



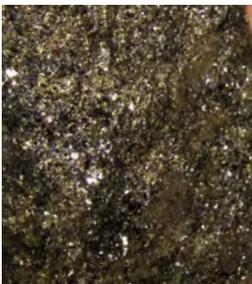
## 3<sup>rd</sup>

## Quarter Report 2011

### HIGHLIGHTS

- Official response to the Tala Hamza Definitive Feasibility Study (DFS) received from our Algerian joint venture partners
- Workshops underway in Algeria to address issues raised in DFS response in order to progress to a decision to mine and mining lease application
- Angas processing plant rebounds in September following unplanned mill outage achieving near record monthly production results
- Continued strong ore production results in stockpile build-up supporting process plant feed grade optimisation
- Increased back-fill placement facilitates improved access to higher grade ore stopes
- Zinc and lead concentrate production up 21% and 12% respectively and C1 cash costs down 18% on prior quarter, despite mill outage
- Near-term zinc and lead price protection shields the Company from current lower commodity prices

#### FOCUS ON ZINC



#### ESSENTIAL

All living organisms  
- plants, animals  
and man - need  
Zinc to live



As you may be aware, I took over as Terramin's Managing Director in late September and I look forward to leading this company to overcome its challenges – current and future - and to make the most of our opportunities.

To tell you a bit about myself, I have over 30 years of international experience in the mining and base metals extraction, refining, and recycling industries. I have worked in a variety of corporate, management, project, development, and operating roles, and have extensive experience in dealing with Government and Local Administration.

Over a third of my career has been spent in Africa and prior to joining Terramin in September 2010, I was running Kamoto Operating Limited in the Democratic Republic of Congo, and prior to that CBG in Guinea. I have spent most of 2011 based in Algeria, and the contacts and insights I have gained in that time will be valuable in progressing Terramin's working relationship with our Algerian partner.

I am an honours graduate of the University of Manchester, hold an MBA from the University of Queensland, and am a Fellow of the Australasian Institute of Mining and Metallurgy (FAusIMM).

## My Priorities for Terramin

Upon my recent appointment, I outlined what I believe are the short-term strategic priorities for Terramin which will focus on two main areas:

### 1. Progressing the Tala Hamza Project -

We have received our Algerian partner's review of our Definitive Feasibility Study (DFS). The next step is to undertake workshops to address the issues raised by our partners, the first of which will take place in late October. The objective is to reach agreement in the near term on all significant points so that a decision to mine can be taken by the Joint Venture. Once this decision has been taken, an application to mine can be submitted to the Government, which has a statutory five-month time period for approval.



### 2. Increasing output and net revenue from the Angas Mine -

Work has begun to realise more of the potential of the Angas mine, initially targeting the sustainable increase in production in excess of 50,000 tonnes per annum of zinc concentrate, and to significantly enhance company cash flows.

To achieve our short-term strategic objectives, I have set out to improve the Company's capital position through the recently announced two-tranche capital raising. The first tranche raised a total of \$2 million at a price of 14.5 cents per share through a placement to Transamine, an existing strategic shareholder. This has increased their shareholding from 6.2% to approximately 12.4%.

The second tranche is a Share Purchase Plan (SPP), allowing all existing shareholders to apply for up to \$15,000 worth of Terramin shares at 14.5 cents each, the same price and related discount applied to the shares allocated to Transamine. Such an approach to a capital raising hasn't occurred since 2008 and is in response to strong interest expressed by shareholders at the most recent AGM to participate in the future growth of the Company.

More detailed information has been released and mailed to shareholders.

## Financials

Terramin recorded higher revenue and earnings when compared to the June 2011 quarter, attributable to increased production.

In a period of financial market instability, we see base metal prices currently at 12 month lows – a reduction of over 20% to a year ago. However, as a result of its favourable hedging positions, the Company is well placed to weather a period of lower commodity prices. For lead, the existing zero-cost collar arrangement provides price protection at minimum levels of US\$2,315/t through to February 2012. In respect of zinc, 80% of December quarter sales have been price fixed at over US\$2,300/t and over the next six months, more than 50% of zinc sales have been price fixed at similar levels.



## Operations

**Angas Mine** – The Company achieved its second highest level of ore production during the quarter, supported by improved backfill performance, particularly in September with over 11,000m<sup>3</sup> placed. In August, following an electrical incident in the high voltage switch room of the SAG mill, process plant throughput was interrupted for 14 days. Requisite repair work was completed, returning the process plant to operational capacity earlier than anticipated. Following the re-start, the process plant achieved uptime of 99.2% (the highest for an individual month since the mine's inception) and improved average throughput to over 50tph.

