TERRAMIN AUSTRALIA LIMITED

ABN 67 062 576 238

& Controlled Entities

INTERIM FINANCIAL REPORT

for the six months ended 30 June 2012

Contents

Results for Announcement to the Market

for the six months ended 30 June 2012

APPENDIX 4D

Group results

	30 June 2012 $'000	30 June 2011 $'000	Change %
Revenue from ordinary activities	**30,884**	25,545	21
Loss after tax attributable to equity owners of the Company - before non-controlling interests	**(56,547)**	(7,232)	(682)
Loss after tax attributable to equity owners of the Company - after non-controlling interests	**(56,770)**	(7,930)	(616)

Dividends/distributions

	Amount per security	Franked amount per security
2012 interim dividend	**Nil**	**Nil**
2011 interim dividend	Nil	Nil

Net Tangible Assets Per Share

	30 June 2012 $/share	30 June 2011 $/share
Net tangible assets per share	**0.07**	0.43

The commentary on the results for the period is contained in the Directors' Report. This Interim Financial Report is to be read in conjunction with the 2011 Annual Financial Report.

Chairman's address to shareholders

for the six months ended 30 June 2012

While the Company has continued its strong operational performance at Angas Zinc Mine and achieved corporate progress through the strategic review, global market challenges have continued in 2012. Lower Australian dollar (AUD) commodity prices continued to negatively impact net revenue and produced a disappointing financial result for the half year. Despite the strong operational performance, prevailing market prices have had a major effect on the economic life of the Angas Zinc Mine, as evidenced by the significant impairment of the Angas Zinc Mine asset at 30 June 2012 ($34 million), which has seen net tangible assets per share fall to $0.07 per share (30 June 2011 $0.43 per share). While the impairment of the Angas asset value is a non-cash item, it is still a very dramatic signal of the impact that these external economic variables have on our domestic mining operation. In this climate, the Company continues to focus on managing its cash position and ensuring positive cash flows from operations to mitigate the challenging period for the Company.

Operations

Against this backdrop, production at the Angas Zinc Mine has continued to improve with records being set for ore mined, ore treated and concentrate production in the six months to June 2012, along with a reduction in C1 cash costs. Notwithstanding this performance, prevailing AUD commodity prices have adversely affected the margin achieved on sales for the period, resulting in an Angas EBITDA result of $4 million in comparison to $6.2 million for the corresponding period in 2011. To counter market conditions, management continue to assess and review the economic cut-off grades of the mine to ensure positive cash flows. As a result of the ongoing review, the Directors requested that Management produce a Life of Mine plan depicting a worst-case scenario for assessment. This plan has been used to determine the fair value of the Angas asset and resulted in a significant reduction of the anticipated mine life and an impairment charge of $34 million. The Directors continue to review and assess the most realistic timeframe for the Angas Zinc Mine to continue production in consideration of global markets and optimisation work underway at the mine.

Tala Hamza

Terramin is developing alternative arrangements for the future of the project through capital raising activity, which will result in the Group committing to maintain its 65% interest in the project. Accordingly, the Group is progressing discussions with its Algerian partner with the intent of reaching agreement and reconciling the differences in opinion on the results of the Definitive Feasibility Study. In parallel, China Non-Ferrous Metal Industry's Foreign Engineering and Construction Co. Ltd (NFC) has advised Terramin that due diligence continues regarding the potential sale of Terramin's interest in the Tala Hamza project.

Exploration

Exploration activity has been placed on hold until the outcome of commercial negotiations in any joint venture or outright sale of the Menninnie or Fleurieu projects is determined.

Corporate Activities

The Board has continued efforts throughout the period to strengthen the balance sheet and address working capital. The efforts have culminated in a restructure with Investec Bank (Australia) Limited ("Investec"), of the Company's debt facility and funding requirements. In addition, the Board is expecting to complete the capital raising referenced in this report in the near-term in order to strengthen the balance sheet. The Board has also conducted regular communication with convertible noteholders with regard to negotiation at future maturity dates. It is the Board's opinion that mutually beneficial outcomes will be negotiated with convertible noteholders that will be in the best interests of all parties.

As previously advised, the Company has also sought wherever possible to reduce expenditure, including reducing corporate overheads and employee expenses through restructuring and relocating the corporate office.

Concluding remarks

I would like to thank all shareholders for their continuing patience throughout these challenging times as we strive towards better outcomes over future periods. Since assuming the role in June 2012, I have been working with both the Board and management team to progress the outcomes of the Company's Corporate Strategic Review and work towards unlocking shareholder value. I look forward to this work continuing to a successful conclusion.

Yours sincerely,

Michael Kennedy
Interim Chairman

Directors' Report

for the six months ended 30 June 2012

Your Directors submit their report on the consolidated entity comprising Terramin Australia Limited (the Company or Terramin) and its controlled entities (the Group) for the six months ended 30 June 2012 and the review report thereon. Terramin is a public company, limited by shares, that is incorporated and domiciled in Australia.

This report should be read in conjunction with the Company's 2011 Annual Financial Report.

