



4th

Quarter Report 2011

HIGHLIGHTS

- Angas Zinc Mine (Angas) sets new record for ore produced and treated for a quarter;
- Total ore mined has increased for four consecutive quarters as a result of the operational improvements made during the year;
- Zinc and lead concentrate production up 11% and 19% on prior quarter;
- Two-tranche capital raise completed with approximately \$3 million raised;
- Appointment of Partners in Performance (PIP) to build on strong second-half operational performance at Angas;
- Lead and zinc price protection continues to shield against declining commodity prices.

FOCUS ON ZINC



SUSTAINABLE

Zinc can be re-cycled indefinitely, without loss of its physical or chemical properties



MANAGING DIRECTOR'S REVIEW

The fourth quarter of 2011 represented my first full three months as Managing Director of Terramin. During the quarter two significant events took place: Terramin completed a two-tranche capital raising and the first Tala Hamza workshop was held with our joint venture partners in Algeria. I would like to provide some comments on both of these events.



Capital raising

In October, Terramin announced a two-tranche capital raising. In all, the Company raised approximately \$3 million. Transamine subscribed to 13.5 million shares while just over 7 million shares were issued to those shareholders who subscribed to the Share Purchase Plan (SPP), which closed in late December.

During the SPP period, international markets became very volatile and I understand it was an uncertain period for shareholders to make further commitments. I would like to take this opportunity to thank those shareholders that participated in the SPP and continue to support the Company.

Tala Hamza workshop

In mid-September, Terramin received the review from its Algerian joint venture partner, ENOF, of Terramin's Definitive Feasibility Study (DFS). This was followed by a workshop in October to discuss matters raised in ENOF's review.

The workshop was conducted between Terramin and ENOF, with respective advisors, as well as observers from the Ministry of Mines, and the new government mining conglomerate, MANAL.

This workshop and subsequent discussions have highlighted areas of disagreement which will require resolution before any decision can be taken on next steps. Meetings with our partner ENOF are expected to take place early in the first quarter to decide on how to proceed.

Strategic Review

When I was appointed as Managing Director, I outlined that one of my strategic priorities will be to increase output and net revenue from Angas. Improvements are already evident. Furthermore, in December Terramin announced it was undertaking a strategic review with the objective of examining options to enhance company value. Progress has been made on several options aimed at strengthening the Company's balance sheet and establishing a basis for future growth.

Financial performance

Financial performance for the 2011 year at the revenue and EBITDA levels is expected to be slightly below that recorded in the prior year. This is despite the Angas performance exceeding the prior year in terms of higher ore mined and treated.

The main reasons for the slightly lower financial result were lower grade ore being accessed during the first half of the year, and lower realised AUD commodity prices due to the appreciation of the Australian currency. Terramin initiated hedge positions against price movements in the first half of the year, which partially offset volatile commodity prices in the second half.

Operations

Angas

In line with my priorities, Terramin has appointed PIP to work collaboratively with the team at Angas to identify and accelerate the implementation of improved operational performance. I am pleased with the progress being made to date and look forward to being able to report on further progress in the next quarter.

Angas performance improved significantly following the unplanned mill outage in August, which allowed the Company to deliver a solid performance in the final quarter. For the fourth consecutive quarter the mine delivered record ore production, with the mill following suit by achieving its highest quarterly zinc and lead concentrate production in 2011.



Exploration activity

Angas

In late November, the Company announced a maiden resource at the Angas Sunter deposit of 375,000 tonnes at 5.4% zinc and lead and 15 grams per tonne silver which is located close to the mine and is contained within five sub-parallel mineralised zones. It is encouraging that a resource has been defined close to the existing mine operation, providing confidence in the potential to extend the mine life of Angas. Further exploration will be undertaken to deliver additional resources.

Fleurieu

A new mineralized prospect has been identified at Disher Hill based on follow up work from the 2010 VTEM survey and as a result, attention has been refocused on North Limited's (North) Freeway prospect.

Disher Hill is a copper and gold prospect west of the Frahns and Pipeline prospects. Exploration in 2012 will include preparation for air core drilling to test the Pipeline prospect and to follow up on the VTEM features.

