Appendix 4E Statement

Preliminary Final Report

for the Year Ended 31 December 2011 (previous corresponding period is the year ended 31 December 2010)

RESULTS FOR ANNOUNCEMENT TO THE MARKET

	2011 $'000	2010 $'000	Change %
Revenue from ordinary activities	**58,167**	59,450	-2.2
(Loss)/Profit after tax from ordinary activities	**(19,640)**	(9,875)	-98.9
(Loss)/Profit after tax attributable to equity owners of the Company	**(19,640)**	(9,875)	-98.9

DIVIDENDS/DISTRIBUTIONS

	Amount per security	Franked amount per security
2011 final dividend	**Nil**	**Nil**
2010 final dividend	Nil	Nil

No interim dividend was paid for the year ending 31 December 2011 and no final dividend has been proposed for the year ending 31 December 2011.

NET TANGIBLE ASSETS PER SHARE

	2011 $/share	2010 $/share
Net tangible assets per share	**0.34**	0.46

INTERESTS IN JOINT VENTURES

Joint Venture	Location	Principal Activity	2011 % holding	2010 % holding
Menninnie Dam	South Australia	Base Metals Exploration	**100**	24
Oued Amizour	Algeria	Base Metals exploration and development	**65**	65

Following the approval granted by the Minister under the Mining Act, Menninnie Metals Pty Ltd, a wholly owned subsidiary of Terramin Australia Limited, completed the acquisition of the Menninnie Dam tenement (EL3640) from Minerals and Metals Group, increasing its ownership from 24% to 100%. Since 21 January 2011, Menninnie Metals Pty Ltd has taken over responsibility for the management of the tenement.

EXPLANATION OF REVENUE

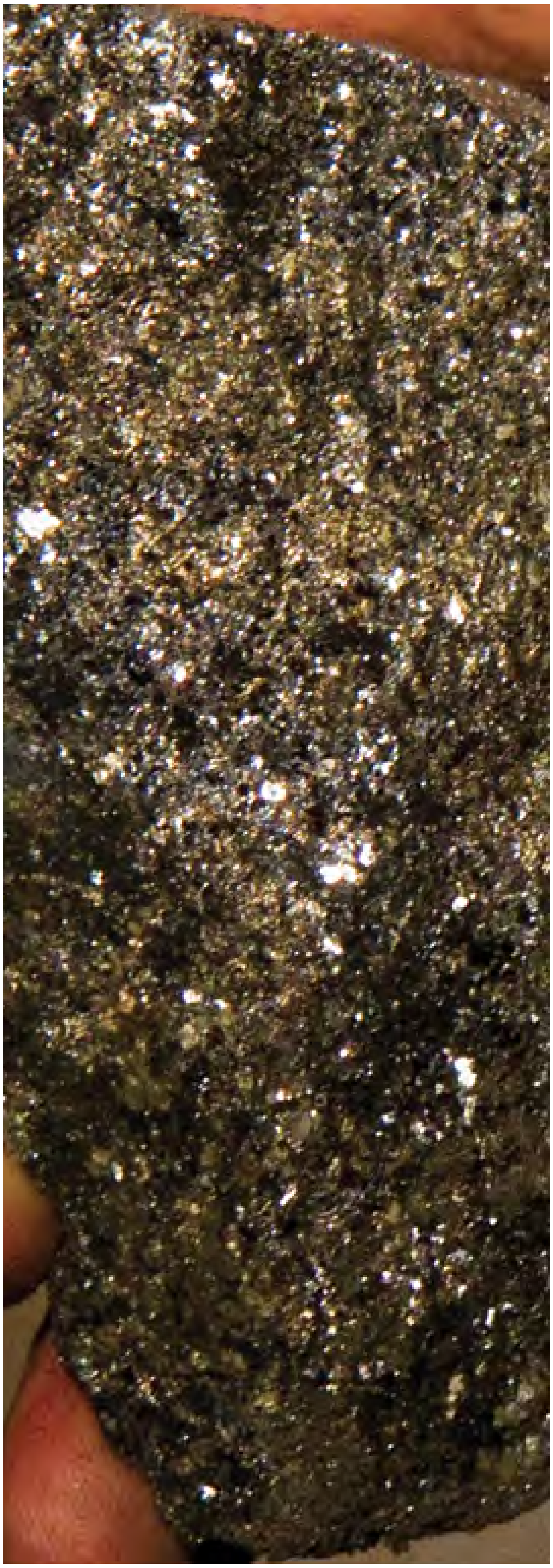
Revenue from ordinary activities for the financial year ended 31 December 2011 of $58.2 million was down 2% on 2010. The marginal reduction occurred despite an increase in ore tonnes mined and milled and was mainly attributable to lower mine grades and unfavourable movements in currency markets during the year. Development of the Angas Zinc Mine has advanced considerably in 2011, allowing access to multiple stoping fronts and higher grades in the second half of 2011. Focus continues on maximising mine grades to increase near term metal production and resulting revenues into 2012.

Please refer to the Annual Financial Report for the year ended 31 December 2011 for further information.

AUDIT REPORT

The accounts upon which this Appendix 4E is based have been audited and the Independent Audit Report to Members of Terramin Australia Limited is included in the attached Financial Report.

TERRAMIN AUSTRALIA LIMITED



FINANCIAL REPORT

2011

JORC Competent Person Statement

The information in this report that relates to Exploration Results is based on information compiled by Mr Eric Whittaker. The information that relates to Mineral Resources for Menninnie Dam and Tala Hamza is based on information compiled by Mr Robert Singer. The information that relates to Mineral Resources for Angas is based on information compiled by Mr Eric Whittaker. The information that relates to Ore Reserves for Tala Hamza is based on information compiled by Dr David Allison and for Angas by Mr Ian Holman. Mr Whittaker and Mr Singer are Members of The Australasian Institute of Mining and Metallurgy and Dr Allison and Mr Holman are Members of the Institute of Materials, Minerals and Mining. Mr Holman is Chief Engineer and Mr Whittaker is Principal Resource Geologist and both are full time employees of Terramin Australia Limited. Mr Singer was Chief Geologist of Terramin Australia Limited; Dr Allison was Senior Mining Engineer at Golder Associates (UK) Ltd at the time of their respective estimates. All have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Whittaker, Mr Singer, Mr Holman and Dr Allison consent to the inclusion in the report of the matters based on his information in the form and context in which it appears.

CONTENTS

Directors' Report

for the Year Ended 31 December 2011

Your Directors submit their report on the consolidated entity being Terramin Australia Limited (the Company or Terramin) and its controlled entities (the Group), for the financial year ended 31 December 2011 and auditor's report thereon.

DIRECTORS

The following persons were Directors of the Company during the whole of the year and up to the date of the report unless stated otherwise:

Mr Robert (Bryan) Davis BSc (Tech), FAIMM, MAICD
Appointed 23 July 2009

Mr Davis is a qualified mining engineer with over 40 years experience in the mining and resources industry. Mr Davis has held a variety of senior corporate and operational roles during his career, including as Chief Executive Officer and subsequently, as a Non-Executive Director of Newcrest Mining Limited. Mr Davis was formerly Executive Director - Mining at Pasminco Limited, and held senior management positions at CRA Limited. He currently acts as an independent, Non-Executive Director on the Board of OneSteel Limited (appointed December 2004). In addition, Mr Davis was a Director of Newcrest Mining Limited from April 1998 to October 2008 and of Coal & Allied Limited from September 2000 to December 2011. Mr Davis is the Chairman of the Board, Chair of the Company's Tala Hamza Risk Assessment Committee and a member of the Nominations & Remuneration Committee and Due Diligence Committee.

Mr Nic Clift BSc (Hons), MBA, FAusIMM, MIMMM, MAICD, CEng
Appointed 26 September 2011

Mr Clift has over 30 years of international experience in the mining and base metals extraction, refining, and recycling industries. He has worked in a variety of corporate, management, project, development, and operating roles, and has extensive experience in dealing with government and local administration. More than a third of his career has been spent in Africa; most recently he ran Kamoto Operating Limited in the Democratic Republic of the Congo (DRC), and prior to that Compagnie des Bauxites de Guinee (CBG), in Guinea. Amongst his qualifications and professional affiliations, Mr Clift holds an MBA from the University of Queensland, and is a member of the Australian Institute of Company Directors (MAICD).

Dr Kevin C Moriarty BSc(Hons), PhD
Appointed 1 September 2000

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

Mr Peter Zachert BBus, MGeoscience, MCom, FCA, FAIM, MAICD
Appointed 5 June 2009

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

Mr Steven AJ Bonett BCom, LLB (Hons)
Appointed 15 June 2005

Mr Bonett is a corporate lawyer and company director, holding degrees in Commerce and Law. He is a former partner of Finlaysons Lawyers and in that role, led several major transactions in Australia and overseas. He is currently a consultant to Adelaide commercial law firm, Kelly & Co Lawyers and a Director of numerous companies in the Precision Group, a national property, finance and investment group. He is recognised as an expert in the field of corporate and commercial law, mergers and acquisitions and corporate governance. He has also served on the Boards of not for profit organisations, including most recently The Queen Elizabeth Hospital Research Foundation. Mr Bonett is Chair of the Company's Nominations & Remuneration Committee and Due Diligence Committee, and a member of the Audit Committee.

Mr Michael H Kennedy BComm (Economics)
Appointed 15 June 2005

Mr Kennedy has enjoyed a 35 year career in the non-ferrrous mining and smelting industry, and has held a number of senior marketing and logistics roles with the CRA/RTZ Group, managing raw materials sales from the Bougainville, Broken Hill, Cobar and Woodlawn mines, managed raw material purchases and supply into the Port Pirie lead smelter, Budel zinc smelter (Netherlands), and the Avonmouth (UK) and Cockle Creek (Newcastle) zinc-lead smelters. He was the resident Director of the Korea Zinc group of companies in Australia from 1991 until 2005, which encompassed the construction and commissioning of the Sun Metals zinc refinery in Townsville. Mr Kennedy is Chair of the Company's Risk & Compliance Committee, and a member of the Audit Committee and the Nominations & Remuneration Committee.

Mr Xie Yaheng MSc, Senior Engineer

Appointed 18 September 2009

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

Mr Robert W Jones BAppSc, Dip. Prim. Met.

Appointed 5 June 2009, Retired 30 June 2011

Mr Jones is a metallurgist with over 35 years of experience in the zinc-lead-copper resources sector in both mining and refining. He has overseen the construction, commissioning and operation of mining and mineral processing operations in both Australia and the US. Mr Jones spent a number of years as President of US Operations for Pasminco Limited, most notably responsible for the Tennessee zinc mining and smelting operations, and as GM of the company's Port Pirie lead smelter. Throughout his career he has been actively involved in the zinc industry, including Executive positions with the International Lead Zinc Research Organization and the American Zinc Association. Mr Jones retired from the Board on 30 June 2011 and was a member of the Company's Tala Hamza Risk Assessment and Risk & Compliance Committees.

Company Secretary

Mr Stéphane Gauducheau LLB, GDLP, Maîtrise de Droit

Appointed 24 August 2010

Mr Gauducheau is a lawyer with experience in commercial, corporate and financing transactions. Whilst in private practice, Mr Gauducheau advised mining and oil and gas companies on projects and transactions in Australia, Europe, North and West Africa, and the Middle East. Mr Gauducheau is admitted to legal practice in South Australia and in France.

MEETINGS OF DIRECTORS

The number of meetings of the Company's Board of Directors and of each Board committee held during the year ended 31 December 2011, and the number of meetings attended by each Director were:

	Directors' Meetings		Audit Committee		Nominations & Remuneration Committee		Risk & Compliance Committee		Tala Hamza Risk Assessment Committee		Due Diligence Committee		EGM Committee	
	E	*A*	*E*	*A*	*E*	*A*	*E*	*A*	*E*	*A*	*E*	*A*	*E*	*A*
RB Davis	11	11	-	-	3	3	-	-	2	2	8	8	-	-
NM Clift	3	3	-	-	-	-	-	-	-	-	-	-	-	-
KC Moriarty	11	11	-	-	-	-	-	-	-	-	-	-	-	-
P Zachert	11	11	5	5	-	-	6	6	-	-	-	-	-	-
SAJ Bonett	11	11	5	5	3	3	-	-	-	-	8	8	3	3
MH Kennedy	11	11	5	5	3	3	6	6	2	2	-	-	-	-
Y Xie	8	6	-	-	-	-	-	-	-	-	-	-	3	1
RW Jones	3	2	-	-	-	-	2	1	2	1	-	-	3	3

E Number of meetings eligible to attend

A Number of meetings attended

Directors' Interests

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

	Fully paid ordinary shares	Options	Options exercise price	Options expiry date
RB Davis	134,918	-	-	-
NM Clift	-	300,000	$0.53	7 April 16
KC Moriarty	9,026,313	-	-	-
MH Kennedy	403,448	-	-	-
SAJ Bonett	250,000	-	-	-
P Zachert	123,448	-	-	-
Y Xie	-	-	-	-
Total	**9,938,127**	**300,000**		

PRINCIPAL ACTIVITIES

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

OPERATING RESULTS

	Angas 2011 $'000	Other 2011 $'000	Total 2011 $'000	Total 2010 $'000
Revenue	58,167	-	58,167	59,450
Other income	-	57	57	17
Raw materials, consumables and other direct costs	(46,797)	-	(46,797)	(40,383)
Change in inventories of finished goods and WIP	4,154	-	4,154	(2,075)
Employee expenses	-	(2,988)	(2,988)	(3,705)
Other expenses	-	(3,551)	(3,551)	(2,785)
Share option expense	-	(46)	(46)	(661)
Net finance income (costs) (non-interest)	(88)	797	709	1,673
Earnings before interest, income tax, depreciation and amortisation (EBITDA)	**15,436**	**(5,731)**	**9,705**	**11,531**
Depreciation and amortisation	(26,289)	(59)	(26,348)	(18,523)
Earnings before interest and income tax (EBIT)	**(10,853)**	**(5,790)**	**(16,643)**	**(6,992)**
Net finance costs (interest)	(2,138)	(859)	(2,997)	(2,883)
Income tax expense	-	-	-	-
Loss for the period	**(12,991)**	**(6,649)**	**(19,640)**	**(9,875)**

The consolidated loss of the Group after providing for income tax was $19.6 million for the year ended 31 December 2011 (2010: $9.9 million). The major contributor to the result was non-cash charges of $26.3 million for depreciation and amortisation. The operating profit for the Angas Zinc Mine was $15.4 million (2010: $16.7 million) before interest, tax, depreciation and amortisation charges (EBITDA).

Sales revenue from zinc and lead concentrates was $58.2 million, a 2% reduction on the prior year. Operating expenditure increased in 2011 as a result of a 16% increase in Angas Zinc Mine operating expenditure to $46.8 million (2010: $40.4 million), partly offset by a reduction in employee expenses of 19%.

