TERRAMIN AUSTRALIA LIMITED

ASX Announcement

28 February 2018

Appendix 4E - Preliminary Final Report

Terramin Australia Limited (ASX: TZN) is pleased to provide the Company's Preliminary Final Report (unaudited) for the year ended 31 December 2017.

This report is based on a draft financial report for the year ended 31 December 2017 which is in the process of being audited. The Preliminary Final Report will be released in the coming days following completion of the audit.

The Board notes the progress of the Company's projects during and after the reporting period:

Tala Hamza Zinc Project

- The completion of all the ground work necessary for the finalisation of the revised Definitive Feasibility Study (DFS) in particular the hydrological test work and the studies on the suitability of the dry stacking of tailings.
- The compilation of final documentation for the mining lease application and environmental impact assessment which incorporates recent project enhancements such as the dry stacking of tailings and the relocation of the processing plant.
- A series of presentations and meetings held with the Algerian partners regarding the technical chapters including mining and financial chapters of the DFS as well as the implementation of the development strategy.
- Terramin is working to provide all the required information to the Algerian regulator in the format that the regulator requires for the mining lease application.

Bird-in-Hand Gold Project

- The Company has completed substantially all the studies necessary to pre-feasibility standard for the preparation of the mining lease. These studies include ground water modelling, storm and surface water studies, earthworks modelling, geotechnical modelling, soil contamination, visual amenity studies, noise, dust and vibration studies. The surface layout design for the project site in alignment with community feedback was also developed as well as the risk assessment for the project in relation to the environmental, community and economic impacts.
- The mining lease was submitted in draft form to the Department of Premier and Cabinet (**DPC**) at the end of the reporting period. The Company is now awaiting feedback from the DPC.
- The Company continued its ongoing community engagement programme which included the formation of a community consultative committee for the project and holding a number of meetings and discussions regarding the project.

Kapunda Copper Joint Venture

- A joint venture was established in respect of the potential development of a low cost insitu recovery (**ISR**) copper project near Kapunda, South Australia, approximately 90 km north of Adelaide. The joint venture will be investigating the potential to extract through ISR the copper from shallow oxide ores in and around the historic Kapunda Mine workings.

- Subsequent to year end, the estimation of combined Resource of 47.4 million tonnes at 0.25% copper containing 119,000 tonnes of copper using a 0.05% copper cut off. This Resource estimate is only in respect of that part of the Kapunda mineralisation that is considered amenable to ISR and only reports mineralisation that is within 100 metres of the surface.

South Gawler Joint Venture

- A joint venture was established with Evolution Mining Limited for the exploration of the South Gawler Project which now consists of exploration tenement and applications totalling 8,958km2 held by MMPL in the northern Eyre Peninsula of South Australia. Exploration will primarily target Iron Oxide Copper Gold (**IOCG**) breccia deposits in areas that have seen limited exploration thus far. The joint venture has been formed to accelerate exploration of breccia style targets with similar characteristics to Olympic Dam, Carrapateena, Prominent Hill and IOCG deposits elsewhere.

In 2018, the Company will focus on:

- Obtaining all approvals for the development of the Tala Hamza Zinc Project;

- The lodgement and approval of the mining lease application for Bird-in-Hand Gold Project;

- Facilitate test work at the Kapunda Copper Joint Venture.

Supply constraints and limited pipeline of new zinc projects has resulted in zinc prices increasing to above USD 3,500 per tonne which supports Terramin's significant investment in Tala Hamza. In addition, with Australian gold prices at $1,700 per ounce, the Bird-in-Hand Gold Project offers an attractive opportunity for Terramin.

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TERRAMIN AUSTRALIA LIMITED

2017 PRELIMINARY FINAL REPORT

CONTENT

Appendix 4E Statement

PRELIMINARY FINAL REPORT

For the year ended 31 December 2017 (previous corresponding period is the year ended 31 December 2016)

Results for Announcement to the market

(All comparisons to year ended 31 December 2016)	**$'000**	Up/down	Movement %
Revenues from ordinary activities	**-**	-	-
Revenues from ordinary activities excluding interest income	**-**	-	-
Loss after tax from ordinary activities	**(3,379)**	down	9.7

Explanation of Revenue

There was no revenue from ordinary activities for the financial year ended 31 December 2017.

Please refer to the Preliminary Final Report for the year ended 31 December 2017 for further information.

Dividends Information

	Amount per share (cents)	Franked amount per share (cents)	Tax rate for franking credit
Interim 2017 dividend per share	Nil	Nil	Nil
Final 2017 dividend per share	Nil	Nil	Nil

No interim dividend was paid for the year ending 31 December 2017 and no final dividend has been proposed for the year ending 31 December 2017.

Net Tangible Assets per Security

	31 December 2017	31 December 2016
Net tangible assets per security	**0.03**	0.03

Audit Report

Additional Appendix 4E disclosure requirements can be found in the 31 December 2017 Preliminary Final Report and accompanying notes.

This report is based on the consolidated financial statements which are in the process of being audited by Grant Thornton.

DIRECTORS

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

Mr Feng Sheng
Executive Chairman - Appointed Director 17 April 2013
- Appointed Executive Chairman 11 January 2018

Mr Michael H Kennedy BComm (Economics)
Non-Executive Deputy Chairman - Appointed 15 June 2005

Mr Kevin McGuinness
Non-Executive Director - Appointed 17 April 2013

Mr Angelo Siciliano FIPA, Registered Tax Agent, BBus
Non-Executive Director - Appointed 2 January 2013

Mr Yaheng Xie MSc
Non-Executive Director – Appointed 18 September 2009, Retired 2 March 2017

Mr Wang Xinyu
Executive Director – Appointed Director 2 March 2017
– Appointed Executive Director 11 January 2018

PRINCIPAL ACTIVITIES

During the year there were no significant changes in the nature of the Group's principal activities which continued to focus on the development of and exploration for base and precious metals (in particular zinc, lead and gold) and other economic mineral deposits.

OPERATING RESULTS

The consolidated loss of the Group after providing for income tax was $3.4 million for the year ended 31 December 2017 (2016: $3.7 million).

The major contributors to the result were interest costs and administration expenditure in relation to Australian and overseas operations.

The consolidated net asset position as at 31 December 2017 was $51.7 million, increased from $45.5 million as at 31 December 2016.

DIVIDENDS PAID OR RECOMMENDED

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

REVIEW OF OPERATIONS

During the year, the Company continued to focus on the exploration and evaluation of base and precious metal projects in Australia and Algeria.

Highlights for each of the Company's major projects are reported below.

Tala Hamza Zinc Project

(Terramin 65%)

The Tala Hamza Zinc Project is 100% owned by Western Mediterranean Zinc Spa (**WMZ**). Terramin has a 65% shareholding in WMZ. The remaining 35% is held by two Algerian Government owned companies: Enterprise National des Produits Miniers Non-Ferreux et des Substances Utiles Spa (**ENOF**) (32.5%) and Office National de Recherche Géologique et Minière (**ORGM**) (2.5%). WMZ was formed following a resolution of the State Participation Council (**CPE**) to create a joint venture between ENOF and Terramin for the development and mining of the Tala Hamza zinc-lead deposit.

During the reporting period, Terramin and WMZ completed the ground work necessary for the finalisation of the revised Definitive Feasibility Study (**DFS**). Terramin completed the hydrological drilling and water pump testing for the purpose of confirming the hydrogeological conditions in preparation for the final design of the mine and to further determine any environmental impact. Terramin and WMZ have also completed the studies on the suitability of the dry stacking of tailings. Thereafter, the Company compiled the final documentation for the mining lease application which incorporate recent project enhancements such as the dry stacking of tailings and the relocation of the processing plant. The documentation for the mining lease application also includes the delivery of an Environmental Impact Assessment. Following finalisation of the technical aspects of the DFS, the Tala Hamza project team made a series of presentations and meetings with the Algerian partners regarding the technical chapters including mining and financial chapters of the DFS as well as the implementation of the development strategy. The coordinated efforts of the partners has allowed the parties to reach progressive agreement on all key chapters of the DFS. Terramin is now awaiting a formal approval from its partners for the lodgement of the mining lease.

