TERRAMIN AUSTRALIA LIMITED

ABN 67 062 576 238

and Controlled Entities

INTERIM FINANCIAL REPORT

For the Six Months Ended **30 June 2010**

Contents

APPENDIX 4D

	30 June 2010 $'000	30 June 2009 $'000	Change %
Revenue from ordinary activities	**27,488**	13,669	101
Loss after tax from ordinary activities	**(5,473)**	(7,493)	27
Loss after tax attributable to equity owners of the Company	**(7,816)**	(9,490)	18

Dividends/distributions

	Amount per security	Franked amount per security
2010 interim dividend	**Nil**	**Nil**
2009 interim dividend	Nil	Nil

Net Tangible Assets Per Share

	30 June 2010 $/share	30 June 2009 $/share
Net tangible assets per share	**0.50**	0.67

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 2009 Annual Financial Report.

In accordance with the requirements of section 320 of the Corporations Act 2001 and ASX Listing Rule 4.2A, the directors submit the consolidated financial report of Terramin Australia Limited ("Terramin" or the "Company") and its controlled entities (together referred to as the "Consolidated Entity") for the six months ended 30 June 2010 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 2009 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.

Dr Kevin C Moriarty (Executive Chairman)

Mr Michael H Kennedy

Mr Steven A J Bonett

Mr Peter Zachert

Mr Robert W Jones

Mr R Bryan Davis

Mr Xie Yaheng

REVIEW OF OPERATIONS

Overview

The Company is a base metal mining company focussed on zinc, operating an underground zinc and lead mine at Strathalbyn in South Australia and developing a significant zinc project in Algeria. To build on this business profile the Company seeks to identify and acquire projects with certain characteristics, in particular those with identified resources or targets in close proximity to infrastructure with potential for high-grade reserves and the potential to grow resources or expand production to larger tonnages. The Company currently maintains an active exploration programme aimed at extending the mine life at its operating mine and discovering and developing new orebodies in the region surrounding its current operations. The Company will continue to actively seek further opportunities as and when they become available as long as they fit the key criteria previously identified by the Company.

Highlights for the Half Year

The Company's activities progressed steadily in the 6 months to 30 June 2010 with the following points warranting special note:

- Work on the Definitive Feasibility Study (DFS) on the Tala Hamza project continued with many of the outstanding issues resolved favourably and with an expected completion of the DFS in the third quarter;
- A resumption of exploration activity in the Angas region provided encouraging drill results from the Preamimma and Lady Jane historic mines;
- The completion of a major airborne VTEM geophysical survey over a large part of our Fleurieu tenements is likely to lead to follow up drilling of base and precious metal targets in the future;
- The resumption of exploration activity and drilling in the greater Oued Amizour area around the Tala Hamza deposit with early promising results.

Highlights since 30 June 2010

Since the period end the following activities are worthy of note:

- Drill hole results from the Tala Hamza deposit have enhanced the upside potential to extend mineralisation at the southern end of the deposit;
- Exploration results from the Oued Amizour project area highlight the potential for further economic discoveries in the region, particularly gold, silver and copper in addition to zinc and lead.

A more detailed update will be provided in the September 2010 Quarterly Activities Report to be lodged with the Australian Securities Exchange Ltd ('ASX') during the month of October 2010.

Oued Amizour Zinc Project *(Company 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.

Exploration Permit PE 5225 (commonly called the Oued Amizour Project) was granted to WMZ on 27 August 2006 for a term of 3 years. The permit was renewed for another 2 years and is now current until August 2011. The permit may be renewed for an additional 2 year term under the Algerian Mining Act. The permit covers 125 square kilometres and contains a number of drilled zinc prospects in addition to the Tala Hamza deposit.

The Company committed to spend a minimum of US$6.6m up to decision to mine and has pre-emptive rights over the remaining 35% of the shareholding in WMZ which is held by ENOF and ORGM. ENOF and ORGM have indicated that they will fund their share of project expenditure when the decision to mine is taken. As at 30 June 2010, US$35.6 million has been spent by the Company on the project, which significantly exceeds its initial commitment because the scale of the proposed mining operation has increased about ten fold.

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

- Significant progress on advancement of the DFS:
  - Completion of the Environmental Impact Statement with translation into French;
  - The completion of all geotechnical drilling and all onsite physical activity required for the DFS;
  - Completion of a seismic study in the Bejaia area to evaluate all of the major faults in the region;
  - Cadastral studies to identify all the local landowners and parcels of land in the area to be covered by the Mining Lease Application were well advanced;
  - The design of the tailings storage facility (TSF) was optimised following a comprehensive drilling programme and hydro-geological evaluation of the interfluves surrounding the TSF;
  - Additional metallurgical test work was undertaken on cores from the block cave zone to confirm earlier test work;
  - Mine planning, draw point spacing design, ventilation study and block cave design and scheduling are all nearing completion;
  - Favourable response to calls for expressions of interest in developing the twin declines to access the orebody;
- Mining Lease Application documentation is being progressed to be ready for lodgement when the WMZ Board takes a decision to mine.