Consistent with one of my short-term strategic priorities, work is now underway to examine how Angas can build on September's performance and achieve a step improvement in productivity.

The October month has marked a great start to the December quarter continuing the strong production performance achieved in September.

## Exploration

**Angas** – Work continues on examining opportunities to extend the mine life of Angas. Follow-up drilling of four holes was undertaken focused on testing the depth and strike length of the currently defined Sunter shoot. The resource will be modelled once final assay results have been received.

**Fleurieu** – Rock chip assay results were returned for the recently discovered Pipeline gold-bismuth prospect. These results, returning up to 3.06g/t gold with 0.44% bismuth, highlighted a shear zone hosted gold mineralisation with a NE trending and 1.2km strike length. A soil sampling programme is underway to better define the extent of the mineralisation prior to planning a drilling programme.

**Menninnie** – In the June quarter, an agreement was reached with Minotaur for Terramin to acquire a 100% interest in the Nonning tenement. Completion of this acquisition is still pending, awaiting PIRSA approval.

Interpretation of the available data models for Nonning, Kolendo and Taringa has commenced. This work is improving Terramin's understanding of the opportunities to extend known resources at Menninnie Central and Viper and to better define drill targets on all four tenements.

Metallurgical test-work completed on samples from the Menninnie Central deposit indicates an ability to produce marketable lead and zinc concentrates at good recoveries.

A planned review of this programme in the December quarter will form the basis for finalisation of commercial alternatives for the Menninnie Central project.

**Tala Hamza** – In September, our Algerian joint venture partners ENOF forwarded their review of our DFS, which was completed in October 2010. Their review has raised a number of issues, all of which will be worked through at a series of workshops, the first of which commenced late October.

These issues need to be managed prior to seeking mine approval, as once the mine is approved, the level of flexibility for change is minimal. Upon resolution of the issues, the Joint Venture Board can move to a decision to mine and an application can be submitted to the relevant authorities to have the mine approved.

I will be personally involved in the workshop process and we will be providing a market update on completion of the first workshop.

## Concluding remarks

I understand the continuing concern of shareholders over the Company's share price with recent market instability accentuating the downward movement. Smaller market capitalised companies in the resources sector have been hit very hard during the last month and Terramin is no exception.

During this period, the Company has maintained its focus, with considerable efforts being placed on the two short-term strategic priorities outlined earlier. Operationally, the Company is sound and all efforts are focussed on attaining momentum with the Tala Hamza project.

I look forward to working with Terramin staff to achieve our objectives and communicating with our shareholders as opportunities arise.

