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Quarter Report 2011

HIGHLIGHTS

MANAGING DIRECTOR'S REVIEW

- Improved revenue and EBITDA performance
- Potential for exploration projects to deliver shareholder value

ANGAS ZINC MINE

- Improved mine stoping access and flexibility results in increased ore production
- Plant throughput up 11% – reduces lower grade ore impact on concentrate production
- 2011 full year concentrate forecast unchanged
- Follow-up drilling programme commenced at Sunter

OUED AMIZOUR PROJECT

- Government review not yet completed but assurance from Algerian partners and Bejaia government with regard to importance of Tala Hamza project
- Progress on planning of key project facets: organisational capability, faster mine development and community consultation

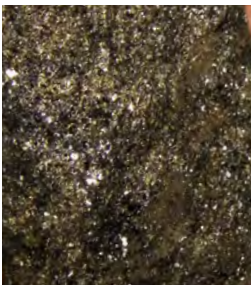
MENNINNIE ZINC PROJECT

- Agreement signed for purchase of 100% interest in Nonning tenement
- Mining study produces positive metallurgical results and identifies opportunities to enhance grade and resources
- Project positioned for joint venture

CORPORATE

- Foreign exchange hedging continues to provide protection against the appreciating Australian Dollar (AUD)

FOCUS ON ZINC



VITAL

Zinc is vital for construction, food, production, health, pharmaceuticals, infrastructure, transport, ...for life itself



MANAGING DIRECTOR'S REVIEW

The June quarter has been a period of consolidation with a considerable amount of my time invested in progressing the Tala Hamza project and increasing management responsiveness at the Angas mine to ensure we deliver on our projections. I have also been working with our Angas and Menninnie exploration teams because the advanced status of those projects offers the best potential to deliver early shareholder value. I will explain more on this below.



Financials

Terramin recorded a higher revenue and earnings (EBITDA) outcome for the June quarter over the March quarter mainly as a result of increased zinc shipments. This offset increased cash costs resulting from unfavourable volume and cost inputs.

Operations

Angas Mine – A number of measures that were implemented towards the end of the first quarter began to take effect, improving operational performance. The total number of tonnes mined and milled was ahead of last quarter as a result of better mine uptime, more effective timing for planned outages and the deployment of more reliable equipment.

Concentrate production was similar to the prior quarter, however payable metal production was up for all metals except zinc. Less zinc was produced because paste fill placement delays meant higher grade sections of the mine were rescheduled into the second half year. Paste fill performance has now improved, so we anticipate that grades will be higher during the second half, with a commensurate increase in zinc production to meet forecast.

Exploration

Angas – As stated in the last quarterly report, a total of 13 holes were drilled on the Sunter shoot. Analyses of those holes were completed and released to the ASX during the last quarter. These encouraging results show zones of high-grade mineralisation within a broad lower grade envelope extending to the surface. The mineralisation is open in several directions, particularly at depth, so a follow-up drill programme is now underway for the purpose of defining a large mineable resource.

Fleurieu – Processing of the regional VTEM data has identified several conductive anomalies. They can be compared to known deposits like Angas. The high resolution magnetic data collected at the same time has proved invaluable as it allows our geologists to see how structures are associated with the mines and prospects.

Interestingly, the results confirm the prospectivity of the Preamimma to Frahns copper and gold trend drilled by Terramin in 2010. We announced encouraging gold results from the Lady Jane mine along that trend, and the VTEM and magnetic survey shows structures intersect where the old mines are located. The survey shows similar but larger structures intersecting the trend line, providing important targets for larger mineral deposits. Importantly for Angas mine life, new lead-zinc prospective anomalies have also been detected.

Menninnie – Early this year, Terramin announced a doubling of the Inferred Resource on the Menninnie Dam tenement to 7.7 million tonnes at 5.7% zinc and lead and 27 grams per tonne of silver. Since then the Company has have been conducting baseline mining studies on this deposit and identifying the best targets to increase grade and tonnes.

The Menninnie mineralisation is controlled by structural intersections, so the emphasis is on drilling these to build the resource base. Since Terramin's financial priority is the Tala Hamza project, I am pleased to report that substantial companies have been studying the Menninnie data with a view to funding a major programme with the objective of achieving early mining feasibility.

