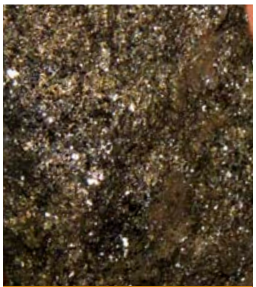
TERRAMIN AUSTRALIA LIMITED

3rd Quarter Report 2012

HIGHLIGHTS

- Angas achieves record quarter for EBITDA of $7.0m
- Angas performance records for ore mined and concentrate production with 2011 full year production surpassed
- Forecast production targets announced to the market in January 2012 expected to be surpassed during the fourth quarter
- Angas C1 cash costs of US 32c/lb the lowest since December 2009
- Joint venture agreement entered into with Musgrave Minerals Ltd for the Menninnie Project

FOCUS ON ZINC



NATURAL

Zinc is present naturally in rock, soil, air, water, and the biosphere

TERRAMIN
AUSTRALIA LIMITED
ABN 67 062 576 238

31 October 2012

Welcome to the Third Quarter Report for 2012.

During the quarter, there were three main highlights. The first was the continued trend at the Angas Zinc Mine (**Angas**) of raising production benchmarks, which resulted in the second highlight - a record EBITDA (earnings before interest, tax, depreciation and amortisation) at Angas for the quarter.

The third was the announcement of a new joint venture for renewed exploration on the Menninnie Project.

Angas Mine Progress

Performance continues to improve at Angas, setting new quarterly records for both the tonnes of ore mined and concentrate production in the three months to September, and achieving further reductions in unit costs.

In the ongoing process of optimisation of Angas, management are continuing to focus on a systematic reduction in costs. As a result, in combination with improved prices for by-products, the mine achieved a C1 cash cost for the quarter of US 32c/lb, down from US 49c/lb the prior quarter, the second best quarterly C1 result for the mine's history.

The overall benefit of the improvement in successive quarterly production results has been partially offset by lower prevailing A$ commodity prices. The lower A$ commodity prices have also had an impact on the economic life of Angas.

To mitigate market conditions, management continues to assess and review the economic cut-off of the mine as part of the life of mine plans. Management is currently optimising these life of mine plans, and they should be completed in the next few weeks. Based on current metal prices and resulting cut-off grades, the Company expects that Angas would close in late 2013. However, if metal prices materially increase over coming months the mine life of Angas would be extended.

The Company is currently preparing a new exploration programme at Angas, aimed at extending mine life. This exploration programme follows a period of modelling and detailed background work and will focus on previously untested near-mine targets.

Further details will be made available upon finalisation of the exploration programme, and as the progressive optimisation of the mine plan provides more certainty as to the economic life of the mine beyond current expectations.

Renewed Exploration on the Menninnie Project

Following a strategic review of the Menninnie Project undertaken in March this year and with the assistance of corporate advisors Fortis Agõ, a binding heads of agreement was signed with South Australia focused explorer, Musgrave Minerals Ltd (**Musgrave**), for the farm-in and joint venture of the Menninnie Project (Silver-Zinc-Lead) located in the northern Eyre Peninsula in South Australia.

This new agreement will allow for accelerated exploration of Menninnie by a well-capitalised JV partner, with strong technical capability.

The joint venture is a very good opportunity for Terramin to advance and develop the resources on Menninnie Dam and other prospects with free carry rights whilst retaining significant exposure to exploration prospects of the project.

A substantial drilling programme on the Menninnie Dam prospects and regional targets is expected to start in November 2012. This exploration drilling programme, planned on the Menninnie Dam tenement and originally prepared in early 2012, 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 joint venture ushers in an exciting new chapter of the Menninnie Project.

Tala Hamza Project

Management is progressing discussions with its Algerian partner with the intent of reaching agreement and reconciling the differences in opinion on the results of the Definitive Feasibility Study.

Corporate Restructuring

The Board has continued in its efforts, as part of the Company's strategic review, to strengthen the balance sheet and address working capital. During the quarter, a significant restructuring of corporate head office was completed. The corporate head office was relocated to lower cost premises and the overall head count was reduced, resulting in overall savings of around $2m per annum.

With the realignment of our structure to fit with the current circumstances, the Company and Investec Bank (Australia) Limited (**Investec**) agreed on restructuring the Company's debt facility and funding requirements.