**Nic Clift**  
*Managing Director*



# REVIEW OF OPERATIONS

Operation Description	Resources/ Reserves	Activities for the Quarter
<p><b>Angas Zinc Mine</b>  <i>100% Terramin owned and operated</i></p> <p>A 400,000 tpa operation producing zinc and lead-copper-silver-gold concentrates.</p> <p>There is a life of mine offtake agreement with JP Morgan Metals and Concentrates LLC for zinc concentrate and a five year off-take agreement with Nyrstar Sales &amp; Marketing AG for lead concentrate.</p>	<p>Probable Reserves of 1.29 million tonnes at 10.09% Pb+Zn; 31g/t Ag and 0.5 g/t Au (June 2011).</p>	<p><b>Safety, Environment and Community Report</b></p> <p>There were no significant safety incidents.</p> <p>Levels on the tailings facility increased slightly as a result of rain events, however this was partially offset by improved tailings backfill placement.</p> <p>Water treatment and release of the purified water continued at acceptable rates. Contracts were secured for larger treatment facilities and discussions held with potential customers to take the purified water to ensure that water levels decrease in the future. Consultation with community representatives continued with a focus on diversifying release streams.</p> <p><b>Operations</b></p> <p>Ore production was the second highest since the mine's inception.</p> <p>Process plant throughput was interrupted for 14 days due to the 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 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.</p> <p>The period of plant downtime allowed for a significant surface ore stockpile to be accumulated, providing the process plant with blending opportunities to optimise feed grade. It is expected that ore stocks will be maintained at high levels to continue the optimisation of feed grade for the short to medium term, effectively de-risking the operation.</p> <p>Mine development continued above expectation to reach the 330m Level with a focus on completing all mine development in 2012.</p> <p>Commissioning of new backfill equipment improved tailings backfill performance, allowing access to higher grade stopes. Work on the mine life extension project continued with a follow-up drill programme for the new Sunter shoot, 500m South of the mine.</p>
<p><b>Oued Amizour Project</b>  <i>100% owned by Western Mediterranean Zinc Spa (WMZ)</i></p> <p>Terramin has a 65% shareholding in WMZ. The remaining 35% is held by two Algerian government-owned companies, Entreprise Nationale des Produits Miniers Non-Ferreux et des Substances Utiles Spa (ENOF) (32.5%) and Office National de Recherche Géologique et Minière (ORGM) (2.5%).</p> <p>Oued Amizour Exploration Permit 5225PE is a 125km<sup>2</sup> tenement which contains several lead-zinc deposits. The Tala Hamza deposit has been the focus for the past 5 years, culminating in a positive feasibility study.</p>	<p>The most recent resource estimate (November 2009) gave a Measured and Indicated Resource of 51.1 million tonnes at 6.1% Pb+Zn within a global Measured Indicated and Inferred Resource of 68.6 million tonnes at 5.7% Pb+Zn.</p> <p>Following the completion of the DFS, a Probable Reserve was announced of 38.1 million tonnes at 6.1% Pb+Zn.</p>	<p>In September, Terramin received a report from its joint venture partner, ENOF, detailing its official response to the DFS submitted by Terramin in October 2010.</p> <p>The report included issues raised by ENOF which are required to be addressed before a decision to mine can be reached and a mining lease application is submitted and approved.</p> <p>In order to address these issues, a series of workshops will be held between Terramin and ENOF.</p> <p>Numerous contractors and subject matter experts will be in attendance along with Terramin and ENOF to work through the issues outlined in ENOF's report.</p> <p>The workshops commenced late October.</p>
<p><b>Menninnie Zinc Project</b>  <i>Owned by Terramin subsidiary Menninnie Metals Pty Ltd</i></p> <p>The Menninnie Zinc project comprises a contiguous group of four tenements covering an area of 1,609km<sup>2</sup>:</p> <p>Menninnie Dam (EL3640), Nonning (EL3535), Kolendo (EL4285) and Taringa (EL4669).</p>	<p>The Project includes the Menninnie Central and Viper deposits in EL3640 with an Inferred Resource of 7.7 million tonnes at 5.7% Pb+Zn and 27g/t Ag (March 2011).</p>	<p>Layered Earth Inversion (LEI) processing and modelling of airborne EM (VTEM) data was completed for Nonning, Kolendo and Taringa tenements.</p> <p>3D Modelling of Induced Polarisation (IP) data for the Menninnie and Nonning tenements is close to completion.</p> <p>Plans for a drill programme on all four tenements will be optimised when all geophysical modelling and interpretations are complete. A planned review of this programme in the fourth quarter will form the basis for finalisation of advanced commercial negotiations with interested parties.</p> <p>X-Ray Fluorescence (XRF) results reported anomalous amounts of lead and zinc in the Tank Hill and Mannequin prospects and encouraging base metal results at the Kolendo and Taringa tenements.</p>