The consolidated net asset position as at 31 December 2011 was $71.1 million.

DIVIDENDS PAID OR RECOMMENDED

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

REVIEW OF OPERATIONS

During the year the Company focused on maximising productivity and efficiencies from its Angas Zinc Mine in South Australia through improvements to backfill processes and increasing availability to multiple stoping fronts thereby significantly de-risking operations. The Company continued to assist and liaise with its partners with their review of the Definitive Feasibility Study (DFS) of the Tala Hamza deposit in the Oued Amizour Zinc Project in Algeria. The Company also engaged in the exploration, evaluation and development of base metal projects in Australia and Algeria with a focus on zinc. Highlights for each of the Company's major projects are reported below.

Angas Zinc Mine

(Terramin 100%)

Angas Zinc Mine Production Stats	2011 ('000 tonnes)	2010 ('000 tonnes)	% Change
Ore Mined	**412**	387	6.5%
Ore Milled	**401**	392	2.4%
Zinc Concentrate	**44**	45	-2.5%
Lead Concentrate	**18**	17	6.5%

The Angas Zinc Mine continued to set production records for tonnes mined and milled during 2011. Ore mined and milled increased by 6.5% and 2.4% respectively with annual tonnages surpassing the 400,000 mark for the first time in the mine's history. Lead concentrate production increased by 6.5% on the prior year reaching over 18,000 tonnes. Zinc concentrate production fell marginally short of last year's level reaching 43,700 tonnes.

Process plant throughput was interrupted for 14 days in August due to an unplanned mill outage caused by the failure of the high voltage mill starter system. Repairs were carried out promptly upon securing parts and resources, returning the plant to full operational capacity earlier than originally envisaged. Additional remedial work on the high voltage switch room was undertaken to mitigate the risk of recurrence as well as a thorough review of all onsite electrical cables and equipment. Building on the solid performance in September following the unplanned mill outage, the process plant went on to achieve high throughput rates and uptime as a result of the focussed remedial work during the outage, for the balance of the year. The period of plant downtime allowed for a significant surface stockpile to be accumulated, providing the process plant with blending opportunities to optimise feed grade. Surface stockpiles remained at high levels at the end of December.

Due to improvements in backfill placement throughout 2011, development of the mine advanced considerably resulting in the availability of multiple stoping fronts. The opportunity was taken in December to scale back underground development in order to maximise near-term metal production and free cash flow. The revised mine plan will result in stoping providing the main source of ore (approximately 90%) compared to historical levels of approximately 40%. The revised plan and stope sequencing will focus on accessing higher grade ore from the upper Garwood levels and the central zone of the Rankine shoot as activity retreats from the lower grade periphery of the orebody on the active development drives. A long-term backfill facility was approved with commissioning to be completed in early 2012.

An Environmental Direction was issued by mine regulator Department for Manufacturing, Innovation, Trade, Resources and Energy (DMITRE) relating to water release plans and associated actions. Under this Direction (which is not a notice of default under the Mining Act) the regulator requested that the Company puts in place measures to ultimately reduce the level of water in the tailings dam facility to the 68RL level by the end of 2012. The measures are currently either in preparation or in the process of being implemented to meet the required milestones. Furthermore, at the request of the regulator the Company engaged a number of consultants to obtain estimates of the current rehabilitation liability for the mine. The Company has recently submitted a report containing the independent estimates to DMITRE at their request. Based on the information contained in these estimates, the Company has adequately provided for mine rehabilitation.

The 2011 Probable Reserve of 1.29Mt at 7.22% Zn and 2.87% Pb for Angas Zinc Mine (as at 30 June 2011) was released in July 2011.

In November, the Company announced a maiden resource at the Angas Sunter deposit of 375,000 tonnes at 5.4% zinc and lead and 15 grams per tonne of silver. The Sunter deposit is located close to the Angas Zinc Mine and is contained within five sub-parallel mineralised zones. Further drilling is scheduled in 2012 to identify viable mineral resources at depth, below the existing Angas resource.

To build on the improvements achieved in the second half of the year, the Angas operation increased its focus on maximising productivity and efficiencies. In order to assist in accelerating this process, performance improvement specialists, Partners in Performance International (PIP) were engaged to work with the Angas team in a collaborative approach to more rapidly identify and implement opportunities for improved operational performance. The process was well advanced at the end of the year and it is anticipated that the impacts will be evident early in 2012.

Fleurieu Exploration Project

(Terramin 100%)

The Fleurieu Project comprises four contiguous Exploration Licences (EL3641, Bremer; EL3792, Hartley; EL4210, Currency Creek; EL4466, Langhorne Creek) which together cover an area of 1,032km^2. The tenements cover an elongated zone stretching 60km northeast and southwest of the Angas Mine. A fifth licence ELA-2011/00288 has been applied for to the east of the existing Fleurieu tenements, covering an additional 154km^2.

Although the majority of exploration was conducted within close proximity to the Angas Zinc Mine during 2011, significant work was also carried out throughout the region including the prospect scale modelling of the Versatile Time Domain Electro-Magnetic (VTEM) geophysical survey and ranking of identified targets. Surface sampling over the VTEM anomalies that have no or little transported cover identified the Pipeline and Disher Hill prospects and refocused attention on the Freeway prospect.

Pipeline is the most advanced of the three projects, with soil and rock chip sampling having defined a 1.2km long gold, bismuth and copper anomaly with the majority of rock chips having returned values of +0.2g/t gold with a peak of 3.06g/t gold with 0.44% bismuth.

Disher Hill is a new copper gold prospect identified to the west of the Frahns and Pipeline prospects. Best results returned from copper carbonate stained quartz vein float were 3.02% copper, 0.84g/t gold 0.12% bismuth and 6.4g/t silver.

Gossans and quartz float found to the south of the Freeway prospect returned anomalous copper and gold. Previous sampling by North Ltd in 1995 returned gold numbers of up to 9.6g/t gold, however they did not regard their results as significant as they did not sit on the magnetic high. The Company's anomalous results, like North's sit to the west of the magnetic body.

Exploration planned in the upcoming year includes a RAB/AC drilling program to test the Pipeline prospect and further follow up of VTEM features.

Oued Amizour Zinc Project

(Terramin 65%)

The DFS on the Tala Hamza project was completed and provided to the Company's Algerian joint venture partner Enterprise Nationale des Produits Miniers Non Ferreux et des Substances Utiles (ENOF) in October 2010. Terramin and ENOF have continued to work towards bringing the Tala Hamza project to a Decision to Mine and submission of a mining lease application.

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

The review process has taken considerably longer than expected. The Tala Hamza project is the first significant underground mine assessed under the Algerian Mining Act. It is also the first large zinc mine and its location near a population centre means that the Algerian government are focussing significant attention to the technical and environmental aspects of the project.

Following the receipt in September 2011 of ENOF's official response to Terramin's DFS, a series of workshops were scheduled to take place between Terramin, ENOF and the respective experts.

A first workshop was held in October 2011 to identify and address the potential issues, prior to the application process.

This workshop and following discussions highlighted that there is disagreement between the parties in a number of areas as follows:

- Concerns over the proposed mining method;
- Hydrology and management of underground water;
- Overly conservative estimates of the project economics;
- Post life-of-mine rehabilitation risks and management of such risks; and
- Presentation and analysis of risks.

In addition, it was made apparent that the initial proposal to dispose of tailings into a permanent dam is very unlikely to be approved by the surrounding community. Terramin has more recently proposed a "dry stacking" disposal method. The test work being carried out by Outotec, aimed at determining the filter requirements for the dry stacking of the Tala Hamza tailings has been completed with two alternatives now being reviewed. The test work conducted on the Tala Hamza tailings has shown that the material can be successfully dewatered using either a belt or pressure filter.

Terramin plans to conduct further meetings with its Algerian partner in an attempt to resolve the differences between the parties and discuss next steps. The next meeting is expected to take place in the first quarter of 2012.

During the year work continued in progressing aspects of the project in the following areas:

- WMZ appointed a licensed surveyor in Bejaia to advance the cadastral process for the land required for the project. The surveyor has identified the majority of landholders within the Mine Lease area and is progressing field discussions with residents in order to confirm certificates of title;
- The preliminary portal design for the access decline has been prepared, based on a detailed geology and structure study by WMZ. The design will be used to prepare a request for quotation under the tender process for the decline portal and adjacent earthworks;
- Investigation was undertaken to further analyse the performance, practical application and safety of roadheaders compared to drill and blast methods. Information analysed to date suggests roadheaders would be a superior choice in terms of advance rate, safety, and operational context. Terramin's engineers had discussions with potential suppliers and carried out inspections of mines utilising roadheaders; and
- There was progress in up-skilling the workforce in Algeria to prepare for the construction of the Tala Hamza project. A number of Algerian employees have been selected for numerous training programmes with four key WMZ employees already seconded to Adelaide for an intensive training programme.

The application for renewal of the Oued Amizour exploration licence which expired on 26 August 2011 continues to be assessed by the Agence Nationale du Patrimoine Minier (ANPM), the Algerian regulator. ANPM has recently requested that WMZ provides information regarding the study and additional work programme to complete the feasibility study. Terramin do not believe that additional studies and work are required and that the DFS submitted is sufficient to make a decision to mine on this basis. WMZ is liaising with ANPM 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.

Menninnie Zinc Project

(a) Menninnie Dam (Terramin 100%)

Menninnie Dam has significant lead-zinc deposits at Menninnie Central and Viper with an Inferred Resource of 7.7 million tonnes at 3.1% Zn, 2.6% Pb and 27 g/t Ag as at March 2011. This revised resource estimate, announced to the ASX in March 2011, approximately doubles the tonnage and increases contained metal by 59% over the 2007 estimate. The deposits are open at depth and along strike.

Metallurgical test work completed during 2011 indicates that conventional milling and flotation treatment of Menninnie Dam lodes will produce favourable recoveries of lead, zinc and silver in marketable concentrate.

A Native Title Mining Agreement relating to the Menninie Dam and Nonning tenements was reached with the Gawler Ranges traditional owners and was registered with DMITRE in February 2011.

Planning for a substantial drilling programme on Menninnie Dam prospects and regional targets is in progress and is expected to be finalised in early 2012. Exploration drilling on the Menninnie Dam tenement will target high priority IP/soil anomalies at Mannequin, Phone Hill and Tank Hill as well as testing the extent of shallow mineralisation known near Menninnie Central. This exploration planning will form the basis for progression of JV negotiations with interested parties.

(b) Nonning (Terramin 100%)

In July 2011, Terramin announced to the ASX that an agreement with Minotaur Operations Pty Ltd will see Terramin acquire a 100% interest of the Nonning tenement, immediately north of the key Menninnie Dam project on South Australia's Eyre Peninsula. The acquisition of a 100% interest in the Nonning tenement was approved by DMITRE towards the end of 2011 with a new licence granted (EL4813, formerly EL3535) for a period of 2 years.

IP survey results were re-processed during 2011 to better define drilling targets.

(c) Kolendo (Terramin 100%)

Airborne EM (VTEM) data was processed and follow-up ground EM surveys for the Nonning, Kolendo and Taringa tenements are planned for 2012.

Further geochemical and geophysical surveys are also being planned to test prospective areas for signatures of Menninnie style lead-zinc-silver mineralisation and epithermal gold-silver mineralisation on Kolendo and Taringa. Definition of these surveys is based on the detailed rework of Menninnie Dam interpretations and increased understanding of the regional geology. This comes from ongoing interpretation of the reconnaissance geophysical and geochemical work undertaken throughout 2010 and 2011.

(d) Taringa (Terramin 100%)

This tenement is considered prospective for deposits of gold and/or base metals in epithermal vein systems within and beneath the Gawler Range Volcanics. Reconnaissance soil geochemistry surveys have produced encouraging results for lead, zinc and copper.

(e) Wipipippee Hill (Terramin 100%)

A licence application was lodged with DMITRE for Wipipippee Hill (ELA2011/00202), covering 862km^2. This application was approved in February 2012.

Corporate

During the year, the Company completed two placements under the terms of the $50 million subscription agreement with NFC. The first tranche of $6.2 million, representing 10,000,000 shares at $0.62 per share, was completed in March 2011. The second tranche of $4.6 million, representing 12,300,000 shares at $0.37 per share, was completed in August 2011.

In December 2011, the Company completed a two tranche capital raising with a total of 20,504,534 shares being issued at 14.5 cents per share to raise $2.97 million. Of this amount 13,500,000 shares were issued to an existing strategic investor Transaminvest S.A. in October 2011. The remaining 7,004,534 shares were issued to shareholders who participated in the Share Purchase Plan (SPP) which closed in late December 2011.

An additional 680,016 shares were issued to other parties during the year. Of these, 512,494 were issued for the satisfaction of interest due on outstanding Convertible Notes. The remaining 167,522 were issued to an employee in accordance with their employment terms.

Total options on issue by the Company reduced substantially by 9,606,630 due to the cancellation of 10,206,630 options, partly offset by the issue of 600,000 options. Of the options cancelled, 7,754,630 were held by Investec Bank (Australia) Limited (Investec) and were cancelled in accordance with the agreed terms of a debt restructure completed in August 2010 and the resolution carried out at the Company's 2011 Annual General Meeting. A further 2,452,000 Director and employee options expired and were cancelled accordingly. The Company issued a total of 600,000 options to employees in accordance with their employment terms.

Business Development Activities

Throughout 2011, the Company continued to identify, assess and, where appropriate, pursue the acquisition of interests in advanced mining projects. In addition, the Company appointed a corporate advisor in late 2011 to undertake a strategic review of options available to the Company to enhance shareholder value.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

SUBSEQUENT EVENTS

In February 2012, the Company agreed with Investec to the deferral of the $3 million principal repayment due on 29 February 2012 to 30 April 2012. The negotiations are finalised and a written agreement has been signed by both parties to defer the principal repayment.

Directors' Report

for the Year Ended 31 December 2011 (continued)

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.

FUTURE DEVELOPMENTS

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

ENVIRONMENTAL MANAGEMENT

The Group (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 strong 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 treatment and filtration equipment 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. These measures are currently either in preparation or in the process of being implemented to meet the required milestones.

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

CORPORATE GOVERNANCE

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

A summary of the Company's ongoing corporate governance practices is set out annually in the Company's annual report.

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

- Audit Committee
- Nominations & Remuneration Committee
- Risk & Compliance Committee
- Tala Hamza Risk Assessment Committee
- Due Diligence Committee (ad-hoc)
- EGM Committee (ad-hoc)

SHARE CAPITAL

(a) Ordinary Shares

As at 31 December 2011 and as at the date of this report, there were 210,800,124 fully paid ordinary shares in the capital of the Company on issue.

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

As at 31 December 2011 there were 6,595,000 unlisted options over fully paid ordinary shares in the capital of the Company on issue.