Tala Hamza – After a delay, the government joint venture partner, ENOF, appointed consultants to review the Definitive Feasibility Study (DFS) in late February. Several times during the quarter ENOF said that its consultants were nearing the end of their review, and informed Terramin that the results would be made available soon after. We announced some of these communications, but since they were not realised we have decided to wait until we actually receive and consider the results of their review.

At ENOF's request, Terramin agreed it would work with them to consider any issues arising from the review with a view of moving speedily to a Decision to Mine and submission of an application for a mining permit.



The permitting process has a maximum statutory period of five months. Once permitted, the project will move to construction phase.

Since it has little influence on the government review process, Terramin has been focused on planning for the next phase of the project, including formulating tendering processes, land access preparation, development of organisational capability, community consultation programmes and project financing.

I understand shareholder concern over the time it has taken for the Tala Hamza project to get through this phase. However, given that this project, when operational, will be one of the world's top ten producing zinc mines, deploying some of the most modern mining technology and located close to an urban centre, it is therefore reasonable for our JV partners to take the time to understand the project fully.

Furthermore, in the context of other major mines of this scale around the world, the time taken for permitting and construction is still quite reasonable.

Zinc outlook

There is a consensus view amongst analysts that the medium term outlook for zinc is a positive one. Significant reduction in mine output will diminish zinc supply and force the market into deficit. Analysts are also now reporting reduction in Chinese mine production, something I flagged to shareholders a year ago in this review. The Tala Hamza project start up is likely to be very well timed to capitalise on predicted higher prices from 2013 onwards. Importantly for shareholders, our Angas mine will be producing its lowest cost zinc from early next year as development capital winds down. This means it is very well placed to deliver higher free cash flows as zinc prices appreciate.

Corporate

Following my statement at the AGM that I would not continue in an executive role after Tala Hamza was permitted for construction and that the appointment of a CEO should be a priority in the interim, the board appointed Bryan Davis as Non-Executive Chairman while I remain Managing Director. This transitional step is expected to facilitate the recruitment of a new CEO, and I am pleased to report that we are continuing to interview candidates.

In the interim I am focused on progressing the Tala Hamza project, with which I have been associated for six years since negotiating our acquisition of a 65% interest. The personal factor in business relationships in cultures such as Algeria and China is crucial, such that when differences arise, their resolution relies on the confidence generated by the quality and tenure of the personal relationship.

After some recent corporate actions, our Algerian colleagues asked the Terramin Board to affirm my authority and continued involvement. The Algerian partners see continuity in the relationship as important for the success of the project, so the full board expressed its confidence and backing for my role. I have assured our partners that I value the long-standing relationship and I will continue appropriate involvement after I relinquish an executive role.

Our focus over the next quarter will be on continuing to improve operational performance at the Angas mine, and moving the Tala Hamza project through a Decision to Mine by WMZ and submission of the mining lease application. As mentioned earlier, Terramin's outstanding exploration opportunities on Fleurieu and Menninnie have early potential to deliver results and shareholder value.

