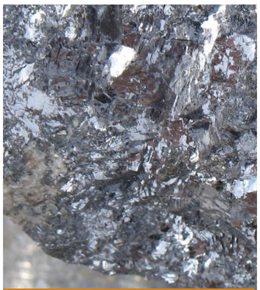
TERRAMIN AUSTRALIA LIMITED

4th Quarter Report 2009

FOCUS ON ZINC



NATURAL

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

TERRAMIN
AUSTRALIA LIMITED
ABN 67 062 576 238

HIGHLIGHTS

CHAIRMAN'S REVIEW

- Received indicative bids for the financing of the Tala Hamza project
- High zinc price locked in to ensure a strong first half in 2010

ANGAS ZINC MINE

- C1 cash costs US31cents/lb on full production
- Record production of both zinc and lead concentrates achieved during quarter
- Robert Howie appointed General Manager

OUED AMIZOUR PROJECT

- Feasibility study and EIS for mining lease application near completion
- Major resource upgrade - Measured and Indicated tonnes more than doubled
- Planning underway for major caving operation
- Portal and TSF drill investigation continuing

FINANCE

- Zinc and lead prices rallied by 25% and 18% respectively during the quarter
- Cash at 31 December 2009 - $22.0 million

CORPORATE

- Greg Cochran appointed as CEO
- Successfully completed a A$15.5 million equity placement
- Ian McAleese appointed as Investor Relations Manager

28 January 2010

CHAIRMAN'S REVIEW

Your company is commencing 2010 on the basis of a very solid performance in 2009. Production from Angas finished 2009 not only above forecast but at record levels. The Tala Hamza project has delivered a major resource upgrade that has initiated planning for a longer term operation.

The December quarter saw Angas concentrate production up 23% for zinc and 27% for lead. Mining and milling were also up by 20% and 12% respectively on the September quarter and at record levels. The continued improvement reflects a capable management team and workforce at the mine. C1 cash costs of US31 cents/lb were the same level as the September quarter. This result reinforces the benefits of Angas' low cost operations considering that smelting costs, which are linked to zinc price, and a sharp appreciation of the Australian dollar, caused C1 cash costs to rise by about US9 cents/lb. If the prices and currency levels of the September quarter had applied, the costs would have been only US22 cents/lb.

The company's balance sheet is in a strong position with Angas in full production and generating strong positive cash flows. The Tala Hamza project is on track to meet financing requirements when the capital spend commences in 2011. Two banks have submitted indicative proposals, of note a proposal for financing 70% of the project capital based on the pre-feasibility study estimate of US$266 million.

To meet its equity share in the project, Terramin also has the option to draw on cash flows from its Angas operations which are based on EBITDA forecasts of A$30 million per annum in 2010 and increasing to over A$45 million in 2012.

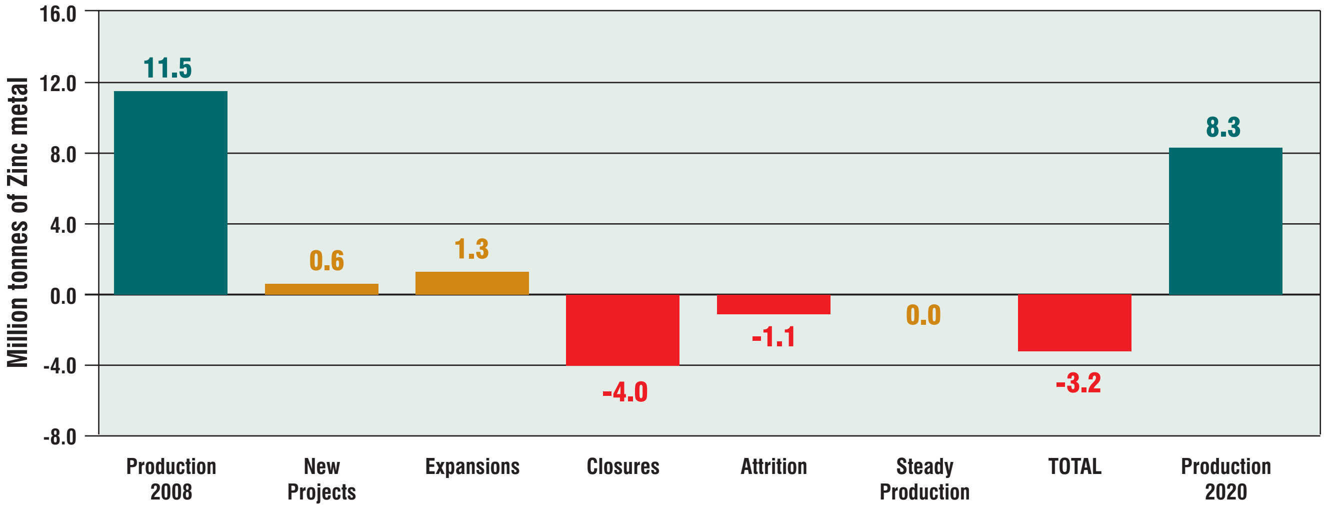
Additions to the board and management through 2009 and early 2010 have ensured appropriate oversight for major project delivery and operations. Mr Greg Cochran has been appointed as CEO – he has a strong background in project delivery complementing his mining background. Mr Bryan Davis brings his considerable corporate and production experience to the board, especially in the development and oversight of large scale caving operations. Mr Davis is overseeing the Algerian development for Terramin's board as chair of the Tala Hamza Risk Assessment Committee.