Expiry date	Exercise price $	Number of options on issue
22-Feb-12	1.97	725,000
8-May-12	2.43	1,075,000
17-Jun-12	3.32	150,000
9-Sep-12	2.92	100,000
11-Nov-12	3.74	50,000
19-Dec-12	3.55	325,000
20-Jan-13	1.08	100,000
20-Jan-13	1.12	100,000
23-Jan-13	2.66	275,000
20-Jul-13	2.45	575,000
31-Aug-13	1.00	1,800,000
7-Sep-13	2.12	20,000
20-Jan-15	1.17	1,000,000
7-Apr-16	0.53	300,000
Total		**6,595,000**

(c) Unlisted options exercised/cancelled during the year

There were no unlisted options over fully paid ordinary shares in the capital of the Company exercised during the period. During the year, there were 10,206,630 options cancelled. Of the options cancelled, 7,754,630 were held by Investec and were cancelled in accordance with the agreed terms of a debt restructure completed in August 2010 and the resolution carried out at the Company's 2011 Annual General Meeting. A further 2,452,000 Director and employee options expired and were cancelled accordingly.

(d) Unlisted options exercised/cancelled since 31 December 2011

No unlisted options over fully paid shares in the Company have been exercised since 31 December 2011. On 22 February 2012, 725,000 options were cancelled following their expiry.

REMUNERATION REPORT - AUDITED

This remuneration report for the year ended 31 December 2011 outlines the remuneration arrangements of the Company in accordance with requirements of the Corporations Act 2001 (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

The remuneration report details the remuneration arrangements for Key Management Personnel (KMP) who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company. The information regarding remuneration and entitlements of the Company's Board and KMP required for the purposes of section 300A of the Act is provided below.

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

(i) Executive Directors

Mr NM Clift	Managing Director and CEO *(Appointed 26 September 2011)*

(ii) Non-Executive Directors

Mr RB Davis	Chairman *(Independent)*
Dr KC Moriarty	*(Non-Independent)*
Mr P Zachert	*(Independent)*
Mr SAJ Bonett	*(Independent)*
Mr MH Kennedy	*(Independent)*
Mr RW Jones	*(Independent – Retired 30 June 2011)*
Mr Y Xie	*(Non-Independent)*

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

(iii) Other Key Management Personnel

Mr NM Clift	*General Manager Algeria (Ceased 25 September 2011)*
Mr RB Howie	*General Manager Angas Zinc Mine (Ceased 20 January 2012)*
Mr MJ Terry	*Chief Financial Officer*
Mr RP Singer	*Chief Geologist (Ceased 30 April 2011)*
Mr J Burgess	*General Manager Tala Hamza Project*
Mr IJ Holman	*Chief Mining Engineer*

Other than the resignation of Mr RB Howie, there were no other changes to KMP after the reporting date and before the date the financial report was authorised for issue.

(a) Remuneration Report and Practices

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

Compensation for Directors and Specified Executives of the Group are competitively set to attract and retain appropriately qualified and experienced Directors and Executives. The Nominations and Remuneration Committee obtains independent advice on the appropriateness of remuneration packages of the Group given trends in comparative companies both locally and internationally, and the objectives of the Group's remuneration strategy. These objectives are achieved through the development and implementation of policies and practices which support the key principles underlying the Company's remuneration policy:

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

Directors' Report

for the Year Ended 31 December 2011 (continued)

The remuneration structures outlined below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The following diagram illustrates how the Company's remuneration structures align with the overall Company strategy and links between remuneration outcomes and performance:

Business Objectives

To focus on the mining, development of and exploration for base metals (in particular zinc and lead) and other economic mineral deposits

Key principles linking remuneration structure to business objectives

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

Remuneration Component	Vehicle	Purpose	Link to performance
Fixed remuneration	• Base salary • Contract payments • Superannuation contributions • Other benefits	Provide competitive remuneration to attract high calibre people	Executive performance and remuneration packages are reviewed at least annually by the Nominations & Remuneration Committee. The review process includes consideration of individual performance in addition to the overall performance of the Group.
Performance based: Short-term incentive (STI)	• Cash bonus • Equity bonus	Provide reward to executives for achievement of individual and group performance hurdles	Award of STI linked directly to achievement of KPIs and performance hurdles.
Performance based: Long-term incentive (LTI)	• Share Options	Reward for contribution to creation of long-term shareholder value	Award of LTI linked directly to achievement of KPIs and performance hurdles.

Nominations and Remuneration Committee

The current members of the Committee are Mr SAJ Bonett (Chair), Mr MH Kennedy and Mr RB Davis. The objectives of the Committee are to assist the Board to:

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

To ensure the Nominations and Remuneration Committee is fully informed when making remuneration decisions, it seeks external remuneration advice. Amendments to the Corporations Act introduced in 2011 impact how companies can seek advice in relation to remuneration recommendations for KMP remuneration. During the year, the Board appointed McDonald & Company (Australasia) Pty Ltd (McDonald) as the remuneration advisor to the Company.

In order to ensure the Committee is provided with advice, and as required, remuneration recommendations, free from undue influence by members of the KMP to whom the recommendations may relate, the engagement of McDonald by the Committee was based on an agreed set of protocols. Upon completion of the engagement, McDonald provided the Company with a certificate confirming that their recommendations were not made under undue influence from management.

During the 2011 year, McDonald provided the Company with:

- Insights on remuneration trends, regulatory developments and shareholder views; and
- Market data in relation to CEO and Executive remuneration.

REMUNERATION AND INCENTIVE STRUCTURES

Executives

Fixed Remuneration

The fixed portion of Executive remuneration packages comprises a base salary, statutory superannuation payment and FBT charges related to employee benefits, such as car parking.

Executive performance and remuneration packages are reviewed at least annually by the Nominations and Remuneration Committee. The review process includes consideration of individual performance in addition to the overall performance of the Group. In addition, remuneration consultants provide further analysis and advice to ensure that compensation remains competitive and appropriate.

Performance Based Remuneration and Entitlements

Performance based remuneration may include both short-term and long-term incentives, and is designed to reward KMP for meeting or exceeding key performance indicators (KPI). KPIs may include financial metrics, production outcomes and completion of key Group objectives. The Board will from time to time approve the award of such incentives subject to satisfaction of KPIs. The short-term incentive (STI) is an "at risk" bonus which may be provided in the form of cash and/or equity securities. There are no current STIs in place with current KMP. The long-term incentive (LTI) is provided under the Terramin Australia Employee Option Plan (EOP) or the Terramin Australia Long-Term Incentive Plan (LTIP). The grant of options or other bonuses is directly linked to the achievement of specific Company objectives (such as operational milestones) with a direct link to the creation of shareholder value. There were no issues made under the LTIP during the year.

The Group has introduced a policy that prohibits those that are granted share-based payments as part of their remuneration, from entering into other arrangements that limit their exposure to losses that would result from share price decreases. Entering into such arrangements has been prohibited by law since 1 July 2011.

Directors

Remuneration and Incentives

The maximum aggregate fee payable to Non-Executive Directors is subject to approval by shareholders at general meeting (the current limit is $700,000). All securities issued to Directors and related parties must be approved by shareholders at a general meeting. Non-Executive Directors are either paid a base fee plus superannuation or remunerated via contractual arrangements approved by the Board and negotiated in consultation with the Nominations & Remuneration Committee. The current Non-Executive base fees are presently $40,000 per annum based on advice from external advisors with reference to fees paid to other Non-Executive Directors of comparable companies. Company policy supports the issue, where appropriate, of equity securities to Directors (whether Executive or Non-Executive) to help ensure Directors' interests are aligned with those of shareholders.

Director Options

There were no options or other equity securities issued to Directors during the year. A parcel of options were issued to the Managing Director in April 2011 as General Manager - Algeria, prior to his appointment to the Board and CEO on 26 September 2011.

Retirement or other Post Employment Benefits

Historically, the Company has not provided benefits to its Directors or Executives upon their retirement or otherwise upon cessation of employment, other than by making the statutory superannuation guarantee contributions as required by law.

Board and Committees – Membership and Remuneration

The following table sets out the chair and members of each committee and the fees allocated for each position in accordance with resolution of the 2010 AGM approving the fee pool.

	Chairman Fee $	Member Fee $
Each Non-Executive Director of the Board	65,000	40,000
Tala Hamza Risk Assessment Committee		
RB Davis (Chair), RW Jones replaced by SAJ Bonett in July 2011	25,000	10,000
Audit Committee		
P Zachert (Chair), MH Kennedy, SAJ Bonett	15,000	10,000
Risk & Compliance Committee		
MH Kennedy (Chair), P Zachert, RW Jones (not replaced)	15,000	10,000
Nominations & Remuneration Committee		
SAJ Bonett (Chair), MH Kennedy, RB Davis	15,000	10,000
EGM Committee [1]		
SAJ Bonett (Chair), RW Jones, Y Xie	15,000	10,000
Due Diligence Committee [2]		
SAJ Bonett (Chair), RB Davis	30,000	15,000

1. Ad-hoc committee created after the receipt of a requisition notice on 20 May 2011 and was terminated on 8 June 2011.
2. Ad-hoc committee created in September 2011 to oversee the capital raising and disclosure process of the Company until December 2011.

Directors' Report

for the Year Ended 31 December 2011 (continued)

(b) Parent Entity Directors' and Specified Executives' Remuneration and Entitlements

During the year, the following cash and non-cash payments were made to the Directors and KMP (who are also the relevant Group Executives for the purpose of s.300A(c)(iii) of the Act):

		Short term		Post employment		Share-based payments			Total
		Salary & fees	Contract payments	Super-annuation benefits	Termination benefits	Share options	Shares	%	
Executive Directors									
NM Clift [1]	2011	136,063	120,311	9,974	-	35,770	-	12%	**302,118**
	2010	112,374	-	10,114	-	-	-	0%	**122,488**
Non-Executive Directors [2]									
RB Davis [3]	2011	96,124	-	8,651	-	-	-	0%	**104,775**
	2010	68,807	-	6,193	-	-	-	0%	**75,000**
KC Moriarty [4]	2011	-	533,267	-	-	-	-	0%	**533,267**
	2010	-	508,420	-	-	-	-	0%	**508,420**
SA Bonett	2011	114,534	-	10,308	-	-	-	0%	**124,842**
	2010	59,633	-	5,367	-	-	-	0%	**65,000**
MH Kennedy	2011	68,807	-	6,193	-	-	-	0%	**75,000**
	2010	68,807	-	6,193	-	-	-	0%	**75,000**
P Zachert	2011	-	65,000	-	-	-	-	0%	**65,000**
	2010	-	65,000	-	-	-	-	0%	**65,000**
R Jones [5]	2011	-	40,000	-	-	-	-	0%	**40,000**
	2010	-	70,000	-	-	-	-	0%	**70,000**
Y Xie	2011	-	43,333	-	-	-	-	0%	**43,333**
	2010	-	39,999	-	-	-	-	0%	**39,999**
Key Management Personnel									
GC Cochran [6]	2011	-	-	-	-	-	-	0%	**-**
	2010	238,718	-	19,943	218,000	-	-	0%	**476,661**
RB Howie [7]	2011	275,100	-	24,759	-	-	60,308	17%	**360,167**
	2010	254,795	-	22,932	-	24,196	-	8%	**301,923**
MS Janes [8]	2011	-	-	-	-	-	-	0%	**-**
	2010	274,462	-	21,685	113,542	75,156	-	16%	**484,845**
MJ Terry	2011	252,500	-	22,725	-	-	-	0%	**275,225**
	2010	15,417	-	1,387	-	-	-	0%	**16,804**
RP Singer [9]	2011	121,347	-	11,704	-	-	-	0%	**133,051**
	2010	246,750	-	22,208	-	75,156	-	22%	**344,114**
J Burgess	2011	-	207,000	-	-	-	-	0%	**207,000**
	2010	-	270,200	-	-	-	-	0%	**270,200**
IJ Holman	2011	232,638	-	20,937	-	-	-	0%	**253,575**
	2010	16,076	-	1,447	-	-	-	0%	**17,523**
JP Wilhelm [10]	2011	-	19,027	-	-	-	-	0%	**19,027**
	2010	-	154,321	-	-	-	-	0%	**154,321**
Total	**2011**	**1,297,113**	**1,027,938**	**115,251**	**-**	**35,770**	**60,308**	**4%**	**2,536,380**
Total	**2010**	**1,355,839**	**1,107,940**	**117,469**	**331,542**	**174,508**	**-**	**6%**	**3,087,298**

1. Mr Clift was appointed to the role of Managing Director and CEO on 26 September 2011. Prior to this appointment, he was General Manager – Algeria from 23 August 2010.
2. Refer to page 10 of the Directors' report for details of Non-Executive Directors' fees allocated by Board/Committee role.
3. Mr Davis was appointed Chairman of the Board on 30 May 2011.
4. Dr Moriarty was Managing Director until his retirement from the role on 26 September 2011 and received $491,600 (2010: $508,420) in this role. Dr Moriarty remains a Non-Executive Director of the Company and received $6,667 in Directors' fees and $35,000 in consulting fees.
5. Mr Jones retired from the Board on 30 June 2011.
6. Mr Cochran ceased employment as CEO on 6 August 2010.
7. Mr Howie ceased employment as General Manager – Angas Zinc Mine on 20 January 2012.
8. Mr Janes ceased employment as CFO on 17 December 2010.
9. Mr Singer ceased employment as Chief Geologist on 30 April 2011.
10. Mr Wilhelm ceased employment as Vice President – North Africa on 7 January 2011.

The aggregate fees paid to Non-Executive Directors during 2011 was $494,617 compared to the maximum limit approved by shareholders at the 2010 Annual General Meeting of $700,000.

All Directors and Specified Executives are subject to the Company's Share Trading Policy (available on the Company's website) with respect to limiting their exposure to risk in relation to the Company's securities, including securities issued as an element of Executive remuneration. The Company's Share Trading Policy requires all officers, employees and key consultants to the Company to notify the Chairman and Company Secretary of any intention to deal in the Company's securities, whether by sale or purchase of shares on market, or the exercise of options. The notified dealing is subject to the approval of the Chairman. In addition and in accordance with ASX LR 12, the trading policy provides that all Directors, officers and consultants are prohibited from trading in the Company's securities during specific periods. The Board considers that, in light of the size and structure of the Company and the absence of a secondary market for the Company's securities, this policy provides adequate protection against unauthorised dealings by Directors and Specified Executives, in particular in relation to risk mitigation.

No bonuses were paid to Specified Executives during the year.

(c) Shares and Options Issued during the Year

The following options over unissued shares in the capital of the Company were issued to a Specified Executive during the year prior to appointment as CEO and Managing Director on 26 September 2011. The options were issued in accordance with performance conditions satisfied under terms of the employee agreement and vested at grant date. There were no options issued to current Directors during the year.