Kevin Moriarty
Managing Director



REVIEW OF OPERATIONS

Operation Description	Resources/ Reserves	Activities for the Quarter
<p>Angas Zinc Mine <i>100% Terramin owned and operated</i> A 400,000 tpa operation producing zinc and lead-copper-silver-gold concentrates. 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 Port Pirie Pty Ltd for lead concentrate.</p>	<p>Probable Reserves of 1.69 million tonnes at 9.75% Pb+Zn; 31g/t Ag and 0.5 g/t Au (June 2010).</p>	<p>Safety, Environment and Community report Onsite safety measures continued to improve in key areas of reporting and audit compliance, however 4 recordable injuries required medical treatment. There were significant advances in the programme to reduce water volumes and levels in the Tailings Storage Facility to comply with the Mining and Rehabilitation Plan. The water purification facility is now performing at design specification, outputting about 600m³ per day. Placement of tailings backfill to underground stopes is also assisting in reducing TSF volume. The effects are already noticeable as a reduction of the area under water despite winter rains. Additional treatment facilities and disposal methods for treated water are being reviewed with regulators for approval. Operations Ore and process tonnage exceeded forecast because uptime improved, replacement equipment was commissioned, and planned mill outages were more efficient. Reagent trials were undertaken to optimise recoveries affected by the withdrawal from market of a key reagent product. Development ore production was influenced by lower grade ore drives. Surface stockpiles exceeded 2,000t ore by the end of the quarter, and have continued to increase to over 6,000t by mid-July. Backfill utilising tailings paste commenced and several stopes were filled during the period. Specialist thickening equipment is being introduced to allow all ore types to be utilised for paste fill. This will increase pastefill output in the future months. Cemented rock-fill and dry-fill placement continued at higher rates. The mine life extension programme continued to identify prospective targets. A follow-up drill programme to define sufficient resources in the new Sunter shoot commenced in July, after a delay from the unavailability of drill rigs.</p>
<p>Oued Amizour Project <i>100% owned by Western Mediterranean Zinc Spa (WMZ)</i> 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%). 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 6 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. Following the completion of the DFS, a Probable Reserve was announced of 38.1 million tonnes at 6.1% Pb+Zn.</p>	<p>Work has continued on the Tala Hamza project with regular, positive discussions between WMZ JV partners concerning the review and approval process. A surveyor continued the cadastral process over the land required for the project. The surveyor has identified the majority of land holders within the proposed mine lease and is progressing field discussions. Further analysis on roadheaders as the preferred mine development method was progressed. The use of roadheaders was compared to drill and blasting methods on the basis of performance, practical application and safety. Discussions with potential suppliers and visits to sites utilising these methods also took place. Results were received in the quarter for four drill holes previously completed at the Bouzenan prospect. These intersected dominantly lead mineralisation beneath outcropping sulphide veins. Further investigation will be required to test the continuity of the mineralisation. The civil unrest in some parts of North Africa has not impacted the progress of the Tala Hamza Project.</p>
<p>Menninnie Zinc Project <i>Owned by Terramin subsidiary Menninnie Metals Pty Ltd</i> The Menninnie Zinc project comprises a contiguous group of four tenements covering an area of 1,609km². Menninnie Dam (EL3640), Nonning (EL3535), 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>The scoping study on the mineralisation at the Menninnie Central and Viper prospects identified significant opportunities to increase grade and size of the mineralisation using targeted drilling. Prime targets for the thickest and most continuous mineralisation, such as in the Boss lodes, are controlled by structural intersections. Surveys have identified more prospective targets throughout the whole tenement package. 3D geophysical processing of Versatile Time Domain Electro-Magnetics (VTEM) and ground EM surveys is underway to facilitate precise selection of drill locations.</p>



Key quarterly statistics

Production statistics	Sep	Dec	Mar	Jun	Forecast	
	Quarter	Quarter	Quarter	Quarter	YTD	12 Mths
	2010	2010	2011	2011	2011	2011
Total ore mined (tonnes)	96,805	101,371	90,357	103,776	194,133	
Total ore treated (tonnes)	92,313	105,834	91,595	101,753	193,384	400,000
Ore grade: - Zn%	6.67	6.37	6.38	5.77	6.306	
- Pb%	2.56	2.43	2.61	2.69	2.65	
- Cu%	0.23	0.22	0.23	0.22	0.22	
- Ag g/t	27.2	27.4	29.0	31.4	30.3	
Zinc Concentrate (tonnes)	10,430	11,076	9,566	9,612	19,177	47,000
Grade: - Zn%	49.9	50.8	50.9	50.0	50.4	
Recovery: - Zn%	84.6	83.4	83.3	81.2	82.6	
Lead Concentrate (tonnes)	3,747	4,216	3,653	4,181	7,834	18,500
Grade: - Pb%	51.7	49.6	53.5	53.5	53.5	
- Cu%	4.5	4.2	3.8	3.7	3.7	
- Ag g/t	516	510	539	577	559	
- Au g/t	8.6	7.6	7.7	8.2	7.9	
Recoveries - Pb%	81.9	81.4	81.7	81.9	81.8	
- Cu%	78.0	75.0	65.8	70.0	68.0	
- Ag%	77.0	74.3	74.2	75.4	74.9	
Payable metal						
- Zn t	4,373	4,736	4,102	4,037	8,139	
- Pb t	1,825	1,966	1,846	2,112	3,958	
- Cu t	33	40	30	34	65	
- Ag oz	56,132	62,424	57,423	70,811	128,234	
- Au oz	829	801	706	867	1,573	