BOARD OF DIRECTORS

The following persons were Directors of the Company during the interim period up to and including the date of this report (unless stated otherwise):

Mr Michael H Kennedy	*Interim Chairman*	
Mr Nicholas M Clift	*Managing Director and CEO*	
Mr Peter Zachert	*Non-Executive Director*	
Mr Xie Yaheng	*Non-Executive Director*	
Mr R Bryan Davis	*Non-Executive Chairman*	(Retired 29 June 2012)
Mr Steven A J Bonett	*Non-Executive Director*	(Retired 29 June 2012)
Dr Kevin C Moriarty	*Non-Executive Director*	(Retired 30 March 2012)

REVIEW OF OPERATIONS

Principal Activities

The principal activities of the Company during the period were to 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

	Angas 2012 $'000	Other 2012 $'000	**Total 2012 $'000**	Total 2011 $'000
Revenue	30,884	–	**30,884**	25,545
Other income	–	6	**6**	5
Raw materials, consumables and other direct costs	(27,478)	–	**(27,478)**	(20,920)
Change in inventories of finished goods and WIP	853	–	**853**	1,713
Employee expenses	–	(3,274)	**(3,274)**	(1,539)
Share option expenses	–	–	**–**	(48)
Other expenses	–	(1,882)	**(1,882)**	(1,501)
Net finance income (costs) (non-interest)	(202)	(1,262)	**(1,464)**	2,870
Earnings before interest, income tax, depreciation and amortisation (EBITDA)	4,057	(6,412)	**(2,355)**	6,125
Depreciation and amortisation	(14,823)	(30)	**(14,853)**	(10,360)
Impairment of non-current assets	(33,532)	(4,214)	**(37,746)**	–
Earnings before interest and income tax (EBIT)	(44,298)	(10,656)	**(54,954)**	(4,235)
Net finance costs (interest)	(1,040)	(553)	**(1,593)**	(2,997)
Income tax expense	–	–	**–**	–
Loss for the period	(45,338)	(11,209)	**(56,547)**	(7,232)

Review of Operations

During the period the Company continued to benefit from strong operating performance at the Angas Zinc Mine in South Australia. While the Company continues to focus on maximising operating margins at Angas, the corporate strategic review has also progressed during the period. Stage 1 of the review was disclosed in April, announcing the potential sale of the Tala Hamza deposit in the Oued Amizour Zinc Project in Algeria to China Non-Ferrous Metal Industry's Foreign Engineering and Construction Co. Ltd (NFC). Further developments occurring after period end are outlined in the subsequent events note. Stage 2 of the review was announced in May, outlining the engagement of corporate advisors Fortis Ago to assist in gathering expressions of interest for either joint venture or outright sale of the Company's prospective Menninnie and Fleurieu exploration projects. At balance date, a number of parties have expressed interest and due diligence is currently being conducted. Highlights for each of the Company's major projects are reported below.

Angas Zinc Mine *(Terramin 100%)*

The Angas Zinc Mine is the core operating asset of the Company and is located 2km outside the town of Strathalbyn, 60 km from Adelaide. The 400,000 tonne per annum mine, which achieved its nameplate capacity in the December quarter of 2009, produces zinc and lead-copper-silver-gold concentrates. There is a life of mine off-take agreement with Freepoint Metals and Concentrates LLC for zinc concentrate and a five year off-take agreement with Nyrstar Sales & Marketing AG for lead concentrate.

The Angas Zinc Mine continued to build on the success in 2011 by setting further mining and production records during the six month period to June 2012. Records were achieved for ore mined, ore milled and concentrate production. Both the zinc and lead grade performance exceeded the prior six month period and this trend is anticipated to continue throughout 2012. A reduction in mill throughput is planned for the second half of 2012 to allow for the higher feed grades, however this will be complemented by increased ore availability and improved mill availability to maintain metal recoveries.

The Angas Zinc Mine achieved the following during the period:

Summary of Production	6 Months June 2012	6 Months June 2011
PRODUCTION STATISTICS		
Ore		
Total Ore Mined (t)	**217,597**	194,133
Total Ore Treated (t)	**222,506**	193,348
Zinc Concentrate		
Concentrate (t)	**29,385**	19,177
Payable Zinc (t)	**12,367**	8,139
Lead Concentrate		
Concentrate (t)	**11,255**	7,834
Payable Lead (t)	**5,473**	3,958
Payable Copper (t)	**71**	65
Payable Silver (oz)	**161,477**	128,234
Payable Gold (oz)	**2,417**	**1,573**

Oued Amizour Zinc Project *(Terramin 65%)*

The Oued Amizour Zinc Project is 100% owned by Western Mediterranean Zinc Spa (WMZ). Terramin has a 65% shareholding in WMZ. The remaining 35% 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%). WMZ was formed following a resolution of the State Participation Council (CPE) to create a joint venture between ENOF and Terramin for the development and mining of the Oued Amizour zinc-lead deposit.

During the period, Terramin entered into negotiations to sell its 65% shareholding in WMZ to NFC. While NFC continue to carry out their technical due diligence, Terramin is developing alternative arrangements for the future of the project through capital raising activity, which will result in the Group committing to maintain its 65% interest in the project. Following a visit to Algeria, Terramin and its JV partner, ENOF, agreed that Terramin will submit a work plan in order to reconcile the differences over key issues in the Definitive Feasibility Study. It is intended that this submission will provide the basis for renewed dialogue to agree how best the project should proceed.

The application for renewal of the Oued Amizour exploration licence which expired on 26 August 2011 continues to be assessed by Agence Nationale du Patrimoine Minier (ANPM), the Algerian regulator. ANPM has requested that WMZ provides information regarding the DFS and additional work programme to resolve the issues regarding the feasibility study. WMZ will continue to liaise with ANPM as the work plan with ENOF continues, in order to resolve this issue. The Company has satisfied all the legal requirements for a renewal to be granted and on this basis has reasonable grounds to expect renewal of the exploration permit.

Fleurieu Exploration Project *(Terramin 100%)*

The Fleurieu Project comprises a contiguous group of five tenements covering an area of 1,032km^2. These are Bremer (EL4936), Hartley (EL3792), Currency Creek (EL4210) and Langhorne Creek (EL4466). A fifth licence ELA-2011/00288 has been applied for to the east of the existing Fleurieu tenements, covering an additional 154km^2.

In May 2012, the Company announced it is seeking expressions of interest for either joint venture or outright sale of its prospective Fleurieu exploration projects. Terramin has engaged Fortis Ago as its corporate advisor to assist with this process. While the due diligence process in underway, exploration work has been postponed pending the outcome of expressions of interest. Post the outcome of due diligence, the Company intends to conduct exploration at the prospective Pipeline and Disher Hill discoveries announced in the latter half of 2011.

