



2nd

Quarter Report 2009

HIGHLIGHTS

ANGAS ZINC MINE

- Concentrate production up 108% on the previous quarter
- Forecast full year concentrate output continues on target
- C1 cash costs halved to US34 c/lb payable zinc

OUED AMIZOUR PROJECT

- Formal commencement of feasibility study following Board approval
- Hydrogeological and geotechnical programmes designed and implemented
- Larger operation being evaluated

FINANCE

- NFC completes placement to raise \$10 million subsequent to quarter end
- Zinc and lead prices rally 25-30% over period
- Cash at 28 July A\$12.9 million

CORPORATE

- Three new directors boost Board experience in large scale production and processing

FOCUS ON ZINC



SUSTAINABLE

Zinc can be recycled indefinitely, without loss of its physical or chemical properties



CHAIRMAN'S REVIEW

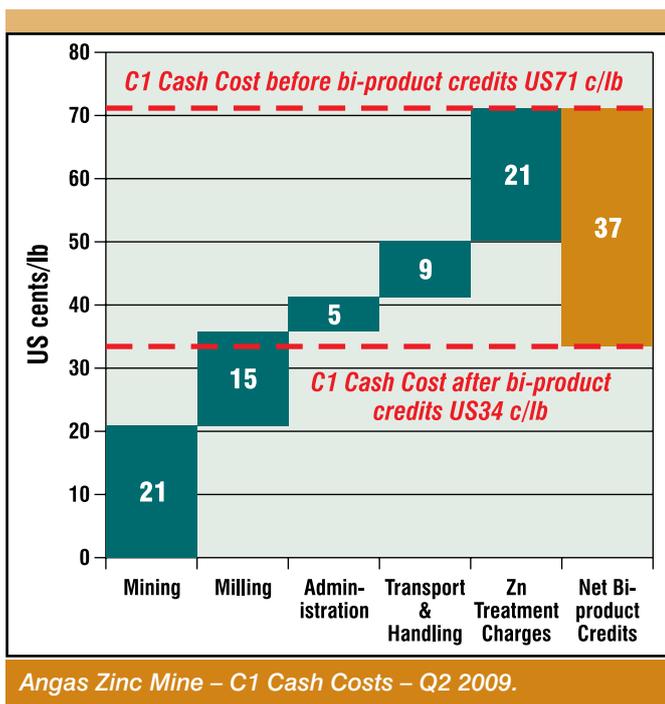
The second quarter has been a very positive one for Terramin's Angas Zinc Mine, with production doubling and costs halving. The mine is now well placed among low cost producers.



Earlier in the month, I announced the June quarter's cash cost to be US35 c/lb, but I am pleased to say that this has been shown to be even lower, dropping to US34 c/lb which compares very favourably with the current zinc price of US76 c/lb.

Unit costs decreased significantly during the period due primarily to the substantial increase in zinc metal production and lead bi-product credits. The significant benefit of operating a polymetallic mine is highlighted in the graphical representation below which details the reduction in C1 costs from US71 c/lb to US34 c/lb attributable to bi-product credits.

The focus at the Angas Zinc Mine up to this time has been to achieve full production and generate positive cashflows. Now that these milestones have been achieved, our management team are currently focussing on a range of potential improvements in mining and processing aimed at further reducing operating costs and optimising production.



The outlook for demand is good, with zinc prices appreciating by 26% during the quarter, and still well supported. The International Lead and Zinc Study Group reported recently that the zinc market fell into deficit in May for the first month since September 2008, as a result of a surge in zinc demand and a slowdown in mine output.

Studies to complete the feasibility assessment for Tala Hamza are underway following the successful prefeasibility study that concluded a viable project, even with current low commodity prices. The geotechnical characteristics of the rocks favour low-cost caving methods for the mining, while the geometry of this thick and wide orebody provides for reduced mining risk. The most recent addition to the Board, Bryan Davis, has extensive experience with block caving, notably at Cadia and Telfer. Mr Davis was attracted to Terramin because of the opportunity to be involved in the development of the world scale zinc orebody in Algeria from an early stage. He will chair the Tala Hamza Steering Committee overseeing the development. Your Company's management will also soon be boosted by the appointment of executives with appropriate experience in underground bulk mining operations.

