively to the management of the Company as quickly as possible.

CORPORATE GOVERNANCE STATEMENT *for the Year Ended 31 December 2009*

The performance of senior managers is reviewed annually (or more regularly as appropriate) by the Board or its delegate (typically the Executive Chairman or, following his appointment, the Chief Executive Officer) and the Company's Human Resources Manager. Performance is measured against objective benchmarks including operational or financial milestones. A comprehensive set of Key Performance Indicators (KPIs) is established in consultation with each senior manager during the annual performance appraisal process. Performance is measured against these KPIs on an annual basis (or more frequently as required). Performance evaluations for all senior management personnel were conducted during the period in accordance with the abovementioned policy.

The performance of the Chief Executive Officer will be subject to review by the Board, acting via the Executive Chairman.

PRINCIPLE 2:

Structure the Board to add value

Structure of the Board

At the end of the reporting period, the Company's Board was comprised of an Executive Chairman, charged with the overall management of the Company and the functions of the Board, as well as 6 non-executive Directors. Details of the qualifications and relevant experience of each of the Company's Directors can be found in the Directors' Report at page 10. As outlined above, subsequent to the end of the reporting period, Mr Greg Cochran was appointed as Chief Executive Officer of the Company. The Board expects that the role of the Executive Chairman will change over time as a result of this appointment such that the operational focus of the Executive Chairman's role will eventually shift entirely to the Chief Executive Officer.

In accordance with ASX Recommendation 2.1, a majority of the Company's Directors (five out of seven) are considered by the Board to be independent.

As a founding director, substantial shareholder and executive director of the Company, Dr KC Moriarty is not considered by the Board to be an independent director for the purposes of ASX Recommendation 2.1.

Mr Y Xie was appointed to the Board on 18 September 2009 as a nominee of the Company's most substantial shareholder, NFC. By virtue of his position as a representative of a substantial shareholder of the Company, Mr Xie is not considered by the Board to be an independent Director for the purpose of ASX Recommendation 2.1.

Mr MH Kennedy, Mr SA Bonett, Mr P Zachert, Mr RB Davis and Mr RW Jones are all considered to be independent Directors.

It is noted that Mr Jones was employed as the Company's Chief Operating Officer until early 2007. Given his former employment relationship with the Company, the terms of ASX Recommendation 2.1 provide that the Board should state its reasons if it considers a director to be independent notwithstanding the existence of relationships which may otherwise be taken to affect independence. The Board is of the view that Mr Jones has held the position of independent Director since his appointment on 5 June 2009 notwithstanding his previous employment relationship. In this regard, the Board considers that the passage of more than two years between Mr Jones' retirement from his position as an executive within the Company, and his appointment to the Board, and the significantly altered nature and scope of the Company's operations since that time, have the effect that Mr Jones' former employment relationship does not materially impact his ability to exercise independent judgment in the discharge of his duties as a Director of the Company. As such, the Company considers that Mr Jones is an independent Director.

Directors are regularly informed of, and consulted on, the activities of the Company, both at formal monthly Board meetings and more regularly and informally as relevant information becomes available (for example on a daily or weekly basis, via the Executive Chairman and, moving forward, the Chief Executive Officer). Given the size and operational profile of the Company, this culture of open and timely communication and consultation is considered as strongly supportive of good corporate governance practices.

Directors are entitled to access relevant information regarding the Company, and consult with Company executives in the course of discharging their duties as Directors. Directors may also seek independent advice in furtherance of their duties as Directors, from a suitably qualified professional adviser at the expense of the Company. Established processes are in place to support the ability of non-executive Directors to obtain information and advice relevant to the proper discharge of their duties to the Company.

None of the Directors has a trading relationship with the Company (other than the supply of services in a non-material manner) that could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company. As a standing agenda item at the start of each Board meeting, Directors are asked to declare any potential conflicts of interest in any business or relationship to be considered or discussed at the Board meeting.

During the reporting period, a number of new Directors were appointed to the Board, strengthening the Company's key leadership function. Subsequent to the retirement of Mr DA Paterson and Mr JT Hazel as directors of the Company in the first half of 2009, Mr P Zachert, Mr RW Jones, Mr RB Davis and Mr Y Xie were appointed to the Board. The Board is now well placed, with a range of expertise in mining, processing, financial and strategic operational areas, to lead the Company in the development of its portfolio of projects.

While the Company has no immediate plans for further Board appointments, as the Company continues to grow, the Board, in consultation with the Nominations & Remuneration Committee, will continue to review the composition of the Board to ensure the Board maintains access to a high level of expertise and management ability.