Menninnie Zinc Project *(Terramin 100%)*

The Menninnie Zinc Project comprises a contiguous group of five tenements covering an area of 2,471km^2. These are Menninnie Dam (EL3640), Nonning (EL4813), Kolendo (EL4285), Taringa (EL4669) and Wipipippee Hill (EL4865).

On 3 May 2012 Menninnie Metals Pty Ltd was granted exploration licence EL4865 for the Wipipippee Hill region. This licence covers 862km^2 extending north and east from the Kolendo and Nonning tenements. The new tenement is considered prospective for deposits of gold and/or base metals in epithermal vein systems within and beneath the Gawler Range Volcanics.

In May 2012, the Company announced that it is seeking expressions of interest for either joint venture or outright sale of its prospective Menninnie exploration projects. Terramin has engaged Fortis Ago as its corporate advisor to assist with this process. Formal offers have been received and remain subject to final review and agreement.

Exploration work has been postponed pending the outcome of JV/sale expressions of interest.

Environment

The Group (in particular the Company's Angas Zinc Mine) is subject to significant environmental regulation under both Commonwealth and South Australian 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.

The Company continued to make progress towards ensuring the level of water in its Tailings Storage Facility (TSF) at the Angas Zinc Mine is reduced to comply with the levels detailed in the mine's Mining and Rehabilitation Plan. Water reduction initiatives continued with commissioning of additional plant to further enhance treated water release. An Environmental Direction was issued by mine regulator DMITRE relating to water release plans and associated actions in late 2011. 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 reduce the level of water in the tailings dam facility to the 68RL level by the end of 2012. Despite rainfall significantly above average, a number of contingencies are in place to manage the increased volumes of water entering the underground mine to ensure that the Company remains on track to meet the 68RL, including the installation of a pipeline to supply up to 750m3/day of irrigation quality water to a local primary producer.

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

A total of 1,518,081 shares were issued during the period. Of these, 1,412,131 were issued for the satisfaction of interest (US$198,772) due on outstanding Convertible Notes. The remaining 105,950 were issued to a consultant in accordance with their contract terms.

Total options on issue by the Company reduced by 1,950,000 due to the cancellation of 1,950,000 director and employee options which expired and were cancelled accordingly.

GROUP TENEMENT LISTING

Title Name and Location	Licence Number	Licence Area	Expiry Date	Terramin Interest	Minimum Expenditure Commitment
Angas - South Australia	ML 6229	87.97 ha	16/08/2016	100%	Not applicable
Bremer - South Australia	EL 4936	457 km^2	26/10/2013	100%	$390,000 per annum
Currency Creek - South Australia	EL 4210	174 km^2	23/11/2012	100%	Amalgamated with EL 4936
Hartley [1] - South Australia	EL 3792	126 km^2	3/06/2012	100%	Amalgamated with EL 4936
Langhorne Creek - South Australia	EL 4466	275 km^2	18/04/2013	100%	Amalgamated with EL 4936
Pfeiffer [2] - South Australia	ELA2011/00288	154km^2		0%	
				WMZ Interest	
Oued Amizour - Algeria [3]	5225PE	12,276 ha	26/08/2011	100%	Not applicable
				Menninnie Interest	
Menninnie Dam [4] - South Australia	EL 3640	101 km^2	26/10/2011	100%	$80,000 per annum
Nonning - South Australia	EL 4813	312 km^2	30/11/2013	100%	$240,000 per annum.
Kolendo - South Australia	EL 4285	208 km^2	26/07/2012	100%	$150,000 per annum
Taringa - South Australia	EL 4669	988 km^2	20/02/2013	100%	$250,000 per annum
Wipipippee - South Australia	EL 4865	862 km^2	2/05/2014	100%	$230,000 over two years

1. Application for renewal of licence was lodged to DMITRE on 2/3/2012 (ELA2012/00073).
2. Application for a new licence was submitted to DMITRE on 7/12/2011.
3. Application lodged for renewal of licence on 23/06/2011. The application for renewal of the Oued Amizour exploration licence which expired on 26 August 2011 continues to be assessed by Agence Nationale du Patrimoine Minier (ANPM), the Algerian regulator. ANPM has requested that WMZ provides information regarding the DFS and additional work programme to complete the feasibility study. WMZ will continue to liaise with ANPM as the work plan with ENOF continues, in order to resolve this issue. The Company has satisfied all the legal requirements for a renewal to be granted and on this basis has reasonable grounds to expect renewal of the exploration permit.
4. Application for renewal of licence was lodged to DMITRE on 29/8/2011 (ELA2011/00200). Upon assessment, the Company was requested to supply additional reports, which were submitted in August 2012.

FINANCIAL

The consolidated loss of the Group after providing for income tax was $56.5 million for the half year ended 30 June 2012 (2011: $7.2 million). The result was significantly impacted by a $38 million one-off non-cash impairment charge, consisting of a $34 million impairment to the Angas Cash Generating Unit (CGU) and $4 million to exploration projects. The Angas impairment is primarily a reflection of lower AUD commodity prices negatively impacting on Angas mine life and resulting discounted cashflows.

The operating profit for the Angas Zinc Mine was $4 million (2011: $6.1 million) before interest, tax depreciation and amortisation charges (EBITDA).

Sales revenue from zinc and lead concentrates was $31 million, a 21% increase from the corresponding period last year. Operating expenditure increased for the half year as a result of a 31% increase in Angas Zinc Mine operating expenditure to $27.5m (2011: $20.9 million). In relation to depreciation and amortisation, charges for the period were $14.9 million (2011: $10.4 million).

The consolidated net asset position as at 30 June 2012 was $14 million (31 December 2011 was $71.1 million) with current liabilities exceeding current assets by $33.5 million (2011: $0.8 million).