	Number of Options Granted	Grant Date	Fair Value per Option at Grant Date ($)	Exercise Price ($)	Last Exercise Date
Executive Director					
NM Clift (awarded as GM – Algeria)	300,000	8 April 2011	0.12	0.53	7 April 2016

The following shares in the capital of the Company were issued to a Specified Executive during the year pursuant to the terms of the employment agreement. The shares were issued in accordance with performance conditions satisfied under terms of the employee agreement. There were no shares issued to Directors during the year.

	Number of Shares Granted	Grant Date	Value per Share Grant Date ($)
Specified Executives			
RB Howie	167,522	8 April 2011	0.36

(d) Contracts and Agreements

The Company is operating in an environment where there is significant competition for skilled staff and contractors. To help ensure project continuity the following arrangements are currently in place.

The Company has employment or consultancy agreements with each KMP. Under the relevant employment agreement, either party may terminate the agreement on the provision of an agreed notice period, or if terminated by the employer a payment in lieu of notice for a period no longer than the agreed notice period. On termination, KMP are also entitled to receive statutory entitlements of accrued annual and long service leave plus superannuation benefits. Terramin observes the statutory entitlement limits on termination payments.
There is no entitlement to a termination payment in the event of removal for misconduct.

Notice periods for relevant individuals are outlined below:

Mr NM Clift	6 months
Mr MJ Terry	3 months
Mr J Burgess	3 months
Mr IJ Holman	1 month

Directors' Report

for the Year Ended 31 December 2011 (continued)

Agreements with KMP that differ from the standard arrangements above are detailed below:

Mr Nicholas Clift *Managing Director and Chief Executive Officer*

Mr Clift has an employment agreement with the Company dated 17 September 2011. The agreement specifies the duties and obligations to be fulfilled by Mr Clift as CEO and Managing Director. The agreement provides that the Board will review the agreement in the first quarter of each calendar year (with exception of first year of employment) and performance annually in the last quarter of the calendar year.

The agreement is on an ongoing basis and entitles the employer to terminate the agreement upon giving 6 months' notice of termination or payment in lieu of all or part thereof. The employer may, in its absolute discretion, elect to pay the employee in lieu of all or part of the notice period and/or may require the employee not to attend work during all or part of the notice period.

Mr John Burgess *General Manager Tala Hamza Project*

In Febuary 2012, a new contract was signed by Mr Burgess to provide his services to the Company as General Manager Tala Hamza Project at a daily rate of $1,100 plus GST. The contract is for a fixed period of 3 years, with an option to renew for a further 2 years at the election of the Company. The consultancy arrangement between Mr Burgess' company and the Company entitles either party to terminate the agreement upon the giving of 3 month's notice in writing. Apart from outstanding consultancy fees incurred under the arrangement, no entitlements are payable upon termination of this agreement.

Mr Ian Holman *Chief Mining Engineer*

In December 2010, Mr Holman signed an employment contract to provide his services to the Company as Chief Mining Engineer. The contract is for a fixed period of 2 years. The contract entitles either party to terminate the agreement upon the giving of 1 month notice in writing.

(e) Indemnification of Directors and Officers

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

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

NON-AUDIT SERVICES

Additional services provided during the period by the Company's auditors, KPMG, included advice for the Company and the Group in Australia. Fees paid for these services totalled $20,000 for the period and have been accounted for as administrative expenses. In accordance with advice from Terramin's Audit Committee, the Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act*. Also in accordance with the advice of the Audit Committee, the Directors are satisfied that the nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration for the year ended 31 December 2011 can be found on page 15 and forms part of the Directors' Report.

LITIGATION

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

ROUNDING

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

Signed in Adelaide this 29th day of February 2012 in accordance with a resolution of the Board of Directors.

Nicholas M Clift
Managing Director

Peter Zachert
Director

Directors' Declaration

The Directors of the Company declare that:

1. the financial statements and notes, as set out on pages 18 to 48, and the remuneration disclosures contained in pages 8 to 13 of the Directors' Report, are in accordance with the *Corporations Act 2001*, and:

    (a) comply with Accounting Standards and the *Corporations Regulations 2001*; and

    (b) give a true and fair view of the financial position as at 31 December 2011 and of the performance for the year ended on that date of the Company and the economic entity;

2. the Managing Director and Chief Financial Officer have each declared that:

    (a) the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;

    (b) the financial statements and notes for the financial year comply with the Accounting Standards;

    (c) the declaration is provided in accordance with section 295A of the *Corporations Act 2001* and is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks; and

    (d) the financial statements and notes for the financial year give a true and fair view;

3. in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

4. the consolidated financial statements comply with International Financial reporting Standards as disclosed in note 2(a).

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

Nicholas M Clift
Managing Director
29 February 2012

Peter Zachert
Director
29 February 2012

Auditor's Independence Declaration

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

To: the directors of Terramin Australia Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 December 2011 there have been:

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

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

KPMG

KPMG

Derek Meates
Partner

Adelaide

29 February 2012

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

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

Report on the financial report

We have audited the accompanying financial report of Terramin Australia Limited (the company), which comprises the consolidated statement of financial position as at 31 December 2011, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 29 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 year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 2, the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001 and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

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

Independence

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

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

KPMG

Auditor's opinion

In our opinion:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 31 December 2011 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001;

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2.

Emphasis of matter

Without qualification to the opinion expressed above, we draw attention to the following matters. For the year ended 31 December 2011 the Group incurred a loss of $19.6m and current liabilities exceeded current assets by $0.8m as at that date.

As a result of uncertainties set out in note 2(c) to the financial statements, including the Group's ability to raise equity, there is material uncertainty which may cast doubt on the Group's ability to continue as a going concern without further cash injection by way of equity and therefore its ability to realise its assets and discharge its liabilities in the normal course of business at the amounts recognised in the financial statements. Note 2(c) also describes the directors' plans to take action to enable funds to be available to continue as a going concern.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 31 December 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the Remuneration Report of Terramin Australia Limited for the year ended 31 December 2011, complies with Section 300A of the Corporations Act 2001.

KPMG

KPMG

Derek Meates
Partner

Adelaide

29 February 2012

Consolidated Statement of Comprehensive Income

for the Year Ended 31 December 2011

	Note	2011 $'000	2010 $'000
Revenue	4	**58,167**	59,450
Other income	4	**57**	17
Raw materials, consumables and other direct costs		**(46,797)**	(40,383)
Change in inventories of finished goods and WIP		**4,154**	(2,075)
Employee expenses		**(2,988)**	(3,705)
Depreciation and amortisation	11(a)(b)	**(26,348)**	(18,523)
Other expenses		**(3,551)**	(2,785)
Share option expense	25	**(46)**	(661)
Loss before net financing income/(costs) and income tax		**(17,352)**	(8,665)
Finance income	6	**3,878**	4,853
Finance costs	6	**(6,166)**	(6,063)
Net finance cost		**(2,288)**	(1,210)
Loss before income tax		**(19,640)**	(9,875)
Income tax expense	18	**-**	-
Loss for the period		**(19,640)**	(9,875)
Other comprehensive income			
Foreign currency translation differences for foreign operations	16	**(240)**	(2,508)
Other comprehensive loss for the period, net of income tax		**(240)**	(2,508)
Total comprehensive loss for the period Attributable to equity holders of the Company		**(19,880)**	(12,383)

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

	Note	2011	2010
Basic earnings/(loss) per share - (cents per share)	26(a)	**(10.67)**	(6.04)
Diluted earnings/(loss) per share - (cents per share)	26(b)	**(10.67)**	(6.04)

The Consolidated Statement of Comprehensive Income is to be read in conjunction with the notes to the consolidated financial statements

Consolidated Statement of Financial Position

for the Year Ended 31 December 2011

	Note	2011 $'000	2010 $'000 Restated*
Assets			
Cash and cash equivalents	*7*	**7,502**	9,550
Trade and other receivables	*9*	**6,478**	7,791
Inventories	*8*	**7,950**	2,733
Derivative financial instruments	*22.1(a)*	**892**	503
Other assets		**56**	262
Total current assets		**22,878**	20,839
Derivative financial instruments	*22.1(a)*	**156**	-
Investments in equity accounted investees	*10*	**-**	1,079
Property, plant and equipment	*11(a)*	**69,960**	82,136
Exploration and evaluation	*11(b)*	**50,605**	42,956
Total non-current assets		**120,721**	126,171
Total assets		**143,599**	147,010
Liabilities			
Trade and other payables	*12*	**12,031**	9,281
Loans and borrowings	*13*	**10,508**	14,608
Provisions	*14*	**1,152**	1,157
Derivative financial instruments	*22.1(b)*	**20**	116
Total current liabilities		**23,711**	25,162
Loans and borrowings	*13*	**42,590**	39,364
Provisions	*14*	**6,140**	5,370
Derivative financial instruments	*22.1(b)*	**10**	-
Total non-current liabilities		**48,740**	44,734
Total liabilities		**72,451**	69,896
Net assets		**71,148**	77,114
Equity			
Share capital	*15*	**133,882**	120,014
Reserves	*16*	**3,694**	3,888
Accumulated losses		**(81,508)**	(60,873)
Total equity attributable to equity holders of the Company		**56,068**	63,029
Non-controlling interest	*17*	**15,080**	14,085
Total equity		**71,148**	77,114

* Refer significant accounting policies note 3(b)

The Consolidated Statement of Financial Position is to be read in conjunction with the notes to the consolidated financial statements.

Consolidated Statement of Changes In Equity

for the Year Ended 31 December 2011

	Share capital $'000	Share option reserve $'000	Translation reserve $'000	Accumulated losses $'000	**Total $'000**	Non-controlling interest $'000	**Total equity $'000**
2011							
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	-	-	-	(19,640)	**(19,640)**	-	**(19,640)**
Other comprehensive income							
Foreign currency translation differences	-	-	(240)	-	**(240)**	-	**(240)**
Total other comprehensive income	-	-	(240)	-	**(240)**	-	(240)
Total comprehensive income for the period	-	-	(240)	(19,640)	**(19,880)**	-	(19,880)
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Issue of ordinary shares	13,955	-	-	-	**13,955**	-	**13,955**
Share issue costs	(87)	-	-	-	**(87)**	-	**(87)**
Share options expensed / cancelled	-	46	-	-	**46**	-	46
Total contributions by and distributions to owners	13,868	46	-	-	**13,914**	-	**13,914**
Changes in ownership interests in subsidiaries that do not result in a loss on control							
Non-controlling interest share of parent exploration expenditure	-	-	-	(995)	**(995)**	995	**-**
Total changes in ownership interests in subsidiaries	-	-	-	(995)	**(995)**	995	**-**
Balance at 31 December 2011	**133,882**	**8,966**	**(5,272)**	**(81,508)**	**56,068**	**15,080**	**71,148**
2010							
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	-	-	-	(9,875)	**(9,875)**	-	**(9,875)**
Other comprehensive income							
Foreign currency translation differences	-	-	(2,508)	-	**(2,508)**	-	**(2,508)**
Total other comprehensive income	-	-	(2,508)	-	**(2,508)**	-	**(2,508)**
Total comprehensive income for the period	-	-	(2,508)	(9,875)	**(12,383)**	-	**(12,383)**
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Issue of ordinary shares	6,276	-	-	-	**6,276**	-	**6,276**
Share issue costs	(21)	-	-	-	**(21)**	-	**(21)**
Share options exercised	78	-	-	-	**78**	-	**78**
Transfer from option reserve on exercise	14	(14)	-	-	**-**	-	**-**
Share options issued	-	178	-	-	**178**	-	**178**
Share options expensed / cancelled	-	661	-	-	**661**	-	**661**
Total contributions by and distributions to owners	6,347	824	-	-	**7,170**	-	**7,170**
Changes in ownership interests in subsidiaries that do not result in a loss on control							
Non-controlling interest share of parent exploration expenditure	-	-	-	(2,231)	**(2,231)**	2,231	**-**
Total changes in ownership interests in subsidiaries	-	-	-	(2,231)	**(2,231)**	2,231	**-**
Balance at 31 December 2010	**120,014**	**8,920**	**(5,032)**	**(60,873)**	**63,029**	**14,085**	**77,114**

The Consolidated Statement of Changes in Equity is to be read in conjunction with the notes to the consolidated financial statements.

Consolidated Statement of Cash Flows

for the Year Ended 31 December 2011

	Note	2011 $'000	2010 $'000
Cash from operating activities:			
Receipts from customers		**60,136**	59,219
Payments to suppliers and employees		**(52,295)**	(43,352)
Financing costs and interest paid		**(3,638)**	(3,337)
Interest received		**282**	360
Total cash from operating activities	*19(b)*	**4,485**	12,890
Cash flows from investing activities:			
Proceeds from the sale of fixed assets		**4**	478
Acquisition of property, plant and equipment		**(5,719)**	(3,932)
Mine construction & development expenditure		**(8,466)**	(8,174)
Exploration and evaluation expenditure		**(5,971)**	(12,074)
Net cash used by investing activities		**(20,152)**	(23,702)
Cash flows from financing activities:			
Proceeds from the issue of share capital		**13,724**	78
Payment of transaction costs on debt and/or equity		**(87)**	(212)
Realised derivative gains		**1,488**	783
Proceeds/Repayment of borrowings		**(1,409)**	(1,656)
Net cash from/(used by) financing activities		**13,716**	(1,007)
Other activities:			
Net decrease in cash and cash equivalents		**(1,951)**	(11,819)
Net foreign exchange differences		**(97)**	(535)
Cash and cash equivalents at beginning of year		**9,550**	21,904
Cash and cash equivalents at end of year	*7*	**7,502**	9,550

The Consolidated Statement of Cash Flows is to be read in conjunction with the notes to the consolidated financial statements.

1. REPORTING ENTITY

The Consolidated Financial Statements cover the economic entity of Terramin Australia Limited and its controlled entities (the Group). Terramin Australia Limited is a listed public Company, incorporated and domiciled in Adelaide, Australia.

2. BASIS OF PREPARATION

(a) Statement of Compliance

The Consolidated Financial Statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards (including Australian interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial statements comply with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The financial report was authorised for issue by the Directors on 28th February 2012.

(b) Basis of Measurement

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

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

(c) 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 2011 the Group incurred a loss of $19.9 million, bringing accumulated losses to $81.5 million. As at 31 December 2011 the Group has total equity of $71.1 million and the Group's current liabilities exceeded its current assets by $0.8 million. The Group had operating cash inflows of $4.5 million in 2011 and expects to continue to generate positive net operating cash flows in 2012.

To strengthen the working capital position, the Company has agreed with Investec to the deferral of the $3 million principal repayment due on 29 February 2012 to 30 April 2012. The negotiations are finalised and a written agreement has been signed by both parties to defer the principal repayment.