The Committees of the Board and their membership at the date of this report are set out below. Each Committee has a Charter outlining its functions and responsibilities, which can be found in the Corporate section of the Company's website:

Board Committee	Current members
Audit Committee	P Zachert (Chair) MH Kennedy SA Bonett
Risk & Compliance Committee	MH Kennedy (Chair) P Zachert RW Jones
Nominations & Remuneration Committee	SA Bonett (Chair) MH Kennedy RB Davis
Tala Hamza Risk Assessment Committee	RB Davis (Chair) RW Jones

PRINCIPLE 3:

Promote ethical and responsible decision making

Code of Conduct

The Company has a Code of Conduct which establishes the core values in accordance with which the Company operates its business and interacts with its stakeholders, including its shareholders and the broader community. The Code of Conduct addresses matters such as compliance with laws, appropriate standards of behaviour, the management of conflicts of interest, environmental management and dealings with individuals in both employment and other contexts.

The Code of Conduct can be found in the Corporate section of the Company's website.

Share Trading Policy

The Company has a Share Trading Policy which applies to all Directors, employees and regular consultants. Among other things, the policy establishes a procedure for the notification of the Company Secretary or Executive Chairman of intended trading activity in the Company's securities and addresses dealings by Company officers, employees or consultants in the securities of other companies in respect of which that person may have inside knowledge deriving from their position within the Company.

PRINCIPLE 4:

Safeguard integrity in financial reporting

Audit Committee

The Board has an established Audit Committee, the size and structure of which complies with the ASX Recommendations. The Audit Committee comprises members with appropriate financial and industry expertise to ensure the establishment of, and adherence with, proper internal controls of the Company's accounting systems and financial reporting processes – details of their qualifications and experience can be found on page 10 of the Directors' Report. The Audit Committee is kept informed of matters relevant to its function by receipt of regular management reports and communications from the Company's external auditors.

The Executive Chairman and Chief Financial Officer have each declared in writing 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 have been prepared in accordance with the *Corporations Act 2001* and the relevant Australian Accounting Standards.

A more detailed description of the roles and responsibilities of the Audit Committee can be found in the Audit Committee Charter, in the Corporate section of the Company's website.

PRINCIPLE 5:

Make timely and balanced disclosures

Continuous Disclosure Policy

The Company has a formal Continuous Disclosure Policy, setting out guidelines and procedures for the timely identification and disclosure of all material information regarding the Company, in accordance with the Company's obligations under the Listing Rules of the Australian Securities Exchange (ASX).

CORPORATE GOVERNANCE STATEMENT *for the Year Ended 31 December 2009*

Material information is lodged immediately by the Company with the ASX and upon acknowledgement is disseminated by posting to the Company's website. Shareholders, potential investors and interested parties can avail themselves of an email alert facility. Other relevant information, such as community newsletters and Company presentations, are also disclosed to shareholders via the Company's website and, where relevant, to the ASX. The Executive Chairman, and moving forward the Chief Executive Officer, is ultimately responsible for the approval and release of all Company announcements and statutory reports.

PRINCIPLE 6:

Respect the rights of shareholders

The Board has adopted communications strategies and practices to promote communication with shareholders in a form and language intended to be easily understandable, and which encourage effective participation at general meetings. All shareholders are encouraged to attend and be heard at the Company's annual general meeting, and shareholders may do this by lodging questions with the Company prior to the meeting date. The external auditor attends the Company's annual general meeting to respond to specific questions from shareholders.

These strategies and practices are supported through adherence to the Company's Continuous Disclosure Policy and Code of Conduct which, in combination with compliance by the Company with its periodic (quarterly, half yearly and annual) reporting obligations, ensure that shareholders and the broader investment community are provided at all times with up-to-date Company information.

The existing communications policies outlined above have been further strengthened by the appointment, subsequent to the end of the reporting period, of a dedicated Investor Relations Manager, having responsibility for the Company's communications and public relations function.

PRINCIPLE 7:

Recognise and manage risk

Risk & Compliance Committee

The Board considers that proper risk and compliance management is fundamental to the success of its operations and, as such, the Board takes seriously its obligations in this regard. The Board has an established and active Risk & Compliance Committee which meets regularly to receive and consider reports on, and monitor and discuss, known and emerging risk

and compliance issues, in particular in relation to non-financial operational and other business risks. In addition, the Audit Committee assists the Board to monitor financial risks faced by the Company. A copy of these Committee Charters, along with the Company's Risk Management Policy can be found in the Corporate section of the Company's website.

In support of the functions of the Risk & Compliance Committee, the Company's senior managers are directly responsible for risk management in their respective areas of accountability. Financial, legal and reputational risks continue to be managed primarily by the Executive Chairman and Chief Financial Officer as a part of the day-to-day management of the Company's affairs. The appointment of Greg Cochran as Chief Executive Officer will see his increased involvement in risk management initiatives. These risks are managed with the support of relevant professional advisers.