The Angas Zinc Mine EBITDA result was achieved despite challenging market conditions throughout the half year. The Company implemented a range of efficiency and net revenue maximisation initiatives in early 2012 resulting in continual improvement throughout the period. This improved cost profile is expected to continue into the second half of 2012. However, profit margins have been adversely impacted by lower realised AUD metal prices. The Company's hedging programme entered into in July 2012 will provide the Company with the appropriate degree of increased certainty of future cash flows without significantly limiting upside price participation in the current volatile AUD commodity price environment.

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

EVENTS AFTER THE BALANCE SHEET DATE

The Group recently agreed with Investec to the deferral of the $10 million principal repayment due on 30 September 2012 to 28 February 2013, this is agreed subject to final documentation.

Post balance date, the Group has advanced negotiations in respect of significant capital raising initiatives. At the date of this report, the Group is at an advanced stage of negotiation to secure $10 million in capital. The capital raising initiative is subject to certain conditions being met, some of which are outside of the Group's control. An outcome of the proposed capital raising includes retention of the interest in the Tala Hamza project by the Group. Based on negotiations conducted to date, the Directors are confident that the capital raising will be completed in the near-term including satisfaction of conditions precedent. The terms of the capital raising will be disclosed in accordance with the ASX Listing Rules as soon as finalised.

In the Directors' opinion, no further 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.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration for the six months ended 30 June 2012 can be found on page 7 and forms part of the Directors' Report.

Signed in Adelaide the 6th day of September 2012 in accordance with a resolution of the Board of Directors.

Nic Clift
Managing Director

Peter Zachert
Director

Auditor's Independence Declaration

KPMG

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

To: the directors of Terramin Australia Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 30 June 2012 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and

(ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

S. A. Fleming
Partner

Adelaide

6 September 2012

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

Consolidated Interim Income Statement

for the half-year ended 30 June 2012

	Note	30 June 2012 $'000	30 June 2011 $'000
Revenue		**30,884**	25,545
Other income	*4*	**6**	5
Raw materials, consumables and other direct costs		**(27,478)**	(20,920)
Change in inventories of finished goods and WIP		**853**	1,713
Employee expenses		**(3,274)**	(1,539)
Depreciation and amortisation	*5*	**(14,853)**	(10,360)
Impairment of non-current assets	*6*	**(37,746)**	–
Share option expense		**–**	(48)
Other expenses		**(1,882)**	(1,501)
Loss before net financing costs and income tax		**(53,490)**	(7,105)
Finance income	*4*	**1,155**	3,994
Finance costs	*4*	**(4,212)**	(4,121)
Net finance costs		**(3,057)**	(127)
Loss before income tax		**(56,547)**	(7,232)
Income tax expense		**–**	–
Loss for the period		**(56,547)**	(7,232)
Other comprehensive income/(loss)			
Foreign currency translation differences for foreign operations		**(778)**	(49)
Other comprehensive income/ (loss) for the period, net of income tax		**(778)**	(49)
Total comprehensive loss for the period attributable to equity holders of the Company		**(57,325)**	(7,281)

Earnings per share attributable to the ordinary equity holders of the Company:

	Note	2012	2011
"Basic earnings/(loss) per share - (cents per share)"	*12*	**(26.78)**	(4.15)
"Diluted earnings/(loss) per share - (cents per share)"	*12*	**(26.78)**	(4.15)

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

Consolidated Interim Statement of Financial Position

as at 30 June 2012

	Note	**30 June 2012 $'000**	31 December 2011 $'000
Assets			
Cash and cash equivalents		**2,499**	7,502
Trade and other receivables		**6,723**	6,478
Inventories	*7*	**8,438**	7,950
Derivative financial instruments	*9*	**106**	892
Other assets		**243**	56
Total current assets		**18,009**	22,878
Non-current assets			
Derivative financial instruments	*9*	**–**	156
Property, plant and equipment	*5*	**23,004**	69,960
Exploration and evaluation	*5*	**46,803**	50,605
Total non-current assets		**69,807**	120,721
TOTAL ASSETS		**87,816**	143,599
Liabilities			
Current liabilities			
Trade and other payables		**10,870**	12,031
Interest bearing liabilities	*8*	**37,406**	10,508
Provisions		**3,259**	1,152
Derivative financial instruments	*9*	**–**	20
Total current liabilities		**51,535**	**23,711**
Non-current liabilities			
Interest bearing liabilities	*8*	**16,370**	42,590
Provisions		**5,881**	6,140
Derivative financial instruments	*9*	**–**	10
Total non-current liabilities		**22,251**	48,740
TOTAL LIABILITIES		**73,786**	72,451
NET ASSETS		**14,030**	71,148
Equity			
Share capital	*10*	**134,089**	133,882
Reserves		**2,916**	3,694
Accumulated losses		**(138,278)**	(81,508)
Parent interest		**(1,273)**	56,068
Minority interest		**15,303**	15,080
TOTAL EQUITY		**14,030**	71,148

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

Consolidated Interim Statement of Changes in Equity

for the half-year ended 30 June 2012

	Share capital $'000	Share option reserve $'000	Translation reserve $'000	Accumulated losses $'000	Total $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 January 2012	133,882	8,966	(5,272)	(81,508)	56,068	15,080	71,148
Total comprehensive income for the period							
Loss for the period	–	–	–	(56,547)	(56,547)	–	(56,547)
Other comprehensive income							
Foreign currency translation differences	–	–	(778)	–	(778)	–	(778)
Total other comprehensive income	–	–	(778)	–	(778)	–	(778)
Total comprehensive income for the period	–	–	(778)	(56,547)	(57,325)	–	(57,325)
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Issue of ordinary shares	223	–	–	–	223	–	223
Share issue costs	(16)	–	–	–	(16)	–	(16)
Total contributions by and distributions to owners	207	–	–	–	207	–	207
Changes in ownership interests in subsidiaries that do not result in a loss of control							
Non-controlling interest	–	–	–	(223)	(223)	223	–
Total changes in ownership interests in subsidiaries	–	–	–	(223)	(223)	223	–
Balance at 30 June 2012	134,089	8,966	(6,050)	(138,278)	(1,273)	15,303	14,030