Menninnie

Follow-up work has been undertaken on drill core samples from Menninnie Central and Viper with planning for a substantial drilling programme on other Menninnie Dam prospects and regional targets to be finalised early in 2012.

The approval from the Department for Manufacturing, Innovation, Trade, Resources and Energy (DMITRE) was received for the 100% interest in the Nonning Tenement. Further geochemical and geophysical work is also being undertaken to test prospective areas in Kolendo and Taringa. This exploration planning will form the basis for ongoing JV negotiations.

Concluding remarks

The main priorities over the next three months are to complete our strategic review and act on its recommendations; progress the Tala Hamza project discussions over the DFS; and continue to improve the output and performance of Angas.

This has been a challenging period because of external conditions, including volatile investor and commodity markets. I would like to thank all of our people for delivering a performance which has helped to offset these challenges.

I am looking forward to announcing the outcome of our strategic review in coming months as well as reporting on the next steps of the Tala Hamza project.

Thank you,

Nic Clift
Managing Director



REVIEW OF OPERATIONS

Operation Description	Resources/ Reserves	Activities for the Quarter
<p>Angas Zinc Mine <i>100% Terramin owned and operated</i></p> <p>A 400,000 tpa operation producing zinc and lead-copper-silver-gold concentrates.</p> <p>There is a life of mine offtake agreement with JP Morgan Metals and Concentrates LLC for zinc concentrate and a five year off-take agreement with Nyrstar Sales & Marketing AG for lead concentrate.</p>	<p>Probable Reserves of 1.29 million tonnes at 10.09% Pb+Zn; 31g/t Ag and 0.5 g/t Au (June 2011).</p>	<p>Safety, Environment and Community Report</p> <p>There were no significant safety incidents. Site safety performance continued to improve with a continued focus on risk management and awareness.</p> <p>Water reduction initiatives continued with commissioning of additional treatment and filtration equipment to further enhance treated water release. Water levels on the tailings facility decreased during the period.</p> <p>An Environmental Direction was issued by mine regulator DMITRE relating to water release plans and associated actions. Under this direction (which is not a notice of default under the Mining Act), the regulator requested that the Company puts in place measures to ultimately reduce the level of water in the tailings dam facility to the 68RL level by the end of 2012. These measures are currently either in preparation or in the process of being implemented to meet required milestones. At the request of the regulator, the Company has engaged a number of consultants to obtain estimates of the current rehabilitation liability for the mine for the purpose of updating the rehabilitation bond held by the Government.</p> <p>Operations</p> <p>Ore produced and treated was the highest since the mine's inception, consolidating on the improvements made during previous quarters.</p> <p>Building on the solid performance in September following the unplanned mill outage, the process plant achieved excellent throughput rates and uptime as a result of the focused remedial work undertaken during the August outage.</p> <p>Surface stockpiles remained at high levels allowing the blending of ore sources to facilitate the optimisation of processing feed grade from available stocks.</p> <p>Due to the improvements in back-fill placement throughout 2011, development of the mine has advanced considerably resulting in the availability of multiple stoping fronts. The opportunity was taken in December to scale back underground development in order to maximise near term metal production and free cash flow. The revised mine plan will result in stoping providing the main source of ore (~90%) compared to historical levels of ~60%. The revised plan and stope sequencing will focus on accessing higher grade ore from the upper Garwood levels and the central zone of the Rankine shoot as we retreat from the lower grade periphery of the orebody on the active development drives. A long term back-fill facility was approved with commissioning to be completed in early 2012.</p>
<p>Oued Amizour Project <i>100% owned by Western Mediterranean Zinc Spa (WMZ)</i></p> <p>Terramin has a 65% shareholding in WMZ. The remaining 35% is held by two Algerian government-owned companies, Entreprise Nationale des Produits Miniers Non-Ferreux et des Substances Utiles Spa (ENOF) (32.5%) and Office National de Recherche Géologique et Minière (ORGM) (2.5%).</p> <p>Oued Amizour Exploration Permit 5225PE is a 125km² tenement which contains several lead-zinc deposits. The Tala Hamza deposit has been the focus for the past 5 years, culminating in a positive feasibility study.</p>	<p>The most recent resource estimate (November 2009) 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.</p> <p>Following the completion of the DFS, a Probable Reserve was announced of 38.1 million tonnes at 6.1% Pb+Zn.</p>	<p>Following the receipt in September of its joint venture partner (ENOF's) official response to Terramin's Definitive Feasibility Study (DFS), it was agreed that workshops would be held in order to address issues raised in the response.</p> <p>The first workshop was held in October in Algiers. During the workshop, Terramin's engineers and consultant experts (Bateman and Golders) addressed a number of issues raised by ENOF relating to the mining method, tailings dam, water management, environmental footprint and risk analysis and presentation.</p>
<p>Menninnie Zinc Project <i>Owned by Terramin subsidiary Menninnie Metals Pty Ltd</i></p> <p>The Menninnie Zinc project comprises a contiguous group of four tenements covering an area of 1,609km²:</p> <p>Menninnie Dam (EL3640), Nonning (EL4183), Kolendo (EL4285) and Taringa (EL4669).</p>	<p>The Project includes the Menninnie Central and Viper deposits in EL3640 with an Inferred Resource of 7.7 million tonnes at 5.7% Pb+Zn and 27g/t Ag (March 2011).</p>	<p>Interpretation of LEI modelling of airborne EM (VTEM) data for Nonning, Kolendo and Taringa and 3D modelling of IP data for Menninnie and Nonning is close to completion.</p> <p>Several areas where geophysical models show potential for near-surface mineralisation are being sampled for geochemical analysis.</p> <p>Plans for drill programmes on all four tenements will be optimised when all geophysical and geochemical interpretations are complete. These plans will form the basis for progressing commercial negotiations with interested parties.</p> <p>The acquisition of a 100% interest in the Nonning tenement has been approved by DMITRE with a new licence granted (EL4813, formerly EL3535) for a period of 2 years.</p>