During the quarter we announced an update to the Tala Hamza resource base, which saw Measured and Indicated Resources at Tala Hamza more than double to 51 million tonnes while the total Measured, Indicated and Inferred Resource increased by 17% to almost 69 million tonnes. These increases are significant because they provide the basis for a long-term, large scale mining operation. Geotechnical work to date has identified block caving as the preferred mining method. The configuration of the Tala Hamza deposit is well suited to this, the lowest cost method of underground mining.

Metal prices continued to increase strongly over the quarter. Zinc prices are driven mainly by China, which this year will produce some 600 million tonnes of steel. Zinc demand driven by the galvanising of steel is growing by 15-20% per year in China and galvanised steel consumes 50% of new zinc consumption. This is a solid growing market for zinc, however, the future supply is greatly constrained by the lack of new mining projects, particularly those with low capital and operating costs.

A study by Boliden illustrates this, showing that 100 existing mines are going to close in the next decade through resource depletion. In the pipeline are 30 new mines that could commence production but, of these, 12 will close before the end of the decade.

The overall result is that supply is forecast to reduce by 3.2 million tonnes at the end of the decade compared to 2008 (see chart). If demand grows by 2% (a conservative figure) the total deficit would be close to 6 million tonnes. Under-investment is a root cause of this, but this lack of investment is an opportunity for Terramin.



Base case production - net change 2008 - 2020

- 30 new mines to enter but 12 closed before 2020 (+0.6 mt) – peak 2012
- 51 mines to expand output (+1.3 mt)
- 100 existing mines to close on depletion (-4.0 mt)
- 33 mines to decrease output (-1.1 mt)

Source: Based on © Brook Hunt 2009, calculations by Boliden

Zinc mine capacity by source 2008 – 2020

Some analysts make a case that China can increase its mine production indefinitely, thus capping zinc prices. However, this ignores some basic realities including limits to the number of easily exploited resources and the cost of production in the country. Although Chinese production increased greatly in the period between 2004 and 2007 this was primarily from many small operations that are not sustainable because of their small resource base, low capital re-investment and safety and environmental concerns. These are also high cost operations as shown by the fact that most closed down in the recent period of low metal prices, notwithstanding that prices bounced back very quickly. Perhaps China is best seen as a floor rather than a cap for zinc prices.

Higher zinc prices will certainly lead to an increase in production, but only if the prices are sustained for a period. The looming deficit in supply points to a long period of higher prices that must prevail to act as an incentive for new mine investment. Terramin's strategy is to focus on mines that have lower capital requirements to maintain a conservative debt exposure. Its projects also have low operating costs to provide for high margins. This is a sound strategy to deliver sustainable profit and provide shareholders with an attractive return.

Terramin is expecting strong performance from Angas in 2010 based on improved margins, higher production and with a continued focus on safety. The new General Manager, Robert Howie, has significant experience in mines and mine management, including Chelopech Mine in Bulgaria and Century and Olympic Dam in Australia.