Oued Amizour Exploration *(Company 65%)*

The regional exploration programme of the Oued Amizour Project area recommenced during the first half of the year. Activity has included stream sediment sampling, rock chip sampling, channel sampling and drill planning. The work has identified an area of highly altered rocks with anomalous polymetallic mineralisation. As a consequence a number of drill targets have been identified from the preliminary work and drill testing of the first of these will commence in the third quarter.

Angas Zinc Mine *(Company 100%)*

The Angas Zinc Mine is the core operating asset of the Company and is located 2 km outside the town of Strathalbyn, 60 km from Adelaide. The 400,000 tonne per annum mine reached its nameplate capacity in the December quarter of 2009. Ore production in the half year was slightly below capacity as a number of one off factors combined to restrict underground mining operations. The Angas Zinc Mine achieved the following during the interim period:

- Mine ore production of 188,993 tonnes, mill throughput of 193,997 tonnes, producing 23,341 tonnes of zinc concentrate and 9,009 tonnes of lead concentrate;
- Payable metal production for the period was 10,197 tonnes of zinc, 4,612 tonnes of lead, 72 tonnes of copper, 128,998ozs of silver and 1,705ozs gold;
- The mine sold 19,863 tonnes of zinc concentrate and 8,694 tonnes of lead concentrate;
- C1 cash costs net of by-product credits were US61 cents per pound of payable zinc.

Environment

Progress has been made in reducing the level of water in the Tailings Storage Facility (TSF) to within the requirements of the Mine's Mining and Rehabilitation Plan.

An additional high capacity Reverse Osmosis plant is currently being commissioned. The plant will treat much higher volumes or water leading to a significant reduction in the water level in the TSF over the next few months.

Angas Zinc Mine
- Ore Reserve and Mineral Resources
(as at 30 June 2010)

A revised estimate of Ore Reserves and Mineral Resources at the Angas Zinc Mine, based on data available as at 30 June 2010, has been prepared by the staff of Terramin Australia Limited. The estimate is prepared and reported in accordance with the Australasian Code for Reporting of Mineral Resources and Ore Reserves, December 2004 (JORC code).

The new estimate utilises the resource model prepared in May 2010 and incorporates additional drilling and progressive experience from mining. Diamond drilling from underground during late 2009 enabled conversion of Inferred Resource to Indicated Resources in the Hangingwall Lode and the addition of new Inferred Resources.

A summary of results is presented in the table below:

Ore Reserves as at 30th June 2010

	Mt	%Zn	%Pb	%Cu	Ag g/t	Au g/t
Probable	1.69	6.95	2.80	0.24	31	0.53
Total	**1.69**	**6.95**	**2.80**	**0.24**	**31**	**0.53**

Mineral Resources as at 30th June 2010

	Mt	%Zn	%Pb	%Cu	Ag g/t	Au g/t
Indicated	0.42	3.69	1.59	0.13	16	0.36
Inferred	0.24	3.3	1.7	0.1	22	0.3
Total	**0.66**	**3.6**	**1.6**	**0.1**	**18**	**0.3**

Notes:

1. The estimate is based on the resource model as at 30th April 2010 with the Reserve cut off date as at 30th June 2010.
2. Indicated Resource and Probable Reserve grades are quoted at two decimal places (except silver). Inferred Resource grades and totals including Inferred are rounded to one decimal place (except silver). All tonnages are rounded to the nearest 10,000 tonnes.
3. The Indicated Resource is exclusive of those Resources converted to Probable Reserve.
4. Total depletion by mining in the period 1st May 2009 to 30th June 2010 was 452,000 tonnes.
5. Metal prices (USD) used for the Reserve estimate are in line with Bloomberg's 2012 Consensus Forecast (May 2010) Zn 2,447/t, Pb 2,138/t Cu 6,504/t, Ag 17/oz, Au 1215/oz. An exchange rate of USD/AUD 0.9 was used.
6. Recoveries used in the Reserve estimate are Zn 78%, Pb 77%, Cu 72%, Ag 69%, Au 72%.
7. Resource modelling assumptions are essentially unchanged from the previous estimate in April 2009 with the following exceptions:
   a. An additional 30 underground diamond drill holes (giving a total of 264 holes) and information from underground mining and development has been utilised, leading to some further revisions to the geological model.
   b. Extensive underground mapping and additional sample data obtained from channel samples and from sludge drilling was used to assist with defining mineralisation wireframes. The analytical data obtained from this sampling was not used in the Mineral Resource estimate.
   c. The Resource cut off grade used to construct mineralisation wireframes remained unchanged at 2% Pb+Zn
8. Reserve estimation assumptions are unchanged from the last estimate in April 2009 with the following exceptions:
   a. A cutoff grade of 3.9% Pb+Zn was used for stoping (previously 3.5%). A cutoff grade of 2.5% Pb+Zn (unchanged) was used for development, where this development was required to access stoping areas of a higher grade.
   b. Based on mining experience to date, dilution of 1.0m on the hangingwall and 1.0m for the footwall was assumed for the Rankine Lode compared with 0.5m on the hanging wall and 0.5m on the footwall previously. Dilution for both the Garwood and Hangingwall Lodes remain at 0.5m on the hanging wall and 0.5m on the footwall.
   c. Stope recovery has been reduced to 95% to reflect the actual 96% recovery of mined stopes. The April 2009 Reserve Estimate used a 100% recovery.