The partners are now working together to provide all the required information to the Algerian regulator in the format that the regulator requires for the mining lease application. The Tala Hamza Exploration licence expired on 1 February 2018. Its renewal is not required as WMZ will lodge a mining lease application immediately after the project partners have resolved to take a decision to mine.

Bird-in-Hand Gold Project

(Terramin Exploration Pty Ltd 100%)

The Bird-in-Hand Gold Project is located approximately 30km north of Terramin's existing mining and processing facilities at the Angas Zinc Mine in Strathalbyn. The project has a high grade Resource of 252,000 ounces of gold which is amenable to underground mining. Subject to required regulatory approvals, the Bird-in-Hand material will be processed utilising the facilities at Angas which can be modified to process gold-bearing material. The existing tailings dam at Angas has the capacity to hold all the Bird-in-Hand tailings.

During the reporting period, the Company focused on completing the groundwater studies which are pivotal to the project. A peer review of these studies have been completed in line with the minimum requirement expected by the mining regulator under the Ministerial Determination issued by the South Australian Government regarding the project.

The Company has substantially completed the studies necessary for the preparation of the mining lease. These studies include ground water modelling, storm and surface water studies, earthworks modelling, geotechnical modelling, soil contamination, visual amenity studies, noise, dust and vibration studies. The surface layout design for the Bird-in-Hand Gold Project site in alignment with community feedback was also developed as well as the risk assessment for the project in relation to the environmental, community and economic impacts.

In addition the Company continued its ongoing community engagement programme which included the formation of a community consultative committee for the project (the Woodside Community Consultative Committee or WCCC) and holding a number of meetings and discussions regarding the project. Other community events were held during the year in order to receive community feedback including community drop-in and focus groups. The focus groups received community feedback regarding economic development, traffic, local business, noise and vibration relating to proposed mining activity.

The mining lease was submitted in draft form to the Department of Premier and Cabinet (**DPC**) at the end of the reporting period. The Company is now awaiting feedback from the DPC.

Angas Zinc Mine

(Terramin 100%)

The Angas Zinc Mine is located 2 km outside the town of Strathalbyn, 60 km south east of Adelaide. The mine is currently in care and maintenance pending the resumption of exploration at depth and near mine, in addition to evaluation of the development of the Bird-in-Hand Gold Project. The site remains in compliance with the lease conditions on all levels.

As part of the Bird-in-Hand Gold Project it is intended to transport the gold ore to Angas for treatment. Terramin is currently preparing a Miscellaneous Purpose Licence application to be lodged with the South Australia Government mining regulator, DPC which would permit the processing of gold ore at Angas. The Company continues to engage regularly with the Strathalbyn Community Consultation Committee and has discussed this proposal with the committee. The Company continues to update the Committee as plan progress.

Kapunda Copper joint Venture

(Terramin Exploration Pty Ltd 100%, subject to farm-out)

In August 2017, Terramin entered into an agreement with Environmental Copper Recovery Pty Ltd (ECR) in respect of the potential development of a low cost insitu recovery (ISR) copper project near Kapunda, South Australia, approximately 90 km north of Adelaide. The joint venture will be investigating the potential to extract through ISR the copper from shallow oxide ores in and around the historic Kapunda Mine workings. If field leaching tests are successful, then a feasibility study of the project to produce copper (and possibly gold) will be commissioned. Under the terms of the agreement, ECR can earn a 50% interest in the project after spending $2.0 million and a further 25% after spending an additional $4.0 million. Subject to the completion of this expenditure, Terramin will retain 25% and receive a 1.5% royalty in respect of all metals extracted by the joint venture.

Subsequent to the year end, following an extensive review of historical drill data, historical mining records along with additional test work, Terramin and ECR have estimated a combined Resource of 47.4 million tonnes at 0.25% copper containing 119,000 tonnes of copper using a 0.05% copper cut off. This Resource estimate is only in respect of that part of the Kapunda mineralisation that is considered amenable to ISR (copper oxides and secondary copper sulphides) and only reports mineralisation that is within 100 metres of the surface.

South Gawler Project joint Venture

(Menninnie Metals Pty Ltd (MMPL) 100%, subject to farm-out)

In June 2017, Terramin entered into an Earn-in and joint venture agreement with Evolution Mining Limited for the exploration of the South Gawler Project which consists of 11 tenements totalling 4,754km^2 held by MMPL in the northern Eyre Peninsula of South Australia, approximately 320km northwest of Adelaide. Exploration will primarily target Iron Oxide Copper Gold (IOCG) breccia deposits in areas that have seen limited exploration thus far. The joint venture has been formed to accelerate exploration of breccia style targets with similar characteristics to Olympic Dam, Carrapateena, Prominent Hill and IOCG deposits elsewhere. Under the terms of this agreement, Evolution can earn a 70% interest in the project after spending $4 million on exploration over four years and at which point, at its election, MMPL may contribute pro-rata and retain 30% of the project, otherwise Evolution may elect to earn an additional 10% interest in the project (total 80%) by spending a further $2 million over two years, after which a pro-rata period will operate.

Since the establishment of the joint venture, the exploration area has been increased to 8,321km^2 under exploration licence with a further 637km^2 subject to an exploration licence application. The interpretation of data from a recently completed gravity survey that focused on several iron-rich vein and breccia systems in the central part of the project indicates a low probability for a large subsurface ironstone occurrence in the survey area.

Further analysis of the gravity data and an integrated magnetic/gravity inversion model is currently being completed. This will be combined with results from a 1200 sample regional geochemical program to improve understanding of the geological setting of the veins and breccias and plan the next phase of IOCG targeting.

Adelaide Hills Project

(Terramin / Terramin Exploration Pty Ltd 100%)

The Adelaide Hills Project consists of twelve contiguous exploration tenements that cover 3,702km² stretching 120km between Victor Harbor and Kapunda. This project area is considered prospective for gold, copper, lead, zinc and rare earth elements. In addition to Bird-in-Hand Gold Project and the Kapunda Copper Project current active project areas include: Wild Horse, Wheal Barton and Cambrai.

Corporate

During the year, the Company raised $12 million in two separate share placements with new investors in February and October 2017. The funds raised by the placements have been used to complete the final steps towards a decision to mine by the Tala Hamza Zinc Project partners and the lodgement of the mining lease application, complete the work required for the lodgement of the mining lease application for the Bird-in-Hand Gold Project and for general working capital.

At the end of the reporting period, the Company and its major shareholder, the Asipac Group, have agreed to extend the $5 million Corporate Facility, $6 million Bird-in-Hand Facility and $3.25 million Stand-by Facility by 12 months. These facilities will mature on 31 October 2018.

During the reporting period, no existing options have been exercised. A total 1,750,000 options did expire and no new options have been issued.

Following the feedback received from some shareholders at the Company's AGM in May 2017, the Board resolved to pay owing and all future directors' fees in cash. In addition, the Board and the CEO have agreed to vary the CEO's remuneration by paying his full salary in cash thereby removing the share rights component of his remuneration. All outstanding share rights will convert to shares in accordance with the terms of the Terramin Employee Share Right Plan. A total of 261,213 Share Rights have been issued to the Chief Executive Officer (CEO) as part of his remuneration during the reporting period.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

SUBSEQUENT EVENTS

The Company has restructured its Board and senior management roles to ensure appropriate focus on the critical government permitting phase of the Tala Hamza Project in Algeria. Mr Bruce Sheng has assumed the role of Executive Chairman taking a greater role in the permitting phase to develop the project. In addition, Mr Xinyu Wang, a Vice President of NFC (China Nonferrous Metal Industry's Foreign Engineering and Construction Co Ltd), has moved to an Executive Director role. Along with current Board member, Mr Kevin McGuinness, Mr Sheng and Mr Wang have formed a dedicated committee of the Board to work with senior management focused on finalising project approvals from the various Algerian regulatory, and the grant of the formal mining lease.

Mr Martin Janes has transitioned from the role of CEO to an executive corporate role. He has overall management responsibility for Terramin's corporate and finance functions as well as the Australian projects and exploration activities including the key Bird-in-Hand Gold Project.