## Key quarterly statistics

Production statistics	Dec	Mar	Jun	Sep	Forecast		
	Quarter	Quarter	Quarter	Quarter	YTD	Production	
	2010	2011	2011	2011	2011	12 Mths	
						2011	
<b>Total ore mined (tonnes)</b>	101,371	90,357	103,776	<b>107,980</b>	302,133		Strong production continued with the mine achieving its second highest ore production levels since the mine's inception. Ore mined improved 4% against the previous quarter. Multiple stoping areas, improved fleet uptime and workforce focus were key drivers behind the strong result.
<b>Total ore treated (tonnes)</b>	105,834	91,595	101,753	<b>95,398</b>	288,746	400,000	
Ore grade: - Zn%	6.37	6.38	5.77	<b>7.19</b>	6.43		Surface stockpiles grew to over 16,000 tonnes allowing for the blending of stockpiles to optimise processing mill feed grades and the de-risking of processing operations.
- Pb%	2.43	2.61	2.69	<b>2.88</b>	2.73		
- Cu%	0.22	0.23	0.22	<b>0.24</b>	0.23		
- Ag g/t	27.4	29.0	31.4	<b>30.4</b>	30.3		
<b>Zinc Concentrate (tonnes)</b>	11,076	9,566	9,612	<b>11,629</b>	30,807	45,000	Total ore treated was down 6% against the prior quarter due to the failure of the high voltage processing plant starter system. Processing plant throughput was interrupted for a period of 14 days. Despite the resulting loss of production in August, higher throughput rates were generated through focused operations performance and shutdown work executed during the mill outage. Mill uptime was 99.2% for September (the highest for a single month since the mine's inception) as a result of the work carried out during the shutdown.
Grade: - Zn%	50.8	50.9	50.0	<b>49.1</b>	50.0		
Recovery: - Zn%	83.4	83.3	81.2	<b>83.3</b>	829		As a result of the mill outage, the full year zinc concentrate production forecast has been reduced downward by 4% to 45,000 tonnes as previously announced. There has been no change to the lead concentrate forecast of 18,500 tonnes.
<b>Lead Concentrate (tonnes)</b>	4,216	3,653	4,181	<b>4,664</b>	12,498	18,500	
Grade: - Pb%	49.6	53.5	53.5	<b>49.1</b>	51.9		
- Cu%	4.2	3.8	3.7	<b>3.9</b>	38		
- Ag g/t	510	539	577	<b>489</b>	533		
- Au g/t	7.6	7.7	8.2	<b>8.7</b>	8.2		
Recoveries - Pb%	81.4	81.7	81.9	<b>83.2</b>	82.3		
- Cu%	75.0	65.8	70.0	<b>77.4</b>	71.5		
- Ag%	74.3	74.2	75.4	<b>78.6</b>	76.3		
<b>Payable metal</b>							
- Zn t	4,736	4,102	4,037	<b>4,785</b>	12,924		
- Pb t	1,966	1,846	2,112	<b>2,148</b>	6,106		
- Cu t	40	30	34	<b>40</b>	105		
- Ag oz	62,424	57,423	70,811	<b>65,791</b>	194,025		
- Au oz	801	706	867	<b>1,044</b>	2,617		

C1 Cash Costs (US c/lb payable zinc)	Dec	Mar	Jun	Sep	YTD	
	Quarter	Quarter	Quarter	Quarter		
	2010	2011	2011	2011	2011	
Production Costs	88	93	117	<b>96</b>	102	The reported C1 cash cost of US61c/lb was 18% lower than the prior quarter primarily due to higher production as a result of higher zinc grades. Headline costs were approximately in line with the prior quarter.
- Mining	47	51	61	<b>47</b>	53	
- Processing	29	31	42	<b>38</b>	37	
- Other Site Costs	11	10	15	<b>11</b>	12	
Realisation Costs	36	39	39	<b>40</b>	39	The improvement in zinc ore grade was anticipated last quarter and resulted in a 30% reduction in mining costs (14c/lb).
- Transport & Handling	10	10	14	<b>14</b>	13	
- Zinc Treatment Charges	26	29	25	<b>26</b>	27	Net by-product credits were lower than the prior quarter primarily as a result of lower commodity prices. Precious metal credits continue to generate significant value, accounting for over 50% of by-product credits for the quarter.
Net By-product Credits	(77)	(77)	(82)	<b>(74)</b>	(78)	
C1 Cash Cost	46	54	74	<b>61</b>	63	

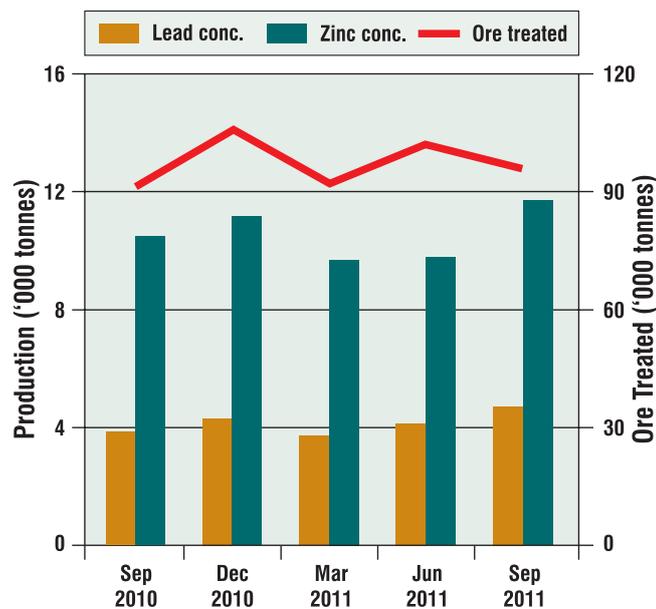
Notes: The 2011 payable metal figures include adjustments based on final invoice numbers where available. The ore mined figures are estimated based on tonnes trucked to the surface whilst the ore treated figures are calculated from a weightometer. Reconciliation between the mine and the mill continues.