Terramin's investor relations will receive a big boost through its appointment of Ian McAleese. Ian is a geologist with a long history as an analyst and fund manager for companies like QIC and Suncorp. More recently he was Investor Relations Manager for Macarthur Coal and is well regarded in the industry.

The quarter also saw institutional support for a placement of $15.5 million to strengthen the company's balance sheet and provide funding for the extension of mine life and production at Angas. With a sound balance sheet, experienced board and strong management team, your Company is well positioned for solid growth in 2010.

Kevin Moriarty
Executive Chairman

ANGAS ZINC MINE

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

Probable Reserves of 2.15 million tonnes at 10.5% Pb+Zn are sufficient for a five year operation at current production rates. 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.

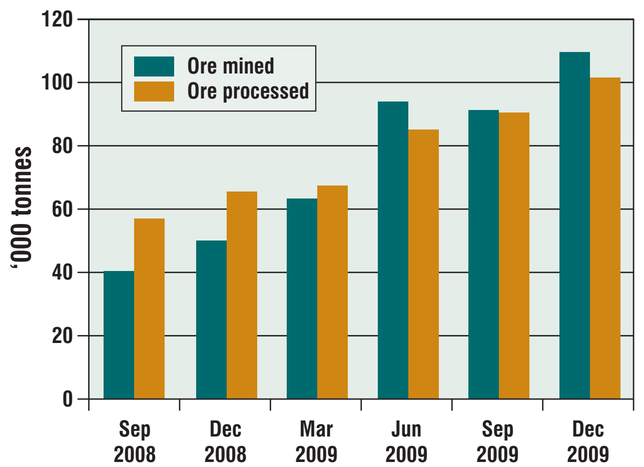
Safety report

The safety performance of the mine in the December quarter improved significantly from the previous quarter with only one lost time injury recorded and one shift lost. A retraining programme for all employees and review of procedures continued during the quarter as part of the continuous improvement programme.

Operations summary

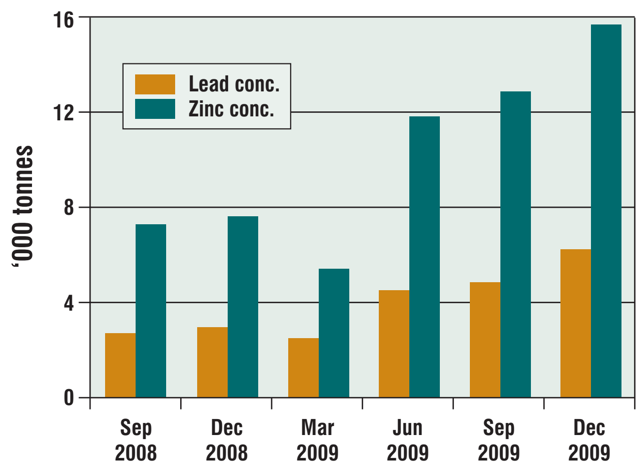
A number of project records were achieved during the quarter. Ore mined during the December quarter was a record of 109,262 tonnes, 20% higher than in the September quarter. A total of 620 metres of underground development was completed with advances on four levels of the mine and the decline reaching 997 metres from the portal. A large portion of the level development was in ore in both the Rankine and Garwood shoots. Development reached the 200 level and stope ore was sourced from both the Rankine and Garwood shoot areas.

Further potential exists to increase mining and development rates as the retraining programme, systems review and maintenance procedures are improved. In addition it was decided during the quarter to reinstate continuous rosters underground for a period of six months in an effort to ensure sufficient stockpiles are maintained for the mill and to improve overall development rates. Increased stockpiles will reduce operational risks at the mine site in the future.



Angas Mine – Quarterly ore mined and processed

Mill throughput of 101,434 tonnes for the quarter was 12% higher than in the September quarter and a record for the project. The improved performance was due to ongoing project work across the plant aimed at increasing throughput in the processing circuit. Higher throughput, combined with stable and higher ore feed grades and grind modifications led to increased concentrate production. Zinc concentrate production of 15,666 tonnes was 23% higher, and lead concentrate output of 6,105 tonnes was 27% higher than in the September quarter. The improvement in the lead concentrate grade to 56.6% in the quarter also had a positive impact on by-product credits for the mine.