Since the June 2012 restructure of the Investec facility, $2.9m of repayments have been made to date to reduce the outstanding balance. Further repayments are expected to be made in the remainder of 2012.

As has already been announced, the Board is expecting to complete a capital raise in the near-term in order to strengthen the balance sheet. As part of the restructuring agreement with Investec, a significant proportion of the new funds will be available for development of Terramin's business opportunities. The Board has been in regular communication with convertible noteholders with regard to negotiation at future maturity dates. It is the Board's opinion that mutually beneficial outcomes will be negotiated with convertible noteholders that will be in the best interests of all parties.

Financial Performance

Despite the negative impact of lower AUD commodity prices, the Company achieved a positive EBITDA for the quarter. Increased revenue and lower C1 costs, along with planned reduced corporate overheads contributed to this improved result. Favourable cost variances are expected to continue in the fourth quarter as a result of net revenue maximisation initiatives.

Concluding Remarks

During this quarter, we have continued to raise the bar at Angas, and have continued to restructure the Company in order to best address our current circumstances. As a result, by focusing on those elements within our control, we have been able to meet the challenge posed by the combination of market conditions and a persistently high Australian dollar.

Again I thank all our shareholders for their continuing support and patience. As we work through our strategic review, I look forward to continuing to make progress in realigning our business.

Nic Clift
Managing Director

Operation Description	Activities for the Quarter

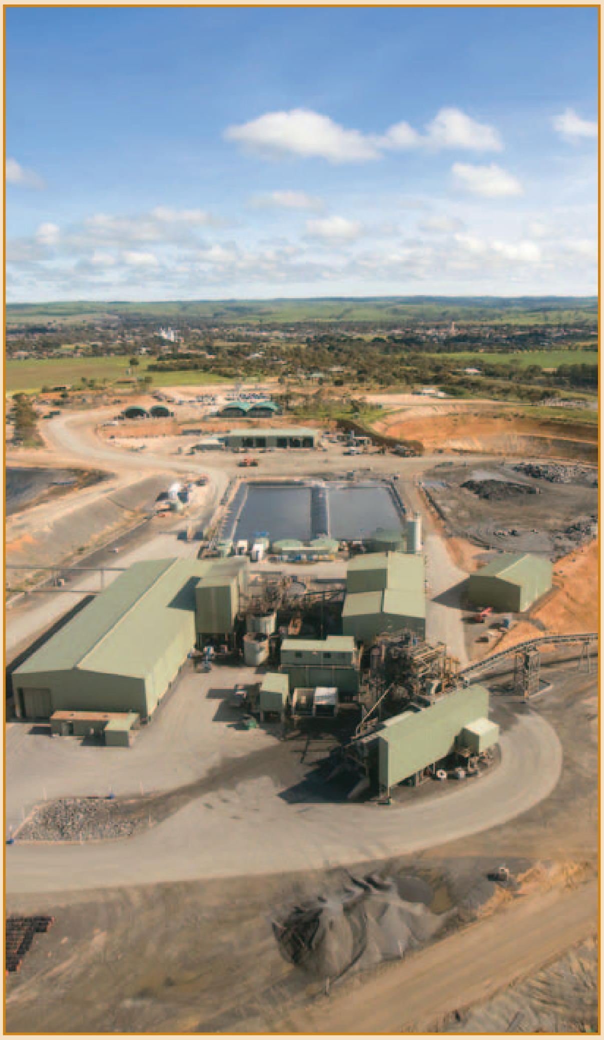
Operation Description

Angas Zinc Mine

100% Terramin owned and operated

A 400,000 tpa operation producing zinc and lead-copper-silver-gold concentrates.

There is a life of mine off take agreement with Freepoint Metals and Concentrates LLC for zinc concentrate and a five year off-take agreement with Nyrstar Sales & Marketing AG for lead concentrate.



Activities for the Quarter

Safety, Environment and Community Report

There were no significant safety or environmental incidents to report in the last quarter.

Water management on site improved, which despite a continuation of the high rainfall has resulted in a 39cm drop in the TSF water level in September. The surface area of water in the TSF dropped to below 40,000m^2 for the first time since the mines inception. An additional clarifier was installed prior to the V2 RO plant which allows additional water to be processed. The new FABAL clean water line is fully commissioned and currently supplies Langhorne Creek vineyards with high-quality irrigation water. The water disposal capacity through bore reinjection at the mine has been increased with both clean ground water from the mine and ultra-filtered water being replaced into the Cambrian aquifer it came from. With the onset of summer the evaporation systems in place are positioned to have a greater effect on water reduction.