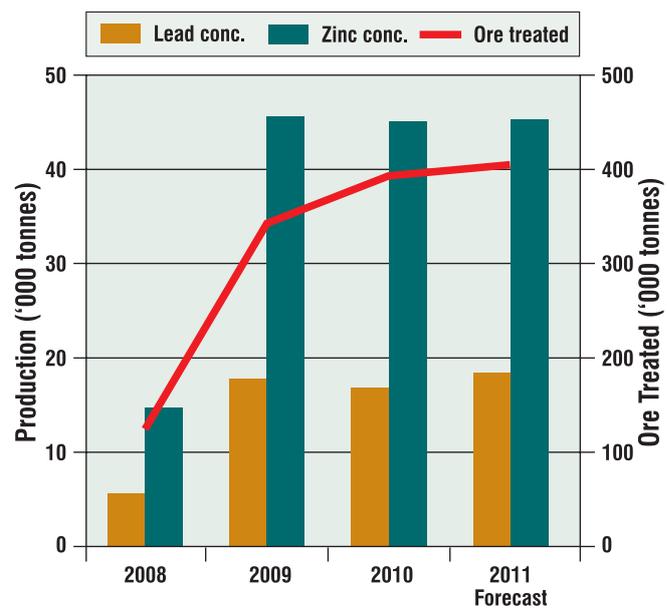
## Key quarterly statistics

	Dec Quarter 2010	Mar Quarter 2011	Jun Quarter 2011	Sep Quarter 2011	YTD 2011	
<b>Sales</b>						
- Zinc concentrate (t)	14,690	7,482	9,319	<b>9,512</b>	26,313	Two vessels were loaded destined for Japan and Korea respectively. Increased lead sales were due to the strong September production results.
- Lead concentrate (t)	4,848	4,009	3,907	<b>4,614</b>	12,530	
<b>Average Realised Price</b>						
Average Price in US\$/t						
- Zinc	2,090	2,182	2,435	<b>2,301</b>	2,316	The average realised price for zinc reflects pricing terms established in advance of the shipments delivered. The average realised price for zinc was 3% above average market prices for the quarter.
- Lead	2,691	2,822	2,625	<b>2,165</b>	2,529	
Average Price in USc/lb						
- Zinc	95	99	110	<b>104</b>	105	
- Lead	122	128	119	<b>98</b>	115	
<b>Commodity Prices</b>						
Average Price in US\$/t						
- Zinc	2,315	2,395	2,254	<b>2,226</b>	2,292	The declining lead prices over the quarter negatively impacted prior quarter sales that were subject to final pricing in the September quarter. As a result, the average price realised for lead was 14% lower than the average market price.
- Lead	2,390	2,604	2,558	<b>2,462</b>	2,541	
Average Price in USc/lb						
- Zinc	105	109	102	<b>101</b>	104	
- Lead	108	118	116	<b>112</b>	115	

## Key historical production data



Quarterly Ore Treated and Concentrate Produced



Annual Ore Treated and Concentrate Produced



## Angas

The Angas Zinc Mine is 100% owned by Terramin. ML6229 is located 2km outside the town of Strathalbyn, 60 km from Adelaide, South Australia. It has been operating since July 2008.

The focus of exploration at Angas during the quarter continued to be on the mining lease targeting the delivery of additional resources to extend the mine life.

Follow-up drilling commenced in July to test for Sunter depth extension and to define the oxide/sulphide boundary. The programme consisted of 4 diamond drill holes (1008.6m) and was designed to test at depth and along strike of the currently defined Sunter shoot.

It is expected that a resource will be modelled and calculated during the December quarter once final assay results have been received.

Additional deep drilling, below the existing Angas resource, is scheduled for early 2012 to identify suitable mineral resources at depth.

## Fleurieu

The Fleurieu Project comprises four contiguous Exploration Licences (EL3641, Bremer; EL3792, Hartley; EL4210, Currency Creek; EL4466, Langhorne Creek) which together cover an area of 1,032km<sup>2</sup>. The tenements cover an elongated zone stretching 60km northeast and south west of the Angas Mine.