FUTURE DEVELOPMENTS

The Group will continue to work with its Algerian partners to reach a decision to mine, obtain the regulatory approvals and proceed with the development of the Tala Hamza Zinc Project. The Group also intends to continue to progress the Bird-in-Hand Gold Project through to the permitting of the project. The Group intends to continue to undertake appropriate exploration and evaluation expenditure, thereby enabling it to maintain good title to all its prospective mineral properties until decisions can be made to successfully develop and exploit, sell or abandon such properties. New projects will continue to be sought and evaluated.

ENVIRONMENTAL MANAGEMENT

The Group (in particular the Company's Angas Zinc Mine) is subject to significant environmental regulation under both Commonwealth and South Australian legislation in relation to its exploration, development and mining activities. Exploration licences and mining leases are issued subject to various obligations as to environmental monitoring and rehabilitation, and ongoing compliance with all relevant legislative obligations. The Group's Directors, employees and consultants are committed to achieving a high standard of environmental performance, which is monitored by the Audit, Risk and Compliance Committee.

Environmental monitoring at Angas is continuing whilst in the care and maintenance phase. Terramin remains compliant with the terms of the Angas Mining Lease.

To the best of the Directors' knowledge there have been no material breaches or other material instances of non-compliance, nor any recorded known areas of outstanding non-compliance, with any applicable environmental legislation or other regulations.

COMPETENT PERSON STATEMENT

The information in this report that relates to Exploration Results and Mineral Resources is based on information compiled and reviewed by Mr Eric Whittaker. The information that relates to Ore Reserves is based on information reviewed by Mr Joe Ranford. Mr Whittaker and Mr Ranford are Members of the Australasian Institute of Mining and Metallurgy (AusIMM). Mr Whittaker is the Principal Resource Geologist and Mr Ranford is Chief Technical Officer and Operations Manager and both are full time employees of Terramin Australia Limited. Both have sufficient experience that is relevant to the style of mineralisation and type of deposits under consideration and to the activity being undertaken to qualify as a Competent Person as defined by the relevant 2004 or 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Whittaker and Mr Ranford consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.

CORPORATE GOVERNANCE

The Board has adopted the ASX Corporate Governance Council's "Corporate Governance Principles and Recommendations – 3rd Edition" (ASX Recommendations). The Board regularly monitors and reviews its existing and required policies, charters and procedures with a view to ensuring its compliance with the ASX Recommendations to the extent deemed appropriate for the size of the Company and its development status.

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

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

- Audit, Risk and Compliance Committee; and
- Nominations and Remuneration Committee

SHARE CAPITAL

(a) Ordinary Shares

As at 31 December 2017, there were 1,869,177,543 fully paid ordinary shares in the capital of the Company on issue.

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

1,750,000 unlisted options over fully paid ordinary shares in the capital of the Company on issue.

Expiry Date	Exercise Price $	Number of Options on Issue
19-Dec-18	0.135	1,750,000
TOTAL		**1,750,000**

No person entitled to exercise an option had or has any right by virtue of the option to participate in any share issue of the Company or any other body corporate.

(c) Unlisted options exercised/cancelled during the year

There were no unlisted options over fully paid ordinary shares in the capital of the Company exercised during the period. During the year 1,750,000 options lapsed and were cancelled.

(d) Unlisted options exercised/cancelled since 31 December 2017

No unlisted options over fully paid shares in the Company have been exercised or cancelled since 31 December 2017.

(e) Share rights issued/converted during the year

There were 261,213 share rights issued during the year. A total of 561,508 share rights issued in 2016 converted into shares during the Reporting Period.

(f) Share rights issued/converted since 31 December 2017

No new Share Rights have been issued since 31 December 2017.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the Year Ended 31 December 2017

	Note	2017 $'000	2016 $'000
Consumables and other direct costs		**(702)**	(801)
Employee expenses		**(1,336)**	(1,122)
Depreciation and amortisation	9	**(44)**	(43)
Exploration and evaluation expensed (Oued Amizour Project)		**-**	(238)
Exploration and evaluation write-down		**-**	(498)
Mine rehabilitation liability - reassessment	13	**1,496**	(77)
Other expenses		**(983)**	(684)
Loss before net financing costs and income tax		**(1,569)**	(3,463)
Finance income	5	**4**	6
Finance costs	5	**(1,814)**	(1,402)
Net finance costs		**(1,810)**	(1,396)
Loss before income tax		**(3,379)**	(4,859)
Income tax benefit	17	**-**	1,116
Loss for the year		**(3,379)**	(3,743)
Attributable to:			
Owners of the Company		**(3,195)**	(3,587)
Non-controlling interest	16	**(184)**	(156)
Loss for the year		**(3,379)**	(3,743)
Other comprehensive (loss)/income Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations		**(1,717)**	(462)
Other comprehensive (loss)/income for the year, net of income tax (tax: nil)		**(1,717)**	(462)
Total comprehensive loss for the year attributable to equity holders of the Company		**(5,096)**	(4,205)
Attributable to:			
Owners of the Company		**(4,912)**	(4,049)
Non-controlling interest		**(184)**	(156)
Total comprehensive loss for the year		**(5,096)**	(4,205)

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

	Note	2017	2016
Basic earnings/(loss) per share - (cents per share)	26(a)	**(0.17)**	(0.20)
Diluted earnings/(loss) per share - (cents per share)	26(b)	**(0.17)**	(0.20)

The Consolidated Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

for the Year Ended 31 December 2017

	Note	2017 $'000	2016 $'000
Assets			
Cash and cash equivalents	*6*	**2,698**	**1,037**
Trade and other receivables	*8*	**68**	**106**
Other assets		**77**	**75**
Total current assets		**2,843**	**1,218**
Non-current assets			
Inventories	*7*	**632**	**661**
Property, plant and equipment	*9*	**8,497**	**8,531**
Exploration and evaluation	*10*	**59,627**	**56,278**
Total non-current assets		**68,756**	**65,470**
TOTAL ASSETS		**71,599**	**66,688**
Liabilities			
Current liabilities			
Trade and other payables	*11*	**1,737**	**3,529**
Short term borrowings	*12*	**13,260**	**11,457**
Provisions	*13*	**323**	**314**
Total current liabilities		**15,320**	**15,300**
Non-current liabilities			
Long term borrowings	*12*	**11**	**9**
Provisions	*13*	**4,548**	**5,849**
Total non-current liabilities		**4,559**	**5,858**
TOTAL LIABILITIES		**19,879**	**21,158**
NET ASSETS		**51,720**	**45,530**
Equity			
Share capital	*14*	**215,318**	**204,054**
Reserves	*15*	**(7,442)**	**3,199**
Accumulated losses		**(170,108)**	**(175,859)**
Total equity attributable to equity holders of the Company		**37,768**	**31,394**
Non-controlling interest	*16*	**13,952**	**14,136**
TOTAL EQUITY		**51,720**	**45,530**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the Year Ended 31 December 2017

2017	Share capital $'000	Share based payments reserve $'000	Translation reserve $'000	Accumulated losses $'000	**Total $'000**	Non-controlling interest $'000 *(note 16)*	**Total equity $'000**
Balance at 1 January 2017	**204,054**	**9,014**	**(5,815)**	**(175,859)**	**31,394**	**14,136**	**45,530**
Loss for the year	-	-	-	(3,195)	**(3,195)**	(184)	**(3,379)**
Other comprehensive income							
Foreign currency translation differences	-	-	(1,717)	-	**(1,717)**	-	**(1,717)**
Total other comprehensive income	-	-	(1,717)	-	**(1,717)**	-	**(1,717)**
Total comprehensive income for the year	-	-	(1,717)	(3,195)	**(4,912)**	(184)	**(5,096)**
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Issue of ordinary shares *(note 24(e))*	12,000	-	-	-	**12,000**	-	**12,000**
Share issue costs	(802)	-	-	-	**(802)**	-	**(802)**
Share rights issued *(note 24(f))*	-	88	-	-	**88**	-	**88**
Share rights converted into ordinary shares	66	(66)	-	-	**-**	-	**-**
Transfer lapsed options to retained earnings	-	(8,946)	-	8,946	**-**	-	**-**
Total contributions by and distributions to owners	11,264	(8,924)	-	8,946	**11,286**	-	**11,286**
Balance at 31 December 2017	**215,318**	**90**	**(7,532)**	**(170,108)**	**37,768**	**13,952**	**51,720**