Key quarterly statistics

Production statistics	Mar	Jun	Sep	Dec	Forecast	
	Quarter	Quarter	Quarter	Quarter	YTD	12 Mths
	2011	2011	2011	2011	2011	2012
Total ore mined (tonnes)	90,357	103,776	107,980	110,328	412,441	
Total ore treated (tonnes)	91,595	101,753	95,398	112,750	401,496	416,000
Ore grade: - Zn%	6.38	5.77	7.19	6.84		
- Pb%	2.61	2.69	2.88	3.10		
- Cu%	0.23	0.22	0.24	0.22		
- Ag g/t	29.0	31.4	30.4	31.7		
Zinc Concentrate (tonnes)	9,566	9,612	11,629	12,931	43,738	57,000
Grade: - Zn%	50.9	50.0	49.1	49.3		
Recovery: - Zn%	83.3	81.8	83.3	82.9		
Lead Concentrate (tonnes)	3,653	4,181	4,664	5,581	18,079	20,000
Grade: - Pb%	53.5	53.5	49.1	52.5	52.2	
- Cu%	3.8	3.7	3.9	3.4	3.7	
- Ag g/t	539	577	489	505	527	
- Au g/t	7.7	8.2	8.7	9.4	8.5	
Recoveries - Pb%	81.7	81.9	83.2	82.8	82.4	
- Cu%	65.8	70.0	77.4	72.7	71.6	
- Ag%	74.2	75.4	78.6	76.9	76.3	
Payable metal						
- Zn t	4,102	4,037	4,785	5,347	18,270	
- Pb t	1,846	2,112	2,148	2,761	8,867	
- Cu t	30	34	40	40	145	
- Ag oz	57,423	70,811	65,791	81,573	275,598	
- Au oz	706	867	1,044	1,357	3,974	

The Company achieved its highest quarterly ore production since the mine's inception with 110,328 tonnes being mined – an improvement of 2% against the prior quarter. Total ore mined has increased for four consecutive quarters as a result of the improvements made during the year with solid paste backfill performance and equipment replacement strategies, supported by improved safety and workforce performance.