**Table 1. List of all rock chip samples from the Pipeline prospect. Coordinates are in MGA Zone 54 (GDA 94).**

Easting	Northing	Au (g/t)	Ag (g/t)	Bi (%)	Cu (%)	Lithology
326333	6116430	0.23	0	0.10	0.03	Schist
326366	6116436	0.3	4.4	0.20	0.05	Shear
326362	6116453	0.51	0.5	0.05	0.05	Quartz vein
326340	6116481	0.15	7.6	0.06	0.5	Quartz vein
326343	6116494	0.24	0.9	0.07	0.25	Quartz vein
326343	6116508	0.3	1.2	0.12	0.05	Quartz vein
326329	6116535	0.01	0	0.00	0.01	Early quartz vein
326405	6116561	0.43	3.3	0.06	0.24	Gossan
326403	6116571	1.62	0	0.13	0.02	Sheared quartz vein
326398	6116571	0.3	1.6	0.01	0.26	Quartz vein
326271	6116752	0.22	0	0.02	0.06	Quartz vein
326249	6116803	0.02	0	0.00	0	Schist
326630	6117358	0	0	0.00	0	Early quartz vein
326727	6117363	0.37	0.7	0.08	0.02	Shear
326722	6117363	0.29	8.1	0.04	0.09	Shear hanging wall
326723	6117364	3.06	2.7	0.44	0.03	Shear zone breccia
326722	6117365	0.01	0	0.00	0.02	Saprolite
326648	6117405	0.4	0	0.07	0.01	Quartz vein
326641	6117425	0.29	0.9	0.13	0.09	Quartz vein
326641	6117425	1.13	4.8	0.06	0.12	Gossan
326803	6117562	3.12	15.1	0.13	0.06	Quartz vein
326809	6117563	2.31	1.9	0.03	0.05	Quartz vein
326810	6117574	0.64	1.4	0.01	0.02	Quartz vein
326824	6117588	0.14	0	0.01	0	Quartz vein

The recently discovered Pipeline gold-bismuth prospect is located approximately 0.5km east of the historic Frahns copper mine and 1.4km south of the historic Lady Jane gold mine.

The gold mineralisation is associated with a NE trending, valley-forming shear zone with the majority of rock chips returning +0.1g/t gold (see Table 1) over the 1.2km strike length sampled to date. Shear zone hosted gold is a new style of mineralisation for the area and rock chips from the shear zone have returned significant values up to 3.06g/t gold with 0.44% bismuth. Outcrop of the shear zone is patchy and the depth of recently transported cover is variable, but expected to be less than 5 metres.

A soil sampling programme is underway to better define the extent of the mineralisation prior to an air core drilling programme.

## Menninnie Zinc Project

The Menninnie Zinc Project comprises a contiguous group of four tenements covering an area of 1,609km<sup>2</sup>. These are Menninnie Dam (EL3640), Nonning (EL3535), Kolendo (EL4285) and Taringa (EL4669).

LEI processing and modelling of airborne EM (VTEM) data for Nonning, Kolendo and Taringa was completed and 3D modelling of IP data for Menninnie and Nonning is close to completion. Interpretation of the available data models has commenced.

On Menninnie Dam, anomalous amounts of lead and zinc have been found in soil samples collected from reconnaissance traverses over the shallowest portions of reported (and recently remodelled) IP anomalies on the Tank Hill and Mannequin prospects. These results increase the probability that lead-zinc mineralisation is the primary source of the shallow chargeable IP bodies. Reconnaissance XRF results from Taringa and Kolendo have also produced encouraging results.

Terramin has applied for an additional tenement licence (Wipipippee Hill) covering 862 km<sup>2</sup> of ground to the north of Taringa. The acquisition of a 100% interest in the Nonning tenement is awaiting PIRSA approval.

Plans for a substantial drilling programme on Menninnie Dam prospects and regional targets will be optimised when all geophysical models and interpretations are completed. A planned review of this programme in the December quarter will form the basis for finalisation of advanced JV negotiations with interested parties.

Representative core samples from the Menninnie Central and Viper lodes were submitted for metallurgical test-work. Results indicate the ability to produce marketable lead and zinc concentrates at good recoveries by conventional ore treatment with a SAG and ball mill, followed by lead and zinc flotation circuits.



# OUED AMIZOUR ZINC PROJECT

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

## Feasibility programme

In September, Terramin received a report entitled "Critical Analysis of the feasibility study relating to the mining of the Oued Amizour ore body" from ENOF (Terramin's Algerian JV partners), being the official response to the DFS submitted by Terramin in October 2010.

In order to resolve the issues that have been raised by ENOF in their report and facilitate a decision to mine and to progress a mining lease application, a series of workshops have been scheduled in Algiers during the coming months, the first of which commenced late October.

These workshops will be delivered by Terramin's expert consultants together with management, in order to work through the various topics, showing the evidentiary trail (based on data obtained) and the methodology used to come to their conclusions and specifically address the concerns outlined in ENOF's report.