2016	Share capital $'000	Share based payments reserve $'000	Translation reserve $'000	Accumulated losses $'000	**Total $'000**	Non-controlling interest $'000 *(note 16)*	**Total equity $'000**
Balance at 1 January 2016	**203,913**	**8,970**	**(5,353)**	**(172,272)**	**35,258**	**14,292**	**49,550**
Loss for the year	-	-	-	(3,587)	**(3,587)**	(156)	**(3,743)**
Other comprehensive income							
Foreign currency translation differences	-	-	(462)	-	**(462)**	-	**(462)**
Total other comprehensive income	-	-	(462)	-	**(462)**	-	**(462)**
Total comprehensive income for the year	-	-	(462)	(3,587)	**(4,049)**	(156)	**(4,205)**
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Issue of ordinary shares *(note 24(e))*	141	-	-	-	**141**	-	**141**
Share rights issued *(note 24(f))*	-	44	-	-	**44**	-	**44**
Total contributions by and distributions to owners	141	44	-	-	**185**	-	**185**
Balance at 31 December 2016	**204,054**	**9,014**	**(5,815)**	**(175,859)**	**31,394**	**14,136**	**45,530**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

for the Year Ended 31 December 2017

	Note	2017 $'000	2016 $'000
Cash from operating activities:			
Payments to suppliers and employees		**(4,456)**	**(1,933)**
Financing costs and interest paid		**(1,445)**	**(369)**
Interest received		**4**	**6**
Research and development tax concession received		**-**	**1,116**
Total cash (used in) operating activities	*18*	**(5,897)**	**(1,180)**
Cash flows from investing activities:			
Payments for property, plant and equipment		**(14)**	**(22)**
Exploration and evaluation expenditure		**(4,886)**	**(3,712)**
Net cash (used in) investing activities		**(4,900)**	**(3,734)**
Cash flows from financing activities:			
Proceeds from the issue of share capital		**12,000**	**-**
Payment of transaction costs on equity		**(802)**	**-**
Proceeds from borrowings		**4,367**	**3,555**
Repayment of borrowings		**(3,135)**	**(205)**
Net cash from financing activities		**12,430**	**3,350**
Other activities:			
Net (decrease)/increase in cash and cash equivalents		**1,633**	**(1,564)**
Net foreign exchange differences		**28**	**-**
Cash and cash equivalents at beginning of the year		**1,037**	**2,601**
Cash and cash equivalents at end of the year	*6*	**2,698**	**1,037**

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

1. REPORTING ENTITY

The consolidated financial statements cover the consolidated entity of Terramin Australia Limited and its controlled entities (the Group). Terramin Australia Limited is a listed public company, incorporated and domiciled in Adelaide, Australia. The Group is primarily involved in the development of, and exploration for, precious and base metals (in particular gold, zinc and lead) and other economic mineral deposits.

2. BASIS OF PREPARATION

(a) Statement of Compliance

The consolidated financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards (including Australian interpretations) issued by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial statements comply with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board (IASB). Terramin Australia Limited is a for-profit entity for the purpose of preparing the financial statements.

Terramin Australia Limited is a public company incorporated and domiciled in Australia. The address of its registered office is Unit 7, 202-208 Glen Osmond Road, Fullarton, SA, 5063.

(b) Basis of Measurement

The financial statements are presented in Australian dollars (AUD), have been prepared on an accruals basis and are based on historical costs, except for the provision for mine rehabilitation measured at the present value of future cash flows.

The Group is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with the Instrument, amounts in the financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

(c) Going Concern

The financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

During 2017, the Group incurred a loss of $3.2 million, and after transfering lapsed options from the share based payments reserved, this brought accumulated losses to $170.1 million. As at 31 December 2017 the Group's current liabilities exceeded its current assets by $12.5 million. The Group had net assets of $51.7 million.

The financial report has been prepared on a going concern basis on the expectation that the Group can raise additional debt or equity as required. The Directors are aware that additional debt or equity will be required within 12 months, in order to continue as a going concern. The Group's ability to raise equity will rely on investor confidence in the development or sale of the Bird-in-Hand Gold Project or investment in the Tala Hamza Zinc Project or other assets.

The Directors note that the matters outlined above indicate material uncertainty, which may cast significant doubt on the ability of the Group to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business. At the date of this report, the Directors believe that the Group as adequate resources to continue to explore, evaluate and develop the Group's areas of interest and will ensure the Company has sufficient funds to meet its obligations. Subject to market conditions the Directors believe there are reasonable grounds to conclude that the Company will be able to raise funds by way of equity to fund anticipated activities and meet financial obligations. For the reasons outlined above the Board has prepared the Preliminary Financial Report on a going concern basis.

(d) Use of Estimates and Judgements

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

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

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

- *Note 3(i) - Exploration and Evaluation Expenditure: recoverable amount and ore reserve estimates.*
- *Note 3(k) - Provisions: estimated cost of rehabilitation, decommissioning and restoration.*
- *Note 3(l) - Share Based Entitlements and Payments: assumptions are required to be made in respect to measuring share price volatility, dividend yield, future option holding period and other inputs to the Black-Scholes option pricing model fair value calculations.*
- *Note 3(r) - Recognition of tax losses: assessment of the point in time at which it is deemed probable that future taxable income will be derived.*

(e) New and Amended Standards Adopted by the Group

I. Changes in accounting policies

The accounting policies adopted in the preparation of this Annual Report are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017.

2. BASIS OF PREPARATION *(continued)*

II. *Accounting Standards and Interpretations issued but not yet effective*

Australian Accounting Standards and Interpretations that have recently been issued or amended that potentially impact the Group but are not yet effective and have not been adopted by the Group for the annual reporting period ended 31 December 2017 are outlined below:

AASB 9 Financial Instruments

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities and includes a forward-looking 'expected loss' impairment model and a substantially-changed approach to hedge accounting.

These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are:

a. Financial assets that are debt instruments will be classified based on: (i) the objective of the entity's business model for managing the financial assets; and (ii) the characteristics of the contractual cash flows.

b. Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.

c. Introduces a 'fair value through other comprehensive income' measurement category for particular simple debt instruments.

d. Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.

e. Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:

- the change attributable to changes in credit risk are presented in Other Comprehensive Income ('OCI')
- the remaining change is presented in profit or loss If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.

Otherwise, the following requirements have generally been carried forward unchanged from AASB 139 into AASB 9:

- classification and measurement of financial liabilities; and
- derecognition requirements for financial assets and liabilities.

AASB 9 requirements regarding hedge accounting represent a substantial overhaul of hedge accounting that enable entities to better reflect their risk management activities in the financial statements.

Furthermore, AASB 9 introduces a new impairment model based on expected credit losses. This model makes use of more forward-looking information and applies to all financial instruments that are subject to impairment accounting.

Based on the entity's assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 31 December 2018.

AASB 15 Revenue from Contracts with Customers

Replaces AASB 118 Revenue, AASB 111 Construction Contracts and some revenue-related Interpretations:

- establishes a new revenue recognition model
- changes the basis for deciding whether revenue is to be recognised over time or at a point in time
- provides new and more detailed guidance on specific topics (e.g. multiple element arrangements, variable pricing, rights of return, warranties and licensing)
- expands and improves disclosures about revenue

Based on the entity's assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 31 December 2018.

AASB 16 – Leases

AASB 16 will replace IAS 17 Leases for financial reporting periods beginning on or after 1 January 2019. Early adoption is permitted for companies that also apply AASB 15 Revenue from Contracts with Customers.

The key features of the new standard are:

- elimination of classification of leases as either operating leases or finance leases for a lessee
- the recognition of lease assets and liabilities on the balance sheet, initially measured at present value of unavoidable future lease payments
- recognise depreciation of lease assets and interest on lease liabilities on the statement of profit or loss and other comprehensive income over the lease term
- separation of the total amount of cash paid into a principal portion and interest in the statement of cashflows

2. BASIS OF PREPARATION *(continued)*

- short-term leases (less than twelve months) and leases of low-value assets (such as personal computers) are exempt from the requirements

The Group does not currently have significant operating leases, therefore no material impact on the financial statements is expected.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Consolidation

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries as of 31 December 2017. The Parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 31 December.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a Group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

(b) Cash and Cash Equivalents

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

(c) Inventories

Non-current inventories represent inventories of spare parts and consumables which are not expected to be used within 12 months.