The information in this report that relates to Exploration Results and Mineral Resources is based on information compiled by Mr Robert Singer. The information that relates to Ore Reserves is based on information compiled by Mr Andrew Robertson. Both are Members of The Australasian Institute of Mining and Metallurgy. Mr Singer is Chief Geologist of Terramin Australia and Mr Robertson is an independent consultant employed in a part time capacity by Terramin. Both have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves'. Mr Singer and Mr Robertson consent to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Regional Exploration

The Company commenced a significant regional exploration programme on the large tenement holdings on the Fleurieu Peninsula and around the Angas Zinc Mine during the interim period. A short programme of RC drilling was conducted in the Monarto district, near some historic mines (Preamimma, Frans and Lady Jane) which resulted in some significant mineralised intersections, reported to the ASX on 12 April 2010. Limited follow up diamond drilling will be completed during the third quarter.

The Company also concluded a helicopter borne geophysical survey (VTEM) over a very large portion of its tenements in the Angas Mine region. The survey was aimed at identifying extensions to existing orebodies at Angas and finding new undiscovered deposits in the region. The results of the survey will become available to the Company after processing during the second half of the year. Follow up drilling will occur once the targets are prioritised, permits granted and a drill rig secured.

Menninnie Zinc Project

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

The Menninnie Dam project remains on care and maintenance pending notification from the Manager (Minerals and Metals Group) on the progress and outcome of the sale process announced in October 2008. A short programme of targeted helicopter borne VTEM and aeromagnetics was conducted during the half year on Nonning JV and Kolendo tenements. The results of the work are being processed and reviewed.

On 2nd June 2010 Menninnie Metals Pty Ltd applied for an exploration licence (Taringa) over an 988sq km area extending north and east from the Kolendo and Nonning tenements. Field observations and geophysical data on Nonning and Kolendo indicate that the Taringa area is prospective for base metal mineralisation and epithermal gold vein systems within and beneath the Gawler Range Volcanics. The Company believes the work by previous explorers in this area has not tested the most prospective localities.

Corporate

During the period, J.P. Morgan Metals & Concentrates LLC (J.P. Morgan), formerly RBS Sempra Metals & Concentrates LLC converted 5,000,000 convertible notes to 7,447,829 shares. The average price of the conversion was 75 cents per share which was based on the volume weighted average price of the Company's shares at the time of conversion. Upon conversion a foreign exchange gain of $0.8m was realised. An additional of 85,392 shares were issued during the period in lieu of a cash interest payment of US$57,327 due on the notes converted to shares.

CONSOLIDATED ENTITY TENEMENT LISTING

Title Name and Location	Licence Number	Licence Area	Expiry Date	Terramin Interest	Minimum Expenditure Commitment (100%)
Angas - South Australia	ML6229	87.97 ha	16 Aug 2016	100%	Not applicable
Bremer - South Australia [1]	EL 3641	457 km^2	26 Oct 2010	100%	$390,000 from 1 July 2009 to 30 Jun 2010
Currency Creek - South Australia [1]	EL 4210	174 km^2	23 Nov 2010	100%	Amalgamated with EL 3641
Hartley - South Australia [1,2]	EL 3792	126 km^2	03 Jun 2010	100%	Amalgamated with EL 3641
Langhorne Creek - South Australia [1,3]	EL 4466	275 km^2	18 Apr 2011	100%	Amalgamated with EL 3641
				WMZ Interest	
Oued Amizour - Algeria	5225 PE	12,276 ha	27 Aug 2011	100%	Not applicable
				Minninnie Interest	
Menninnie Dam - South Australia	EL 3640	101 km^2	26 Oct 2010	24%	$80,000 per annum
Nonning - South Australia	EL 3535	312 km^2	29 Mar 2011	0%	Not applicable
Kolendo - South Australia [4]	EL 4285	208 km^2	27 Jul 2010	100%	$50,000 per annum
Taringa - South Australia		988 km^2	26 Jun 2010	100%	Application submitted - Expenditure TBA