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

Consolidated Interim Statement of Changes in Equity

for the half-year ended 30 June 2011

	Share capital $'000	Share option reserve $'000	Translation reserve $'000	Accumulated losses $'000	Total $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 January 2011	120,014	8,920	(5,032)	(60,873)	63,029	14,085	77,114
Total comprehensive income for the period							
Loss for the period	–	–	–	(7,232)	(7,232)	–	(7,232)
Other comprehensive income							
Foreign currency translation differences	–	–	(49)	–	(49)	–	(49)
Total other comprehensive income	–	–	(49)	–	(49)	–	(49)
Total comprehensive income for the period	–	–	(49)	(7,232)	(7,281)	–	(7,281)
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Issue of ordinary shares	6,430	–	–	–	6,430	–	6,430
Share issue costs	(19)	–	–	–	(19)	–	(19)
Share options expensed / cancelled	–	48	–	–	48	–	48
Total contributions by and distributions to owners	6,411	48	–	–	6,459	–	6,459
Changes in ownership interests in subsidiaries that do not result in a loss of control							
Non-controlling interest	–	–	–	(698)	(698)	698	–
Total changes in ownership interests in subsidiaries	–	–	–	(698)	(698)	698	–
Balance at 30 June 2011	126,425	8,968	(5,081)	(68,803)	61,509	14,783	76,292

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

Consolidated Interim Statement of Cash Flows

for the half-year ended 30 June 2012

	30 June 2012 $'000	30 June 2011 $'000
Cash from operating activities:		
Receipts from customers	**32,764**	28,593
Payments to suppliers and employees	**(34,484)**	(23,346)
Financing costs and interest paid	**(2,128)**	(1,662)
Interest received	**64**	320
Total cash (used in)/from operating activities	**(3,784)**	3,905
Cash flows from investing activities:		
Proceeds from the sale of fixed assets	**54**	–
Acquisition of property, plant and equipment	**(1,136)**	(2,644)
Mine construction & development expenditure	**(426)**	(5,130)
Exploration and evaluation expenditure	**(1,822)**	(4,072)
Net cash (used in) investing activities	**(3,330)**	(11,846)
Cash flows from financing activities:		
Proceeds from the issue of share capital	**–**	6,200
Realised derivative gains/(losses)	**935**	1,065
Payment of transaction costs	**(14)**	(18)
Proceeds from borrowings	**3,770**	1,900
Repayment of borrowings	**(2,510)**	(1,047)
Net cash from financing activities	**2,181**	8,100
Net increase/(decrease) in cash and cash equivalents	**(4,933)**	159
Net foreign exchange differences	**(70)**	(108)
Cash and cash equivalents at beginning of half year	**7,502**	9,550
Cash and cash equivalents at end of half year	**2,499**	9,601

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

Condensed Notes

to the Consolidated Interim Financial Statements for the half-year ended 30 June 2012

NOTE 1: REPORTING ENTITY

Terramin Australia Limited is a listed public company, incorporated and domiciled in Australia. The consolidated interim financial report as at and for the six months ended 30 June 2012, covers the economic entity of Terramin Australia Limited and its controlled entities (together referred to as the "Group").

NOTE 2: BASIS OF PREPARATION

(a) Statement of Compliance

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

The consolidated interim financial report was authorised for issue by the Directors on 6 September 2012.

(b) Reporting Basis

The interim financial report does not include full disclosures of the type normally included in an annual financial report, and therefore it is recommended that this financial report be read in conjunction with the annual financial report for the year ended 31 December 2011, and any public announcements made by the Company during the interim reporting period in accordance with continuous disclosure requirements arising under the *Corporations Act 2001(Cth)*.

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

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

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

(c) Estimates

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

In preparing this consolidated interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 31 December 2011.

(d) Going Concern

The financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

During the 2012 interim period, the Group incurred a loss of $56.5 million, bringing accumulated losses to $138.3 million. As at 30 June 2012, the Group has total equity of $14 million and the Group's current liabilities exceeded its current assets by $33.5 million. Due to timing differences, the Group had operating cash outflows of $3.7 million in the interim period, however the Group expects to generate positive net operating cash flows in the second half of 2012.

Current liabilities at 30 June 2012 include the Investec revolving facility of $21 million. Subsequent to the balance date, the Company has agreed with Investec to the deferral of $10 million of the principal repayment due on 30 September 2012 to 28 February 2013 (subject to final documentation), and has made a capital repayment of $1.86 million to Investec. The remaining $9.1 million (net of the $1.86 million repayment in August 2012) of principal payments under this facility mature in June 2013.

The Group has on issue US$15 million in unlisted convertible redeemable notes with a maturity date of 31 March 2013. The notes are repayable in either cash or shares, with agreement required from the note holder and shareholders where conversion would result in the note holder holding more than 20% of the Company's issued capital. The Directors have a reasonable expectation that a commercial agreement will be reached to allow the Group to continue normal operations following this maturity date. In the event that a commercial agreement is not reached, the Group may need to convert the majority of the convertible notes held by JP Morgan and Transaminvest to meet the obligation.

The Group is in negotiations with a number of parties with regard to entering into a commercial agreement in respect of the Menninnie exploration project. Whilst negotiations progress, the Directors have a reasonable expectation that a commercial agreement will be reached which will provide the Group with free-carry rights in addition to exposure to ongoing committed exploration activity.

The financial report has been prepared on a going concern basis on the expectation that the Group can raise additional equity when required. The Group's ability to meet its obligations is dependent on the successful execution of the mine plan. The Group may also be dependent on achieving average sales prices consistent with current broker forecasts of US$2,125 per tonne for Zinc and US$2,262 for Lead (12 month average), and settlement of the convertible notes at a VWAP above 4 cents per share.