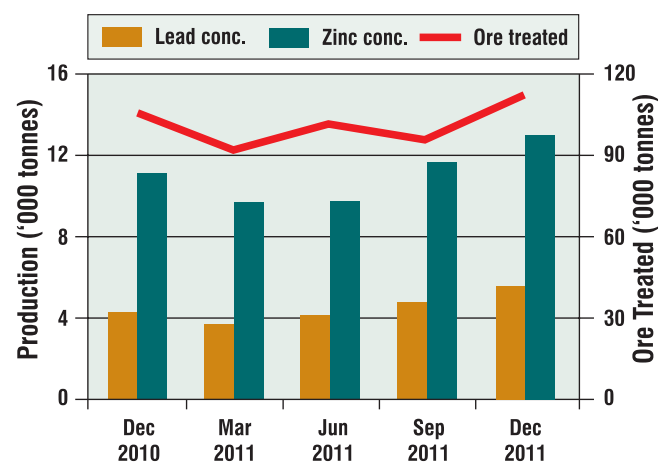
Total ore treated of 112,750 tonnes was up 18% against the prior quarter with the processing plant also achieving the highest quarterly throughput in the history of the mine.

Zinc ore grades were lower this quarter due to the unexpected delay in availability of high grade Garwood stopes. Upon planned mining through paste fill to access this ore in December, the access path was found not to be tight filled with paste as expected. This high grade ore is now planned to be accessed in the first quarter of 2012. Alternative ore sources at lower grade were therefore mined to replace the delayed tonnage.

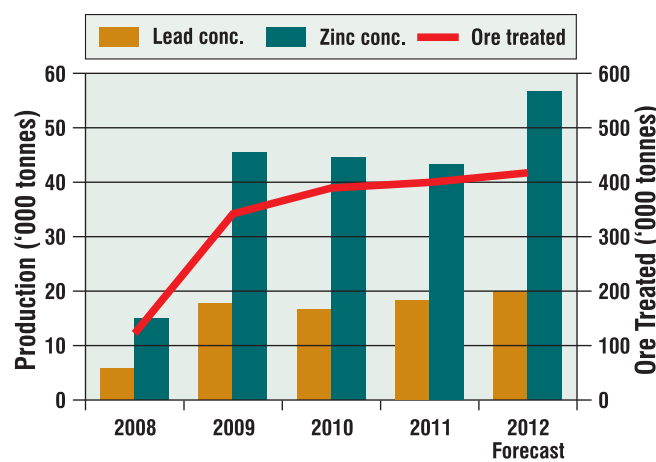
Production of zinc and lead concentrates were also up 11% and 19% respectively as a result of higher throughput. Payable metal was significantly higher in the fourth quarter, culminating in zinc concentrate shipments of 14,391 tonnes, an increase of 51% on the prior quarter.

Notes: The 2011 payable metal figures include adjustments based on final invoice numbers where available. The ore mined figures are estimated based on tonnes trucked to the surface whilst the ore treated figures are calculated from a weightometer. Reconciliation between the mine and the mill continues.

Key historical production data



Quarterly Ore Treated and Concentrate Produced



Annual Ore Treated and Concentrate Produced



Key quarterly statistics

C1 Cash Costs (US c/lb payable zinc)	<i>Mar Quarter 2011</i>	<i>Jun Quarter 2011</i>	<i>Sep Quarter 2011</i>	<i>Dec Quarter 2011</i>	<i>YTD 2011</i>	
Production Costs	93	117	96	105	99	Placement of paste late in the quarter encountered delays with barricade leakage. The delays will result in increased paste fill requirements in the first quarter of 2012.
- Mining	51	61	47	61	53	
- Processing	31	42	38	31	34	
- Other Site Costs	10	15	11	13	12	An increase in mining production costs and reduction in ore grade has resulted in a higher C1 Cash Cost, despite favourable movements in processing costs, transport costs and treatment charges. Net by-product credits remained largely in line with the prior period.
Realisation Costs	39	39	40	33	36	
- Transport & Handling	10	14	14	9	11	
- Zinc Treatment Charges	29	25	26	24	25	
Net By-product Credits	(77)	(82)	(74)	(70)	(73)	
C1 Cash Cost	54	74	61	69	63	