1 Amalgamated expenditure applied for 29/06/2010
2 Application at PIRSA for renewal of Licence lodged 30/04/2010
3 Application at PIRSA for renewal of Licence lodged 23/11/2009
4 Application at PIRSA for renewal of Licence lodged 25/06/2010

FINANCIAL

The Consolidated Entity made a loss for the half year ended 30 June 2010 of $5.5 million (half year loss to 30 June 2009 $7.5 million). Included in the result were non-cash costs of $8.6 million relating to depreciation and amortisation, and $3.3million relating to unrealised foreign exchange losses on convertible notes and currency hedges. Exploration expenditure of $6.3 million incurred during the period on the Oued Amizour Zinc Project has been carried forward as an asset in the Consolidated Entity's statement of financial position.

During the interim period the Company issued 7,447,829 shares in relation to 5,000,000 convertible notes, reducing USD denominated debt by US$5 million.

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

SUBSEQUENT EVENTS

With effect from 6 August 2010, the Board of the Company and Mr Greg Cochran mutually agreed to end Mr Cochran's employment as Chief Executive Officer of the Company. Subject to the execution of a Deed of Settlement, the Company will pay Mr Cochran $200,000, which agreed amount is consistent with the amount that would have been payable by the Company pursuant to the terms of Mr Cochran's employment agreement in the event of termination, being 6 months' pay in lieu of notice.

There have been no further significant events subsequent to 30 June 2010 impacting on the interim report.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration under section 307C of the *Corporations Act 2001* is set out on page 7 and forms part of the Directors' Report for the six months ending 30 June 2010.

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

Kevin C Moriarty
Executive Chairman

24th August 2010

Peter Zachert
Director

24th August 2010

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 2010 there have been:

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

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

KPMG

KPMG

Derek Meates
Partner

Adelaide

24 August 2010

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

Consolidated Interim Income Statement *for the Six Months Ended 30 June 2010*

	Note	30 June 2010 $'000	30 June 2009 $'000
Revenue		**27,488**	13,669
Raw materials, consumables and other direct costs		**(19,225)**	(14,111)
Gross profit/(loss)		**8,263**	(442)
Other income	*2*	**806**	138
Change in inventories of finished goods and WIP		**1,427**	329
Employee expenses		**(1,604)**	(1,002)
Depreciation and amortisation	*4*	**(8,557)**	(6,412)
Exploration and evaluation write down	*4*	**-**	(23)
Administration expenses		**(1,312)**	(1,237)
Share option expense		**(654)**	(138)
Results from operating activities		**(1,631)**	(8,787)
Finance income	*2*	**1,691**	4,849
Finance costs	*2*	**(5,533)**	(3,555)
Net finance costs		**(3,842)**	1,294
Loss before income tax		**(5,473)**	(7,493)
Income tax expense		**-**	-
Loss for the period attributable to equity holders of the Company		**(5,473)**	(7,493)

Earnings per share attributable to the ordinary equity holders of the Company:		**2010**	2009
"Basic earnings/(loss) per share - (cents per share)"	*10*	**(3.42)**	(6.41)
"Diluted earnings/(loss) per share - (cents per share)"	*10*	**(3.42)**	(6.41)

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

Consolidated Interim Statement of Comprehensive Income *for the Six Months Ended 30 June 2010*

	Note	**30 June 2010 $'000**	30 June 2009 $'000
Loss for the period		**(5,473)**	(7,493)
Other comprehensive income/(loss)			
Foreign currency translation differences for foreign operations		**235**	(2,510)
Other comprehensive income/ (loss) for the period, net of income tax		**235**	(2,510)
Total comprehensive loss for the period attributable to equity holders of the Company		**(5,238)**	(10,003)

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

	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 2010	113,667	8,096	(2,524)	(48,766)	70,473	11,854	82,327
Total comprehensive income							
for the period							
Loss for the period	-	-	-	(5,473)	(5,473)	-	(5,473)
Other comprehensive income							
Foreign currency translation differences	-	-	235	-	235	-	235
Total other comprehensive income	-	-	235	-	235	-	235
Total comprehensive income for the period	-	-	235	(5,473)	(5,238)	-	(5,238)
Transactions with owners,							
recorded directly in equity							
Contributions by and distributions to owners							
Issue of ordinary shares	5,654	-	-	-	5,654	-	5,654
Share issue costs	(14)	-	-	-	(15)	-	(15)
Share options exercised	78	-	-	-	78	-	78
Transfer from option reserve on exercise	14	(14)	-	-	-	-	-
Share options expensed / cancelled	-	654	-	-	654	-	654
Total contributions by and distributions to owners	5,732	639	-	-	6,370	-	6,370
Changes in ownership interests							
in subsidiaries that do not result							
in a loss of control							
Non-controlling interest	-	-	-	(2,342)	(2,342)	2,342	-
Total changes in ownership interests in subsidiaries	-	-	-	(2,342)	(2,342)	2,342	-
Balance at 30 June 2010	119,399	8,735	(2,289)	(56,582)	69,263	14,196	83,459