At the date of this report, the Group is at an advanced stage of negotiation to secure $10 million in capital. The capital raising initiative is subject to certain conditions being met, some of which are outside of the Group's control, and the finalisation of documentation. An outcome of the proposed capital raising includes retention of the interest in the Tala Hamza project by the Group. Based on negotiations conducted to date, the Directors are confident that the capital raising will be completed in the near-term. The terms of the capital raising will be disclosed in accordance with ASX Listing Rules as soon as finalised.

The Directors note that the matters outlined above indicate material uncertainty, which may cast doubt on the ability of the Group to continue as a going concern. At the date of this report, the Directors are confident that the Group has adequate resources to continue to explore, evaluate and develop the Group's areas of interest and will ensure the company has sufficient funds to meet its obligations. For the reasons outlined above, the Board has no intention or indeed the necessity to liquidate or otherwise wind up its operations for the foreseeable future.

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Group in the consolidated interim financial report are the same as those applied by the Group in its consolidated financial report as at and for the year ended 31 December 2011.

NOTE 4: OTHER INCOME & EXPENSES

	30 June 2012 $'000	30 June 2011 $'000
Other income		
Rental Income	**6**	5
Total other income	**6**	5
Finance income		
Interest income	**46**	138
Unrealised foreign exchange gain on convertible notes[1]	**85**	1,322
Unrealised foreign exchange gains	**49**	1,020
Realised foreign exchange and commodity hedging gains	**975**	1,514
Total finance income	**1,155**	3,994
Finance costs		
Interest on convertibles notes	**599**	575
Interest on borrowings	**1,040**	1,026
Unwinding of discount on mine rehabilitation provision	**135**	133
Other borrowing costs	**1,280**	487
Unrealised foreign exchange and commodity hedging losses	**1,088**	1,221
Realised foreign exchange and commodity hedging losses	**70**	679
Total finance costs	**4,212**	4,121

1. At 30 June 2012, the Company had $25.05 million of USD denominated convertible notes on issue (30 June 2011 25.05 million).

NOTE 5: PROPERTY, PLANT AND EQUIPMENT

CONSOLIDATED	Freehold Land $'000	Buildings and other infrastructure $'000	Leasehold improve-ments $'000	Plant and Equipment $'000	Mining Property and Development $'000	Construc-tion in Progress $'000	Mine Reha-bilitation Assets $'000	Total Property Plant & Equipment $'000
Opening carrying amount	2,819	67	11	34,103	30,334	460	2,166	69,960
Additions	-	-	-	-	-	1,593	73	1,666
Disposals	-	-	-	(140)	-	-	-	(140)
Transfers	-	-	-	1,210	426	(1,717)	-	(81)
Depreciation and amortisation	-	(14)	(6)	(6,707)	(7,647)	-	(479)	(14,853)
Writedowns	-	-	-	(19,784)	(13,748)	-	-	(33,532)
Foreign currency movement	-	-	-	(16)	-	-	-	(16)
Carrying amount at the end of period	**2,819**	**53**	**5**	**8,666**	**9,365**	**336**	**1,760**	**23,004**

CONSOLIDATED	Exploration and Evaluation $'000
Opening carrying amount	50,605
Additions	1,043
Transfers	81
Writedowns	(4,214)
Foreign currency movement	(712)
Carrying amount at the end of period	**46,803**

NOTE 6: IMPAIRMENT OF NON-CURRENT ASSETS

	30 June 2012 $'000	31 December 2011 $'000
Impairment losses		
Exploration and evaluation assets	**(4,214)**	–
Mining Property and Development	**(13,748)**	–
Plant and Equipment	**(19,784)**	–

During the six months ended 30 June 2012, impairment losses of $4.2 million were recognised in relation to the exploration and evaluation assets held in the Fleurieu region. The impairment was triggered for accounting purposes due to a lack of active and significant exploration activities occurring.

Total impairment charges of $33.5 million (2011:$Nil) were recognised in respect of mining property and development and associated plant and equipment at the Angas Zinc Mine. The triggers for the impairment tests were primarily the effect of changes to the mine plan resulting from a revised estimate of Angas Ore Reserves and Mineral Resources which shows a reduction of mineral reserve resulting from mining depletion and the impact of lower forecast $AUD commodity prices on the economic cut-off grade.

In assessing whether an impairment is required for the carrying value of an asset, its carrying value is compared with its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. Given the nature of the Company's activities, information on the fair value of an asset is usually difficult to obtain unless negotiations with potential purchasers or similar transactions are taking place. Consequently, unless indicated otherwise, the recoverable amount used in assessing the impairment charges described below is value in use.

The calculation of value in use is most sensitive to the following assumptions:

- Production volumes
- Discount rates
- Metal prices and exchange rates
- Operating costs
- Mine life

Estimated operating assumptions are based on detailed life of mine plans and take into account development plans for the mine agreed by management as part of the long-term planning process. While optimisation of the detailed life of mine plans is underway, estimates based on current market conditions would indicate a closure date for the Angas Zinc Mine in the latter half of 2013. Updates will be provided as more certainty is gained through optimisation processes and consideration of global markets.

Following the impairment of the Angas Zinc Mine, the recoverable amount is equal to the carrying amount. Therefore any adverse movement in a key assumption would lead to a further impairment.