Operations

Angas continued its trend of setting new production benchmarks by recording its highest quarter or tonnes ore mined as well as tonnages produced of both zinc and lead concentrates (refer to Key Quarterly Statistics on page 5 for details).

Surface ROM stockpiles remain within the ideal range to optimise ore blends available for processing.

Paste placed remains higher than planned in line with the increase in mined tonnes. There was an increase in paste-fill for the quarter with over 45,000m^3 of paste placed. This volume of paste delivered sits at the designed level for the paste plant. Some minor delays have been encountered due to wear, evident after the recent high placement rates. Changes in the sand used and improvements in the reticulation pipe wear resistance have reduced downtime.

Processing plant availability improved this quarter to 95%. Improvements made to transfer point sensors and operating parameters provided for more robust operation of the plant. Ore processed for the quarter of 109,446 tonnes was lower due to the lower feed rate required to manage the higher grades. Zinc recoveries dropped slightly to 82.4% as a result of metallurgical changes required to accommodate a higher lead grade. Lead recoveries performed strongly with 86.7% contributing to the record quarter for both zinc and lead metal production.

Development completed within the quarter encountered high grades on the 340mL and has highlighted the potential for ore grades to continue at depth below the current working levels.

Exploration drilling is expected to take place in the coming quarter on near-mine targets to identify economic resources that will extend the mine life of Angas.

Operation Description	Activities for the Quarter
Oued Amizour Project *100% owned by Western Mediterranean Zinc Spa (WMZ)* Oued Amizour Exploration Permit 5225PE is a 125km^2 tenement which contains several lead-zinc deposits. Terramin holds a 65% shareholding interest in WMZ. The remaining 35% is held by two Algerian government-owned companies, Entreprise Nationale des Produits Miniers Non-Ferreux et des Substances Utiles Spa (ENOF) (32.5%) and Office National de Recherche Géologique et Minière (ORGM) (2.5%).	During the period, NFC has continued its corporate and technical due diligence regarding the possible sale of Terramin's interest in the Tala Hamza Project. Terramin has also continued to progress discussions with its Algerian partner for the purpose of reconciling the differences in opinion on the conclusions of the Definitive Feasibility Study and reaching an agreement on the way forward. In the meantime the Company announced in its interim financial report that it was developing alternative arrangement through capital raising initiatives. These initiatives are progressing and if successful the Company will retain its interest in the Tala Hamza project. In early September, Terramin submitted a new work plan which takes into account ENOF's comments and concerns. ENOF have advised that they are currently evaluating this proposition and are expected to provide feedback in the near term. The application for renewal of the Oued Amizour exploration permit continues to be assessed by the Algerian regulator. Terramin has satisfied all legal requirements for a renewal to be granted and on this basis has reasonable grounds to expect the exploration permit to be renewed. The Algerian regulator has advised that this matter will be finalised upon an agreement being reached with the JV partner on the technical issues relating to the DFS.
Menninnie Project *100% owned by Terramin subsidiary Menninnie Metals Pty Ltd* The Menninnie Project is located on the Eyre Peninsula in South Australia and comprises a group of five Exploration Licences covering a total contiguous area of 2,471km^2. These licences are Menninnie Dam (EL5039), Nonning (EL4813), Kolendo (EL4285), Taringa (EL4669) and Wipipippee Hill (EL4865).	On the 2nd of October, the Company announced the execution of a binding heads of agreement with South Australia focused explorer, Musgrave Minerals Ltd (**Musgrave**), for a farm-in and joint venture arrangement regarding the Menninnie Project (Silver-Zinc-Lead). Under the terms of the agreement, Musgave will have the right to earn a 51% interest in the Project contingent upon spending $6 million within a 5 year period. Following Musgrave's 51% acquisition in the Project, both Terramin and Musgrave can contribute to exploration and development expenditure on a pro-rata basis. Should Terramin elect not to contribute, Musgrave may earn up to a further 24% interest by spending an additional $3 million over an additional 2 years. Exploration drilling is expected to begin in the fourth quarter to test high quality targets.
Fleurieu Exploration Project *100% Terramin owned* Comprises four contiguous Exploration Licences covering 1,032km^2 on the Fleurieu Peninsula in South Australia, adjacent to the Angas Mine Lease: Bremer (EL4936); Hartley (EL3792); Currency Creek (EL4210); and Langhorne Creek (EL4466). The tenements cover an elongated zone stretching 60km northeast and southwest of the Angas Mine Lease. A fifth licence (ELA-2011/00288) has been applied for to the east of the existing Fleurieu tenements, covering an additional 154km^2.	No significant activities were carried out on the tenements during the period whilst due diligence was being carried out by parties interested in joint venture opportunities. Discussions with potential joint venture parties regarding the exploration and development of the Fleurieu group of tenements are now discontinued.