Sales	<i>Mar Quarter 2011</i>	<i>Jun Quarter 2011</i>	<i>Sep Quarter 2011</i>	<i>Dec Quarter 2011</i>	<i>YTD 2011</i>	
- Zinc concentrate (t)	7,482	9,319	9,512	14,391	40,704	The average realised price for both zinc and lead decreased significantly from previous quarters, as commodity prices continued to decline. The average quarterly market prices of zinc and lead fell 15% and 19% respectively.
- Lead concentrate (t)	4,009	3,907	4,614	5,532	18,062	
Average Realised Price						
Average Price in US\$/t						
- Zinc	2,182	2,435	2,301	2,211	2,278	The average realised price for zinc reflects pricing terms established in advance of the shipments delivered while lead is subject to pricing several months after shipment.
- Lead	2,822	2,625	2,165	1,757	2,289	
Average Price in USc/lb						
- Zinc	99	110	104	100	103	The US\$314/t margin above the average market price for zinc reflects the advance pricing terms and includes US\$64/t resulting from price fixing in advance of the contracted quotational period. This practice provides certainty around future cash flows well in advance of shipment.
- Lead	128	119	98	80	104	
Commodity Prices						
Average Price in US\$/t						
- Zinc	2,395	2,254	2,226	1,897	2,193	The average realised price for lead excludes hedging gains of US\$343/t, realised on the exercise of put options under the existing collar arrangement.
- Lead	2,604	2,558	2,462	1,983	2,402	
Average Price in USc/lb						
- Zinc	109	102	101	86	99	
- Lead	118	116	112	90	109	



Angas

The Angas Zinc Mine is 100% owned by Terramin. ML6229 is located 2km outside the town of Strathalbyn, 60km from Adelaide, South Australia. It has been operating since July 2008.

The focus of exploration at Angas during the quarter continued to be on the mining lease targeting the delivery of additional resources to extend the mine life.

Follow-up drilling and the modelling of the Sunter resource was completed in November with a maiden resource of 375,000 tonnes at 5.4% Zn+Pb and 15g/t Ag announced to the ASX.

To identify viable mineral resources at depth, additional deep drilling, below the existing Angas resource, remains scheduled for early 2012.

Fleurieu

The Fleurieu Project comprises four contiguous Exploration Licences (EL3641, Bremer; EL3792, Hartley; EL4210, Currency Creek; EL4466, Langhorne Creek) which together cover an area of 1,032km². The tenements cover an elongated zone stretching 60km northeast and southwest of Angas. A fifth licence ELA-2011/00288 has been applied for to the east of the existing Fleurieu tenements, covering an additional 154km².

Continuing follow up of the geophysical anomalies from the 2010 VTEM survey has identified a new mineralised prospect, Disher Hill, and refocused attention on North Limited's (North) Freeway prospect.

Disher Hill is a new copper-gold prospect identified to the west of the Frahns and Pipeline prospects. The best result returned from copper carbonate stained quartz vein float was 3.02% copper, 0.84g/t gold, 0.12% bismuth and 6.4g/t silver, see figure 1, page 9.

Gossans and quartz float found to the south of the Freeway prospect returned anomalous copper and gold. Previous sampling by North in 1995 returned gold numbers of up to 9.6g/t gold, however these were not regarded as significant results as they did not sit on the magnetic high, see figure 2, page 9. Terramin's anomalous results, like North's, correlate with a conductive plate modelled from the VTEM survey that sits to the west of the magnetic feature.

Planned exploration in 2012 includes preparation for a RAB and air core drilling programme to test the Pipeline prospect and ongoing follow up of VTEM features.

Menninnie Zinc Project

The Menninnie Zinc Project comprises a contiguous group of four tenements covering an area of 1,609km². These are Menninnie Dam (EL3640), Nonning (EL4813), Kolendo (EL4285) and Taringa (EL4669). A fifth licence ELA2011/00202 has been applied for to the northeast of the existing Menninnie tenements, covering an additional 862km².

Interpretation of LEI modelling of airborne EM (VTEM) data for Nonning, Kolendo and Taringa and 3D modelling of IP data for Menninnie and Nonning is close to completion. Further soil sampling is in progress to refine the positions of interpreted surface expressions of near-surface lead-zinc-silver mineralisation based on geophysical modelling.

Petrological work on drillcore samples from Menninnie Central and Viper lodes has commenced to follow up the encouraging metallurgical test results reported last quarter.