During these workshops ENOF have indicated that they will also make available their subject matter experts.

Professional translators will be made available by Terramin to facilitate efficient communications during presentations and subsequent discussions.

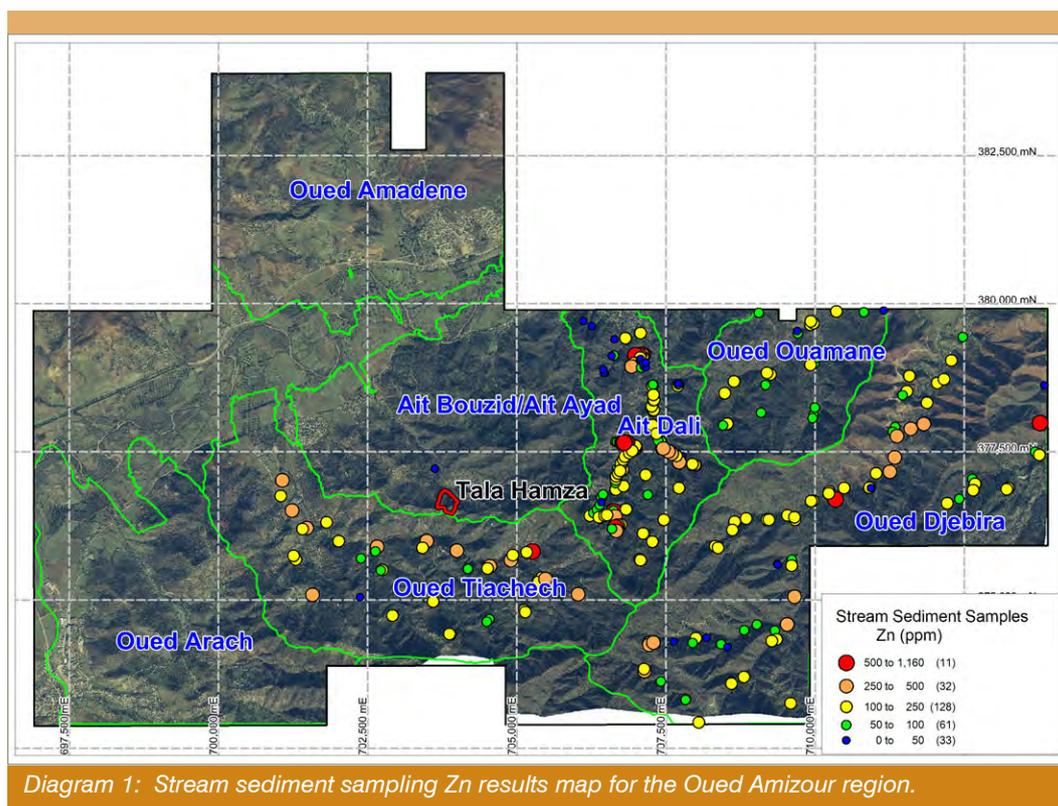
It is important that all issues are identified in advance as upon satisfactory resolution of the issues raised, the approval process for a mine in Algeria is relatively inflexible. In Australia, by contrast, negotiation of issues continues through the application process. By clearing issues prior to the application process, we are de-risking the Tala Hamza project according to the government's criteria, with an expectation of a quicker and more efficient formal approval process.

## Exploration

The regional stream sediment sampling programme over the Oued Amizour tenement is ongoing (see diagram 1) and continues to identify new zinc and lead anomalies. Promising geochemical results have recently been returned from the Oued Tiachech catchment. Infill sampling and prospect scale geological mapping of this catchment has commenced.

## Expenditure

Expenditure on the Oued Amizour project over the September quarter totalled \$0.5 million. The majority of the expenditure related to ongoing review of the DFS.





## Capital raising

In October the Company announced details of a two-tranche capital raising. The raising has been initiated with consideration of the alternatives given the Company's short-term liquidity requirements, the current volatility and risk aversion. The two tranches offered at the same share price combine:

- A placement of further shares to an existing strategic investor; and
- A Share Purchase Plan ("SPP") giving all shareholders the opportunity to participate in the capital raising.

Up to \$10.3m will be raised from the two-tranche capital raising.

Funds raised will be applied to:

- Further Angas exploration targeted at extending mine life, including deep drilling below the deposit;
- Tala Hamza and Menninnie expenditure to further advance both projects; and
- General working capital and principal debt repayment.