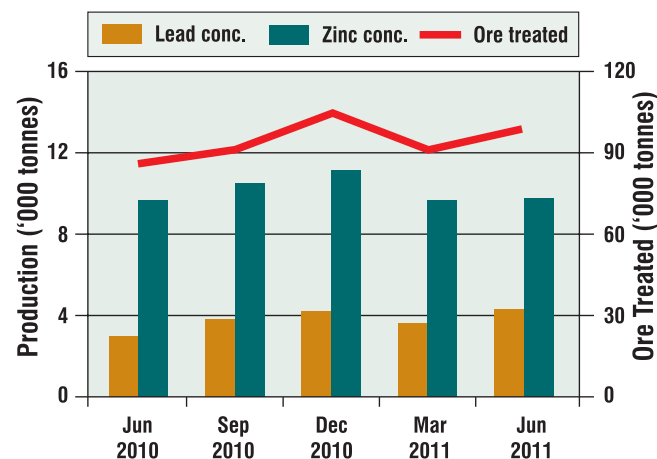
Tonnage of ore mined was the second highest since the mine's inception, an increase of 15% on the previous quarter. Factors increasing output included multiple mining areas becoming available following improvements in development rates and improved equipment availability due to recent fleet upgrades. The ROM stockpiles continued to build in early July as the improvements were sustained into the third quarter.

Total ore treated also exceeded forecast, recording an 11% increase against the previous quarter. The throughput improvements were achieved by a reduction in plant downtime and a more consistent supply of ore feed.

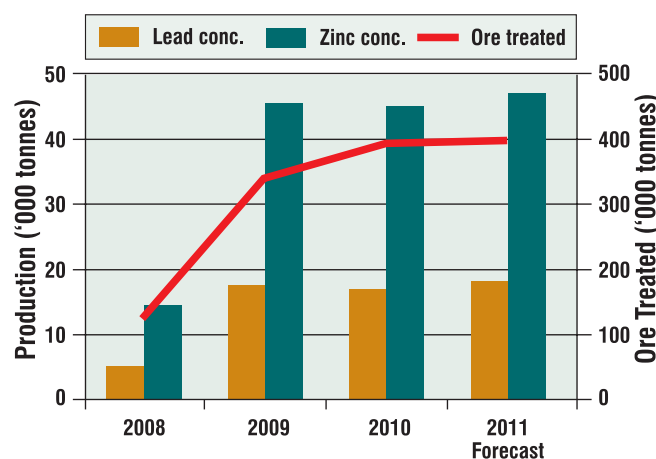
Zinc grade of ore was lower than planned owing to a number of adverse factors that caused lower grade stopes to be substituted for planned high-grade stopes. These factors included delayed paste fill placement that delayed availability of higher grade stopes, and variable development ore from new levels that reduced recoveries in the mill. The result contributed to below forecast quarterly zinc concentrate production. However, paste fill placement has improved and should provide access to higher grade stopes through the second half of 2011, such that the full year forecast of 47,000 dmt of zinc concentrate is achievable.

Lead concentrate production was 14% higher and zinc concentrate production in line with the prior quarter, as higher volumes were offset by lower zinc feed grades. Payable metal exceeded the previous quarter for all metals with the exception of zinc which was marginally lower.

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)	Sep Quarter 2010	Dec Quarter 2010	Mar Quarter 2011	Jun Quarter 2011	YTD 2011	
Production Costs	79	88	93	117	105	<p>The reported C1 cash cost was higher than the previous quarter, primarily due to unfavourable volume and cost inputs. Increases in ore mined/milled were offset by lower zinc grades and as a result, higher variable costs were recorded without an associated increase in payable zinc metal. This ratio is expected to recover significantly in the second half of 2011 as higher grade stopes are accessed. There were also a number of significant maintenance costs incurred during the quarter, which are expected to be non-recurring due to recent fleet upgrades. The appreciation of the AUD over the current quarter also increased C1 cash costs by US 4c/lb.</p> <p>A favourable movement was recorded in net by-product credits due to an increase in the associated payable metals. A reduction in 2011 benchmark terms for zinc has provided a favourable recurring decrease in treatment charges.</p>
- Mining	44	47	51	61	56	
- Processing	26	29	31	42	37	
- Other Site Costs	10	11	10	15	12	
Realisation Costs	42	36	39	39	39	
- Transport & Handling	13	10	10	14	12	
- Zinc Treatment Charges	30	26	29	25	27	
Net By-product Credits	(60)	(77)	(77)	(82)	(79)	
C1 Cash Cost	62	46	54	74	65	