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 Six Months Ended 30 June 2009*

	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 2009	80,675	7,896	1,444	(37,699)	52,316	9,783	62,099
Total comprehensive income for the period							
Loss for the period	-	-	-	(7,493)	(7,493)	-	(7,493)
Other comprehensive income							
Foreign currency translation differences	-	-	(2,510)	-	(2,510)	-	(2,510)
Total other comprehensive income	-	-	(2,510)	-	(2,510)	-	(2,510)
Total comprehensive income for the period	-	-	(2,510)	(7,493)	(10,003)	-	(10,003)
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Issue of ordinary shares	8,264	-	-	-	8,264	-	8,264
Share options expensed / cancelled	-	138	-	-	138	-	138
Total contributions by and distributions to owners	8,264	138	-	-	8,402	-	8,402
Changes in ownership interests in subsidiaries that do not result in a loss of control							
Non-controlling interest	-	-	-	(1,566)	(1,566)	1,566	-
Total changes in ownership interests in subsidiaries	-	-	-	(1,566)	(1,566)	1,566	-
Balance at 30 June 2009	88,939	8,034	(1,066)	(46,758)	49,149	11,349	60,498

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

Consolidated Interim Statement of Financial Position *as at 30 June 2010*

	Note	**30 June 2010 $'000**	31 December 2009 $'000
Assets			
Property, plant and equipment	*4*	**85,815**	89,380
Exploration and evaluation	*4*	**41,425**	33,642
Investments in equity accounted investees	*8*	**1,079**	1,078
Total non-current assets		**128,319**	124,100
Inventories	*5*	**6,143**	4,390
Derivative financial instruments		**-**	18
Other assets		**83**	210
Trade and other receivables		**9,784**	8,308
Cash and cash equivalents		**12,970**	21,904
Total current assets		**28,980**	34,830
Total assets		**157,299**	158,930
Equity			
Share capital	*7*	**119,399**	113,667
Reserves		**6,446**	5,572
Accumulated losses		**(56,582)**	(48,766)
Total equity attributable to equity holders of the Company		**69,263**	70,473
Non-controlling interest		**14,196**	11,854
Total equity		**83,459**	82,327
Liabilities			
Loans and borrowings	*6*	**50,598**	58,412
Provisions		**5,200**	4,970
Total non-current liabilities		**55,798**	63,382
Loans and borrowings	*6*	**8,951**	5,871
Trade and other payables		**7,067**	6,109
Provisions		**1,083**	1,241
Derivative financial instruments		**941**	-
Total current liabilities		**18,042**	13,221
Total liabilities		**73,840**	76,603
Total equity and liabilities		**157,299**	158,930

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

Consolidated Interim Statement of Cash Flows *for the Six Months Ended 30 June 2010*

	30 June 2010 $'000	30 June 2009 $'000
Cash from operating activities:		
Receipts from customers	**26,782**	9,369
Payments to suppliers and employees	**(21,172)**	(16,002)
Financing costs and interest paid	**(2,008)**	(1,483)
Interest received	**267**	159
Total cash (used in) from operating activities	**3,869**	(7,957)
Cash flows from investing activities:		
Proceeds from the sale of fixed assets	**12**	-
Acquisition of property, plant and equipment	**(945)**	(1,599)
Mine construction & development expenditure	**(4,145)**	(1,818)
Exploration and evaluation expenditure	**(7,461)**	(6,599)
Net cash (used in) from investing activities	**(12,539)**	(10,016)
Cash flows from financing activities:		
Proceeds from the issue of share capital	**78**	7,500
Payment of transaction costs	**(14)**	-
Repayment of borrowings	**(914)**	(703)
Net cash from (used in) financing activities	**(850)**	6,797
Net increase/(decrease) in cash and cash equivalents	**(9,520)**	(11,176)
Net foreign exchange differences	**586**	-
Cash and cash equivalents at beginning of half year	**21,904**	14,499
Cash and cash equivalents at end of half year	**12,970**	3,323

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

1 Basis of Preparation

(a) General Information and Reporting Basis

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

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

The interim financial report does not include full disclosures of the type normally included in an annual financial report, and therefore it is recommended that this financial report be read in conjunction with the annual financial report for the year ended 31 December 2009, 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)*.

The consolidated interim financial report was authorised for issue by the Directors on 24 August 2010.

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

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

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

(b) Estimates

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

In preparing this consolidated interim financial report, the significant judgements made by management in applying the Consolidated Entity's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 31 December 2009.