Reviewing commercial impacts on our projects is important so shareholders can assess the future of their investment. Lead production is very important in underpinning the financial integrity of zinc projects. I have reviewed zinc trends a number of times in the quarterlies, so thought it timely to consider the future of lead demand in the global economy.*

The importance of lead to the Angas Zinc Mine is often under-appreciated. A healthy lead price ensures that our net zinc production costs remain low. The lead price has been well supported because of low stockpiles and robust demand.

The predominant use of lead is in lead-acid batteries, which accounted for three quarters of lead consumption in 2008, compared with only one quarter 50 years ago. In that time lead production has grown from 3.3Mt to 8.0Mt, so clearly battery production is the key to the future of lead. Lead-acid batteries are

* Source: 'Metals Insight 30 June 2009' Calyon
www.calyon.com



used for a vast number of purposes because they are powerful, long-lived, safe, inexpensive, and importantly in this age, recyclable. Approximately 97% of lead is recycled and reused in new batteries. The infrastructure that exists for the recycling of lead-acid batteries is without parallel for other battery types. This provides a great environmental advantage to the lead-acid battery.

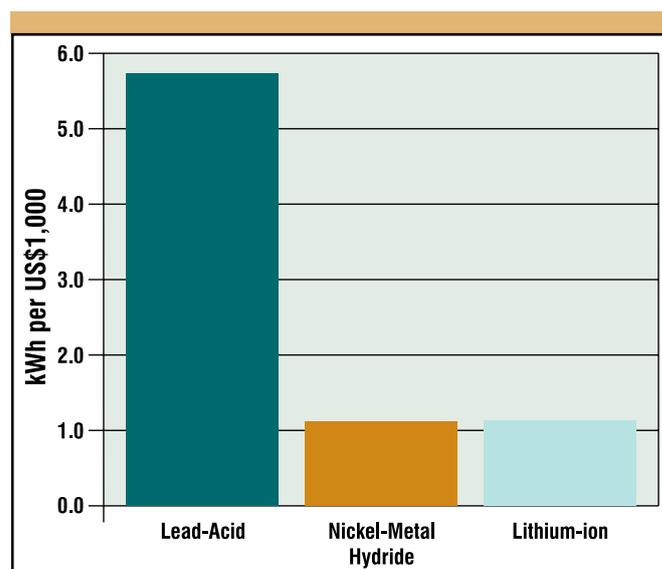
Lead-acid batteries provide the greatest energy density (the amount of energy produced by weight) and have the longest life-cycle for their price compared to other batteries. Lead-acid research is also indicating lighter batteries could be produced. The main threat to lead battery use comes from high lead prices that might encourage use of alternatives, so it is appropriate to look briefly at these.

Competing technologies include nickel-metal hydride (Ni/MH), used in hybrid electric vehicles (HEVs), and lithium-ion used in portable electronic devices. Most importantly, neither of these has any significant recycling capacity. Lead also performs favourably in the provision of power and energy density relative to cost (see graph above).

Most HEVs use Ni/MH batteries that are reliable and lightweight and, in theory, deliver very long cycle life. However, metals in the battery are 25 times more expensive than lead, while nickel has been identified as a carcinogen. Research vehicles are testing a lead-acid battery that could deliver high charge rates and challenge the very expensive Ni/MH system in HEVs today.

Lithium-ion technology is advancing rapidly and could replace Ni/MH in vehicles, although its expense and lack of recycling capacity are a disadvantage.

Several decades have now passed since lead was pronounced to be dead. Improvements in techniques of mining, smelting and recycling show lead can be produced safely with appropriate standards. Paradoxically, the lack of exploration and mine development would appear to be the main threat to the future expansion of lead by making it more expensive and therefore less competitive.



Lead Analysis – Power Relative to Cost.