Sales	Sep Quarter 2010	Dec Quarter 2010	Mar Quarter 2011	Jun Quarter 2011	YTD 2011	
- Zinc concentrate (t)	9,927	14,690	7,482	9,319	16,801	<p>The average realised price for zinc reflects pricing terms established in advance of the shipments delivered. The pricing terms established in advance provided an average realised price for zinc of 8% above average market prices during the quarter.</p> <p>The decrease in lead prices over the quarter resulted in a devaluation of prior quarter sales that were subject to final pricing in the June quarter. The higher lead prices being experienced early in July suggests this impact may be reversed in the September quarter. The average realised price recorded for lead was 3% above average market prices during the quarter.</p>
- Lead concentrate (t)	4,049	4,848	4,009	3,907	7,916	
Average Realised Price						
Average Price in US\$/t						
- Zinc	2,383	2,090	2,182	2,435	2,324	
- Lead	2,550	2,691	2,822	2,625	2,723	
Average Price in USc/lb						
- Zinc	108	95	99	110	105	
- Lead	116	122	128	119	124	
Commodity Prices						
Average Price in US\$/t						
- Zinc	2,013	2,315	2,395	2,254	2,325	
- Lead	2,032	2,390	2,604	2,558	2,581	
Average Price in USc/lb						
- Zinc	91	105	109	102	105	
- Lead	92	108	118	116	117	

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.



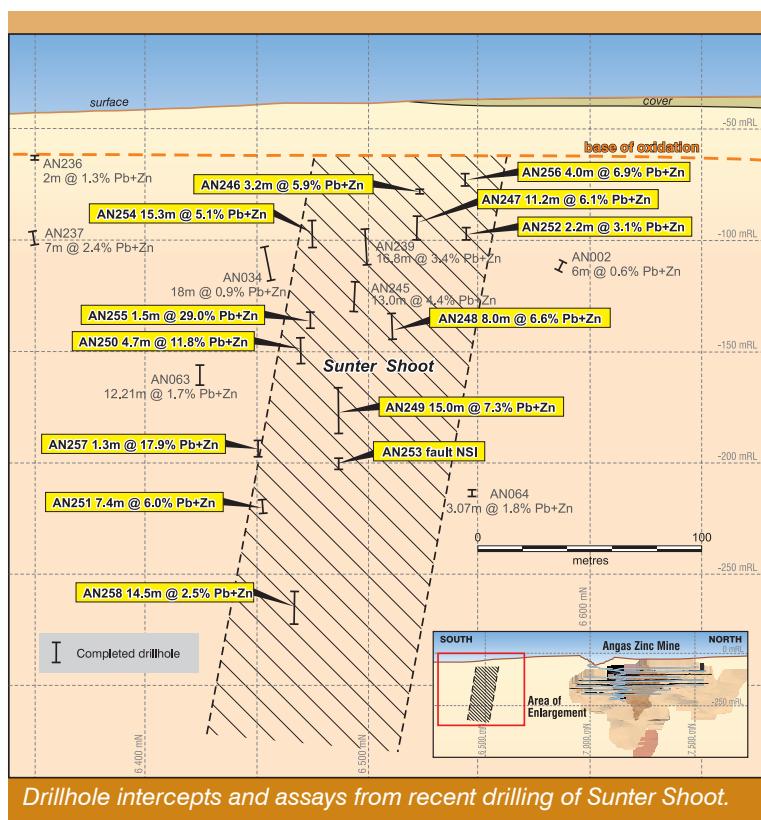
Angas

Exploration on the mining lease is targeting additional resources to extend the life of mine.

The mineralisation at the Sunter Prospect, located 400m to the south of existing underground workings has been modelled as a set of subparallel lenses. Follow-up drilling at Sunter, planned for the quarter, was delayed due to rig unavailability. This drilling commenced in July and is designed to test for depth extension. It will also define the oxide/sulphide boundary because the mineralisation extends to surface.

A deep conductive body has been interpreted to the east of the Angas ore bodies from the 2010 VTEM survey. An induced polarization (IP) survey has been scheduled for late July to assist in precise drill targeting.

The southern extents of the Garwood and Rankine ore bodies are now considered to be truncated by a steeply dipping NW orientated fault. If so, the location of the offset trend is a highly prospective target. Structural data is being collected to determine the displacement vectors to assist in locating the offset.