NOTE 7: INVENTORIES

	30 June 2012 $'000	31 December 2011 $'000
Raw materials and consumables (at cost)	**3,069**	3,435
Work in progress - ore run of mine (at net realisable value)	**523**	1,276
Finished goods (at net realisable value)	**4,846**	3,239
Total inventories at the lower of cost and net realisable value	**8,438**	7,950

NOTE 8: LOANS AND BORROWINGS

	30 June 2012 $'000	31 December 2011 $'000
Current		
Lease liabilities [1]	**1,784**	1,930
Bank loans - secured - Angas Zinc project [2]	**20,854**	8,578
Convertible Notes [3]	**14,768**	–
	37,406	10,508
Non-current		
Lease liabilities [1]	**1,555**	2,148
Bank loans - secured - Angas Zinc project [2]	**–**	10,775
Convertible Notes [3]	**14,815**	29,667
	16,370	42,590

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

2 The Company has a corporate revolving loan facility provided by Investec Bank (Australia) Limited (IBAL). A restructure of the existing revolving facility was agreed in June 2012 which includes a deferral of the $11.2 million of principal and fee obligations under the revolving facility to 30 September 2012 (subject to final documentation). The remaining $11 million of principal payments under this facility were restructured to mature in June 2013. Subsequent to balance date, further restructuring has taken place as disclosed in Note 15.

3 J.P. Morgan Metals & Concentrates LLC (J.P. Morgan) holds US$15,050,000 (AU$14.8 million) in five year unlisted convertible redeemable notes issued by the Company, with a maturity date of 31 March 2013. A total of 1,412,131 shares were issued during the period in lieu of a cash interest payment of US$ 0.2 million.

An institutional investor holds $5 million in five year unlisted convertible issued by the Company having a maturity date of 17 September 2013.

Transaminvest S.A hold US$10.0 million (AU$9.8 million) in 5 year unlisted convertible redeemable notes issued by the Company with a maturity date of 23 September 2014.

Full details of the convertible notes are listed in the 2011 Annual Report. There has been no material changes to the above facilities since the 2011 Annual Report other than those listed above.

NOTE 9: DERIVATIVE FINANCIAL INSTRUMENTS

The Group is exposed to market risk in the form of commodity price risk, foreign currency exchange risk, and interest rate risk. Derivative financial instruments are used by the Group in the normal course of business in order to hedge exposure to fluctuations in commodity prices, foreign currency rates and interest rates. The carrying value of the derivative financial instruments of the Group are disclosed as follows:

	30 June 2012 $'000	31 December 2011 $'000
Current Assets		
Forward currency contracts [a]	**18**	–
Commodity contracts [b]	**88**	892
	106	892
Non-current Assets		
Forward currency contracts [a]	**–**	156
	–	156
Current Liabilities		
Commodity contracts [b]	**–**	(20)
	–	(20)
Non-current Liabilities		
Commodity contracts [b]	**–**	(10)
	–	(10)

(a) In line with Company policy, the Group has a USD hedging programme in place in order to mitigate foreign exchange risk on USD denominated metal sales with fixed metal prices and forward contracts. At the end of the period, USD sold forward against the AUD totalled US$7.8 million at an average exchange rate of 1.01 (2011: US$31.0 million).

(b) At period end, the Group has price protection in place in respect of 2,375 tonnes of lead metal fixed at a price of US$1,948/t via a sold forward contract.

NOTE 10: ISSUED CAPITAL

Table of issued capital for the half year ended 30 June 2012:

Type of Share Issue	Number of Ordinary Shares on issue	Share price	Share Capital $'000
Opening Balance	**210,800,124**		**133,882**
Share placement	105,950	0.23	24
Shares issued in lieu of interest	1,412,131	0.14	199
Closing Balance	**212,318,205**		**134,105**
Share issue costs			(16)
Issued Capital			**134,089**

Table of issued capital for the half year ended 30 June 2011:

Type of Share Issue	Number of Ordinary Shares on issue	Share price	Share Capital $'000
Opening Balance	**167,315,574**		**120,014**
Shares issued on conversion of notes	10,000,000	0.62	6,200
Shares issued in lieu of interest	167,522	0.36	60
Exercise of options	512,494	0.33	170
Closing Balance	**177,995,590**		**126,444**
Share issue costs			(19)
Issued Capital			**126,425**

NOTE 11: 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	
	2012 $'000	2011 $'000	**2012 $'000**	2011 $'000	**2012 $'000**	2011 $'000
Revenue						
External Customers	**30,884**	25,545	**–**	–	**30,884**	25,545
Total Revenue	**30,884**	25,545	**–**	–	**30,884**	25,545
Results						
Depreciation and amortisation	**(14,853)**	(10,360)	**–**	–	**(14,853)**	(10,360)
Impairment of non-current assets	**(37,746)**	–	**–**	–	**(37,746)**	–
Loss before income tax	**(56,547)**	(7,232)	**–**	–	**(56,547)**	(7,232)
Income tax expense					**–**	–
Loss for the period attributable equity holders of the Company					**(56,547)**	(7,232)
Operating assets	**(44,901)**	(100,456)	**42,915**	43,129	**(87,816)**	(143,585)
Other disclosures						
Capital expenditure [1]	**2,120**	10,307	**590**	1,733	**2,710**	12,040

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

   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.

   There are no transactions other than cash funding between reportable segments.

NOTE 12: EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share at 30 June 2012 was based on the net loss attributable to equity holders of the Company of $56.5 million (2011: loss of $7.2 million) and a weighted average number of ordinary shares outstanding during the period ended 30 June 2012 of 211,142,109 (2011: 174,058,511), calculated as follows:

	30 June 2012 $'000	30 June 2011 $'000
Net loss for the half year	**(56,547)**	(7,232)
Issued ordinary shares	**212,318,205**	177,995,590
Weighted average number of ordinary shares	**211,142,109**	174,058,511
Basic loss per share (cents)	**(26.78)**	(4.15)

(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.

	30 June 2012 $'000	30 June 2011 $'000
Diluted earnings per share (cents)	**(26.78)**	(4.15)

NOTE 13: CONTINGENCIES & COMMITMENTS

No contingent assets or liabilities exist at the reporting date.