(d) Trade and Other Receivables

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

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

(e) Property, Plant and Equipment

Property

Freehold land is measured at cost and buildings are measured at amortised cost.

Plant and equipment

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

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

Class of Asset	Depreciation rates
Motor vehicles	22.5 - 25%
Computer and office equipment	15 - 40%
Plant and equipment	5 - 33%
Leasehold improvements	20%
Buildings and other infrastructure	5 - 33%

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

(f) Impairment of Assets

Non-financial Assets

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

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit (CGU) to which the asset belongs. A CGU is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups.

Impairment losses recognised in respect of CGU's are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial Assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

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

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

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

Recoverable Amount

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

(g) Ore Reserves

Economically recoverable ore reserves represent the estimated quantity of product in an area of interest that can be expected to be profitably extracted, processed and sold under current and foreseeable economic conditions. The determination of ore reserves includes estimates and assumptions about a range of geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, transport costs, commodity demand, commodity prices and exchange rates. Changes in a project's ore reserve impacts the assessment of recoverability of exploration and evaluation assets, property, plant and equipment and intangible assets, the carrying amounts of assets depreciated on a units of production basis, provisions for site restoration and the recognition of deferred tax assets, including tax losses.

(h) Investments in Associates and Joint Arrangements

Associates are those entities over which the Group is able to exert significant influence but which are not subsidiaries.

A joint venture is an arrangement that the Group controls jointly with one or more other investors, and over which the Group has rights to a share of the arrangement's net assets rather than direct rights to underlying assets and obligations for underlying liabilities. A joint arrangement in which the Group has direct rights to underlying assets and obligations for underlying liabilities is classified as a joint operation.

Investments in associates and joint ventures are accounted for using the equity method. Interests in joint operations are accounted for by recognising the Group's assets (including its share of any assets held jointly), its liabilities (including its share of any liabilities incurred jointly), its revenue from the sale of its share of the output arising from the joint operation, its share of the revenue from the sale of the output by the joint operation and its expenses (including its share of any expenses incurred jointly).

Any goodwill or fair value adjustment attributable to the Group's share in the associate or joint venture is not recognised separately and is included in the amount recognised as investment.

The carrying amount of the investment in associates and joint ventures is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate and joint venture, adjusted where necessary to ensure consistency with the accounting policies of the Group.

Unrealised gains and losses on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

(i) Exploration and Evaluation Expenditure

Exploration and evaluation costs, including the costs of acquiring licenses, are capitalised as exploration and evaluation assets (E&E assets) on an area of interest basis pending determination of the technical feasibility and commercial viability of the project. When a licence expires and is not expected to be renewed, is relinquished or a project is abandoned, the related costs are recognised in the profit or loss immediately. With respect to the Tala Hamza Zinc Project, all exploration and evaluation costs incurred up to February 2016 (at which time the exploration licence was renewed) were

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

expensed. Following the exploration licence renewal, the Company resumed capitalising the value E&E costs.

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

E&E assets are assessed for impairment if (1) sufficient data exists to determine technical feasibility and commercial viability, and (2) facts and circumstances suggest that the carrying amount exceeds the recoverable amount (see impairment note 3(f)). E&E assets are assessed for impairment when any of the following facts and circumstances exist:

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

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

Pre-licence expenditure and expenditure deemed to be unsuccessful is recognised in the profit or loss immediately.

(j) Trade and Other Payables

Trade payables and other payables are stated at cost.

(k) Provisions

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

Site restoration liability

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

(l) Employee Benefits

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

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

Share Based Payments

The Group uses share options to provide incentives to Directors, employees and consultants. During 2017, no options were issued to KMPs of the Group under the Terramin Australia Limited Employee Option Plan. The Board, upon the recommendation of the Nominations and Remuneration Committee, has discretion to determine the number of options to be offered to Eligible Employees (as that term is defined by the EOP) and the terms upon which they are offered, including exercise price and vesting conditions. The fair value of options at grant date is independently determined using an option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option. Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future trends, which may not eventuate. The life of the options is based on the historical exercise patterns, which may not eventuate in the future.

The fair value of options granted is recognised as an expense with a corresponding increase in equity. The

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

fair value is measured at grant date and recognised as an expense over the period during which the Directors, employees or consultants become unconditionally entitled to the options (vesting period).

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

The Group used share rights to partly remunerate its CEO for the first half of 2017. Share rights were valued at grant date and are expensed to reflect amounts owing. Upon issue of the share rights an increase in equity is recognised.

(m) Leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases (refer notes 12 and 27(d)). Finance leases are capitalised at lease inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included as loans and borrowings. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the statement of profit or loss and other comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the lesser of the asset's useful life and the lease term.

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

An onerous lease contract arises when the unavoidable costs exceed the benefits expected to be generated by the contract. Where onerous leases are identified a provision for the present value of future payments is recognised.

(n) Loans and Borrowings

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

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

The fair value of the liability portion of a convertible note is determined using a market interest rate for an equivalent non-convertible note. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the notes. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity when the conversion option meets the equity definition at inception.

(o) Financing Costs

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

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

(p) Foreign Currency Transactions and Balances

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

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

(q) Share Capital

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

(r) Income Tax

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

Changes in these estimates and assumptions could impact on the amount and probability of estimated taxable profits and accordingly the recoverability of deferred tax assets.

The Company and its Australian subsidiaries are part of an income tax consolidated group under the Australian Tax Consolidation Regime.

(s) Goods and Services Tax (GST)

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

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

(t) Earnings Per Share

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

(u) Segments

The consolidated entity has identified its operating segments to be its Australian interests and its Northern African interests, based on the different geographical regions and the similarity of assets within those regions. This is the basis on which internal reports are provided to management for assessing performance and determining the allocation of resources within the consolidated entity.

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

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

(v) Financial Risk Management

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

Credit Risk

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

Liquidity Risk

The risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages this exposure by targeting to have sufficient cash financing facilities available on demand to meet planned expenditure for a minimum period of 45 days (refer note 12 for detail on available financing facilities).

Market Risk

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

The Group's financial risks are managed primarily by the Chief Executive Officer, including external consultation advice as required, as a part of the day-to-day management of the Group's affairs.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Capital Management

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

(x) Research and Development Tax Incentive

To the extent that research and development costs are eligible activities, under the "Research and Development Tax Incentive" programme, a refundable tax offset is available for companies with annual turnover of less than $20 million. The Group recognises, where it is possible to reliably estimate, refundable tax offsets in the financial year as an income tax benefit in profit or loss, resulting from the monetisation of available tax losses that otherwise would have been carried forward.

4. AUDITOR'S REMUNERATION

	2017 $	2016 $
Grant Thornton Audit Pty Ltd		
Audit and review of financial reports	**73,118**	68,000
Non-audit services[1]	**-**	1,500
	73,118	69,500

1. In 2016 there were investigative works performed regarding the timing of Algerian VAT recoverability, provided by a related practice of the auditor.

5. FINANCE INCOME AND COSTS

	2017 $'000	2016 $'000
Finance income		
Interest income	**4**	6
	4	6
Finance costs		
Interest on borrowings	**1,140**	660
Unwinding of discount on mine rehabilitation provision	**162**	149
Amortization of borrowing costs	**198**	225
Other borrowing costs	**313**	368
Foreign exchange losses	**1**	-
	1,814	1,402

6. CASH AND CASH EQUIVALENTS

	2017 $'000	2016 $'000
Cash on hand	**3**	2
Bank balances	**2,672**	1,012
Short-term deposits[1]	**23**	23
	2,698	1,037

1. *Represents restricted cash to support a bond and minor credit card facilities.*

7. INVENTORIES

	2017 $'000	2016 $'000
Non-current		
Raw materials and consumables	**632**	**661**
Total inventories at the lower of cost and net realisable value	**632**	**661**

8. TRADE AND OTHER RECEIVABLES

	2017 $'000	2016 $'000
Other receivables	**68**	106
	68	106

At 31 December 2017, there are no receivables which are past their trading terms.