Cutbacks in smelting facilities and mine production appear to ensure higher lead prices will continue into the future. Producers like Terramin and its partners will be well placed to benefit from a continued strong market for lead.

Your Company is poised to become a major producer, with matching market capitalisation. A strong and experienced team to realise this is in place at Board level, and will be complemented by further key senior executive appointments. Our project portfolio of nine billion pounds of quality lead and zinc metal resources deserves a positive re-appraisal from the capital markets. Our shareholders and new directors have recognised this growth potential and your management will strive to have it reflected by the broader market.

Kevin Moriarty
Executive Chairman



The Angas Zinc Mine is 100% owned by Terramin. ML6229 is located 2km outside the town of Strathalbyn, 60 km from Adelaide, South Australia.

Situated in prospective ground in an historical mining belt, further exploration on the Company's tenements could potentially lead to an increase in production and an extension of mine life.

Safety report

The Angas Zinc Mine recorded two lost time injuries during the second quarter. Fortunately, both injuries were relatively minor and the contractors involved were back at work quickly. The incidents did serve to refocus the workforce on safe work behaviours.

Operations summary

Ore production for the quarter improved significantly, up 27% on the previous period, at 84,612 tonnes milled. This was in line with forecast and resulted in an increase in concentrate production of 108% on the previous quarter. The quarter ended with a substantial ROM stockpile and the development of the 140 Level Garwood stoping block. Stopping was also well established in the 120 Level Rankine shoot. This is a solid foundation for the second half of the year and was the result of the continuous roster programme that was introduced during the first quarter. The continuous roster will be suspended in the third quarter as the stockpile reaches optimum levels.

The zinc head grade was lower than forecast at 8.1% against the plan of 9.2%, primarily due to deferring mining of the higher grade second Garwood stope to early July. The lead grade and associated gold and silver grades were in line with forecast which supports the geological model assumptions.

A total of 681 metres of underground development was completed during the quarter. The decline advanced to 835 metres from the portal and 180 metres below surface. Development was completed on 120 Level and development continued in ore on the 140 Level Rankine shoot. The development of the 140 Level Garwood shoot was completed ready for stoping early in the third quarter. The 160 Level was reached and established as planned during the quarter and the Hangingwall and Rankine structures were intersected on this level by quarter end. Development of the 180 Level commenced during July.

The process plant continued to perform above plan expectations with mill availability increasing to 95.4% against a forecast of 92% due to improvements in the plant operation and maintenance processes, including the introduction of a scavenger magnet to the mill feed conveyor belt. Further modifications to the circuit and processes planned for the third quarter are expected to positively impact on availability and costs.

Recovery of lead was 3% above forecast due to metallurgical optimisation of the grinding and flotation circuit while other recoveries were in line with forecast, in part due to achieving planned feed grade and steady throughput. Zinc concentrate

grades were 3% below plan as the limits of the plant were tested by grade and throughput. This confirmed that significant fluctuations from designed feed grades can impact the quality of the concentrate due to the capacity of the flotation circuit. Project work is now being undertaken to identify potential improvements in the circuit. This will further capitalise on the higher grade ore parcels anticipated in future.

Exploration activity

There was no exploration field activity on the Fleurieu tenements, including Angas, during the quarter. Minimal exploration expenditure was incurred during the period.

Ore Reserves and Mineral Resources

Ore Reserves and Mineral Resources for the Angas Zinc Mine were re-estimated as at 30 April 2009. The new estimate incorporates additional drilling, experience from the first year of mining, depletion from mining (0.20Mt) and the use of a higher cut off.

Probable Reserves have reduced by 0.26Mt (11%) compared with March 2008. There has however been a significant grade increase leading to a reduction in Pb+Zn metal of only 4%.

Drilling during 2008 enabled conversion of significant parts of the existing Indicated and Inferred Resources to Probable Reserve and with the addition of further Indicated and Inferred Resources north of Rankine resulted in a small net reduction in Mineral Resources.