Angas Mine – Quarterly zinc & lead conc. production

Exploration activity

Completion of the underground diamond drilling project during the quarter provided greater confidence in the location and grades of the Rankine, Garwood, Hanging Wall and Mid Hanging Wall lenses. Once all assay data has been received, modeling will be employed to better understand the merge zone in which these lenses meet.

During the quarter Terramin progressed plans to recommence regional exploration on its tenements surrounding the Angas Mine. In the Preamimma district, drill planning and targeting has been completed on three prospects: Preamimma, Lady Jane and Frahn's Mines. An Exploration Work Application (EWA) was lodged with PIRSA in mid December and approval is expected during January enabling completion of the drilling during quarter one 2010. Terramin also plans to commence field work on other regional targets during the coming quarter, in preparation for a second phase of drilling later in the year.

The company is well advanced in developing a new structural model based on integration of underground mapping data at Angas with regional geophysical data and geology. When the work is completed during quarter one 2010 the modeling will be used to assist with target generation.

Costs

Total production costs for the quarter were relatively steady when compared to the September quarter. Higher metal production led to lower unit costs for the quarter. The lower operating costs were reflected in the reduced C1 mining costs and other site costs of US21 cents/lb and US5 cents/lb compared to US24 cents/lb and US$6 cents/lb respectively in the September quarter.

Production statistics including C1 cash cost data

		December Quarter 2009	*12 Months 2009*
Production statistics			
Total ore mined (tonnes)		**109,262**	**357,219**
Total ore treated (tonnes)		**101,434**	**342,953**
Ore grade:	– Zn%	8.97	7.75
	– Pb%	3.81	3.15
	– Cu%	0.23	0.22
	– Ag g/t	33.6	29.4
Zinc Concentrate (tonnes)		**15,666**	**45,583**
Grade:	– Zn%	51.6	50.7
Recovery:	– Zn%	88.8	86.9
Lead Concentrate (tonnes)		**6,105**	**17,735**
Grade:	– Pb%	56.6	53.2
	– Cu%	3.1	3.3
	– Ag g/t	467	456
	– Au g/t	5.6	5.7
Recoveries	– Pb%	89.5	87.2
	– Cu%	80.2	78.1
	– Ag%	83.6	80.2
Payable metal			
	– Zn t	6,824	19,456
	– Pb t	3,273	8,902
	– Cu t	38	123
	– Ag oz	81,761	231,227
	– Au oz	818	2,406
C1 Cash Costs *(US c/lb payable zinc)*			
Production Costs		**42**	**47**
- Mining		21	24
- Processing		16	17
- Other Site Costs		5	6
Realisation Costs		**40**	**33**
- Transport & Handling		11	8
- Zinc Treatment Charges		29	25
Net By-product Credits		**(51)**	**(46)**
C1 Cash Cost		**31**	**33**

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.

2010 Forecast production

The company expects the Angas Mine to perform strongly for the full year with concentrate output to exceed the total for 2009.

Forecast production levels in tonnes for 2010

2010	Ore Milled	Lead concentrate	Zinc concentrate
Q1	95,000	4,500	14,000
Calendar year	400,000	18,000-20,000	48,000-50,000

Sales

Zinc concentrate sales were up on the previous quarter with 14,700 dry metric tonnes (dmt) exported to Asia. Higher mine production led to increased sales of lead-copper-gold concentrate which were 30% higher than the previous quarter at 5,970 dmt. In addition, contained metal sales were favourably impacted by higher concentrate grades.

Commodity Prices

Average prices in US$ per tonne	Zinc	Lead
December 2009 Quarter	$2,214	$2,293
September 2009 Quarter	$1,761	$1,928

Base metals rallied strongly during the period with zinc performing particularly well, rallying almost 25%. The price was supported by mine supply disruptions during the quarter and a growing recognition that a significant concentrate supply deficit is looming due to constrained mine supply in the coming years. Lead also continued to strengthen and was up 18% on the prior quarter, supported by strong Chinese battery demand and growth forecasts.

Average realised price

The average realised zinc price for the quarter was US$1,761 per tonne due to our current pricing terms and was in line with the September quarter market average as advised in the previous quarter.