The Directors note that the financial position indicates material uncertainty, which may cast doubt on the ability of the Company to continue as a going concern without further cash injections by way of equity. Subject to market conditions, the Group has the ability to raise additional equity as required and at the time of this report, the Directors believe there are reasonable grounds to conclude that the Company will be able to raise funds by way of equity to fund anticipated activities and meet financial obligations. Supporting this position is the $50 million subscription agreement with NFC, which has an undrawn balance of $39.2 million. The agreement has a current approved ownership limit of up to 19.9% of issued capital, and future drawdowns are subject to relevant approvals, including agreement from regulatory bodies (if required), and from the Board of NFC. In addition, the Directors are progressing a strategic review with the objective of examining options to enhance Company value. At the date of this report, progress has been made in respect to progressing transactions aimed at strengthening the Company's balance sheet to ensure funds are available as and when they are required. It is the intention of the Directors to continue to explore, evaluate and develop the Group's areas of interest for which rights of tenure are current, within the financial capacity of the Group.

(d) Use of Estimates and Judgements

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

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

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

- Note 3(g) – Impairment of assets: estimates of fair values and future cash flows. The key sensitivities in the fair value model for the Angas Zinc Mine relate to zinc and lead prices and the USD to AUD exchange rate. Recognised analyst forecast assumptions and market forward curves for commodity prices and exchange rates have been applied in determining the cash flow estimates. Commodity assumptions are above spot prices due in part to a short term depression in spot prices at balance date. AUD/USD exchange rate assumptions are approximately in line with the market forward curve.
- Note 3(h) – Ore reserves: estimates of the amount of product in an area of interest that can be expected to be profitably extracted, processed and sold under current and foreseeable economic conditions.
- Note 3(j) - Exploration and Evaluation Expenditure: fair values and ore reserve estimates.
- Note 3(l) – Mine rehabilitation provision: estimates of amount and timing of future mine closure costs.
- Note 3(m) - Share Based Entitlements and Payments: assumptions are required to be made in respect to measuring share price volatility, dividend yield, future option holding period and other inputs to the Trinomial model fair value calculations.
- Note 3(s) - Recognition of tax losses: assessment of the point in time at which it is deemed probable that future taxable income will be derived.

2. BASIS OF PREPARATION *(continued)*

(e) Changes in Accounting Policies

The Group has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 January 2011:

- AASB 124 *Related Party Disclosures (amendment)* effective 1 January 2011
- *Improvements to AASBs* (May 2010)

The adoption of the standards or interpretations is described below:

- AASB 124 *Related Party Transactions (Amendment)*
  The AASB issued an amendment to AASB 124 that clarifies the definitions of a related party. The new definitions emphasise a symmetrical view of related party relationships and clarifies the circumstances in which persons and KMP affect related party relationships of an entity. In addition, the amendment introduces an exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the Group.
- *Improvements to AASBs*
  In May 2010, the AASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies, but no impact on the financial position or performance of the Group.
  - AASB 3 *Business Combinations*: The measurement options available for non-controlling interest (NCI) were amended. Only components of NCI that constitute a present ownership interest that entitles their holder to a proportionate share of the entity's net assets in the event of liquidation should be measured at either fair value or at the present ownership instruments proportionate share of the acquiree's identifiable net assets. All other components are to be measured at their acquisition date fair value.
  - The amendments to AASB 3 are effective for annual periods beginning on or after 1 July 2011. The Group, however, adopted these as of 1 January 2011 and changed its accounting policy accordingly as the amendment was issued to eliminate unintended consequences that may arise from the adoption of AASB 3.
  - AASB 7 *Financial Instruments — Disclosures*: The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context. The Group reflects the revised disclosure requirements in Note 22.
  - AASB 101 *Presentation of Financial Statements*: The amendment clarifies that an entity may present an analysis of each component of other comprehensive income maybe either in the statement of changes in equity or in the notes to the financial statements.

  The following interpretation and amendments to interpretations did not have any impact on the accounting policies, financial position or performance of the Group:

  - AASB Int 19 *Extinguishing Financial Liabilities with Equity Instruments.*

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Consolidation

A controlled entity is any entity in respect of which the Company has the power to control the financial and operating policies so as to obtain benefits from its activities. Refer to note 23 for details of controlled entities.

Each controlled entity has a 31 December financial year end.

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

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

(b) Comparative Figures

When required by AASBs, comparative figures have been reclassified to conform to changes in presentation.

On 26 August 2011 the Company received notice from Transaminvest S.A. regarding a breach of the post completion obligations associated with the US$10 million, 5 year unlisted convertible notes, issued in September 2009 with a minimum conversion price of AU$1.70. The Company obtained advice in August 2011 prior to lodgement of the half-year financial report that a letter received in July 2010 constituted a notice of breach. Prior advice had indicated otherwise and the position was not free from doubt. Accordingly, the Company adopted a prudent approach in the interim financial report and reclassified the US$10 million convertible notes (AU$9.3 million) as a current liability at 30 June 2011 and similarly reclassified the 31 December 2010 comparative (AU$9.8 million).

Since the notice was received on 26 August 2011 the Company has rectified the post completion obligations outlined in the notice. On the basis of further advice, the convertible notes (AU$9.8 million) have been classified as a non-current liability at 31 December 2011, however the 31 December 2010 comparative remains as a current liability given the breach that existed at balance date. The 31 December 2010 balance sheet has been restated accordingly.

No further reclassifications occurred in the comparative financial period.

(c) Cash and Cash Equivalents

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

(d) Inventories

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. The cost of mining stocks include direct material, direct labour, transportation costs and a proportion of variable and fixed overhead costs relating to mining activities. Net realisable value is the amount to be obtained from the sale of the item of inventory in the normal course of business less the estimated costs of completion and any anticipated selling costs to be incurred prior to its sale.

(e) Trade and Other Receivables

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

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

(f) Property, Plant and Equipment

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

Property

Freehold land and buildings are shown at their cost.

Plant and equipment

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

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

Class of Asset	Depreciation Rates
Motor Vehicles	22.5 – 25%
Computer & Office Equipment	15 – 40%
Plant and Equipment	5 – 33%
Leasehold Improvements	20%

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Mining property and development

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

Construction in progress

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

(g) Impairment of Assets

Non-financial Assets

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

Financial Assets

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

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

All impairment losses are recognised in the income statement. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to the income statement.

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

Angas cash generating unit impairment test

An impairment test on the Angas CGU was undertaken as at 31 December 2011 which was based on the 'fair value' methodology. Fair value of the Angas CGU was determined as the fair market value that would be obtained from the sale of the asset at arms length between knowledgeable willing parties under normal sale conditions and was based on the following key assumptions:

- 3 year mine life.
- Production based on the most recent reserve statement.
- Recognised analyst forecast assumptions and market forward prices for commodity prices and exchange rates have been applied in determining the cash flow estimates. Commodity assumptions are above spot prices due in part to a short term depression in spot prices at balance date. AUD/USD exchange rate assumptions are approximately in line with the market forward curve.
- A post-tax discount rate of 12.5% based on the weighted average cost of capital ("WACC") of comparable listed entities with a single asset (or a portfolio of assets) similar in terms of service potential and risks to the asset under review.

The impairment test concluded that the 'fair value' was in excess of the carrying value of the Angas CGU.

Recoverable Amount

In assessing whether the carrying amount of an asset is impaired, the assets carrying value is compared with its recoverable amount. The recoverable amount of non-financial assets or cash-generating units (CGU) is the greater of their fair value less costs to sell and value in use. In assessing fair value, estimates and assumptions including the appropriate rate at which to discount cash flows, the timing of the cash flows, expected life of the relevant area of interest, exchange rates, commodity prices, ore reserves, future capital requirements and future operating performance are used. The recoverable amount of an asset or CGU will be impacted by changes in these estimates and assumptions which could result in an adjustment to the carrying amount of that asset or CGU.

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. It is estimated that if sales revenue was to be reduced by 5% for the remaining life of mine, this may reduce the excess of the recoverable amount over the carrying amount of the individual cash generating unit to zero. Sales revenue is primarily impacted by grade, metal recoveries, commodity prices and foreign exchange.

(h) Ore Reserves

Economically recoverable ore reserves represent the estimated quantity of product in an area of interest that can be expected to be profitably extracted, processed and sold under current and foreseeable economic conditions. The Group determines and reports ore reserves under the standards incorporated in the Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserved, 2004 edition (the JORC code). The determination of ore reserves includes estimates and assumptions about a range of geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, transport costs, commodity demand, commodity prices and exchange rates. Changes in ore reserves impact the assessment of recoverability of exploration and evaluation assets, property, plant and equipment and intangible assets, the carrying amounts of assets depreciated on a units of production basis, provisions for site restoration and the recognition of deferred tax assets, including tax losses.

(i) Associates and Jointly Controlled Entities (Equity Accounted Investees)

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

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

(j) Exploration and Evaluation Expenditure

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

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

E&E assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount (see impairment note 3(g)). E&E assets are assessed for impairment when any of the following facts and circumstances exist:

- The term of the exploration license in the specific area of interest has expired during the reporting period or will expire in the near future, and is not expected to be renewed;
- Substantive expenditure on further exploration for and evaluation of mineral resources in the specific area are not budgeted nor planned;
- Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the decision was made to discontinue such activities in the specified area; or
- Sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

E&E assets are transferred to Development assets once the technical feasibility and commercial viability of an area of interest can be demonstrated. E&E assets are assessed for impairment, and any impairment loss is recognised prior to being reclassified.

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

(k) Trade and Other Payables

Trade payables and other payables are stated at cost.

(l) Provisions

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

Site restoration liability

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

(m) Employee Benefits

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

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national Government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share Based Payments

The Group uses share options to provide incentives to Directors, employees and consultants. At the Company's 2011 Annual General Meeting, shareholders approved the issue of options to employees of the Group under the Terramin Australia Limited Employee Option Plan (EOP). The Board, upon the recommendation of senior management, has discretion to determine the number of options to be offered to Eligible Employees (as that term is defined by the EOP) and the terms upon which they are offered, including exercise price and vesting conditions. The fair value of options at grant date is independently determined using a Trinomial option pricing model that takes into account the exercise price, the term of option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option. Historical volatility has been the basis for determining expected share price volatility as it assumed that this is indicative of future trends, which may not eventuate. The life of the options is based on the historical exercise patterns, which may not eventuate in the future.

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

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

(n) Leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases (refer notes 13 and 27). Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included as loans and borrowings. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the lesser of the asset's useful life and the lease term.

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

(o) Loans and Borrowings

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

Subsequent to initial recognition, loans and borrowings are stated at amortised cost, with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis. Loans and borrowings with a determinable payment due less than twelve months from balance date are classified as current liabilities.

(p) Financing Costs

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

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

(q) Foreign Currency Transactions and Balances

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

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

(r) Share Capital

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

(s) Income Tax

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

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

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

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised. Determination of future tax profits requires estimates and assumptions as to future events and circumstances, in particular, whether successful development and commercial exploitation, or alternatively sale, of the respective areas of interest will be achieved. This includes estimates and judgements about commodity prices, ore reserves (note 3(h)), exchange rates, future capital requirements, future operational performance and the timing of estimated cash flows. Changes in these estimates and assumptions could impact on the amount and probability of estimated taxable profits and accordingly the recoverability of deferred tax assets.

The Group is part of an income tax consolidated group under the Australian Tax Consolidation Regime.

(t) Goods and Services Tax (GST)

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

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

(u) Revenue

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

Commodity sales are recognised net of all discounts and pricing adjustments, refining and distribution costs as applicable based on either fixed or provisional pricing and assays. Commodity sales contracts allow for provisional prices and assays to be estimated where metal prices or final assays are not able to be established until future periods.

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

Under existing arrangements, the Company has a limited option to request early payment for concentrates against a warehouse receipt. Although some of the criteria under AASB 118 are satisfied (it is probable that delivery will be made and the concentrate is on hand, identified and ready for delivery), the holding of the concentrates is at the request of the seller and not the buyer, and usual payment terms do not apply. Accordingly, proceeds received from the early payment option are treated as unearned income until such time that the concentrate is shipped and the usual characteristics of revenue recognition are satisfied.

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

(v) Derivatives

Commodity and foreign exchange hedging in fixed forward contracts are utilised to reduce short term exposure to commodity and foreign exchange.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(w) Earnings Per Share

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

(x) Segments

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those segments operating in other economic environments.

Segment information is presented only in respect of the Group's geographical segments, being Australia and Northern Africa, which is the basis of the Group's internal reporting.

(y) Compound Financial Instruments

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

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

(z) Financial Risk Management

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

Credit Risk

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

Liquidity Risk

The risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages this exposure by targeting to have sufficient cash financing facilities available on demand to meet planned expenditure for a minimum period of 45 days (refer note 13 for detail on available financing facilities).

Market Risk

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

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

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

Specific details of how these risk exposures impact the Group, and the use of derivative financial instruments to hedge market risk, is provided in note 22 to the financial statements.

Capital Management

The Board seeks to maintain a strong capital base sufficient to maintain the future development of the Group's business. The Board closely monitors the Group's level of capital so as to ensure it is appropriate for the Group's planned level of activities. There were no changes to the Group's approach to capital management during the year.

4. REVENUE AND OTHER INCOME

	2011 $'000	2010 $'000
Revenue:		
Sale of concentrate	58,167	59,450
	58,167	59,450
Other Income:		
Rent, hire & office services	32	17
Other income	25	-
	57	17

5. AUDITOR'S REMUNERATION

	2011 $	2010 $
KPMG Australia:		
Audit and review of financial reports	133,000	110,000
Non-audit services	20,000	31,000
Overseas KPMG firms:		
Audit	23,500	20,000
Non-audit services	-	5,000
	176,500	166,000

6. FINANCE INCOME AND COSTS

	2011 $'000	2010 $'000
Finance income:		
Interest income	291	320
Foreign exchange and commodity hedging gains	3,587	4,533
	3,878	4,853
Finance costs:		
Interest on convertibles notes	1,150	1,229
Interest on borrowings	2,138	1,974
Unwinding of discount on mine rehabilitation provision	276	253
Other borrowing costs	1,020	982
Foreign exchange and commodity hedging losses	1,582	1,625
	6,166	6,063

7. CASH AND CASH EQUIVALENTS

	2011 $'000	2010 $'000
Cash on hand	4	4
Bank balances	1,953	3,024
Short-term deposits [1]	5,545	6,522
	7,502	9,550

1. Short-term deposits includes AUD 5.2 million and USD 0.3 million with maturity dates up to 90 days and interest rates ranging from 4.25% to 6.1% and 0.25% respectively.