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 south west of the Angas Mine.

First pass processing of the 500 km² VTEM survey has identified conductive anomalies of interest for lead-zinc, copper, and gold. Prospect scale modelling and ranking is underway and additional processing is being undertaken. Soil and calcrete samples have been collected over several of the VTEM anomalies to test for surface expressions, particularly where previous explorers reported anomalous lead-zinc and copper. These samples are currently at a laboratory awaiting analysis.

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 (EL3535), Kolendo (EL4285) and Taringa (EL4669).

The Nonning tenement is part of the group of 4 tenements that comprise the Menninnie Zinc project. This tenement has been subject to an earn-in arrangement between Terramin and Minotaur Operations Pty Ltd (Minotaur) whereby Terramin could earn an interest of up to 70%. During the period an agreement was reached with Minotaur for Terramin to acquire a 100% interest of the Nonning tenement. Completion of this transaction is subject to approval by the Minister pursuant to the Mining Act (SA) 1971.

The baseline scoping study on the mineralisation at the Menninnie Central and Viper prospects identified significant opportunities to increase grade and size of the mineralisation using targeted drilling. Prime targets for the thickest and most continuous mineralisation, such as in the Boss lodes (70 metres width), are controlled by structural intersections. Preliminary metallurgical testing of the Menninnie Central lodes was favourable.

Planning of a drilling programme at the highly prospective Phone Hill, Tank Hill, Cracker and Viper prospects has progressed. The results from 3D processing of IP data will allow precise definition of drill locations.

The processing of VTEM surveys on Nonning is in progress. Follow-up ground EM surveys on Kolendo and Taringa are planned. 3D processing of IP on Nonning will also assist in precise drill targeting. It is expected that information will be received and analysed in the coming quarter.

Prospective targets have been identified throughout the whole tenement package. The potential for major discoveries positions the project to attract a substantial JV partner.

Total exploration expenditure incurred for all the Australian activities during the quarter was \$0.52 million.



OUED AMIZOUR ZINC PROJECT

Terramin and WMZ have completed a Definitive Feasibility Study for the development of a large new underground block cave zinc mine on the Tala Hamza deposit located on the tenement. The study recommended a minimum annual throughput capacity of 4Mtpa producing an average annual production of 370,000 tonnes of zinc and lead concentrates. The tenement also contains several lead-zinc and other prospects with the possibility of more discoveries.

Feasibility programme

Terramin and its Algerian joint venture partner ENOF have continued to make progress towards bringing the Tala Hamza project to a Decision to Mine and submission of a mining lease application.

The recent political events elsewhere in Northern Africa have had no impact on the operations or Algerian affairs.

There have been regular, positive discussions between WMZ joint venture partners concerning the regulatory approval process being undertaken. Whilst ENOF undertake their due diligence process, Terramin has been assured of the importance of the project by the Algerian Minister of Mines, the local Wilaya (regional government) and other key government personnel.

Despite assurances from officials and colleagues over the past six years, the review process has taken considerably longer than expected. The Tala Hamza project is the first significant underground mine assessed under the new Algerian Mining Act. It is also the first large zinc mine, and its location near a population centre means that the Algerian government are paying particular attention to the technical and environmental aspects of the project.

Meanwhile, WMZ has appointed a licensed surveyor in Bejaia to advance the cadastral process for the land required for the project. He has identified the majority of landholders within the Mine Lease area and is progressing field discussions with residents in order to confirm certificates of title.

The preliminary portal design for the access declines has been prepared during the quarter, based on a detailed geology and structure study by WMZ. The design will be used to prepare a request for quotation under the tender process for the decline portal and adjacent earthworks.

Investigation was undertaken to further analyse the performance, practical application and safety of roadheaders in comparison to drill and blast methods. Information analysed to date suggests roadheaders would be a superior choice in terms of advance rate, safety, and operational context. Terramin's engineers had discussions with potential suppliers and carried out inspections of mines utilising roadheaders in the quarter.

There was progress in up-skilling the workforce to prepare for the construction of the Tala Hamza project. A number of Algerian employees have been selected for numerous training programmes with four key WMZ employees seconded to Adelaide for an intensive training programme.