Key quarterly statistics

Production statistics		December Quarter 2011	March Quarter 2012	June Quarter 2012	**September Quarter 2012**	YTD 2012	Forecast Production 12 Mths 2012
Total ore mined (tonnes)		110,328	106,854	110,743	**111,492**	329,089	
Total ore treated (tonnes)		112,750	106,364	116,142	**109,446**	331,952	416,000
Ore grade:	- Zn%	6.84	7.73	7.98	**9.37**	8.36	
	- Pb%	3.10	2.77	3.44	**4.58**	3.60	
	- Cu%	0.22	0.19	0.23	**0.25**	0.23	
	- Ag g/t	31.7	26.5	37.0	**46.9**	36.9	
Zinc Concentrate (tonnes)		12,931	14,031	15,354	**16,706**	46,091	57,000
Grade:	- Zn%	49.3	49.4	50.8	**50.6**	50.3	
Recovery:	- Zn%	82.9	84.2	84.1	**82.4**	83.5	
Lead Concentrate (tonnes)		5,581	4,601	6,654	**8,237**	19,492	20,000
Grade:	- Pb%	52.5	51.7	51.6	**52.7**	52.1	
	- Cu%	3.4	3.0	3.2	**2.6**	2.9	
	- Ag g/t	505	451	528	**510**	502	
	- Au g/t	9.4	8.2	8.6	**7.2**	7.9	
Recoveries	- Pb%	82.8	80.7	85.8	**86.7**	84.9	
	- Cu%	72.7	69.2	77.4	**77.8**	75.3	
	- Ag%	76.9	73.7	81.8	**81.9**	80.0	
Payable metal							
	- Zn t	5,347	5,802	6,564	**7,114**	19,481	
	- Pb t	2,761	2,241	3,232	**4,097**	9,570	
	- Cu t	40	28	43	**40**	111	
	- Ag oz	81,573	59,306	102,170	**121,870**	283,347	
	- Au oz	1,357	954	1,463	**1,699**	4,116	

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

Production

The Angas Zinc Mine achieved a record quarter, posting new benchmarks for ore mined, zinc concentrate and lead concentrate. The record quarter of zinc concentrate production in the September quarter continues the upwards trend over 6 consecutive quarters.

A total of 111,492 tonnes of ore was mined, a marginal increase on the prior quarter. Ore treated was down 5% with 109,446 tonnes being processed.

Zinc and lead feed grades were higher than last period (17% and 33%) causing mill throughput to be diminished to allow for the processing of higher grade material. Zinc recoveries were down marginally (2%) with lead-copper-gold-silver recoveries remaining consistent.

July's concentrate production was the highest in the history of the mine for both zinc (5,762 tonnes) and lead (3,057 tonnes). A reduction in mill throughput has occurred as signalled for the second half of 2012 to allow for the higher feed grades, however this has been complemented by increased ore availability and improved mill availability to maintain metal recoveries.

Forecast production targets announced to the market in January 2012 are expected to be surpassed during the fourth quarter. September year-to-date production of both zinc and lead concentrates have surpassed full year production for 2011.

	September 2012 Quarter	September 2012 YTD	Forecast Production 2012	Actual Production 2011
Ore Mined (t)	111,492	329,089	-	412,441
Ore Milled (t)	109,446	331,952	416,000	401,496
Zinc Concentrate (t)	16,706	46,061	57,000	43,738
Lead Concentrate (t)	8,237	19,492	20,000	18,079