9. PROPERTY PLANT AND EQUIPMENT

	2017 $'000	2016 $'000
Freehold land		
At cost	**4,271**	4,271
Total freehold land[1]	**4,271**	4,271
Buildings and other infrastructure		
At cost	**126**	126
Less accumulated depreciation	**(120)**	(117)
Total buildings and other infrastructure[1]	**6**	9
Plant and Equipment		
At cost	**59,029**	59,148
Less accumulated impairment	**(14,219)**	(14,219)
Less accumulated depreciation	**(40,590)**	(40,678)
Total plant and equipment[1]	**4,220**	4,251
Total property plant and equipment	**8,497**	8,531

1. The Directors have considered the recoverable amount of property, plant and equipment based on available market information and have taken into account the expected future use of these assets as the Company moves towards approval of a mining licence for the Bird-in-Hand Gold Project.

9. PROPERTY PLANT AND EQUIPMENT *(continued)*

Movements in carrying amounts

	Freehold land $'000	Buildings and other infrastructure $'000	Plant and equipment $'000	Construction in progress $'000	Total $'000
Opening carrying amount 1 Jan 2017	4,271	9	4,251	-	8,531
Additions	-	-	-	14	14
Disposals	-	-	-	-	-
Transfers	-	-	14	(14)	-
Depreciation and amortisation	-	(3)	(41)	-	(44)
Foreign currency movement	-	-	(4)	-	(4)
Carrying amount at 31 Dec 2017	**4,271**	**6**	**4,220**	**-**	**8,497**

	Freehold land $'000	Buildings and other infrastructure $'000	Plant and equipment $'000	Construction in progress $'000	Total $'000
Opening carrying amount 1 Jan 2016	4,271	9	4,277	-	8,557
Additions	-	-	-	22	22
Disposals	-	-	-	-	-
Transfers	-	-	22	(22)	-
Depreciation and amortisation	-	-	(43)	-	(43)
Foreign currency movement	-	-	(5)	-	(5)
Carrying amount at 31 Dec 2016	**4,271**	**9**	**4,251**	**-**	**8,531**

10. EXPLORATION AND EVALUATION ASSETS

	2017 $'000	2016 $'000
Exploration and evaluation		
Opening carrying amount	**56,278**	53,521
Additions	**4,956**	3,790
Exploration write-off[1]	**-**	(498)
Foreign currency movement	**(1,607)**	(535)
Total exploration and evaluation	**59,627**	56,278

1. Exploration expenditure written off in 2016 related to the Currency Creek and Langhorne Creek tenements.

	2017 $'000	2016 $'000
Exploration and evaluation assets by location		
Tala Hamza Zinc Project (Terramin 65%)	**42,734**	41,764
Adelaide Hills Project (Terramin 100%)[1]	**1,451**	1,284
Bird in Hand Gold Project (Terramin Exploration Pty Ltd 100%)	**9,964**	7,904
South Gawler Project (Menninnie Metals Pty Ltd 100%, farm-out joint venture)[2]	**5,478**	5,326
Total exploration and evaluation	**59,627**	56,278

1. The Company has entered into a JV agreement with respect to the Kapunda Project, over which the Company has a current Exploration Licence. Environment Copper Recovery Pty Ltd (ECR) can earn a 50% interest in the project after spending $2m on field trials and associated studies. ECR can earn an additional 25% interest in the project by spending a further $4m. Subject to the completion of the expenditure by ECR, the Company will retain a minimum 25% contributing interest as well as a 1.5% net smelter royalty in respect of all metals extracted from the joint venture area. ECR have agreed to spend a minimum of A$300,000 within the first year and each subsequent year of the joint arrangement.

The expenditure by ECR on the project is not reflected in the accounts of the Company, however will contribute to the minimum expenditure obligations under the terms of the Exploration License.

2. The Company has entered into a JV agreement with respect to the South Gawler Project. Under that agreement Evolution can earn a 70% interest in the project after spending $4m on exploration over a year period. At that point, Terramin may contribute pro-rata and retain 30% of the project, or Evolution may elect to ean an additional 10% interest by spending a further $2m over 2 years, after which a pro-rata period will apply.

The initial phase of the agreement, managed by the Company requires Evolution spend a minimum of $500,000 within the first year and may withdraw from the project at that stage. Until the earn in obligation is met, any contributions by Evolution and expenditure incurred on thejoint arrangement will not be taken up in the accounts of the Company. As at reporting date, a contribution of $500,000 has been received by the Company and is being spent in accordance with the JV agreement, this has not been reflected in the accounts of the Company.

11. TRADE AND OTHER PAYABLES

	2017 $'000	2016 $'000
Trade payables	**205**	1,404
Other payables and accrued expenses	**1,532**	2,125
	1,737	3,529

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

12. BORROWINGS

	2017 $'000	2016 $'000
Current		
Lease liabilities (note 27(d))[1]	**10**	6
Loans - secured[2]	**11,000**	10,801
Loans - unsecured[3]	**2,250**	650
	13,260	11,457
Non-current		
Lease liabilities (note 27(d))[1]	**11**	9
	11	9
Financing facilities		
Loan facilities - available	**14,250**	11,650
Loan facilities - undrawn	**(1,000)**	-
Loan facilities - drawn	**13,250**	11,650
Less: unamortised transaction costs	**-**	(199)
Carrying amount at 31 December	**13,250**	11,451
Guarantee facility - available[4]	**5,315**	5,315
Guarantee facility - undrawn	**-**	-
Guarantee facility - drawn	**5,315**	5,315

1. Lease liabilities are effectively secured as rights to the leased assets revert to the lessor in the event of default.
2. At reporting date, the Group had fully drawn down $11 million of two loan facilities provided by Asipac. Interest is payable half yearly on the facilities and is fixed at a base rate of 8%. Interest can be paid in cash or shares at the election of the Group. The facility has a term expiring 31 October 2018.
3. As at reporting date, the Group had fully drawn down $2.25 million of its unsecured short-term facility provided by Asipac to support working capital requirements. The facility has a term expiring 31 October 2018. Interest is fixed at a base rate of 8%, payable upon termination date.
4. A $5.3 million guarantee facility has been provided by Investec PLC in relation to rehabilitation bonds required by **DPC** over Mining Lease 6229.

The carrying value of plant and equipment and mining property subject to finance loans and hire purchase contracts at 31 December 2017 was $21,700 (2016: $12,100). Assets under hire purchase contracts are pledged as security for the related finance loans and hire purchase liabilities.

The Guarantee Facility provided by Investec and the $5.0 million loan facility provided by Asipac to the Company (**Corporate Facility**) are secured under the terms of a security trust deed for which Investec PLC acts as trustee (Security Trust Deed). The first ranking security interests created under the Security Trust Deed relates to all assets of the Company.

Under the terms of the $6.0 million loan facility provided to Terramin Exploration Pty Ltd (BIH Facility), the following first ranking securities have been granted to Asipac: a real property mortgage over land acquired at Bird-in-Hand, a general security interest over all the assets of Terramin Exploration Pty Ltd and a specific security over the shares of Terramin Exploration Pty Ltd. All security interests will be discharged upon repayment of all amounts due under the BIH Facility.

13. PROVISIONS

	2017 $'000	2016 $'000
Current		
Employee benefits	**323**	314
	323	314
Non-current:		
Employee benefits	**116**	83
Mine rehabilitation	**4,432**	5,766
	4,548	5,849

	Employee benefits $'000	Mine rehabili-tation $'000	Total $'000
At 1 January 2017	**397**	**5,766**	**6,163**
Increases in provisions	216	-	216
Revision of expected future costs	-	(1,691)	(1,691)
Change in assumptions	-	195	195
Unwind of discount	-	162	162
Paid during the period	(174)	-	(174)
At 31 December 2017	**439**	**4,432**	**4,871**

The mine rehabilitation provision is recognised for the estimated cost of rehabilitation, decommissioning, restoration and long term monitoring of areas disturbed during operation of the Angas Zinc Mine up to reporting date but not yet rehabilitated. The provision is based upon current cost estimates and has been determined on a discounted basis with reference to current legal requirements and technology. The provision has been calculated using a risk free discount rate of 2.57% (2016: 2.67%). The rehabilitation is expected to occur following the processing of ore from the Bird-in-Hand Gold Project (subject to regulatory approvals).