The accompanying figure and table shows the remaining Ore Reserves and Mineral Resources at Angas.



Zinc unloading in the purpose built 2,500m² shed at Flinders Ports bulk handling precinct at Port Adelaide.



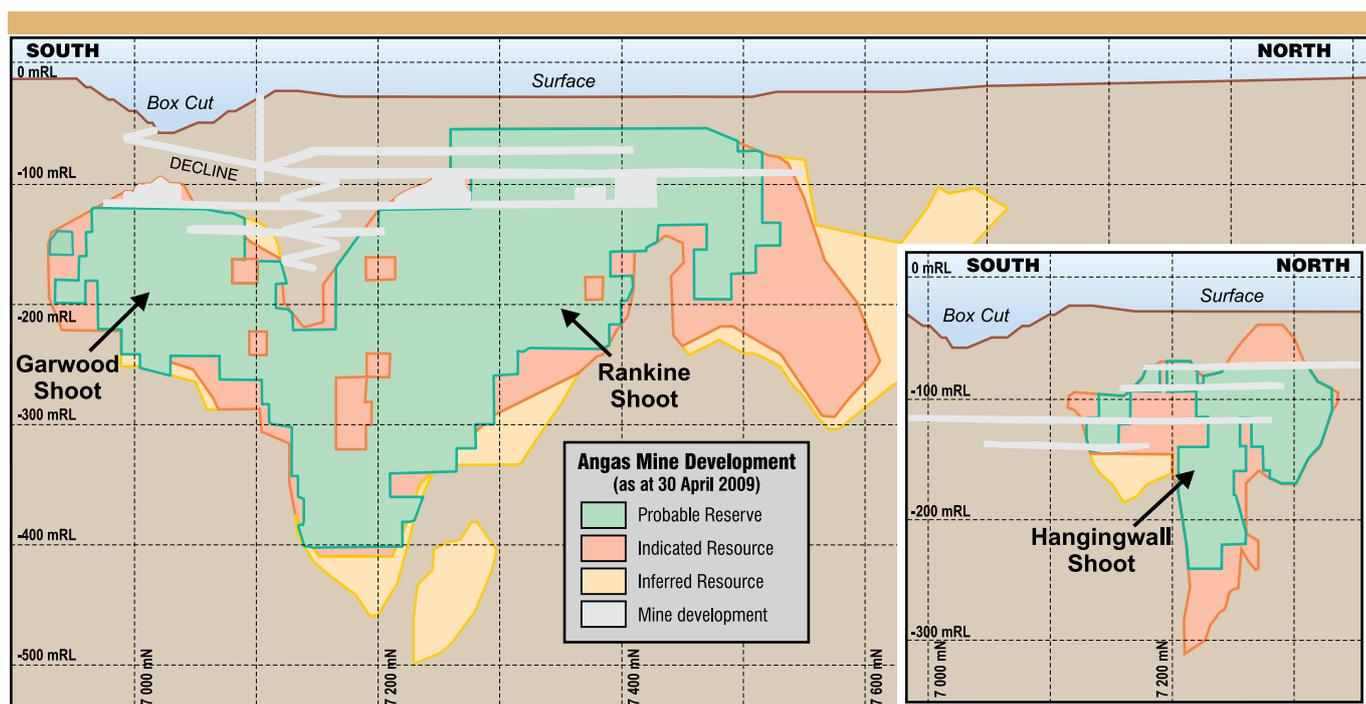
Ore Reserves

	Mt	%Zn	%Pb	%Cu	Ag (g/t)	Au (g/t)
Probable	2.15	7.55	2.91	0.24	31	0.48
Total	2.15	7.55	2.91	0.24	31	0.48

Mineral Resources

	Mt	%Zn	%Pb	%Cu	Ag (g/t)	Au (g/t)
Indicated	0.29	2.90	1.39	0.14	16	0.34
Inferred	0.24	3.7	1.9	0.1	24	0.4
Total	0.53	3.3	1.6	0.1	20	0.4