Key quarterly statistics

C1 Cash Costs (US c/lb payable zinc)	December Quarter 2011	March Quarter 2012	June Quarter 2012	**September Quarter 2012**	YTD 2012
Production Costs	105	106	77	**76**	85
- Mining	61	58	44	**41**	47
- Processing	31	34	26	**20**	26
- Other Site Costs	13	14	7	**15**	12
Realisation Costs	33	37	34	**32**	34
- Transport & Handling	9	12	14	**10**	12
- Zinc Treatment Charges	24	25	20	**21**	22
Net By-product Credits	(70)	(61)	(61)	**(76)**	(66)
C1 Cash Cost	69	82	49	**32**	53

Sales	December Quarter 2011	March Quarter 2012	June Quarter 2012	**September Quarter 2012**	YTD 2012
- Zinc concentrate (t)	14,391	14,002	9,826	**19,948**	43,776
- Lead concentrate (t)	5,532	4,943	6,487	**7,943**	19,373
Average Realised Price					
Average Price in US$/t					
- Zinc	2,211	2,029	1,966	**1,887**	1,950
- Lead	1,757	2,330	1,732	**2,023**	2,004
Average Price in USc/lb					
- Zinc	100	92	89	**86**	88
- Lead	80	106	79	**92**	91
Commodity Prices					
Average Price in US$/t					
- Zinc	1,897	2,024	1,928	**1,895**	1,949
- Lead	1,983	2,094	1,972	**1,980**	2,016
Average Price in USc/lb					
- Zinc	86	92	87	**86**	88
- Lead	90	95	89	**90**	91

Cash Costs

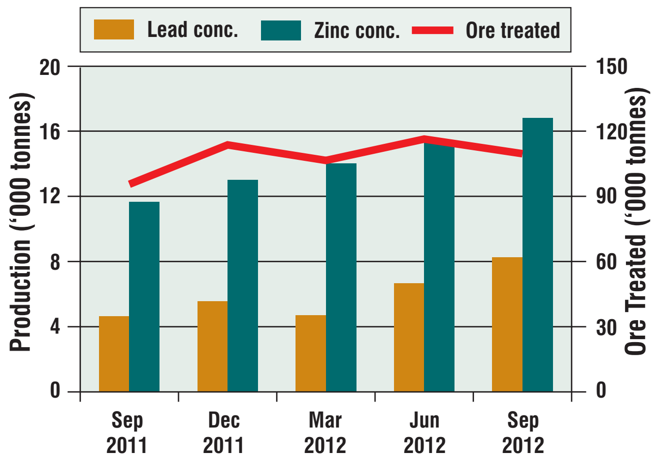
The reduced cost profile at the Angas Zinc Mine has continued in the third quarter, resulting from efficiencies and net revenue maximisation initiatives implemented at the Angas Zinc Mine in early 2012. The trend has continued to impact favourably on unit costs and margins. Accordingly, the C1 cash cost has reduced by 35% from last quarter to US 32c/lb. Headline costs remained consistent with the prior quarter after significant reductions in the second quarter, impacted by the initiatives put in place. The benefits to the C1 cash cost in the third quarter were a result of improved net-by-product credits, which increased by 23% from the prior quarter. The improved by-product result was due to record lead concentrate production and an increase in the average realised lead price.

Sales

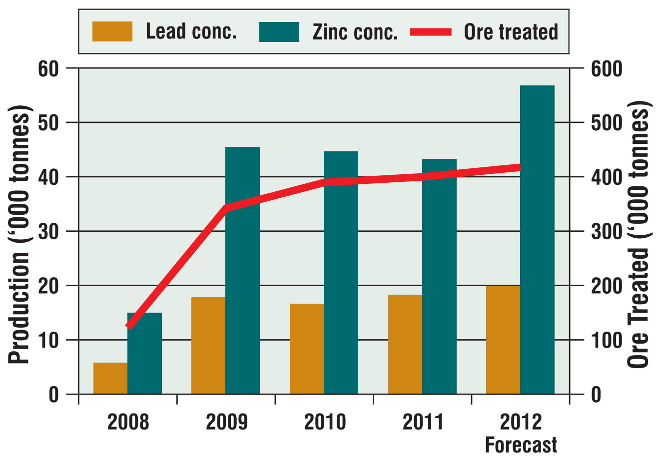
Average realised price for zinc decreased by 4% from the prior quarter to US$1887, consistent with the average market price for the period of US$1895. The average realised price for zinc reflects pricing terms established in advance of the shipments delivered while lead is subject to pricing several months after shipment.

The average realised price for lead was impacted positively by a recovery in the lead price together with final pricing revisions on second quarter shipments and resulted in an overall increase of 17% to US$2023. The prior quarter pricing revisions resulted in a realised price for lead that was 2% higher than the average market price for the quarter.