Angas prices are set up to several months in advance, so the effect of higher zinc prices will flow through in the first half of 2010. Realised prices for the June half of 2010 are estimated to be around US$2,300 per tonne because the majority of the first half zinc price has been fixed.

The average realised lead price for the quarter was US$2,423 per tonne, above the December quarter market average due to the appreciation of the lead price over the quarter and our current pricing terms which resulted in the upward revaluation of prior quarter lead sales price.

Hedging

A short dated USD currency hedging programme was implemented during the quarter in order to mitigate foreign exchange exposure on USD denominated metal sales. As at quarter end, USD sold forward against the AUD over the next six months totalled USD10.2m at an average rate of 0.8870.

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

The project is based on the 68.6 million tonne Tala Hamza deposit however the exploration lease 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 (November 2009) at Tala Hamza 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.

Current studies envisage a first stage 2 million tpa mine producing 200,000 tpa of zinc concentrate and 40,000 tpa of lead concentrate. Studies are underway on mining up to 4 million tpa given the scale of the resource and potential for more discoveries nearby.

**(Oued Amizour – pronounced 'wed-ami-zur').*

Resource Upgrade

A major resource upgrade was announced during the quarter. The new estimate defined the first Measured Resource for the Tala Hamza deposit and significantly expanded the total resource. Material in the higher confidence Measured and Indicated Resource categories more than doubled to 51.1 million tonnes at 4.9% Zn, 1.3% Pb out of an overall Measured, Indicated and Inferred Resource of 68.6 million tonnes at 4.6% Zn, 1.1% Pb giving an overall increase of 17% in tonnes.

The expanded resource was underpinned by additional drilling (data from 25 new holes) and the identification of block caving as the preferred mining method. Further updates should be expected following continued drilling of the environs of the deposit.

Further details on the resource estimate were provided in the ASX release on 3 December 2009.

Feasibility Work

The recommendation of block caving as the preferred mining method and the expanded resource are significant for the project because they provide the basis for a long-term, large scale mining operation. The geometry of the Tala Hamza deposit is well suited to block caving, the lowest cost method of underground mining.

As a consequence, extensive analysis has been completed internally by Terramin on options to increase extraction and throughput. The larger resource meant that ore treatment and material handling studies for the Environmental Impact Statement (EIS) and Environmental Management Plan (EMP) required review, resulting in deferral of the submission of the Mining Lease Application, now expected to occur quarter one 2010.

The review and update to the EIS and the EMP has been completed by Golder Associates in conjunction with Algerian consultants and the comprehensive documentation is currently being translated into French for submission with the Application.

During the quarter a project risk assessment was also undertaken with Golder Associates, resulting in completion of an Accident Safety Management Plan which is also being translated.

Work continues on detailed mine design and mining optimisation studies by Golder Associates and final surface infrastructure design by Bateman Engineering. Ore reserves will be updated following completion of this work in the second quarter of 2010.

Financing

Under the project joint venture agreement, Terramin is responsible for arranging the debt finance for the project through WMZ. Banks have continued to offer finance for the project development. Discussions have advanced to the point where two indicative proposals have been received, one from an Algerian bank and another from a large European based bank. Other banks have offered to provide terms.

An Algerian bank has indicated it could lend 70% of the capital based on the pre-feasibility study estimate of US$266 million.

Field Programme

Drilling continued during the quarter with the primary focus being acquisition of additional hydrological and geotechnical data on the orebody and in the Tailings Storage Facility and Portal areas. Geotechnical drilling on the deposit was concluded with the completion of holes TH066, TH067 and TH068 for a total of 865m. The data collected from these holes will be integrated into the current models and used to refine the present mine design. Geotechnical drilling of the proposed portal and decline was completed with holes OUM001 to OUM006 and IM001 and IM002 for a total of 1,273m. Data from these holes is currently being reviewed by Golder Associates.

As part of the regional exploration programme, geological mapping has continued in the Oumlil and Ait Dali area. This has also assisted in providing a structural framework for the geotechnical studies. Reconnaissance stream sediment sampling has been carried out in the vicinity of the proposed mine infrastructure and will be in filled and extended in the coming months.