- Notes:
- Ore Reserves and Mineral Resources are reported in accordance with the JORC code (Australasian Code for Reporting of Mineral Resources and Ore Reserves, December 2004).
 - The estimate is as at 30 April 2009.
 - Inferred Resource grades are rounded to one decimal place. All other grades are quoted at two decimal places.
 - The Indicated Resource is exclusive of those Resources converted to Reserve.
 - Metal prices (USD) used for the Reserve estimate are in line with Bloomberg's 2012 Consensus Forecast (May 2009) Zn 1,750/t, Pb 1,450/t, Cu 5,000/t, Ag 13/oz, Au 900/oz.
 - Recoveries used in the Reserve estimate are Zn 88%, Pb 83%, Cu 24%, Ag 75%, Au 72%.
 - Resource modeling assumptions are essentially unchanged from the last estimate in March 2008 with the following exceptions:
 - An additional 19 diamond drill holes (giving a total of 234 holes) and information from underground mining and development has been utilised leading to some further revisions to the geological model.
 - Extensive additional sample data obtained from channel samples and from sludge drilling was used to assist with defining mineralisation wireframes. The analytical data obtained from this sampling was not used in the Mineral Resource estimate.
 - The Resource cut off grade used to construct mineralisation wireframes remained unchanged at 2% Pb+Zn.
 - Interpolation was by ordinary kriging, as previously, with the only modeling change being a reduction in the maximum number of samples used for interpolation to better reflect observed grade distribution.
 - A total of 915 new SG measurements were added to the model increasing the total to 1,752.
 - Reserve estimation assumptions are unchanged from the last estimate in May 2008 with the following exceptions:
 - Stope design is based on 20m sublevels (compared to 25m previously for Rankine).
 - Reserves are calculated to a depth of -400mRL compared to a depth of -415mRL for the previous estimate.
 - A cutoff grade of 3.5% Pb+Zn was used for stoping (previously 3.0%). A cutoff grade of 2.5% Pb+Zn was used for development where this development was required to access stoping areas of a higher grade.
 - Dilution was assumed at 0.5m on the hanging wall and 0.5m on the footwall compared with 1m on the hanging wall and 0.5m on the footwall previously.
 - Minimum mining width was decreased from 3.5m to 3m, based on stoping experience at Angas.
 - Mining method remains longhole stoping however some low grade pillars have been planned based on economic analysis of backfilling costs. A cut off grade of 5.0% Pb+Zn was used to determine pillar replacement with CRF.
 - For the 2008 Reserve a mining recovery of 95% was applied. This has been removed for the current estimate as pillars have been designed and extracted and experience to date has shown excellent ore recovery from stopes.



Angas Mine long section with Hanging Wall Shoot inset, showing mining development to date.



Costs

As mine production has increased from the first quarter, monthly mine operating costs have remained relatively constant.

A significant focus on process improvement and price renegotiation reduced costs in the areas of reagents, mill liners, cement and drill consumables during the quarter. It is expected that these cost reductions will continue to flow through.

Production table including C1 cash cost data

	June Quarter 2009	Year to date 2009
Production statistics		
Total ore mined (tonnes)	93,646	157,027
Total ore treated (tonnes)	84,612	151,295
Ore grade:		
– Pb%	2.98	2.64
– Zn%	8.11	6.57
– Cu%	0.25	0.23
– Ag g/t	30.7	25.9
Lead concentrate (tonnes)	4,395	6,835
Grade:		
– Pb%	49.2	49.2
– Cu%	3.8	3.9
– Ag g/t	471	448
– Au g/t	5.7	6.6
Recoveries:		
– Pb%	85.6	84.3
– Cu%	79.3	77.9
– Ag%	79.6	78.2
Zinc concentrate (tonnes)	11,791	17,140
Grade:		
– Zn%	50.2	49.8
Recovery:		
– Zn%	86.3	85.9
Payable metal		
– Zn tonnes	4,978	7,164
– Pb tonnes	2,029	3,159
– Cu tonnes	37	60
– Ag ounces	59,467	87,371
– Au ounces	598	1,113

C1 Cash Costs (US c/lb payable zinc)

Production costs	41	52
– Mining	21	27
– Processing	15	18
– Other site costs	5	7
Realisation Costs	30	31
– Transport & handling	9	9
– Zinc treatment charges	21	22
Net Bi-product Credits	(37)	(38)
C1 Cash Cost	34	45

Notes: The 12 month 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.