## Shares and options issued

A total of 12,300,000 shares were issued during the quarter to China Non-Ferrous Metal Industry's Foreign Engineering and Construction Company Ltd (NFC) under the terms of the A\$50 million subscription agreement between NFC and Terramin.

The Company cancelled 580,000 employee options.

## Hedging

The Company recorded a quotational period hedging gain of US\$100/t on the sale of 210 tonnes of lead that related to the June quarter sales priced in the September quarter. In addition, the Company recorded a hedging gain of US\$16/t upon exercising its option under the zero-cost collar in place, in relation to 500 tonnes of lead sold in June 2011 (priced September 2011).

Price protection is in place in respect of 1,650 tonnes of lead sold in the September quarter, with quotational pricing due to settle in the December quarter. Of this total, 1,500 tonnes are hedged via a zero-cost collar implemented early in 2011, which provides price protection at US\$2,315/t with upside price participation to the sold call strike of US\$2,750/t. An additional 150 tonnes has been fixed at a price of US\$1,895/t via a sold forward contract.

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

In line with Company policy, a USD hedging programme was maintained in order to mitigate foreign exchange risk on USD denominated metal sales with fixed metal prices. Additional currency protection implemented during the quarter relates to zinc metal sales priced several months in advance of the scheduled month of shipment. At the end of the quarter, USD sold forward against the AUD totalled US\$28.0 million at an average exchange rate of 1.003.

Near-term zinc and lead price protection shields the Company from current lower commodity prices. In respect of lead metal, the existing zero cost collar arrangement provides price protection at minimum levels of US\$2,315 for approximately 60% of forecast production through to February 2012. In addition, over the next six months, more than 50% of zinc sales have been forward sold at in excess of US\$2,300/t, of which 80% relate to the December quarter.

## Cash

The Company held cash totalling \$10.6 million as at 25 October 2011.



*Capital raising will facilitate project advancements.*



## Summary of hedging positions as at 30 September 2011

METAL		2011 H2	2012 H1	2012 H2	2013 H1	2013 H2	Total
<b>Lead</b>							
USD sold forward contracts	t	150	–	–	–	–	150
Average price	USD/t	1,895	–	–	–	–	1,895
<b>zero-cost collars</b>							
Sold USD call option	t	1,500	1,000	–	–	–	2,500
Bought USD put option	t	1,500	1,000	–	–	–	2,500
Sold call strike	USD/t	2,750	2,750	–	–	–	2,315
Bought put strike	USD/t	2,315	2,315	–	–	–	2,750
<b>Gold</b>							
USD sold forward contracts	oz	570	1,140	1,140	570	–	3,420
Average price	USD/oz	1,400	1,400	1,400	1,400	–	1,400
<b>Silver</b>							
USD sold forward contracts	oz	39,000	78,000	78,000	39,000	–	234,000
Average price	USD/oz	32.95	32.95	32.95	32.95	–	32.95
<b>CURRENCY</b>							
<b>AUD forward contracts</b>							
USD	USD	16,508,050	4,566,100	4,166,100	2,777,400	–	28,017,650
Weighted average AUD:USD	AUD:USD	1.016	0.988	0.982	0.982	–	1.003

## CORPORATE INFORMATION

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### CAPITAL STRUCTURE

at 28 October 2011

Shares on issue .....203,795,590  
Unlisted Options .....6,875,000  
Unlisted convertible/redeemable notes .....US\$25,050,000  
and 2,263,529 notes at \$2.21 per share conversion .....\$5,002,400

### DIRECTORS

<b>Nic Clift</b>	<b>Managing Director</b>
<b>Bryan Davis</b>	<b>Chairman</b> BSc (Tech), FAusIMM, MAICD
<b>Michael H Kennedy</b>	<b>Director</b> BCom (Economics)
<b>Steve A Bonett</b>	<b>Director</b> BCom, LLB (Hons), MAICD, SIA
<b>Peter Zachert</b>	<b>Director</b> BBus, MCom, MGeoscience, FCA, FAIM
<b>Xie Yaheng</b>	<b>Director</b>
<b>Kevin C Moriarty</b>	<b>Director</b> BSc (Hons), PhD, MAusIMM
<b>Stephane Gauducheau</b>	<b>Company Secretary</b> LLB, GDLP, Maitrise de Droit

The information in this report that relates to Exploration Results is based on information compiled by Mr Eric Whittaker. The information that relates to Mineral Resources 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 on Materials, Minerals and Mining. Mr Holman is Chief Engineer and Mr Whittaker is Principal Resource Geologist and both 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.