(a) Capital expenditure commitments

	30 June 2012 $'000	31 December 2011 $'000
Capital expenditure commitments contracted for:		
Within 1 year	**351**	263
Total	**351**	263

(b) Finance leases

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

Within 1 year	**1,982**	2,193
Longer than 1 year and not longer than 5 years	**1,625**	2,280
Minimum lease payments	**3,607**	4,473
Less: Future Finance Charges	**268**	395
Total lease liabilities	**3,339**	4,078
Representing:		
Current	**1,784**	1,930
Non-Current	**1,555**	2,148
	3,339	4,078

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

NOTE 14: RELATED PARTY TRANSACTIONS

There were no significant loans or related party transactions between key management personnel and the Company and its subsidiaries during or subsisting at the end of the interim period, other than remuneration arrangements which remain in place and are consistent with those disclosed in the 2011 Annual Report.

NOTE 15: SUBSEQUENT EVENTS

The Group recently agreed with Investec to the deferral of the $10 million principal repayment due on 30 September 2012 to 28 February 2013, this is agreed subject to final documentation.

Post balance date, the Group has advanced negotiations in respect of significant capital raising initiatives. At the date of this report, the Group is at an advanced stage of negotiation to secure $10 million in capital. The capital raising initiative is subject to certain conditions being met, some of which are outside of the Group's control. An outcome of the proposed capital raising includes retention of the interest in the Tala Hamza project by the Group. Based on negotiations conducted to date, the Directors are confident that the capital raising will be completed in the near-term including satisfaction of conditions precedent. The terms of the capital raising will be disclosed in accordance with the ASX Listing Rules as soon as finalised.

In the Directors' opinion, no further 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.

Directors' Declaration

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 8 to 19:
   (a) comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations; and
   (b) give a true and fair view of the economic entity's financial position as at 30 June 2012 and of its performance for the half-year ended on that date.
2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in Adelaide the 6th day of September 2012 in accordance with a resolution of the Board of Directors.

Nic Clift
Managing Director

Peter Zachert
Director

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

We have reviewed the accompanying interim financial report of Terramin Australia Limited, which comprises the consolidated interim statement of financial position as at 30 June 2012, consolidated interim income statement, consolidated interim statement of changes in equity and consolidated interim statement of cash flows for the interim period ended on that date, notes 1 to 15 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the interim period.

Directors' responsibility for the interim financial report

The directors of the company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 30 June 2012 and its performance for the interim period ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Terramin Australia Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

(a) giving a true and fair view of the Group's financial position as at 30 June 2012 and of its performance for the interim period ended on that date; and

(b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material uncertainty regarding going concern and recoverable value of exploration & evaluation asset

Without qualification to the conclusion expressed above, we draw attention to the following matters.

(a) Going concern

For the half year ended 30 June 2012, the Group incurred a loss of $56.5m and current liabilities exceeded current assets by $33.5m at that date.

Note 8 to the financial statements discloses that the Group has $37.4m of loans and borrowings that mature within 12 months including:

- $11.2m of loans from Investec Bank Australia Limited (Investec) maturing in September 2012;
- $14.8m of convertible notes held by J P Morgan Metals & Concentrates LLC (JP Morgan) maturing in March 2013; and
- a further $11m of loans from Investec maturing in June 2013.

Note 15 discloses that the Group has obtained an extension to the repayment of the Investec loan maturing in September 2012 to February 2013.

Note 2(d) sets out the basis upon which the Directors consider the Group to be a going concern.

The Directors have adopted a cash flow forecast that indicates that the Group will be able to meet its obligations if:

(a) a capital raising initiative provides $10 million of equity;

(b) the Angas mine achieves the Group's forecast production over the next 12 months with an average selling price per tonne of USD2,250 for zinc and USD2,262 for lead; and

(c) a commercial agreement is reached with J P Morgan to settle the maturing convertible notes or, the Group is able to convert the majority of the convertible notes on issue (J P Morgan and Transaminvest S.A.) at a volume-weighted average price (VWAP) above 4 cents per share.

KPMG

In the event that the Group does not achieve its forecast cash returns from the Angas Mine, or it is unable to retire the debt due to J P Morgan as proposed above, the Group will require further equity if it is to repay its loans and borrowings as they fall due.

The Group's cash flow forecast indicates that further capital raising may be required to fund the Group's exploration plans.

(b) Recoverable value of exploration and evaluation asset – Tala Hamza

The exploration and evaluation assets of $46.8m reported in Note 5 to the financial statements includes $42.5m in relation to the Tala Hamza Project in Algeria.

As a condition of the $10m equity raising, the Group will cease negotiations to sell its 65% shareholding in Western Mediterranean Zinc Spa (the entity responsible for the Tala Hamza Project) to China Non-Ferrous Metal Industry's Foreign Engineering Construction Co. Ltd (NFC).

Further, the Group is yet to resolve its differences with joint venture partner, Entreprise Nationale des Produits Miniers Non-Ferreux et des Substances Utiles Spa (ENOF) in relation to the Definitive Feasibility Study for the development of the Tala Hamza Project.

Terramin will need to commit further funds to resolve issues around the Definitive Feasibility Study for the Tala Hamza deposit if it is to have the opportunity to realise the $42.5m invested in the project.

Note 2(d) to the financial statements describes the Directors' plans to enable sufficient funds to be available for the Group to continue as a going concern and realise its investment in the Tala Hamza Project.

As a result of these matters there is material uncertainty which may cast doubt on the Group's ability to continue as a going concern and therefore its ability to realise its assets and discharge its liabilities in the normal course of business and at the amounts recognised in the financial statements.

KPMG

S A Fleming
Partner

Adelaide

6 September 2012

TERRAMIN AUSTRALIA LIMITED

Suite 116,
147 Pirie Street,
Adelaide, 5000
South Australia
t: +61 8 8213 1415
f: +61 8 8213 1416
e: info@terramin.com.au
w: www.terramin.com.au

INTERIM FINANCIAL REPORT
for the six months ended 30 June 2012