(c) Statement of Significant Accounting Policies

The accounting policies applied by the Consolidated Entity in the consolidated interim financial report are the same as those applied by the Consolidated Entity in its consolidated financial report as at and for the year ended 31 December 2009.

(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 2010 interim period the Consolidated Entity realised a loss of $5.5 million, increasing accumulated losses to $56.6 million. As at 30 June 2010 the Consolidated Entity has total equity of $83.5 million and the Group's current assets exceeded its current liabilities by $10.9 million. It is the intention of the directors to continue to explore, evaluate and develop the Consolidated Entity's areas of interest for which rights of tenure are current. In order to achieve this, further cash injections by way of equity or debt may be necessary. Subject to market conditions, the Consolidated Entity has the ability to raise additional equity and debt finance as required and at the time of this report, the directors consider that the Consolidated Entity could raise cash by way of equity or debt to fund anticipated activities. The directors will take the appropriate action to ensure these funds are available as and when they are required.

(e) Property, plant and equipment

The depreciable amount of all property, plant and equipment, excluding freehold land, is depreciated on either a diminishing value, straight line or units of use basis over their useful lives to the Company commencing from the time the asset is held ready for use, including an estimate for residual value.

2 Other Income & Expenses

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

	30 June 2010 $'000	30 June 2009 $'000
Other income		
Rental Income	**11**	11
Cost Recoveries	**-**	122
Management Fees	**-**	5
Realised commodity derivative gains	**795**	-
Total other income	**806**	138

There was no commodity hedging as at 30 June 2009

Finance income		
Interest income	**228**	108
Unrealised foreign exchange gain on convertible notes [1]	**-**	4,230
Realised foreign exchange gain on convertible notes [2]	**845**	-
Realised foreign exchange gain	**618**	511
Total finance income	**1,691**	4,849
Finance costs		
Interest on convertibles notes	**691**	826
Interest on borrowings	**950**	1,297
Unwinding of discount on mine rehabilitation provision	**125**	90
Other borrowing costs	**485**	301
Unrealised foreign exchange loss on convertible notes [1]	**2,322**	-
Unrealised foreign exchange losses	**960**	875
Realised foreign exchange losses	**-**	166
Total finance costs	**5,533**	3,555

1 At 30 June 2010, the Company had 25.05m of USD denominated convertible notes on issue (30 June 2009 20.05m).

2 On 17 May 2010, a foreign exchange gain of $0.8m was realised on the conversion of 5,000,000 USD convertible notes.

3 Angas cash generating unit impairment test

Accounting Standards require that at each reporting date, an assessment is to be made about whether there is any indication that non-current assets may be impaired. If such an indication exists, the recoverable amount of the asset is determined and compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is recognised as an expense in the income statement.

Where it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is used. A Cash Generating Unit (CGU) is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. The recoverable amount is the greater of an asset's 'fair value less costs to sell' and 'value in use'. An impairment test was undertaken as at 30 June 2010 which was based on the 'value in use' methodology.

Value in use in relation to the Angas CGU, was determined by discounting the future cash flows generated from the continued use of the asset and was based on the following:

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

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

4 Property, plant, equipment, exploration and evaluation

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	3,208	38	34	48,121	34,301	123	3,555	89,380
Additions	-	-	-	11	-	5,049	-	5,060
Disposals	-	-	-	(16)	-	-	-	(16)
Transfers	-	-	-	605	4,145	(4,750)	-	-
Transfer to equity accounted investee	-	-	-	-	-	-	-	-
Transfer to investment in subsidiary	-	-	-	-	-	-	-	-
Depreciation and amortisation	-	(4)	(6)	(4,623)	(3,562)	-	(362)	(8,557)
Writedowns	-	-	-	-	-	-	-	-
Foreign currency movement	-	-	-	(52)	-	-	-	(52)
Carrying amount at the end of period	3,208	34	28	44,046	34,884	422	3,193	85,815

4 Property, plant, equipment, exploration and evaluation *(cont.)*

CONSOLIDATED	Exploration and Evaluation $'000
Opening carrying amount	33,642
Additions	7,461
Disposals	-
Transfers	-
Transfer to equity accounted investee	-
Transfer to investment in subsidiary	-
Depreciation and amortisation	-
Writedowns	-
Foreign currency movement	322
Carrying amount at the end of period	41,425

5 Inventories

	30 June 2010 $'000	31 December 2009 $'000
Raw materials and consumables (at cost)	**2,281**	1,953
Work in progress - ore run of mine (at cost)	**65**	477
Finished goods	**3,797**	1,960
Total inventories at the lower of cost and net realisable value	**6,143**	4,390

Work In progress and Finished goods are recorded at cost at the end of the period.