8. INVENTORIES

	2011 $'000	2010 $'000
Raw materials and consumables (at cost)	3,435	2,372
Work in progress - ore run of mine (at net realisable value/cost)	1,276	141
Finished goods (at net realised value/cost)	3,239	220
Total inventories at the lower of cost and net realisable value	7,950	2,733

9. TRADE AND OTHER RECEIVABLES

	2011 $'000	2010 $'000
Current:		
Trade receivables [1]	5,518	7,175
Accrued interest receivable	23	14
Other receivables	937	602
	6,478	7,791

1. Trade receivables relate to sales of concentrate.

10. INVESTMENT IN EQUITY ACCOUNTED INVESTEES

	2011 $'000	2010 $'000
Investment in associate	-	1,079
	-	1,079

During the year, the Group completed the acquisition of the Menninnie Dam tenement (EL 3640) from Minerals and Metals Group (MMG), increasing its ownership from 24% to 100%. Since 21 January 2011, the Group has taken over management of the tenement and subsequently the investment has been reclassified to exploration and evaluation.

11. (a) PROPERTY PLANT AND EQUIPMENT

	2011 $'000	2010 $'000
Freehold land:		
At cost	**2,819**	2,818
Total freehold land	**2,819**	2,818
Leasehold improvements:		
At cost	**56**	56
Less accumulated depreciation	**(45)**	(33)
Total leasehold improvements	**11**	23
Buildings and other infrastructure:		
At cost	**114**	109
Less accumulated depreciation	**(47)**	(19)
Total buildings and other infrastructure	**67**	90
Plant and Equipment:		
At cost	**69,180**	63,888
Less accumulated depreciation	**(35,077)**	(22,429)
Total plant and equipment	**34,103**	41,459
Mining property and developments assets:		
At cost	**58,646**	50,180
Less accumulated amortisation	**(28,312)**	(15,536)
Total mining property and development assets	**30,334**	34,644
Construction in progress:		
At cost	**460**	313
Total construction in progress	**460**	313
Mine rehabilitation assets:		
At cost	**4,697**	4,222
Less accumulated depreciation	**(2,531)**	(1,433)
Total mine rehabilitation assets	**2,166**	2,789
Total property plant and equipment	**69,960**	82,136

11. (b) EXPLORATION AND EVALUATION

	2011 $'000	2010 $'000
Exploration and evaluation		
At cost	**50,605**	42,956
Total exploration and evaluation	**50,605**	42,956

11. (a) AND (b) *continued*

Movements in carrying amounts

	Freehold land $'000	Leasehold improve-ments $'000	Buildings and other infrastructure $'000	Plant and equipment $'000	Mining property and development $'000	Construc-tion in progress $'000	Exploration and evaluation [1] $'000	Mine rehab-ilitation assets $'000	Total $'000
Opening carrying amount 1 Jan 2011	2,818	23	90	41,459	34,644	313	42,956	2,789	125,092
Additions	1	-	-	45	-	14,140	6,420	282	20,888
Disposals	-	-	-	(31)	-	-	-	-	(31)
Transfers	-	-	5	5,264	8,466	(13,993)	258	-	-
Transfer to equity accounted investee (note 10)	-	-	-	-	-	-	1,079	-	1,079
Depreciation and amortisation	-	(12)	(28)	(12,627)	(12,776)	-	-	(905)	(26,348)
Impairment	-	-	-	-	-	-	-	-	-
Foreign currency movement	-	-	-	(7)	-	-	(108)	-	(115)
Carrying amount at 31 December 2011	**2,819**	**11**	**67**	**34,103**	**30,334**	**460**	**50,605**	**2,166**	**120,565**

	Freehold land $'000	Leasehold improve-ments $'000	Buildings and other infrastructure $'000	Plant and equipment $'000	Mining property and development $'000	Construc-tion in progress $'000	Exploration and evaluation [1] $'000	Mine rehab-ilitation assets $'000	Total $'000
Opening carrying amount 1 Jan 2010	3,208	34	38	48,121	34,301	123	33,642	3,555	123,022
Additions	-	-	-	10	-	12,019	11,400	-	23,429
Disposals	(390)	-	-	(19)	-	-	-	-	(409)
Transfers	-	-	63	3,328	8,174	(11,829)	264	-	-
Depreciation and amortisation	-	(11)	(11)	(9,904)	(7,831)	-	-	(766)	(18,523)
Foreign currency movement	-	-	-	(77)	-	-	(2,350)	-	(2,427)
Carrying amount at 31 December 2010	**2,818**	**23**	**90**	**41,459**	**34,644**	**313**	**42,956**	**2,789**	**125,092**

1. Recoverability of the carrying amount of the exploration and evaluation assets is dependent on the successful development and commercial exploitation, or alternatively sale of the respective area of interest and continued renewal of exploration licences.

12. TRADE AND OTHER PAYABLES

	2011 $'000	2010 $'000
Current:		
Trade payables	**5,178**	4,422
Other payables and accrued expenses	**6,853**	4,859
	12,031	9,281

Trade and other payables are normally non-interest bearing and are settled on 30 days end of month terms.

13. LOANS AND BORROWINGS

	2011 $'000	2010 $'000 Restated*
Current:		
Lease liabilities (note 27) [1]	**1,930**	1,768
Bank loans - secured - Angas Zinc project [2]	**8,578**	3,000
Convertible Notes [3]	**-**	9,840
	10,508	14,608
Non-current:		
Lease liabilities (note 27) [1]	**2,148**	719
Bank loans - secured - Angas Zinc project [2]	**10,775**	18,835
Convertible notes [3]	**29,667**	19,810
	42,590	39,364
Financing facilities		
Bank loan facilities - available [2]	**20,000**	23,000
Bank loan facilities - undrawn	**-**	-
Bank loan facilities - drawn	**20,000**	23,000
Less: unamortised transaction costs	**(647)**	(1,165)
Carrying amount at 31 December	**19,353**	21,835
Guarantee facility - available [4]	**5,600**	5,600
Guarantee facility - undrawn	**(285)**	(300)
Guarantee facility - drawn	**5,315**	5,300

*Refer significant accounting policies note 3(b).

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 $20 million loan facility provided by Investec. Interest is payable quarterly on the facility, with $9 million variable at the bank bill swap reference rate for the period plus a margin and $11 million fixed at a base rate ranging from 4.92% to 4.97% plus a margin.

As part of a restructure in 2010, the Group issued a total of 1,800,000 options with no vesting conditions over fully paid ordinary shares in the capital of the Company exercisable at $1.00. Proceeds from the exercise of part or all of the 1,800,000 options which are exercisable before 31 August 2013, must be applied by the Group to repayment of the facility.

In February 2012, the Company agreed with Investec to the deferral of the $3 million principal repayment due on 29 February 2012 to 30 April 2012. In addition, a waiver was negotiated reducing the minimum cash balance undertaking from $5 million to $1.5 million for the period of the deferral, and a subsequent increase to $6 million until 31 August 2012 before reverting to $5 million thereafter. The negotiations are finalised and a written agreement has been signed by both parties to defer the principal repayment.

3 J.P. Morgan holds US$15.05 million (AU$14.8 million) in five year unlisted convertible redeemable notes issued by the Group, 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 DFS 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 Group. The USD balance owing has been translated to AUD equivalents using the spot currency rate at 31 December 2011, which has given rise to an unrealised foreign currency exchange loss of $0.01 million for the year. A total of 512,494 shares were issued during the period in lieu of a cash interest payment of $0.17 million.

An institutional investor holds $5 million in five year unlisted convertible notes issued by the Group having a maturity date of 17 September 2013. The note holder has the right to convert the notes into fully paid ordinary shares in the capital of the Company at a conversion price of $2.21 per note. The interest rate is fixed at 8.00% per annum, with interest payable in cash or shares at the discretion of the Company.

Transaminvest S.A. hold US$10 million (AU$ 9.8 million) in 5 year unlisted convertible redeemable notes issued by the Group with a maturity date of 23 September 2014. The notes are repayable in either cash or shares with reference to the volume weighted average price (VWAP) of the Company's shares around the time of repayment. As outlined in note 3b) due to a notice received in August 2011, the Company reclassified the US$10 million convertible notes (AU$9.8 million) in the interim financial report as a current liability at 31 December 2010 (AU$9.8 million).

Subsequent to August 2011, the Company has rectified the post completion obligations outlined in the notice and on the basis of further advice the convertible notes (AU$9.8 million) have been classified as a non-current liability at 31 December 2011, however the 31 December 2010 comparative remains as a current liability given that the breach existed at balance date.

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 from issue subject to a minimum VWAP of $1.70. Interest is payable semi-annually based on the LIBOR plus a margin of 200 basis points and can be paid in cash or shares at the election of the Group. The USD balance owing has been translated to AUD equivalents using the spot currency rate at 31 December 2011, which has given rise to an unrealised foreign exchange loss of $0.01 million for the year.

4 A $5.6 million guarantee facility has been provided by IBAL in relation to rehabilitation bonds required by DMITRE over the ML 6229. An amount of $0.3 million of this facility remains undrawn.

14. PROVISIONS

	2011 $'000	2010 $'000
Current:		
Employee benefits	**1,152**	1,157
	1,152	1,157
Non-current:		
Employee benefits	**522**	307
Mine rehabilitation	**5,618**	5,063
	6,140	5,370

	Employee benefits $'000	Mine rehabilitation $'000	Total $'000
At 1 January 2011	**1,464**	**5,063**	**6,527**
Increases in provisions	2,445	280	2,725
Paid during the period	(2,235)	-	(2,235)
Unwind	-	275	275
At 31 December 2011	**1,674**	**5,618**	**7,292**

The mine rehabilitation provision is recognised for the estimated cost of rehabilitation, decommissioning and restoration relating to areas disturbed during operation of the Angas Zinc Mine up to reporting date but not yet rehabilitated. The provision is based upon current cost estimates and has been determined on a discounted basis with reference to current legal requirements and technology.

An Environmental Direction (ED) was issued by mine regulator DMITRE on 28 October 2011 relating to water release plans and associated actions. Under this ED the Company must put in place measures to ultimately reduce the level of water in the tailings dam facility by the end of 2012 to the level of the double liner (68RL). These measures are currently either in preparation or in the process of being implemented to meet the required milestones.

The regulator also requested that the Company obtains independent estimates of the current rehabilitation liability for the mine. The Company has recently submitted a report containing the independent estimates to DMITRE at their request. Based on the information contained in these estimates the Company has adequately provided for mine rehabilitation and no adjustment is required to the provision at balance date.

15. ISSUED CAPITAL

(a) Ordinary shares

	2011 $'000	2010 $'000
210,800,124 (2010: 167,315,574)		
Ordinary Shares	**137,237**	123,282
Share issue costs	**(3,355)**	(3,268)
	133,882	120,014

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

15. ISSUED CAPITAL *(continued)*

(b) Detailed table of capital issued during the year

Type of share issue	Number of ordinary shares on issue	Exercise price $	Share capital $'000	Employee, consultant or other
Opening Balance 1 January 2011	**167,315,574**		**120,014**	
Share placement	10,000,000	0.62	6,200	Other
Share placement	167,522	0.36	60	Employee
Shares issued in lieu of interest	512,494	0.33	170	Other
Share placement	12,300,000	0.37	4,551	Other
Share placement	13,500,000	0.15	1,958	Other
Share placement	7,004,534	0.15	1,016	Other
Closing Balance 31 December 2011	**210,800,124**		**133,969**	
Share issue costs			(87)	
Issued Capital			**133,882**	

Type of share issue	Number of ordinary shares on issue	Exercise price $	Share capital $'000	Employee, consultant or other
Opening balance 1 January 2010	**158,388,677**		**113,667**	
Shares issued in lieu of interest	85,391	0.75	64	Other
Shares issued on conversion of notes	7,447,829	0.75	5,590	Other
Exercise of options	150,000	0.52	78	Other
Shares issued in lieu of interest	389,414	0.51	197	Other
Shares issued in lieu of interest	241,126	0.53	129	Other
Share placement	169,740	0.53	90	Employee
Shares issued in lieu of interest	443,397	0.47	206	Other
Closing balance 31 December 2010	**167,315,574**		**120,021**	
Share issue costs			(21)	
Transfer of option reserve to issued capital following option exercise			14	
Issued Capital			**120,014**	

16. RESERVES

	2011 $'000	2010 $'000
Foreign currency reserve [1]		
Balance at the beginning of the year	**(5,032)**	(2,524)
Adjustment arising on translation into presentation currency	**(240)**	(2,508)
Balance at the end of the year	**(5,272)**	(5,032)
Share option reserve [2]		
Balance at the beginning of the year	**8,920**	8,096
Options expensed during the period	**46**	661
Options expense capitalised as transaction cost	**-**	178
Options exercised during the period	**-**	(14)
Balance at the end of the year	**8,966**	8,920
Total reserves	**3,694**	3,888

1. Foreign currency reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

2. Share option reserve is used to recognise the value of equity-settled share-based payment transactions, including employees and KMP, as part of their remuneration.

17. NON-CONTROLLING INTEREST

	2011 $'000	2010 $'000
Balance at the beginning of the year	**14,085**	11,854
Shares issued	**-**	-
Share of profit/(loss)	**995**	2,231
Balance at the end of the year	**15,080**	14,085

Profit attributable to the non-controlling interest in 2011 relates to the 35% minority interest (ENOF 32.5% and ORGM 2.5%) in exploration and evaluation costs for the Oued Amizour Zinc Project funded directly by the Group through its 65% shareholding in WMZ. During 2011, the Group funded approximately $4.3 million of exploration and evaluation costs in Algeria, of which ENOF and ORGM are entitled to $1.5 million (35%). 35% of all assets contributed to WMZ by the Group effectively accrue to ENOF and ORGM for nil consideration (other than forming part of the Group's 65% earn-in) and has therefore been included in profit attributable to the non-controlling interest.