During 2008, the Company established a risk management framework adapted from the Australian Standard for Risk Management AS4360:2004, which is aimed at the systematic identification, assessment, treatment, communication and monitoring of risk within all areas of the Company. The Company continues to monitor and review this risk management framework at the operational and corporate level. Progress has been made in implementing this system at the Company's Oued Amizour Zinc Project as a part of the Company's management of its exploration activities in the region.

The ongoing mitigation and management of key business risks is a standing item of business on the agenda of the Risk & Compliance Committee, and responsible senior managers, who regularly attend meetings of the Committee, provide regular reports on areas of material risk. The Risk & Compliance Committee Chairman reports to the Board at each of its meetings as to current matters of significance raised with, or being considered by the Committee.

These reporting and control measures are supported by the certifications given by the Executive Chairman and Chief Financial Officer to the Board in accordance with section 295A of the *Corporations Act 2001*.

PRINCIPLE 8:

Remunerate fairly and responsibly

The Company has an established Nominations & Remuneration Committee. The Committee's composition is in accordance with the ASX Recommendations. Matters of remuneration of the Board, Executive Chairman and the Chief Executive Officer are considered by the Nominations & Remuneration Committee, and in the case of non-executive Directors, remuneration does not exceed the limit set by shareholders at annual general meeting (currently \$350,000). The Board delegates the review and determination of appropriate remuneration levels for senior executives to the Executive Chairman. Where appropriate, the Board is guided by the advice of professional advisers.

Key executive remuneration is set with reference to industry standards and generally comprises a fixed portion, as well as an "at risk" portion, usually in the form of options over securities in the Company, with vesting conditions commonly linked to objectively verifiable performance criteria. Further information on the Company's remuneration policies are provided in the Remuneration Report at page 16 of the Directors' Report.

CORPORATE GOVERNANCE DISCLOSURES

During the period, the Company complied with the ASX Recommendations, other than as specified below.

PRINCIPLE 2

Structure the Board to add value

Recommendation reference 2.2 & 2.3

Notification of departure

The Chairperson is not an independent Director, and fulfils the role of Chief Executive Officer.

Explanation for departure

During the reporting period, the Executive Chairman, Dr KC Moriarty performed the role of Chairman of the Board and Chief Executive Officer. Since the end of the reporting period, a Chief Executive Officer has been appointed by the Board. Dr Moriarty will continue to perform the role of Chairman of the Board, however given his position as a substantial shareholder of the Company, and his previous position as Chief Executive Officer, he is not independent for the purpose of ASX Recommendation 2.1.

The Board considers that the appointment of a Chief Executive Officer is a significant improvement in the Company's corporate governance compliance, however believes that Dr Moriarty continues to be the most appropriate person to fulfil the role of Chairman, notwithstanding that he is not an independent Director.

Recommendation reference 2.5

Notification of departure

The process for evaluating the Board, Committees and individual Directors was not disclosed.

Explanation for departure

To date, given its size and composition, the Board has taken the view that there are no significant benefits to be gained through the implementation of a formal performance review process. As the size and composition of the Company's board continues to change, the Company will consider the implementation of a formal Board review process.

TENEMENT INFORMATION *28 February 2010*

TERRAMIN AUSTRALIA LIMITED

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 2010	100%	\$390,000 from 01 Jul 2009 to 30 Jun 2010
Currency Creek – South Australia	EL 4210	174 km ²	23 Nov 2010	100%	Amalgamated with EL 3641
Hartley – South Australia	EL 3792	126 km ²	03 Jun 2010	100%	Amalgamated with EL 3641
Langhorne Creek – South Australia ¹	EL 3310	275 km ²	23 Feb 2010	100%	Amalgamated with EL 3641

¹ Application for renewal of license lodged with PIRSA 23 November 2009.

WESTERN MEDITERRANEAN ZINC SPA (65% Terramin)

Tenement listing

Title name and location	Licence number	Licence area	Expiry date	WMZ interest	Minimum expenditure commitment
Oued Amizour – Algeria	5225PE	12,276 ha	26 Aug 2011	100%	Not applicable

MENNINNIE METALS PTY LTD (100% Terramin)

Tenement listing

Title name and location	Licence number	Licence area	Expiry date	MMPL interest	Minimum expenditure commitment
Menninnie Dam – South Australia	EL 3640	101 km ²	26 Oct 2010	24%	\$80,000 per annum
Nonning – South Australia ¹	EL 3535	312 km ²	29 Mar 2010	0%	\$60,000 per annum
Kolendo – South Australia	EL 4285	208 km ²	27 Jul 2010	100%	\$50,000 per annum

¹ Pursuant to a Heads of Agreement dated 5 June 2008 between Menninnie Metals Pty Ltd (formerly Menninnie Metals Limited) (Menninnie Metals) and Minotaur Operations Pty Ltd, Menninnie Metals obtained a right to acquire up to a 70% interest in the Nonning tenement by spending \$3 million over 3 years, including a minimum expenditure obligation of \$300,000 in the first 12 months. As at the period end, Menninnie Metals had satisfied its minimum expenditure obligation.