The acquisition of a 100% interest in the Nonning tenement has been approved by DMITRE with a new licence granted (EL4813, formerly EL3535) for a period of 2 years. The tenement licence application for Wipipippee Hill (ELA2011/00202), covering 862km² is awaiting DMITRE approval.

Planning for a substantial drilling programme on Menninnie Dam prospects and regional targets is in progress and will be finalised in early 2012. Further geochemical and geophysical surveys are also being planned to test prospective areas for signatures of Menninnie-style lead-zinc-silver mineralisation and epithermal gold-silver mineralisation on Kolendo and Taringa. Definition of these surveys is based on the detailed rework of Menninnie Dam interpretations and increased understanding of the regional geology from ongoing interpretation of the reconnaissance geophysical and geochemical work undertaken throughout 2010 and 2011. This exploration planning will form the basis for progression of JV negotiations with interested parties.



Shares and options issued

In December, the Company completed a two-tranche capital raising with a total of 20,504,534 million shares being issued at 14.5 cents each. Of this amount, 13,500,000 were issued to an existing strategic investor, Transaminvest SA, with the remaining 7,004,534 issued to retail shareholders who subscribed to the SPP, which closed in late December.

Strategic Review

Progress has been made on the strategic review which the Company announced in December. Options examined so far have been aimed at strengthening the Company's balance sheet and establishing a basis for future growth.

Hedging

The Company recorded a hedging gain of US\$343/t upon exercising its options under the zero-cost collar in place, in relation to 1,500 tonnes of lead metal sold in the September quarter (priced December quarter).

Price protection is in place in respect of 1,380 tonnes of lead sold in the December quarter, with pricing due to settle in the March quarter. Of this total, 1,000 tonnes are hedged via the existing zero-cost collar implemented early in 2011, which provides price protection at US\$2,315/t with upside participation to the sold call strike of US\$2,750/t.

The Company has USD hedging in place covering US\$18.4 million of future cashflows through to March 2013 at an average rate of 0.998. Foreign currency hedge contracts are maintained to align USD denominated revenue with the underlying commodity price risk. Despite a weaker AUD compared with the prior quarter, a gain of \$0.3 million was realised on delivery into foreign exchange hedges.

Cash

The Company held cash totalling \$7.5 million as at 31 December 2011.

The Fleurieu Exploration Project (continued from page 7)

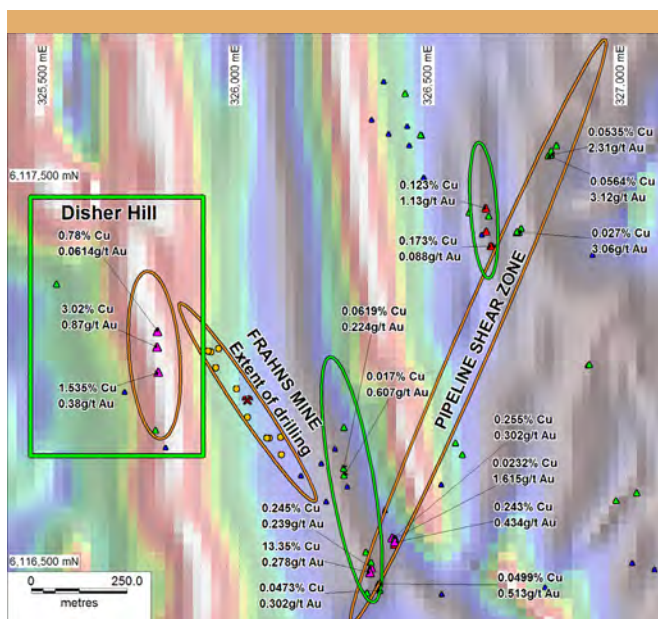


Figure 1: Disher Hill, rock chip and float sampling showing assay results for copper and gold on a RTP aeromagnetic image (54 MGA94 Zone).