6 Loans and borrowings

	30 June 2010 $'000	31 December 2009 $'000
Current		
Lease liabilities [1]	**1,951**	1,871
Bank loans - secured - Angas Zinc project [2]	**7,000**	4,000
	8,951	5,871
Non-current		
Lease liabilities [1]	**1,278**	2,272
Bank loans - secured - Angas Zinc project [2]	**14,927**	17,634
Convertible Notes [3]	**34,393**	38,506
	50,598	58,412
Financing facilities		
Bank loan facilities - available [2]	**23,000**	23,000
Bank loan facilities - undrawn	**-**	-
Bank loan facilities - drawn	**23,000**	23,000
Less: unamortised transaction costs	**(1,073)**	(1,366)
Carrying amount at end of period	**21,927**	21,634
Guarantee facility - available [4]	**5,000**	5,000
Guarantee facility - undrawn	**-**	-
Guarantee facility - drawn	**5,000**	5,000

There are no unused lease facilities.

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

2 The Company has a Corporate revolving AUD loan facility provided by Investec. There has been no change to this facility since the 31 December 2009 Annual Report. There are two scheduled principal repayments over the next 12 months, $4m in August 2010 and $3m in February 2011.

3 J.P. Morgan Metals & Concentrates LLC (J.P. Morgan), formerly RBS Sempra Metals & Concentrates LLC holds US $15,050,000 (A$17.7m) (December 2009 US $20,050,000) in five year unlisted convertible redeemable notes issued by the Company, with a maturity date of 31 March 2013. The notes are repayable in either cash or shares with reference to the volume weighted average price (VWAP) of the Company's shares around the time of repayment. The notes can be converted to shares at the discretion of the Company at any time, or at the election of J.P. Morgan after the earlier of two years after issue date of the notes or after the completion of the definitive feasibility study for the Tala Hamza deposit. Any unconverted notes are to be repaid in cash at maturity. Interest is payable semi-annually based on the London Interbank Offered Rate (LIBOR) plus a margin of 200 basis points and can be paid in cash or shares at the election of the Company. The USD balance owing has been translated to AUD equivalents using the spot currency rate at 30 June 2010, which has given rise to an unrealised foreign exchange loss of $0.9m for the interim period. During the period, J.P. Morgan converted 5,000,000 notes, accordingly 7,447,829 shares were issued. Upon conversion a foreign exchange gain of $0.8m was realised. A total of 85,392 shares were issued during the period in lieu of a cash interest payment of US$57,327.

In September 2008, the Company issued $5,002,400 in five year unlisted convertible notes having a maturity date of 17 September 2013 to an institutional investor. The note holder has the right to convert the notes to fully paid ordinary shares in the capital of the Company at a conversion price of $2.21 per note. The interest rate is fixed at 8.00% per annum, with interest payable semi-annually in cash or shares at the discretion of the Company.

6 Loans and borrowings *(cont.)*

In September 2009, the Company issued US$10.0m (A$11.7m) in 5 year unlisted convertible redeemable notes to Transaminvest S.A. The notes have a maturity date of 23 September 2014. The notes are repayable in either cash or shares with reference to the volume weighted average price (VWAP) of the Company's shares around the time of payment. The notes can be converted to shares at the discretion of the Company at any time or at the election of Transaminvest S.A at any time after 12 months subject to a minimum VWAP of $1.70. Interest is payable semi-annually based on LIBOR plus a margin of 200 basis points and can be paid in cash or shares at the election of the Company. The USD balance owing has been translated to AUD equivalents using the spot currency rate at 30 June 2010, which has given rise to an unrealised foreign exchange loss of $0.6m for the interim period.

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

7 Issued Capital

Table of issued capital for the half year ended 30 June 2010:

Type of Share Issue	Number of Ordinary Shares on issue	Weighted average price	Share Capital $'000
Opening Balance	**158,388,677**		**113,667**
Shares issued on conversion of notes	7,447,829	0.75	5,590
Shares issued in lieu of interest	85,392	0.75	64
Exercise of options	150,000	0.52	78
Closing Balance	**166,071,898**		**119,399**
Share issue costs			(14)
Transfer of option reserve to issued capital following option exercise			14
Issued Capital			**119,399**

Table of issued capital for the half year ended 30 June 2009:

Type of Share Issue	Number of Ordinary Shares on issue	Weighted average price	Share Capital $'000
Opening Balance	**110,625,605**		**80,675**
Share placement	11,538,462	0.65	7,500
Shares issued in lieu of interest	1,318,388	0.58	764
Exercise of options	-	-	-
Closing Balance	**123,482,455**		**88,939**
Share issue costs			-
Transfer of option reserve to issued capital following option exercise			-
Issued Capital			**88,939**