18. INCOME TAX EXPENSE

	2011 $'000	2010 $'000
Prima facie tax benefit on loss before income tax at 30% (2010: 30%)	**(5,892)**	(2,963)
Decrease in income tax benefit due to:		
(Deductible)/non-deductible items	**(508)**	(644)
	(6,400)	(3,607)
Deferred tax asset not brought to account	**(6,400)**	(3,607)
Balance	**-**	-

Unused tax losses for which no deferred tax asset has been recognised	**94,509**	70,939
Potential tax benefit	**28,353**	21,282
The applicable weighted average effective tax rates are as follows:	**30%**	30%

The Company is part of an Australian Tax Consolidated Group. The Australian Tax Consolidated Group has potential future net income tax benefits of $19.3m (net of deferred tax liabilities in relation to mine development, property plant and equipment and exploration expenditure not shown above) (2010: $12.2m) calculated at 30% attributable to tax losses and timing differences carried forward. These have not been brought to account because the Directors do not consider the realisation of the future tax benefit as probable. The benefit of these tax losses will be obtained if:

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

19. CASH FLOW INFORMATION

(a) Reconciliation of cash

For the purposes of the Consolidated Cash Flow statement, cash and cash equivalents comprise the following at year end:

	2011 $'000	2010 $'000
Cash on hand	**4**	4
Bank balances	**1,953**	3,024
Short-term deposits	**5,545**	6,522
Closing Cash Balance	**7,502**	9,550

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

	2011 $'000	2010 $'000
Loss for the period	**(19,640)**	(9,875)
Adjustment for:		
Depreciation and amortisation	**26,348**	18,523
Unrealised (gain)/loss on foreign exchange	**17**	(2,420)
Unrealised derivative (gain)/loss	**(629)**	(369)
Realised derivative (gain)/loss	**(1,488)**	(783)
Non-cash inventory movements	**(2,211)**	517
Share options expense	**46**	661
Shares issued in lieu of interest	**170**	597
Realised gain on conversion of USD denominated notes	**-**	(845)
Employee share scheme	**60**	90
(Profit)/Loss on sale of fixed assets	**-**	(72)
Realised foreign exchange (gain)/loss	**96**	535
Net financing costs	**794**	824
Other	**(119)**	(6)
Change in operating assets and liabilities:		
(Increase)/decrease in trade and other receivables	**1,314**	517
(Increase)/decrease in inventory	**(3,004)**	1,140
(Increase)/decrease in prepayments	**220**	(52)
(Decrease)/increase in trade payables and accruals	**1,704**	3,846
(Decrease)/increase in provisions	**210**	62
(Decrease)/increase in unearned income	**597**	-
Cashflow from operating activities	**4,485**	**12,890**

20. RELATED PARTIES

(a) Key management personnel – options and rights over equity instruments

The movement during the reporting period in the number of ordinary shares or options over ordinary shares in Terramin Australia Limited by each KMP is as follows:

	Shares balance 1/01/2011	Options balance 1/01/2011	Shares acquired during year	Options granted as incentive	Shares disposed of during year	Options exercised	Options cancelled	Balance options 31/12/2011	Balance shares 31/12/2011
Parent Entity Directors									
RB Davis	31,470	-	103,448	-	-	-	-	**-**	**134,918**
NM Clift [1]	-	-	-	300,000	-	-	-	**300,000**	**-**
KC Moriarty	9,026,313	1,000,000	-	-	-	-	1,000,000	**-**	**9,026,313**
SAJ Bonett	250,000	250,000	-	-	-	-	250,000	**-**	**250,000**
MH Kennedy	300,000	-	103,448	-	-	-	-	**-**	**403,448**
RW Jones [2]	190,000	150,000	-	-	-	-	-	**-**	**-**
P Zachert	20,000	-	103,448	-	-	-	-	**-**	**123,448**
Y Xie	-	-	-	-	-	-	-	**-**	**-**
Other Key Management Personnel									
RB Howie	1,886	100,000	167,522	-	92,522	-	-	**100,000**	**76,866**
MJ Terry	-	290,000	-	-	-	-	-	**290,000**	**-**
RP Singer [3]	-	600,000		-	-	-	-	**-**	**-**
J Burgess	-	300,000	-	-	-	-	-	**300,000**	**-**
IJ Holman	-	-	-	-	-	-	-	**-**	**-**
JP Wilhelm [4]	-	200,000	-	-	-	-	-	**-**	**-**
Total	**9,819,669**	**2,890,000**	**477,866**	**-**	**92,522**	**-**	**1,250,000**	**690,000**	**10,015,013**

1. Mr Clift was granted options as an incentive in his role as General Manager – Algeria, prior to appointment as Managing Director and CEO.
2. As Mr Jones was not a Director of the Company as at 31 December 2011, his shareholdings at that date have not been disclosed.
3. As Mr Singer was no longer employed by the Company as at 31 December 2011, his shareholdings at that date have not been disclosed.
4. As Mr Wilhelm was no longer employed by the Company as at 31 December 2011, his shareholdings at that date have not been disclosed.

	Shares balance 1/01/2010	Options balance 1/01/2010	Shares acquired during year	Options granted as incentive	Shares disposed of during year	Options exercised	Options cancelled	Balance options 31/12/2010	Balance shares 31/12/2010
Parent Entity Directors									
RB Davis	31,470	-	-	-	-	-	-	**-**	**31,470**
KC Moriarty	9,026,313	1,000,000	-	-	-	-	-	**1,000,000**	**9,026,313**
MH Kennedy	300,000	300,000	-	-	-	-	300,000	**-**	**300,000**
SAJ Bonett	250,000	250,000	-	-	-	-	-	**250,000**	**250,000**
RW Jones	190,000	150,000	-	-	-	-	-	**150,000**	**190,000**
P Zachert	-	-	20,000	-	-	-	-	**-**	**20,000**
Y Xie	-	-	-	-	-	-	-	**-**	**-**
Other Key Management Personnel									
G Cochran	-	-	-	1,000,000	-	-	1,000,000	**-**	**-**
N Clift	-	-	-	-	-	-	-	**-**	**-**
RB Howie	-	-	1,886	100,000	-	-	-	**100,000**	**1,886**
MS Janes [1]	46,470	630,000	-	250,000	-	-	-	**-**	**-**
RP Singer	-	350,000	-	250,000	-	-	-	**600,000**	**-**
MJ Terry	-	200,000	-	90,000	-	-	-	**290,000**	**-**
J Burgess	-	300,000	-	-	-	-	-	**300,000**	**-**
JP Wilhelm	-	200,000	-	-	-	-	-	**200,000**	**-**
Total	**9,844,253**	**3,380,000**	**21,886**	**1,690,000**	**-**	**-**	**1,300,000**	**2,890,000**	**9,819,669**

1. As Mr Janes was no longer employed by the Company as at 31 December 2010, his shareholdings at that date have not been disclosed.

20. RELATED PARTIES *(continued)*

(b) Key management personnel compensation

Summary of KMP compensation:

	2011 $'000	2010 $'000
Short-term employee benefits	**2,325**	2,463
Post-employment benefits	**115**	117
Termination benefits	**-**	332
Share-based payments	**96**	175
	2,536	3,087

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to KMP. Amounts paid to KMP from prior years have been excluded from this table.

(c) Other key management personnel transactions

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

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

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

	Transaction	2011 $'000	2010 $'000
KC Moriarty [1]	Consultant Fees	**533**	508
JP Wilhelm [2]	Consultant Fees	**19**	154
J Burgess [3]	Consultant Fees	**207**	270
P Zachert [4]	Consultant Fees	**65**	65
NM Clift [5]	Consultant Fees	**120**	-
R Jones [6]	Consultant Fees	**40**	70
Y Xie [7]	Consultant Fees	**43**	40
		1,027	1,107

1 Dr Moriarty was engaged by the Group as a consultant in the role of Managing Director until his retirement on 26 September 2011. He received $491,600 under this engagement. Dr Moriarty remains a Non-Executive Director of the Company and received $6,667 in Directors' fees. In addition, he will continue to provide consulting services until 30 April 2012 and received $35,000 in fees in this capacity.

2. Mr Wilhelm provided services relating to the management of operational support and business development for the Group in North Africa prior to his resignation 7 December 2010.

3. Mr Burgess provides services relating to the Tala Hamza project.

4. Mr Zachert is a Non-Executive Director of the Company.

5. Mr Clift provided consultancy services to the Group as General Manager – Algeria, prior to his appointment as Managing Director and CEO on 26 September 2011.

6. Mr Jones was a Non-Executive Director of the Company prior to his retirement on 30 June 2011.

7. Mr Xie is a Non-Executive Director of the Company.

Information regarding the compensation of individual Directors and KMP and some equity instruments disclosures as required by Corporations Regulation 2M.3.03 is provided in the Remuneration Report section of the Directors' Report on pages 8 to 13.

There are no other related party transactions.

21. FINANCIAL INSTRUMENTS

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

	Note	2011 $'000	2010 $'000
Receivables	*9*	**6,478**	7,791
Payables and accruals	*12*	**(12,031)**	(9,281)
Financial liabilities at amortised cost	*13*	**(53,098)**	(53,972)
Financial assets at fair value through profit and loss	*22.1(a)&(b)*	**1,048**	503
Financial liabilities at fair value through profit and loss	*22.1(a)&(b)*	**(30)**	(116)
		(57,633)	(55,075)

Fair value

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

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	2011 $'000	2010 $'000
Level 1		
Financial assets at fair value through profit and loss	-	-
Financial liabilities at fair value through profit and loss	-	-
	-	-
Level 2		
Financial assets at fair value through profit and loss	1,048	503
Financial liabilities at fair value through profit and loss	(30)	(116)
	1,018	387
Level 3		
Financial assets at fair value through profit and loss	-	-
Financial liabilities at fair value through profit and loss	-	-
	-	-
Total	1,018	387

22. FINANCIAL RISK MANAGEMENT

The Group's principal financial liabilities comprise bank loans, convertible notes and trade and other payables. The main purpose of these financial instruments is to finance the Group's operations. The Group has various financial assets such as accounts receivable and cash and short-term deposits, which arise directly from operations.

The Group manages its exposure to key financial risks in accordance with the Group's risk management policy. The objective of the policy is to support the delivery of the Group's financial targets while protecting future financial security. The main risks that could adversely affect the Group's financial assets, liabilities or future cash flows are market risks, comprising commodity price risk, currency risk, interest rate risk and credit risk and liquidity risk.

The Group's senior management oversees the management of financial risks. The Group's senior management is supported by the Audit Committee and the Risk & Compliance Committee that together advise on financial risks and the appropriate financial risk governance framework for the Group. The Risk & Compliance Committee provides assurance to the Group's senior management that the Group's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Group policies and the Group's risk appetite.

All derivative activities for risk management purposes are carried out by management that have the appropriate skills, experience and supervision. It is the Group's policy that no trading in derivatives for speculative purposes shall be undertaken. At this stage, the Group does not currently apply any form of hedge accounting.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

1. Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: commodity price risk, interest rate risk and currency risk. Financial instruments affected by market risk include loans and borrowings, deposits, accounts receivable, accounts payable, accrued liabilities and derivative financial instruments.

(a) Commodity price risk

The Group is exposed to commodity price and exchange rate volatility in respect to future sales of commodities derived from the Angas Zinc Mine. This exposure is partially mitigated by fixed forward commodity hedging contracts below.

	2011 $'000	2010 $'000
Current assets [1]	892	-
Non-current assets [1]	156	-
Current liabilities [1]	-	(116)
Non-current liabilities	-	-
Total	1,048	(116)
Net amount recognised in income statement	1,165	(116)

1. Relates to hedging positions held at the end of the year in relation to 2,030 tonnes of lead, 208,000 ounces of silver and 3,040 ounces of gold, measured at fair value (2010: 1,415 tonnes of lead).

Sensitivity Analysis

Sensitivity to fluctuations in commodity prices in the tables below has been assessed based on existing price exposures in respect of commodity sales that occurred during the reporting period.

A 10 percent increase in the zinc and lead commodity prices at 31 December 2011 would have decreased losses by the amounts shown below. This analysis assumes that all other variables remain constant, in particular interest rates, currency rates and other metal prices.

22. FINANCIAL RISK MANAGEMENT *(continued)*

Effect in AUD thousands - 10% increase in commodity prices

31 December 2011	Equity	Profit or (loss)
Zinc [1]	-	-
Lead	507	507
Total	**507**	**507**

Effect in AUD thousands - 10% decrease in commodity prices

31 December 2011	Equity	Profit or (loss)
Zinc [1]	-	-
Lead	(507)	(507)
Total	**(507)**	**(507)**

1. There were no outstanding Zinc price exposures in respect of Zinc sales that occurred in the reporting period

Effect in AUD thousands - 10% increase in commodity prices

31 December 2010	Equity	Profit or (loss)
Zinc [1]	-	-
Lead	484	484
Total	**484**	**484**

Effect in AUD thousands - 10% decrease in commodity prices

31 December 2010	Equity	Profit or (loss)
Zinc [1]	-	-
Lead	(484)	(484)
Total	**(484)**	**(484))**

1. There were no outstanding Zinc price exposures in respect of Zinc sales that occurred in the reporting period

(b) Currency risk

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

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

	2011 $'000	2010 $'000
Current assets [1]	**-**	503
Non-current assets	**-**	-
Current liabilities [1]	**(20)**	-
Non-current liabilities [1]	**(10)**	-
Total	**(30)**	503
Net amount recognised in income statement	**(533)**	503

1. Relates to US$20.7 million of currency hedging positions against AUD (2010: US$3.9 million) measured at fair value.

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

	31 December 2011		31 December 2010	
In AUD thousand equivalent	**USD**	**DZD**	USD	DZD
Cash at bank	**1,545**	**49**	3,935	140
Trade receivables	**5,492**	**13**	7,175	20
Trade payables	**-**	**(83)**	-	(370)
Convertible note	**(24,665)**	**-**	(24,648)	-
Gross balance sheet exposure	**(17,628)**	**(21)**	(13,538)	(210)

The following significant exchange rates applied for the Group Consolidated Statement of Financial Position:

	Currency	**2011**	2010
Year end rates used for the consolidated balance sheets, to translate the following currencies into AUD, are:			
	USD	**1.02**	1.02
	DZD	**77.61**	77.08

Sensitivity Analysis

Sensitivity to fluctuations in foreign currency rates is based on outstanding monetary items at 31 December 2011 which are denominated in a foreign currency. A 10% strengthening of the AUD against the following currencies at the end of the reporting period would have decreased losses by the amounts shown below. The impact relates to commodity sales and fixed forward commodity contracts in place at 31 December 2011. This analysis assumes that all other variables remain constant, in particular interest rates.

Effect in AUD thousands - 10% increase of the AUD against the following currencies

31 December 2011	Equity	Profit or (loss)
USD	2,936	2,936
Total	**2,936**	**2,936**

Effect in AUD thousands - 10% decrease of the AUD against the following currencies

31 December 2011	Equity	Profit or (loss)
USD	(2,867)	(2,867)
Total	**(2,867)**	**(2,867)**

Effect in AUD thousands - 10% increase of the AUD against the following currencies

31 December 2010	Equity	Profit or (loss)
USD	1,520	1,520
Total	**1,520**	**1,520**

Effect in AUD thousands - 10% decrease of the AUD against the following currencies

31 December 2010	Equity	Profit or (loss)
USD	(1,811)	(1,811)
Total	**(1,811)**	**(1,811)**

(c) Interest rate risk

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

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

2011	Effective interest rate	Total $'000	Floating interest rate $'000	Fixed interest rate $'000
Cash [1]	1.01%	1,957	1,957	-
Short-term deposits [1]	4.11%	5,545	5,545	-
Finance lease liabilities	8.62%	(4,078)	-	(4,078)
Bank loans - secured	7.81%	(20,000)	(9,000)	(11,000)
Convertible notes [1]	3.52%	(29,667)	(24,665)	(5,002)
Net Financial Assets		**(46,243)**	**(26,163)**	**(20,080)**

2010	Effective interest rate	Total $'000	Floating interest rate $'000	Fixed interest rate $'000
Cash [1]	1.41%	3,028	3,028	-
Short-term deposits [1]	3.48%	6,522	6,522	-
Finance lease liabilities	9.48%	(2,487)	-	(2,487)
Bank loans - secured	8.09%	(23,000)	(23,000)	-
Convertible notes [1]	3.39%	(29,650)	(24,648)	(5,002)
Net Financial Assets		**(45,587)**	**(38,098)**	**(7,489)**

1. Includes AUD and USD denominated balances.

Sensitivity analysis

As the Group does not use interest rate derivatives, a change in interest rates at reporting date would have no effect on profit and loss or equity.