Drilling Results

Analytical results were received for two holes (TH063 and TH064) during the quarter and these are shown in the table below. Both holes were drilled in the Tala Hamza deposit, TH064 to the west of the high grade central zone and TH063 at the south eastern limit of the currently known deposit. Both holes were received in time to be included in the revised resource. In TH063 the mineralisation was narrower than expected and appears to have been truncated by faulting.

With the geotechnical and hydrogeological programmes nearing completion the two diamond drill rigs will revert to exploratory drilling. It is expected that one rig will be based around the Tala Hamza deposit and will be targeting extensions and faulted offsets. The drilling will be aimed at adding more metal into the current resources. The second rig will be targeting regional prospects and in particular following up shallow intersections from historic drilling with the aim of identifying additional early feed for the Tala Hamza processing plant. This drilling is expected to commence in the first quarter of 2010.

Expenditure

Expenditure on the Oued Amizour project over the period totalled A$2.7 million. All of this expenditure relates to the Tala Hamza Feasibility Study programme.

Summary drill results

	Total mineralised interval				Significant included intervals			
Hole_ID	**From**	**Width**	**Pb%**	**Zn%**	**From**	**Width**	**Pb%**	**Zn%**
TH063	489.7	12.4	3.1	6.0				
TH063	541.1	24.9	0.3	3.9				
TH064	321.3	185.1	0.5	3.6	343.0	39.0	1.4	6.5

Note: Total mineralised interval is quoted at 1% Pb+Zn, or 0.5% Cu cut off. Included intervals are at a cut off of 5% Pb+Zn.

Hole ID	*Easting*	*Northing*	*RL*	*Azimuth*	*Dip*	*Total Depth (m)*
TH063	*704043*	*376578*	*263*	*056*	*-85*	*685.8*
TH064	*703775*	*376765*	*211*	*038*	*-77*	*550.5*

MENNINNIE ZINC PROJECT

The Menninnie Zinc Project in South Australia comprises a contiguous group of three tenements with participation by Terramin's wholly owned subsidiary, Menninnie Metals Pty Ltd: The Menninnie Dam Joint Venture (MDJV) between Menninnie Metals (24%) and Minerals and Metals Group (76%) on EL3640; the Nonning JV, where Menninnie Metals can earn up to 70% from Minotaur Operations Pty Ltd on EL3535 and the recently granted Kolendo Exploration Licence EL4285 owned 100% by Menninnie Metals. The tenements include the Menninne Dam lead zinc deposit with an Inferred Resource of 3.8Mt @ 7.2% Pb+Zn and 620 square kilometres of prospective ground in the Gawler Craton.

Menninnie Zinc Project tenement locations.

Menninnie Dam JV

The project remains on care and maintenance pending notification from the Manager (Minerals and Metals Group) on the progress and outcome of the sale process announced in October 2008. Terramin has been advised that the Native Title Mining Agreement (NTMA) will be signed and registered during quarter one 2010.

Nonning

Pending finalisation of the NTMA (incorporated into the Menninnie Dam NTMA), activity on Nonning was limited to exploration planning. An EWA for a soil sampling and shallow aircore drilling programme over prospective geophysical features will be submitted along with the application for NTMA registration. It is expected that this work will commence in quarter two 2010.

Kolendo

Interpretation and review of available data continued. Exploration activities will be guided by results from planned work on Nonning. The annual tenement expenditure requirement is $50,000, due by mid 2010.

CORPORATE INFORMATION

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CAPITAL STRUCTURE

at 28 January 2010

Shares on issue	**158,388,667**
Unlisted Options	**15,886,630**
Unlisted convertible/redeemable notes	**US$30,050,000**
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
Peter Zachert	*Director*	BBus, MCom, MGeoscience, FCA, FAIM
Bob Jones	*Director*	BAppSc, Dip. Prim Met
Bryan Davis	*Director*	BSc (Tech), FAusIMM, MAICD
Xie Yaheng	*Director*	MSc, Senior Engineer
Kate E McKeough	*Joint Company Secretary* BA, BCom, LLB (Hons), GDLP	
Mark Terry	*Joint Company Secretary*	BACC, CPA

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 Angas 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 Andrew 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.