8 Investments Accounted for Using the Equity Method

	30 June 2010 $'000	31 December 2009 $'000
Investment in associate	**1,079**	1,078
	1,079	1,078

9 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	
	2010 $'000	2009 $'000	**2010 $'000**	2009 $'000	**2010 $'000**	2009 $'000
Revenue						
External Customers	**27,488**	13,669	**-**	-	**27,488**	13,669
Total Revenue	**27,488**	13,669	**-**	-	**27,488**	13,669
Results						
Depreciation and amortisation	**(8,557)**	(6,412)	**-**	-	**(8,557)**	(6,412)
Exploration and evaluation write down	**-**	(23)	**-**	-	**-**	(23)
Loss before income tax	**(5,473)**	(7,493)	**-**	-	**(5,473)**	(7,493)
Income tax expense					**-**	-
Loss for the period attributable equity holders of the Company					**(5,473)**	(7,493)
Operating assets	**116,561**	124,697	**40,738**	34,233	**157,299**	158,930
Operating liabilities	**73,663**	76,238	**177**	365	**73,840**	76,603
Other disclosures						
Capital expenditure [1]	**6,225**	4,573	**6,296**	4,097	**12,521**	8,670

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.

10 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share at 30 June 2010 was based on the net loss attributable to equity holders of the Company of $5,473,000 (2009: loss of $7,493,000) and a weighted average number of ordinary shares outstanding during the period ended 30 June 2010 of 160,255,040 (2009: 116,858,428), calculated as follows:

	30 June 2010 $'000	30 June 2009 $'000
Net loss for the half year	**(5,473)**	(7,493)
Issued ordinary shares	**166,071,898**	123,482,455
Weighted average number of ordinary shares	**160,255,040**	116,858,428
Basic loss per share (cents)	**(3.42)**	(6.41)

(b) Diluted earnings per share

The 2010 calculation of diluted earning per share does not include weighted dilutive potential ordinary shares on issue as to do so would have the effect of reducing the amount of the loss per share.

	30 June 2010 $'000	30 June 2009 $'000
Net loss for the half year	**(5,473)**	(7,493)
Weighted average number of ordinary shares	**160,255,040**	116,858,428
Weighted average number of options	**-**	-
Weighed average number of shares and potential ordinary shares used in the calculation of diluted earnings per share	**160,255,040**	116,858,428
Diluted loss per share (cents)	**(3.42)**	(6.41)

11 Contingencies & Commitments

No contingent assets or liabilities exist at the reporting date.

(a) Capital expenditure commitments

	30 June 2010 $'000	31 December 2009 $'000
Capital expenditure commitments contracted for:		
Within 1 year	**1,575**	697
Total	**1,575**	697

(b) Finance leases

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

Within 1 year	**2,161**	2,169
Longer than 1 year and not longer than 5 years	**1,351**	2,428
Minimum lease payments	**3,512**	4,597
Less: Future Finance Charges	**283**	454
Total lease liabilities	**3,229**	4,143
Representing:		
Current	**1,951**	1,871
Non-Current	**1,278**	2,272
	3,229	4,143

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

12 Controlled Entities; Percentage Owned

Name	Country of incorporation	30 June 2010	30 June 2009
Parent Entity:			
Terramin Australia Limited	Australia		
Subsidiary of parent entity:			
Menninnie Metals Pty Ltd	Australia	**100%**	100%
Western Mediterranean Zinc Spa	Algeria	**65%**	65%
Terramin Spain S.L.	Spain	**100%**	100%
Terramin Exploration Pty Ltd	Australia	**100%**	100%
Terramin Investments S.L.	Spain	**100%**	100%

13 Related Party Transactions

There were no loans or related party transactions between key management personnel and the Company and its subsidiaries during or subsisting at the end of the interim period, other than remuneration arrangements which remain in place and are consistent with those disclosed in the 2009 Annual Report.

14 Subsequent Events

With effect from 6 August 2010, the Board of the Company and Mr Greg Cochran mutually agreed to end Mr Cochran's employment as Chief Executive Officer of the Company. Subject to the execution of a Deed of Settlement, the Company will pay Mr Cochran $200,000, which agreed amount is consistent with the amount that would have been payable by the Company pursuant to the terms of Mr Cochran's employment agreement in the event of termination, being 6 months' pay in lieu of notice.

Directors' Declaration

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 8 to 23:
   - (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 2010 and of its performance for the half-year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Kevin C Moriarty
Executive Chairman

24th August 2010

Peter Zachert
Director

24th August 2010

KPMG

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

Report on the financial report

We have reviewed the accompanying interim financial report of Terramin Australia Limited ('the company'), which comprises the consolidated statement of financial position as at 30 June 2010, consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the interim period ended on that date, notes 1 to 14 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Consolidated Entity 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 Consolidated Entity's financial position as at 30 June 2010 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*.

KPMG

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 Consolidated Entity's financial position as at 30 June 2010 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*.

KPMG

KPMG

Derek Meates
Partner

Adelaide

24 August 2010

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