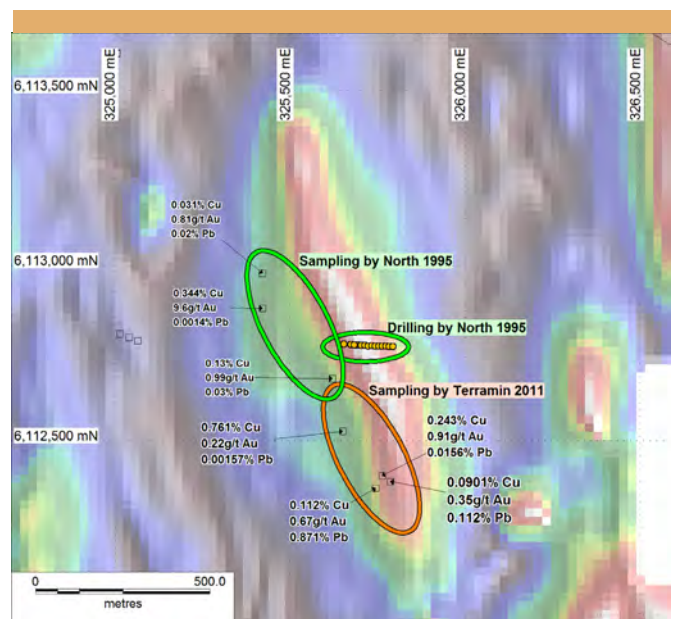


Figure 2: Freeway Prospect float sampling showing assay results for copper, gold and lead on a RTP aeromagnetic image (54 MGA94 Zone).



Summary of hedging positions as at 31 December 2011

METAL		2012 H1	2012 H2	2013 H1	2013 H2	Total
Lead						
USD sold forward contracts	t	380	–	–	–	380
Average price	USD/t	2,080	–	–	–	2,080
zero-cost collars						
Sold USD call option	t	1,000	–	–	–	1,000
Bought USD put option	t	1,000	–	–	–	1,000
Sold call strike	USD/t	2,750	–	–	–	2,750
Bought put strike	USD/t	2,315	–	–	–	2,315
Gold						
USD sold forward contracts	oz	1,140	1,140	570	–	2,850
Average price	USD/oz	1,400	1,400	1,400	–	1,400
Silver						
USD sold forward contracts	oz	78,000	78,000	39,000	–	195,000
Average price	USD/oz	32.95	32.95	32.95	–	32.95
CURRENCY						
AUD forward contracts						
USD	USD	11,466,100	4,166,100	2,777,400	–	18,409,600
Weighted average AUD:USD	AUD:USD	1.007	0.982	0.982	–	0.998

CORPORATE INFORMATION

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CAPITAL STRUCTURE

at 31 January 2012

Shares on issue210,800,124
Unlisted Options6,595,000
Unlisted convertible/redeemable notesUS\$25,050,000
and 2,263,529 notes at \$2.21 per share conversion\$5,002,400

DIRECTORS

Nic Clift	<i>Managing Director</i>
Bryan Davis	<i>Chairman</i>
Michael H Kennedy	<i>Director</i>
Steve A Bonett	<i>Director</i>
Peter Zachert	<i>Director</i>
Xie Yaheng	<i>Director</i>
Kevin C Moriarty	<i>Director</i>
Stephane Gauducheau	<i>Company Secretary</i>

The information in this report that relates to Exploration Results is based on information compiled by Mr Eric Whittaker. The information that relates to Mineral Resources for Menninnie Dam and Tala Hamza is based on information compiled by Mr Robert Singer. The information that relates to Mineral Resources for Angas is based on information compiled by Mr Eric Whittaker. The information that relates to Ore Reserves for Tala Hamza is based on information compiled by Dr David Allison and for Angas by Mr Ian Holman. Mr Whittaker and Mr Singer are Members of The Australasian Institute of Mining and Metallurgy and Dr Allison and Mr Holman are Members of the Institute on Materials, Minerals and Mining. Mr Holman is Chief Engineer and Mr Whittaker is Principal Resource Geologist and both are full time employees of Terramin Australia Limited. Mr Singer was Chief Geologist of Terramin Australia Limited; Dr Allison was Senior Mining Engineer at Golder Associates (UK) Ltd at the time of their respective estimates. 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 of Exploration Results, Mineral Resources and Ore Reserves'. Mr Whittaker, Mr Singer, Mr Holman and Dr Allison consent to the inclusion in the report of the matters based on his information in the form and context in which it appears.