Sales

Two shipments of zinc concentrate were dispatched to Asia during the quarter having a combined cargo of 11,500 dry metric tonnes (dmt). Further shipments of approximately 5,000 dmt each are planned for July and August.

During the period, 4,450 dmt of lead-copper-silver-gold concentrate were sold.

Lead refining charges for the 2009 calendar year were agreed during the period, based on industry benchmark terms. The new charges will equate to a significant reduction in refining costs of 28% based on the current lead price.

Commodity Prices

Commodity prices rallied strongly during the quarter (25-30%), as detailed in the table below:

Average prices in US\$ per tonne	Zinc	Lead
June 2009 quarter	\$1,473	\$1,499
March 2009 quarter	\$1,172	\$1,156

The improved global economic outlook and continued strong Chinese demand for imports, in part due to a metal inventory restocking programme, provided strong support for base metals during the period. Lead performed particularly well, rallying almost 30%, and the near-term outlook remains positive as it enters into the peak demand period for auto battery replacements.

Average realised price

The average realised zinc price for the quarter was US\$1,106 per tonne. This was 25% below the market average, primarily due to our current pricing terms which result in the price being set prior to the month of shipment. This system of advanced pricing is generally favourable in a market where prices are falling, as they were late in 2008, but results in a delayed response to an increase in zinc prices.

The average realised lead price for the quarter was US\$1,827 per tonne. This was 22% above the market average, primarily due to the appreciation of the lead price and our current pricing terms, which result in the price being set subsequent to the month of shipment. In addition, the average price was impacted favourably by the upward revaluation and final price fixing of the prior quarter sales.

Forecast production

Forecast full year concentrate output remains on target for the full year at 58,000-61,000 tonnes of zinc and lead concentrate, see table below detailing forecast production levels in tonnes.

2009	Ore Milled	Lead concentrate	Zinc concentrate
Q3	85,000	5,360	14,200
Calendar year	325,000	15,000-16,000	43,000-45,000



The Oued Amizour Zinc Project is 100% owned by Western Mediterranean Zinc Spa (WMZ). Terramin has a 65% shareholding in WMZ. The other 35% is held by two Algerian government-owned companies.

The Project centres on the 58 million tonne Tala Hamza deposit and contains several lead-zinc prospects with the possibility of more discoveries.

Exploration Permit 5225PE is a 123 square km tenement situated in northern Algeria on the coast of the Mediterranean Sea, 15 km from the deep water port of Bejaia. In addition to its infrastructure advantages - roads, power, water, and labour force - the project is well positioned to supply feedstock to European smelters.

The most recent resource estimate (October 2008) at Tala Hamza gave an Indicated Resource of 24.8 million tonnes at 8.3% Pb+Zn, within a global Indicated and Inferred Resource of 58.6 million tonnes at 6.5% Pb+Zn.

Current studies focus on a first stage 2 million tpa mine producing 209,000 tpa of zinc concentrate and 43,000 tpa of lead concentrate. The Company is committed to the objective of ramping up to mining 4-5 million tpa.

Tenement maintenance

During the period, an application was submitted to the relevant Algerian government authorities for the renewal of Exploration Permit 5225PE. The tenement was granted in August 2006 for a period of 3 years with the right to extend for a further two 2 year terms.

Feasibility study

Following completion of the prefeasibility study, the Terramin Board gave their approval in May to commence the feasibility study.

Work continued during the quarter on the preparation of an Environmental Impact Statement (EIS) for the Tala Hamza project by compilation of the environmental and social impact studies carried out by Golder Associates in conjunction with the University of Bejaia and Envi-Consult. Following receipt of the EIS, the application for a mining permit can proceed.