14. ISSUED CAPITAL

(a) Ordinary shares

	2017 $'000	2016 $'000
1,869,026,191 (2016: 1,795,996,987)		
Ordinary shares	**220,969**	208,903
Share issue costs	**(5,651)**	(4,849)
	215,318	204,054

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

14. ISSUED CAPITAL *(continued)*

(b) Detailed table of capital issued during the year

Type of Share Issue	Date of Issue	Number of Ordinary Shares on issue	Issue Price $	Share Capital $'000
Opening balance 1 January 2017		**1,795,996,987**		**204,054**
Share placement	02-Feb-17	25,000,000	0.16	4,000
Share rights converted	04-Apr-17	140,231	0.16	22
Share rights converted	03-Jul-17	190,332	0.12	22
Share Placement	27-Sep-17	37,500,001	0.17	6,300
Share rights converted	04-Oct-17	230,945	0.10	22
Share Placement	04-Oct-17	10,119,047	0.17	1,700
Closing balance 31 December 2017		**1,869,177,543**		**216,120**
Share issue costs				(802)
Issued Capital				**215,318**

Type of Share Issue	Date of Issue	Number of Ordinary Shares on issue	Issue Price $	Share Capital $'000
Opening balance 1 January 2016		**1,795,043,184**		**203,913**
Shares issued in lieu of directors fees	31/05/2016	81,699	0.12	10
Shares issued in lieu of directors fees	31/05/2016	231,054	0.13	29
Shares issued in lieu of directors fees	31/05/2016	219,511	0.16	34
Shares issued in lieu of directors fees	31/05/2016	212,190	0.16	34
Shares issued in lieu of directors fees	31/05/2016	209,349	0.16	34
Closing balance 31 December 2016		**1,795,996,987**		**204,054**
Share issue costs				-
Issued Capital				**204,054**

15. RESERVES

(a) Foreign currency translation reserve

	2017 $'000	2016 $'000
Balance at the beginning of the year	**(5,815)**	(5,353)
Adjustment arising on translation into presentation currency	**(1,717)**	(462)
Balance at the end of the year	**(7,532)**	(5,815)

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

(b) Share based payments reserve

	2017 $'000	2016 $'000
Balance at the beginning of the year	**9,014**	8,970
Transfer of lapsed options to retained earnings	**(8,946)**	-
Options issued during the year	**-**	-
Options exercised during the period	**-**	-
Share rights issued during the year	**88**	44
Share rights converted during the year	**(66)**	-
Balance at the end of the year	**90**	9,014
Total reserves	**(7,442)**	3,199

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

Under the terms of the remuneration package of the Group's Chief Executive Officer $87,500 was paid in share rights ($43,750 in relation to 2016 and $43,750 in relation to 2017) under a Terramin Employee Share Rights Plan. The share rights were issued quarterly and were priced at a 5% discount to the volume weighted average price of the shares traded in the last 5 days of the relevant quarter. The share rights convert to ordinary shares 12 months after the date of issue. During the year, 654,773 share rights were issued, 393,560 of which relate to the 2016 remuneration year and 261,213 to 2017. 561,508 share rights converted to ordinary shares during the period ($65,625).

16. NON-CONTROLLING INTEREST

	2017 $'000	2016 $'000
Balance at the beginning of the year	**14,136**	14,292
Share of movement in net assets	**(184)**	(156)
Balance at the end of the year	**13,952**	14,136

Movement in non-controlling interest in 2017 relates to the 35% minority interest (ENOF 32.5% and ORGM 2.5%) in exploration and evaluation costs for the Tala Hamza Zinc Project funded directly by the Group through its 65% shareholding in WMZ. During 2017, the Group funded approximately $3.1 million of exploration and evaluation costs in WMZ, of which ENOF and ORGM are entitled to $1.1 million (35%). The remainder of the movement is in relation to foreign exchange changes.

16. NON-CONTROLLING INTEREST
(continued)

35% of all assets contributed to WMZ by the Group effectively accrue to ENOF and ORGM for nil consideration (other than forming part of the Group's 65% earn-in) and has therefore been included in movement in net assets attributable to the non-controlling interest.

Refer to note 22 for further disclosures with respect to material non-controlling interests.

17. INCOME TAX EXPENSE

	2017 $'000	2016 $'000
Prima facie tax benefit on loss before income tax at 30% (2016: 30%)	**(1,014)**	(1,478)
Decrease in income tax benefit due to:		
(Deductible)/non-deductible items	**12**	10
Deferred tax asset not brought to account	**(1,002)**	(1,468)
Research and development tax concession received[1]	**-**	1,116
Unused tax losses for which no deferred tax asset has been recognised	**165,057**	157,049
Potential tax benefit	**49,517**	47,115
The applicable weighted average effective tax rates are as follows:	**30%**	30%

1. As at the date of this report, the Research and Development claim for the 2016/17 financial year is still in progress and insufficient works have been completed in order to provide a reliable estimate of the claim.

The Company is part of an Australian Tax Consolidated Group. The Australian Tax Consolidated Group has potential deferred tax assets of $45.5 million (2016: $44.5 million). These have not been brought to account because the Directors do not consider the realisation of the deferred tax asset as probable. The benefit of these tax losses will be obtained if:

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

In order to utilise the benefit of the tax losses, an assessment will need to be undertaken with regards to the continuity of ownership or same business tests, other potential effects prevailing tax legislation.

18. CASH FLOW INFORMATION

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

	2017 $'000	2016 $'000
Loss for the period	**(3,379)**	(3,743)
Adjustment for:		
Depreciation and amortisation	**44**	43
Non-cash inventory movements	**38**	3
Share-based payment transactions (other)	**88**	185
Realised foreign exchange (gain)/loss	**1**	-
Amortisation of borrowing costs	**198**	225
Mine rehabilitation provision - change in assumptions	**356**	226
Mine rehabilitation provision - revision of expected future costs	**(1,691)**	-
Expenditure capitalised to exploration	**-**	498
Other	**10**	-
Change in operating assets and liabilities:As		
Decrease/(increase) in trade and other receivables	**30**	(103)
Decrease/(increase) in inventory	**28**	-
Decrease/(increase) in prepayments	**(4)**	-
(Decrease)/increase in trade payables and accruals	**(1,658)**	1,417
(Decrease)/increase in provisions	**42**	69
Cashflow (used in) operating activities	**(5,897)**	(1,180)

19. RELATED PARTIES

(a) Key management personnel compensation

Summary of Key Management Personnel (KMP) compensation:

	2017 $	2016 $
Short-term employee benefits	**1,069,977**	977,477
Post-employment benefits	**77,898**	77,898
Termination benefits	**-**	-
Share-based payments	**87,500**	87,500
	1,230,375	1,142,875

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

(b) Other transactions with related parties

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year.

19. RELATED PARTIES *(continued)*

Entities with significant influence over the Group

At 31 December 2017, Asipac owned 34.54% of the ordinary shares in Terramin (2016: 34.55%) and is controlled by Mr Sheng who is the Executive Chairman of the Company. Mr Siciliano is the Chief Financial Officer of Asipac. Asipac has had the following transactions in the year:

	Asipac Group	
	2017 $'000	2016 $'000
Borrowings as at 1 January	**11,650**	8,300
Loans advanced during the year	**2,600**	3,350
Loan repayments in the year	**(1,000)**	-
Borrowings as at 31 December	**13,250**	11,650
Fees in relation to equity raising	**264**	-
Loan facility fees paid	**484**	40
Interest paid/payable	**493**	1,105
Amounts owed at year end	**-**	2,051

Terms and conditions of transactions with related parties

The transactions with related parties are made on terms equivalent to those that prevail in arm's length transactions.

On 6 November 2015, the Terramin Exploration Pty Ltd entered into a Marketing Agreement with Asipac Capital Pty Ltd, a related party of Asipac. The marketing Agreement appoints Asipac Capital as its marketing agent for the sale of gold products in Asian markets and China in particular.