Exploration

Assay results (Table 1) have been received for the four drillholes completed at the Bouzenan Prospect, located 3km south-east of Tala Hamza deposit (Table 2). The drillholes intersected lead dominant mineralisation beneath outcropping sulphide veins. Of particular note was an intersection of 42.4m at 3.23% Pb+Zn, including 14.3m at 5.99% Pb+Zn in hole BZN003. Further investigation is required to determine the continuity of the mineralisation.

A regional stream sediment programme designed to cover the whole of the Oued Amizour tenement is ongoing.

Table 1: Significant analytical results – Bouzenan prospect

Hole ID	From (m)	To (m)	Length (m)	Pb (%)	Zn (%)	Ag (g/t)	Pb+Zn (%)
BZN001	112.5	114.1	1.6	7.23	0.67	56	7.90
BZN001	146.0	148.0	2.0	2.60	0.22	46	2.82
BZN002	153.4	167.4	14.0	0.07	0.58	-	0.65
BZN002	181.2	185.2	4.0	0.53	0.39	3	0.92
BZN003	140.7	183.1	42.4	1.27	1.96	6	3.23
<i>including</i>	142.6	156.9	14.3	2.43	3.56	12	5.99
BZN004	92.1	94.9	2.8	3.59	0.23	11	3.81
<i>including</i>	93.1	94.0	0.9	6.57	0.45	20	7.02
BZN004	99.0	100.0	1.0	1.45	0.29	5	1.74
BZN004	112.0	113.0	1.1	2.33	0.22	18	2.55
BZN004	120.0	125.0	5.0	0.25	0.63	-	0.88
<i>including</i>	121.0	122.0	1.0	0.31	1.00	-	1.31

Table 2: Drillhole collar locations – Bouzenan prospect

Hole ID	Easting	Northing	RL	Total Depth (m)	Azimuth	Dip
BZN001	706567.42	374786.06	775.69	256.4	355.5	-60
BZN002	706670.45	374785.50	801.97	217.4	-	-90
BZN003	706682.74	374812.25	799.61	325.9	80.5	-75
BZN004	706617.38	374911.37	758.00	152.9	215.5	-80

Expenditure

Expenditure on the Oued Amizour project totalled \$0.75 million. The majority of the expenditure was for ongoing exploration and review of the DFS.



Shares and options issued

A total of 512,494 shares were issued for the satisfaction of interest due on outstanding Convertible Notes.

Total options on issue reduced substantially by 9,196,630.

During the quarter the Company cancelled a total of 9,796,630 options. Of the options, 7,754,630 were held by Investec Bank (Australia) Limited and were cancelled as per the agreed terms of a debt restructure completed in August 2010 and in accordance with the resolution carried out at the Company's 2011 Annual General Meeting. A further 2,042,000 director and employee options expired and were cancelled accordingly.

The Company issued a total of 600,000 options to employees in accordance with certain employment terms.

Hedging

Price protection is in place in respect of 1,710 tonnes of lead sold in the June quarter, with quotational pricing due to settle in the September 2011 quarter. Of this total, 1,500 tonnes are hedged via a zero-cost collar implemented early in 2011, which provides price protection at US\$2,315/t with upside price participation to the sold call strike of US\$2,750/t.

An additional 210 tonnes has been fixed at a price of US\$2,505/t via a sold forward contract. The company recorded a quotation period hedging loss of US\$37/t on the sale of 1,060 tonnes of lead from March quarter sales priced in the June quarter.

AUD precious metal hedging via forward contracts protecting approximately 50% of forecast payable metal production until March 2013 is unchanged from the prior quarter.