Analysis has commenced on the cost, production and location opportunities that were identified by the prefeasibility study. This analysis work will continue through the next quarter.



Hydrological testing for the Tala Hamza Feasibility Study.

Field programme

A comprehensive drilling programme was designed and initiated during the quarter. This programme is targeted at gaining hydrogeological data on the ore body, and geotechnical data on the proposed twin declines from the mine portal to the orebody.

During the quarter, Turkish drilling contractor Spektra was remobilised to site with two rigs. The hydrogeological drilling has been scheduled first, ahead of geotechnical drilling.

A programme of detailed geological mapping of the deposit and prospective portal locations was carried out during the quarter. This was conducted by consultants from Golder Associates in conjunction with WMZ staff geologists. The mapping was used to identify significant geological structures which are being tested by the current hydrogeological drilling.

The mapping is being compiled and integrated with the 3D geological model and when completed will be used to generate an updated resource model and for geotechnical and hydrological modelling.

Portal and infrastructure location

A report has been received from Bateman Engineering examining alternative locations for the portal and mine infrastructure area, and is currently being reviewed.

Exploration activities

Results were received for three holes drilled late in 2008 and these are reported in Table 1. Hole TH050 was drilled for hydrogeological purposes in the centre of the deposit, and has provided good information on close spaced variability while TH052 and TH055 were geotechnical holes drilled at the northern limits of the deposit. Both holes intersected low grades characteristic of the deposit margins.

Expenditure

Expenditure on the Oued Amizour Project over the period totalled A\$2.2 million. All of this expenditure relates to the Tala Hamza Feasibility study programme.



Summary drill results

Drill hole	Total mineralised interval					Significant included intervals				
	From	m	Pb %	Zn %	Pb+Zn%	From	m	Pb %	Zn %	Pb+Zn%
TH050	282.2	197.3*	0.92	5.51	6.43	377.0	24.6	1.67	12.01	13.68
						410.6	62.7	1.79	9.29	11.08
TH052	358.3	233.3	0.17	1.96	2.13	358.3	10.5	0.90	6.63	7.54
TH055	214.4	166.6	0.13	1.45	1.58					

*Note: Total mineralised interval is quoted at 1% Pb+Zn cut-off.
Included intervals are at 5% Pb+Zn cut off; intercepts are down hole.*

* Stopped in mineralisation

Hole ID	Easting	Northing	RL	Azimuth	Dip	Total Depth (m)
TH050	703931	376815	201	0	-90	479.5
TH052	703782	377041	173	177	-70	662.0
TH055	703790	377045	173	177	-70	661.1

CORPORATE INFORMATION

TERRAMIN AUSTRALIA LIMITED ABN 67 062 576 238

Level 22 Westpac House 91 King William Street
Adelaide South Australia 5000

T +61 8 8213 1415

F +61 8 8213 1416

E info@terramin.com.au

W www.terramin.com.au

CAPITAL STRUCTURE

at 29 July 2009

Shares on issue 138,982,455

Unlisted Options 14,011,630

Unlisted convertible/redeemable notes US\$20,050,000

and 2,263,529 notes at \$2.21 per share conversion \$5,002,400

DIRECTORS

Kevin C Moriarty

Executive Chairman
BSc (Hons), PhD, MAusIMM

Michael H Kennedy

Director BCom (Economics)

Steve A Bonett

Director BCom, LLB (Hons), AICD, SIA

James T Hazel

(resigned 5 June 2009)

Director BEcon, F. Fin

Peter Zachert

(appointed 5 June 2009)

Director BBus, MCom, MGeoscience,
FCA, FAIM

Bob Jones

(appointed 5 June 2009)

Director BAppSc, Dip. Prim Met

Bryan Davis

(appointed 23 July 2009)

Director BSc (Tech), FAusIMM, MAICD

Kate E McKeough

Company Secretary
BA, BCom, LLB (Hons), GDLP, ACLA

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