Key historical production data



Quarterly Ore Treated and Concentrate Produced



Annual Ore Treated and Concentrate Produced

Summary of hedging position

Summary of hedging positions as at 30 September 2012

METAL		2012 H2	2013 H1	Total
Zinc				
Forward sale contracts	*t*	1,936	-	**1,936**
Average price	*USD/t*	1,882	-	**1,882**
Bought put options	*t*	1,936	-	**1,936**
Put option strike price	*USD/t*	1,921	-	**1,921**
Lead				
Forward sale contracts	*t*	1,900	2,354	**4,254**
Average price	*USD/t*	1,928	2,007	**1,972**
Bought put options	*t*	1,175	1,054	**2,229**
Put option strike price	*USD/t*	1,936	1,936	**1,936**
Gold				
Forward sale contracts	*oz*	570	570	**1,140**
Average price	*USD/oz*	1,400	1,400	**1,400**
CURRENCY				
Forward sale contracts	*USD($m)*	4.041	3.374	**7.415**
Average price	*AUD:USD*	1.03	1.02	**1.03**
Bought put options	*USD($m)*	11.347	3.870	**15.216**
Put option strike price	*AUD:USD*	1.01	1.01	**1.01**

Hedging

Zinc

The Company recorded a hedging gain of US$68/t (US$0.1m) in relation to the forward sale of 1,308t of zinc metal and a gain of US$107/t (US$0.1m) on exercising put options for 1,308 tonnes of zinc metal (before the payment of a deferred option premium of US$0.1m).

Lead

The Company recorded a hedging loss of US$0.1m in relation to 2,375 tonnes of lead metal sold in the June 2012 quarter (priced September 2012 quarter).

Price protection in respect of lead sold in the September 2012 quarter, with pricing due to settle in the December 2012 quarter is in place via (a) forward sales (1,900 tonnes at an average of US$1,928/t), and (b) deferred option premiums (1,175 tonnes) at a strike price of US$1,936/t.

Additional price protection in relation to October 2012 to February 2013 forecast lead metal sales was executed via forward sales, providing protection over approximately 25% of the next 5 months forecast A$ lead revenue (1,300 tonnes of lead metal at a flat forward price of US$2,100/t).

Currency

At 30 September 2012, the Company had US$ forward sales in place covering US$7.4 million of future cash flows through to March 2013 at an average exchange rate of 1.03. Foreign currency hedge contracts are maintained to align US$ denominated revenue with the underlying commodity price risk. A gain of $0.3m was realised on delivery into maturing foreign exchange hedges during the period.

Sale of the Tala Hamza Project

Regarding the possible purchase by NFC of Terramin's interest in the Tala Hamza project, NFC have advised that they wish to continue their due diligence on the project. However, as announced in the interim financial report, the Company is expected to retain its Tala Hamza project if the capital raising initiatives currently under way are successful.

In early September, Terramin submitted a new work plan which takes into account ENOF's comments and concerns. ENOF have advised that they are currently evaluating this proposition and are expected to provide feedback in the near term.

Investec Restructure

During the period, the Company agreed on a restructure of the revolving, stand by, and guarantee facilities with Investec. The key term of the restructure is a deferral of $10m principal repayment due on 30 September 2012 to 28 February 2013. Since June 2012, $2.9m of repayments have been made to date to reduce the outstanding balance. Further repayments are expected to be made in the remainder of 2012.

Cash

The Company cash balance at 19 October 2012 was $2.3 million.

CORPORATE INFORMATION

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CAPITAL STRUCTURE

at 31 October 2012

Shares on issue	**216,897,206**
Unlisted Options	**4,545,000**
Unlisted convertible/redeemable notes with 5 year term:	
Conversion subject to minimum VWAP of $1.70 *(maturity September 2014)*	**US$10,000,000**
Convertible at VWAP *(maturity March 2013)*	**US$15,050,000**
Convertible at $2.21 per share *(maturity September 2013)*	**$5,002,400**

DIRECTORS

Nic Clift	***Managing Director***
Michael H Kennedy	***Non-Executive Interim Chairman*** *(appointed 29 June 2012)*
Peter Zachert	***Non-Executive Director***
Xie Yaheng	***Non-Executive Director***
Stéphane Gauducheau	***Company Secretary***