For the 2011 financial year however, a 1% increase in the effective interest rate would have resulted in an increase in losses of $0.4 million.

2. Credit risk

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

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

	Note	**2011 $'000**	2010 $'000
Financial assets at fair value through profit and loss	*21*	**1,048**	503
Receivables	*9*	**6,478**	7,791
Cash assets	*7*	**7,502**	9,550
		15,028	17,844

The Group does however have a credit exposure to outstanding receivables resulting from commodity sales. Existing off-take agreements in relation to commodities result a limited number of customers, all of whom are well established industry participants that account for 100% of trade receivables (see note 9).

The Group's maximum exposure to credit risk for loans and receivables at the reporting date by geographic region was:

	2011 $'000	2010 $'000
Australia	**4,686**	4,126
USA	**1,779**	3,645
Other	**13**	20
	6,478	7,791

22. FINANCIAL RISK MANAGEMENT *(continued)*

3. Liquidity risk

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

2011	Carrying amount $'000	Contractual cash flows $'000	6 mths or less $'000	6-12 mths $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000
Non-derivative financial liabilities							
Trade and other payables	12,031	(12,031)	(12,031)	-	-	-	-
Bank loans - secured	20,000	(21,796)	(3,781)	(6,605)	(11,410)	-	-
Convertible notes	29,667	(32,330)	(523)	(523)	(21,314)	(9,970)	-
Finance lease liabilities	4,078	(4,473)	(1,139)	(1,039)	(2,295)	-	-
	65,776	**(70,630)**	**(17,474)**	**(8,167)**	**(35,019)**	**(9,970)**	**-**

Refer table in note 22.1(a) and (b) for maturity profile of derivative financial instruments.

2010	Carrying amount $'000	Contractual cash flows $'000	6 mths or less $'000	6-12 mths $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000
Non-derivative financial liabilities							
Trade and other payables	9,281	(9,281)	(9,281)	-	-	-	-
Bank loans - secured	23,000	(26,541)	(931)	(3,870)	(21,740)	-	-
Convertible notes	29,650	(33,422)	(503)	(503)	(2,011)	(30,405)	-
Finance lease liabilities	2,487	(2,663)	(1,129)	(778)	(756)	-	-
	64,418	**(71,907)**	**(11,844)**	**(5,151)**	**(24,507)**	**(30,405)**	**-**

23. CONTROLLED ENTITIES

Name	Country of incorporation	Percentage 2011	Percentage 2010
Parent Entity:			
Terramin Australia Limited	Australia		
Subsidiaries 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%

24. 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 deposit

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

	Australia		Northern Africa		Consolidated	
	2011 $'000	2010 $'000	**2011 $'000**	2010 $'000	**2011 $'000**	2010 $'000
Revenue						
External customers	**58,167**	59,450	**-**	-	**58,167**	59,450
Total Revenue	**58,167**	59,450	**-**	-	**58,167**	59,450
Results						
Depreciation and amortisation	**(26,348)**	(18,523)	**-**	-	**(26,348)**	(18,523)
Interest income	**-**	-	**-**	-	**291**	320
Interest expense	**-**	-	**-**	-	**(3,288)**	(3,203)
Profit/(Loss) before income tax	**(19,640)**	(9,875)	**-**	-	**(19,640)**	(9,875)
Income tax expense	-	-	-	-	**-**	-
Loss for the period attributable equity holders of the Company	**(19,640)**	(9,875)	-	-	**(19,640)**	(9,875)
Operating assets	**100,456**	106,397	**43,129**	40,613	**143,585**	147,010
Operating liabilities	**72,368**	69,526	**83**	370	**72,451**	69,896
Other disclosures						
Investment in associates	**-**	1,079	**-**	-	**-**	1,079
Capital expenditure [1]	**18,161**	14,164	**2,727**	9,265	**20,888**	23,429

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, interest income and interest expense are managed on a Group basis and are not allocated to operating segments.

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

25. SHARE BASED ENTITLEMENTS AND PAYMENTS

The Group uses share options to provide incentives to Directors, employees and consultants. At the Company's 2011 Annual General Meeting, shareholders approved the issue of options to employees of the Company under the EOP and the LTIP. The Board, upon the recommendation of senior management, has discretion to determine the number of options to be offered to Eligible Employees (as that term is defined by the EOP and LTIP) and the terms upon which they are offered, including exercise price and vesting conditions. The following tables list the inputs to the two plans for the years ended 31 December 2011 and 31 December 2010:

Options granted during the year had a range of vesting dates from immediately to 6 months and were all issued under the EOP. The options have contractual lives of between 3 and 5 years and a weighted average price of $0.53. Exercise prices range from $0.53 to $3.74 in respect of options outstanding at 31 December 2011. The weighted average fair value of the options granted during the year was $0.11.

The value attributed to each option was calculated by using a Trinomial option pricing model applying the following inputs: exercise price, life of the option, underlying share price, expected share price volatility (45%-55%), percentage likelihood of vesting conditions being met and the risk free interest rate.

25. SHARE BASED ENTITLEMENTS AND PAYMENTS *(continued)*

(a) Number and weighted average exercise prices of share options

	Weighted average exercise price 2011	Number of Options 2011	Weighted average exercise price 2010	Number of Options 2010
Outstanding at 1 January	**$2.28**	**16,201,630**	$2.53	13,686,630
Cancelled during the period	**$2.50**	**(10,206,630)**	$1.52	(1,335,000)
Exercised during the period	**-**	**-**	$0.52	(150,000)
Granted during the period	**$0.52**	**600,000**	$1.09	4,000,000
Outstanding at 31 December	**$1.77**	**6,595,000**	$2.28	16,201,630
Exercisable at 31 December	**$1.77**	**6,595,000**	$2.28	16,201,630

The options outstanding at 31 December 2011 have a weighted average contractual life of 1.77 years (2010: 1.80 years).
All options outstanding for the Group at 31 December 2011 were fully vested and exercisable.

(b) Options exercised during the year

During the year ended 31 December 2011 there were no options exercised (2010: 150,000).

(c) Table of share options movement for the Group at 31 December 2011

Expiry Date	Exercise Price $	Classification	Vesting or hurdle terms Yes/No	Number of options	Options expense this period $'000	Total option value $'000
Opening Balance 1 January 2011				**16,201,630**		
8 April 2011	0.53	Employee	No	300,000	36	36
16 June 2014	0.50	Employee	No	100,000	10	10
16 June 2014	0.50	Employee	No	200,000	2	2
Total				**16,801,630**	**48**	**48**
Options exercised during the period				-	-	-
Options cancelled during the period				(10,206,630)	(2)	(2)
Closing Balance 31 December 2011				**6,595,000**	**46**	**46**

The inputs used in the measurement of the fair values at grant date of options issued during the reporting period were as follows:

	Key management personnel	Senior employees
Fair value at grant date	0.12	0.10
Share price at grant date	0.37	0.33
Exercise price	0.53	0.50
Expected volatility	48%	48%
Option life	5 years	3 years
Expected dividends	0%	0%
Risk-free interest rate	5.43%	5.43%

During the year, 600,000 options (exercisable between $0.50 and $0.53 and vesting dates ranging from immediately to 6 months) with expiry dates between 15 June 2014 and 7 April 2016 were issued to employees and Executives of the Group. The total value of the options issued during 2011 was $0.07 million, being the fair value of the options apportioned over the vesting periods (where applicable) as determined by the Trinomial option pricing model (refer note 3(m)). There were 2,200,000 options granted to employees and Executives of the Group during the year ended 31 December 2010.

(d) Table of share options movement for the Group at 31 December 2010

Expiry Date	Exercise Price $	Classification	Vesting or hurdle terms Yes/No	Number of options	Options expense this period $'000	Total option value $'000
Opening balance 1 January 2010				**13,686,630**		
Options issued	-	-	-	4,000,000	769	769
Total	**-**	**-**	**-**	**17,686,630**	**769**	**769**
Options exercised during the period	-	-	-	(150,000)	-	-
Options lapsed during the period	-	-	-	(1,335,000)	-	-
Expense relating to prior years option issues	-	-	-	-	70	-
Option expense capitalised as transaction cost	-	-	-	-	(178)	-
Closing balance 31 December 2010				**16,201,630**	**661**	

26. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share at 31 December 2011 was based on the net loss attributable to equity holders of the Company of $19.6 million (2010: $9.9 million) and a weighted average number of ordinary shares outstanding during the year ended 31 December 2011 of 184,020,341 (2010: 163,496,138), calculated as follows:

	2011 $'000	2010 $'000
Net loss for the year attributable to the equity holders of the Company	**(19,640)**	(9,875)
Issued ordinary shares	**210,800,124**	167,315,574
Weighted average number of ordinary shares	**184,020,341**	163,496,138
Basic earnings per share (cents)	**(10.67)**	(6.04)

(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.

	2011	2010
Diluted earnings per share (cents)	**(10.67)**	(6.04)

27. COMMITMENTS AND CONTINGENCIES

There are contractual commitments at the reporting date as follows:

	2011 $'000	2010 $'000
(a) Operating lease		
Non-cancellable operating leases contracted but not capitalised in the financial statements payable:		
Within 1 year	**818**	1,089
One to five years	**1,306**	2,310
Total	**2,124**	3,399
(b) Consultant contracts		
Commitments for the payment of services under consultant contracts in existence at the date of this report but not recognised as liabilities, payable:		
Within 1 year	**18**	230
One to five years	**-**	18
Total	**18**	248
(c) Employee remuneration contracts		
Commitments for the payment of salaries and other remuneration under long term employment contracts in existence at the date of this report but not recognised as liabilities, payable:		
Within 1 year	**214**	-
Total	**214**	-

(d) Minimum expenditure on exploration tenements on which the Group has title are as follows:

As at 31 December 2011 there were minimum exploration expenditure commitments on tenements with local Government authorities. Bremer and Menninnie Dam tenements of $390,000 and $80,000 per annum respectively. Nonning and Taringa tenements of $240,000 and $250,000 over 2 years respectively. The Kolendo tenement of $150,000 over 3 years.

As as 31 December 2010 the minimum exploration expenditure commitments with local Government authorities were on a per annum basis. Bremer, Menninnie Dam, Nonning, Taringa and Kolendo had minimum exploration commitments of $390,000, $80,000, $60,000, $125,000, and $50,000 per annum respectively.

	2011 $'000	2010 $'000
(e) Capital expenditure commitments		
Capital expenditure commitments contracted for:		
Within 1 year	**263**	275
Total	**263**	275
(f) Finance leases		
Commitments in relation to finance leases for the purchases of mining equipment are as follows:		
Within 1 year	**2,193**	1,907
Longer than 1 year and not longer than 5 years	**2,280**	756
Minimum lease payments	**4,473**	2,663
Less: Future Finance Charges	**395**	176
Total lease liabilities	**4,078**	2,487
Representing:		
Current	**1,930**	1,768
Non-current	**2,148**	719
	4,078	2,487

The interest rate implicit in the various leases vary from 6.7% to 10.4%.

Oued Amizour Zinc Project

In February 2006, the Group signed a joint venture agreement in respect of the Oued Amizour Project with ENOF, an Algerian Government company involved in exploration and mining activities. The Company agreed to manage and finance the joint venture until a decision to mine.

Finder's Fee

A second tranche of a finder's fee is payable to a non-related party and linked to the commencement of commercial production from the first producing mine established on the Oued Amizour tenement covered by the Algerian joint venture agreement with ENOF. The amount payable will be US$62,500 which will be converted into the Australian Dollar equivalent at the time of the contingent payment in the future, as well as 100,000 unlisted options exercisable at 25 cents each within 3 years of date of issue.

Bank Guarantees – Angas Zinc Mine

As at 31 December 2011 the Company had lodged bank guarantees having a face value of $5.3 million with DMITRE.

Litigation

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

Statutory redundancy provisions – Angas Zinc Mine

In accordance with the Enterprise Agreement (EA) dated 29 July 2010 and all relevant statutory provisions, the Group will incur redundancy payments upon the closure date of the Angas Zinc mine. The estimated life of mine based on remaining reserves at balance date was 3 years. The Group continues to conduct further exploration in and around the Angas mine lease, with a view to extending the known reserves of the mine, leading to uncertainty in respect to the likely closure date. In addition, it is unknown how many employees will accept the redundancy offer and the applicable length of service. Accordingly, the Group is unable to reliably measure a provision for redundancy at this time. As further details are available, the Group will continue to review the obligation with a view to recognise a liability when the redundancy obligation can be reliably and accurately measured.

28. EVENTS AFTER THE BALANCE SHEET DATE

In February 2012, the Company agreed with Investec to the deferral of the $3 million principal repayment due on 29 February 2012 to 30 April 2012. The negotiations are finalised and a written agreement has been signed by both parties to defer the principal repayment.

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.

29. PARENT ENTITY DISCLOSURES

As at, and throughout, the financial year ending 31 December 2011 the parent Company of the Group was Terramin Australia Limited.

	Parent	
	2011 $'000	2010 $'000 Restated*
Result of the parent entity		
Loss for the period	**(19,660)**	(9,870)
Other comprehensive income	**-**	-
Total comprehensive income for the period	**(19,660)**	(9,870)
Financial position of parent entity		
Current assets	**22,659**	20,509
Total assets	**146,223**	151,653
Current liabilities	**20,945**	24,623
Total liabilities	**69,685**	69,357
Total equity of the parent entity comprising of:		
Share capital	**133,882**	120,014
Reserves	**8,966**	8,920
Accumulated losses	**(66,310)**	(46,638)
Total equity	**76,538**	82,296

Parent entity contingencies

The Directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

	Parent	
	2011 $'000	2010 $'000
Contingent liabilities not considered remote		
Litigation	**Nil**	Nil
Performance guarantees	**Nil**	Nil
GST liabilities of other entities within the GST group	**Nil**	Nil
Tax liabilities of other entities within the tax consolidated group	**Nil**	Nil

Parent entity capital commitments for acquisition of property plant and equipment

	Parent	
	2011 $'000	2010 $'000
Capital expenditure commitments contracted for:		
Within 1 year	**263**	275
Total	**263**	275

Parent entity guarantees in respect of debts of its subsidiaries

The parent entity has not entered into a deed of Cross Guarantee with respect to its subsidiaries.