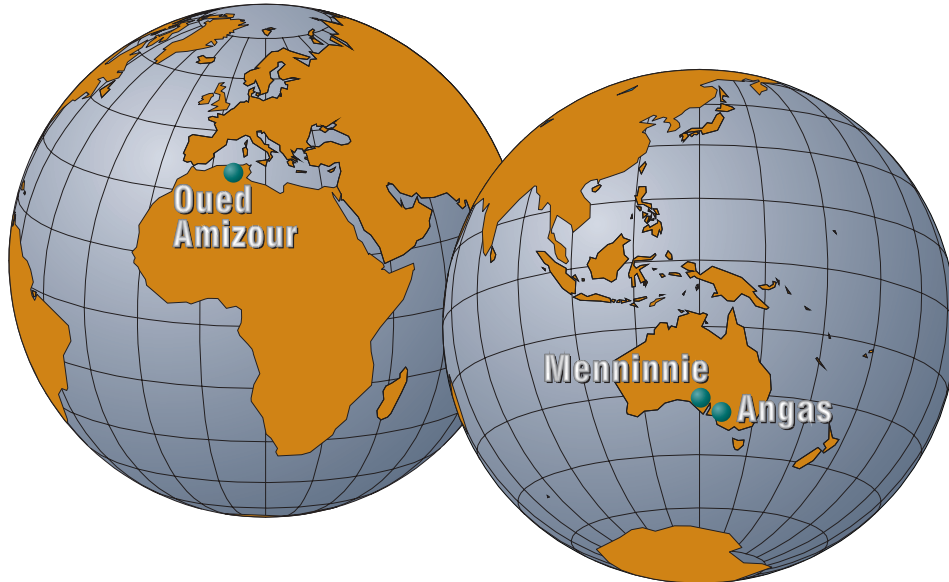
In accordance with Company policy, a USD hedging programme was maintained during the quarter in order to mitigate foreign exchange risk on USD denominated metal sales with fixed metal prices. Additional currency protection implemented during the quarter relates to zinc metal sales priced several months in advance of the scheduled month of shipment. At the end of the quarter, USD sold forward against the AUD totalled US\$31.0 million at an average exchange rate of 0.999. These AUD forward contracts are on significantly more favourable terms than the market rates prevailing at quarter end.

Cash

The Company held cash totalling \$9.6 million as at 30 June 2011.

Summary of hedging positions as at 30 June 2011

METAL		2011 H2	2012 H1	2012 H2	2013 H1	2013 H2	Total
Lead							
USD sold forward contracts	<i>t</i>	210	–	–	–	–	210
Average price	<i>USD/t</i>	2,505	–	–	–	–	2,505
zero-cost collars							
Sold USD call option	<i>t</i>	3,000	1,000	–	–	–	4,000
Bought USD put option	<i>t</i>	3,000	1,000	–	–	–	4,000
Sold call strike	<i>USD/t</i>	2,315	2,315	–	–	–	2,315
Bought put strike	<i>USD/t</i>	2,750	2,750	–	–	–	2,750
Gold							
USD sold forward contracts	<i>oz</i>	1,140	1,140	1,140	570	–	3,990
Average price	<i>USD/oz</i>	1,400	1,400	1,400	1,400	–	1,400
Silver							
USD sold forward contracts	<i>oz</i>	78,000	78,000	78,000	39,000	–	273,000
Average price	<i>USD/oz</i>	32.95	32.95	32.95	32.95	–	32.95
CURRENCY							
AUD forward contracts							
USD	<i>USD</i>	19,851,100	4,166,100	4,166,100	2,777,400	–	30,960,700
Weighted average AUD:USD	<i>AUD:USD</i>	1.009	0.982	0.982	0.982	–	0.999



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CORPORATE INFORMATION

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CAPITAL STRUCTURE

at 29 July 2011

Shares on issue 177,995,590
Unlisted Options 6,875,000
Unlisted convertible/redeemable notes US\$25,050,000
and 2,263,529 notes at \$2.21 per share conversion \$5,002,400

DIRECTORS

Bryan Davis

Kevin C Moriarty

Michael H Kennedy

Steve A Bonett

Peter Zachert

Xie Yaheng

Stephane Gauducheau

Chairman BSc (Tech), FAusIMM, MAICD

Managing Director

BSc (Hons), PhD, MAusIMM

Director BCom (Economics)

Director BCom, LLB (Hons), MAICD, SIA

Director BBus, MCom, MGeoscience, FCA, FAIM

Director

Company Secretary LLB, GDLP, Maitrise de Droit

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 is based on information compiled by Mr Robert Singer. The information that relates to Ore Reserves is based on information compiled by Dr David Allison and Mr Andrew Robertson. Mr Whittaker, Mr Singer and Mr Robertson are Members of The Australasian Institute of Mining and Metallurgy and Dr Allison is a Member of the Institute on Materials, Minerals and Mining. Mr Whittaker is Principal Resource Geologist and a full time employee of Terramin Australia Limited, Mr Singer was Chief Geologist of Terramin Australia Limited and Dr Allison was Senior Mining Engineer at Golder Associates (UK) Ltd. Mr Robertson was a consultant. 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 Robertson 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.