Application for renewal of licence lodged with PIRSA 26 February 2010.

In Australia, the Company has an obligation to meet various exploration expenditure commitments as imposed and/or negotiated with PIRSA and other Government authorities. Relinquishment of part or all of the titles will reduce the commitments.

ADDITIONAL SECURITIES EXCHANGE INFORMATION

EQUITY SECURITIES ON ISSUE

Fully paid ordinary shares

As at 28 February 2010, there were 4,210 holders of a total of 158,388,667 ordinary fully paid shares in the capital of the Company. All ordinary fully paid shares in the capital of the Company are listed for quotation on the ASX.

Unlisted options

As at 28 February 2010 there were 49 holders of a total of 15,886,630 options over fully paid ordinary shares in the capital of the Company.

Unlisted convertible notes

As at 28 February 2009, there was two holders of 30,050,000 US\$1.00 unlisted convertible redeemable notes that are convertible by Terramin, as well as one holder of 2,263,529 \$2.21 unlisted convertible notes.

SHAREHOLDER VOTING RIGHTS

At a general meeting 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.

Unlisted options and unlisted convertible notes carry no voting rights.

DISTRIBUTION SCHEDULE

as at 28 February 2010

Number of securities	Fully paid ordinary shares	Unlisted options	US \$1.00 Unlisted convertible notes	\$2.21 Unlisted convertible notes
1 - 1,000	746	-	-	-
1,001 - 5,000	1,624	-	-	-
5,001 - 10,000	787	1	-	-
10,001 - 100,000	940	27	-	-
100,001 - and over	113	21	2	1
TOTAL	4,210	49	2	1

As at 28 February 2010, there were 421 shareholdings of less than a marketable parcel.

RESTRICTED SECURITIES

There are no restricted securities on issue.

SUBSTANTIAL SHAREHOLDERS

As at 28 February 2010, the following shareholders were substantial shareholders, as disclosed in substantial shareholder notices given to the Company:

	Number of shares	% Issued capital
China Non-Ferrous Metals Industry's Foreign Engineering & Construction Co., Ltd	15,500,000	9.79
Transaminvest S.A.	11,538,462	7.28
KC Moriarty	9,026,313	5.70
JP Morgan Chase & Co	8,320,000	5.25
DA Paterson	8,164,302	5.15
TOTAL	52,549,077	33.17

LIST OF 20 LARGEST SHAREHOLDERS

The names of the twenty largest shareholders as shown in the Company's register at 28 February 2010 are:

Shareholder	Number of shares	%
China Non-Ferrous Metals Industry's Foreign Engineering & Construction Co., Ltd	15,500,000	9.79
J P Morgan Nominees Australia Limited	14,809,908	9.35
National Nominees Limited	14,659,372	9.26
Transaminvest S.A.	11,538,462	7.28
Mr Kevin Charles Moriarty	6,947,130	4.39
ANZ Nominees Limited	6,617,334	4.18
HSBC Custody Nominees (Australia) Limited	5,495,278	3.47
Mr David Alaster Paterson	3,919,233	2.47
Villaford Pty Ltd	3,432,697	2.17
Bond Street Custodians Limited	3,250,626	2.05
Bond Street Custodians Limited	3,247,677	2.05
Bond Street Custodians Limited	2,233,594	1.41
Mr Kevin Charles Moriarty & Mrs Pamela Christine Moriarty	1,879,183	1.19
Ms Wendy Marylyn Jackson	1,503,030	0.95
Mr Terrance John Soukoulis	1,056,455	0.67
Girth Pty Ltd	933,350	0.59
Merrill Lynch (Australia) Nominees Pty Limited	812,740	0.51
Precision Management Corporation Pty Ltd	775,000	0.49
HSBC Custody Nominees (Australia) Limited	721,601	0.46
Pan Australian Nominees Pty Limited	720,593	0.45
Total	100,053,263	63.17

ADDITIONAL INFORMATION

- Unquoted equity securities

The following persons were the holders of 20% or more of the equity securities in an unquoted class as at 28 February 2010:

Class of unquoted securities	Number of securities held	% of securities in class
US\$1.00 Unlisted convertible redeemable notes		
RBS Sempra Metals & Concentrates LLC	20,050,000	67.00
Transaminvest S.A.	10,000,000	33.00
\$2.21 Unlisted convertible notes		
Bond Street Custodians Limited	2,263,529	100.00
Unlisted options		
Investec Bank (Australia) Limited	7,754,630	48.81



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