Other related party of the Group

As at the date of this report, Asipac Group owns 50% of the shares in BMY Group Pty Ltd and Mr Bruce Sheng, the Executive Chairman of the Company is also is a director of BMY Group Pty Ltd. The Company entered into the following transactions with BMY Group Pty Ltd in 2017:

	BMY Group	
	2017 $'000	2016 $'000
Fees in relation to equity raisings	**528**	-

There are no other related party transactions.

20. FINANCIAL INSTRUMENTS

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

	Note	**2017 $'000**	2016 $'000
Current			
Cash and cash equivalents	6	**2,698**	1,037
Trade and other receivables	8	**68**	106
Trade and other payables	11	**(1,737)**	(3,529)
Financial liabilities at amortised cost	12	**(13,271)**	(11,466)
		(12,242)	(13,852)

Fair value

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

21. FINANCIAL RISK MANAGEMENT

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

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

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

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

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

1. Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: commodity price risk, interest rate risk and currency risk. Financial instruments affected by market risk include loans and borrowings, deposits, accounts receivable, accounts payable, accrued liabilities and derivative financial instruments. The Company currently has no commodity price risk.

21. FINANCIAL RISK MANAGEMENT
(continued)

(a) Currency risk

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

No amount was recognised in the statement of profit or loss and other comprehensive income during the current year (2016:$nil).

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

	31 December 2017		31 December 2016	
In AUD thousand equivalent	**USD**	**DZD**	USD	DZD
Cash at bank	**1**	**7**	1	9
Trade receivables	**-**	**12**	-	12
Trade payables	**-**	**(227)**	-	(178)
Gross exposure	**1**	**(208)**	1	(157)

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

	Currency	**2017**	2016
Year end rates used for the consolidated statement of financial position, to translate the following currencies into AUD, are:	USD	**0.78**	0.72
	DZD	**89.35**	78.36

Sensitivity Analysis

Sensitivity to fluctuations in foreign currency rates is based on outstanding monetary items at 31 December 2017 which are denominated in a foreign currency.

Holdings exposed to currency risk at the end of the period are minimal.

(b) Interest rate risk

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

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

2017	Effective interest rate	Total $'000	Floating interest rate $'000	Fixed interest rate $'000
Cash[1]	0.76%	2,675	2,675	-
Short-term deposits[1]	2.08%	23	23	-
Finance lease liabilities	4.20%	(21)	-	(21)
Loans - secured	7.00%	(12,600)	-	(12,600)
NET FINANCIAL ASSETS/ (LIABILITIES)		**(9,923)**	**2,698**	**(12,621)**

2016	Effective interest rate	Total $'000	Floating interest rate $'000	Fixed interest rate $'000
Cash[1]	1.98%	1,014	1,014	-
Short-term deposits[1]	2.24%	23	23	-
Finance lease liabilities	11.70%	(13)	-	(13)
Loans - secured	7.00%	(11,650)	-	(11,650)
NET FINANCIAL ASSETS/ (LIABILITIES)		**(10,626)**	**1,037**	**(11,663)**

1. *Includes AUD and USD denominated balances.*

Sensitivity analysis

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

For the 2017 financial year, a 100 basis points increase in the effective interest rate would have resulted in an increase in losses of $nil (2016: $nil).

2. Credit risk

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

	Note	**2017 $'000**	2016 $'000
Trade and other receivables	*8*	**68**	106
Cash assets	*6*	**2,698**	1,037
		2,766	1,143

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

	2017 $'000	2016 $'000
Australia	**56**	94
Other	**12**	12
	68	106

21. FINANCIAL RISK MANAGEMENT *(continued)*

3. Liquidity risk

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

2017	Note	Carrying amount $'000	Contractual cash flows $'000	6 mths or less $'000	6-12 mths $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000
Non-derivative financial liabilities								
Trade and other payables	11	1,805	(1,805)	(1,805)	-	-	-	-
Loans - secured	12	11,000	(11,000)	-	(11,000)	-	-	-
Loans - unsecured	12	2,250	(2,250)	-	(2,250)	-	-	-
Finance lease liabilities	27(d)	17	(17)	(4)	(4)	(8)	(1)	-
		15,072	**(15,072)**	**(1,809)**	**(13,254)**	**(8)**	**(1)**	**-**

2016	Note	Carrying amount $'000	Contractual cash flows $'000	6 mths or less $'000	6-12 mths $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000
Non-derivative financial liabilities								
Trade and other payables	11	3,529	(3,529)	(3,529)	-	-	-	-
Loans - secured	12	10,801	(11,642)	(385)	(11,257)	-	-	-
Loans - unsecured	12	650	(688)	(23)	(665)	-	-	-
Finance lease liabilities	27(d)	13	(15)	(3)	(3)	(9)	-	-
		14,993	**(15,874)**	**(3,940)**	**(11,925)**	**(9)**	**-**	**-**

22. CONTROLLED ENTITIES

Name	Country of incorporation	Percentage **2017**	2016
Parent Entity			
Terramin Australia Limited	Australia		
Subsidiaries of parent entity			
Menninnie Metals Pty Ltd	Australia	**100%**	100%
Western Mediterranean Zinc Spa	Algeria	**65%**	65%
Terramin Spain S.L.	Spain	**100%**	100%
Terramin Exploration Pty Ltd	Australia	**100%**	100%

Subsidiary with material non-controlling interests

The Group includes one subsidiary, Western Mediterranean Zinc Spa, with material Non-Controlling Interests ('NCI'):

	Proportion of Ownership Interests & Voting Rights held by the NCI		Profit/(Loss) Allocated to NCI		Accumulated NCI	
Name	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16
Western Mediterranean Zinc Spa	**35%**	35%	**(184)**	(156)	**13,952**	14,136

Summarised financial information for Western Mediterranean Zinc Spa, before intragroup eliminations, is set out below:

	2017 $'000	2016 $'000
Current assets	**94**	117
Non-current assets	**42,739**	41,775
Total assets	**42,833**	41,892
Current liabilities	**227**	178
Non-current liabilities	**-**	-
Total liabilities	**227**	178

22. CONTROLLED ENTITIES *(continued)*

	2017 $'000	2016 $'000
Revenue	-	-
Loss for the year	(525)	(449)
Other comprehensive income for the year (all attributable to owners of the parent)	-	-
Total comprehensive loss for the year	(525)	(449)
Net cash (used in) operating activities	(1,128)	(449)
Net cash used in investing activities	-	(679)
Net cash from financing activities	1,229	1,102
Net cash inflow/(outflow)	101	(26)

23. SEGMENT REPORTING

For management purposes, the Group is organised into business units based on geography and has two reportable operating segments:

a. Australia – explores, develops and mines zinc, lead and gold deposits

b. Northern Africa – developing a zinc deposit

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

	Australia		Northern Africa		Consolidated	
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000	**2017 $'000**	2016 $'000
Revenue						
External customers	**-**	-	**-**	-	**-**	-
Total Revenue	**-**	-	**-**	-	**-**	-
Results						
Depreciation and amortisation	**(44)**	(43)	**-**	-	**(44)**	(43)
Exploration and evaluation expensed	**-**	-	**-**	(238)	**-**	(238)
Exploration and evaluation write-down	**-**	(498)	**-**	-	**-**	(498)
Interest income	**-**	6	**-**	-	**-**	6
Interest expense	**(408)**	(660)	**-**	-	**(408)**	(660)
(Loss) before income tax	**(3,372)**	(4,410)	**(525)**	(449)	**(3,897)**	(4,859)
Income tax expense	**-**	1,116	**-**	-	**-**	1,116
(Loss) for the year for the operating segment	**(3,372)**	(3,294)	**(525)**	(449)	**(3,897)**	(3,743)
(Loss) for the year attributable to non-controlling interest	**-**	-	**(184)**	(156)	**(184)**	(156)
(Loss) for the year attributable to equity holders of the Company	**(3,372)**	(3,294)	**(341)**	(293)	**(3,713)**	(3,587)
Total operating assets	**26,003**	24,796	**42,833**	41,892	**68,836**	66,688
Total operating liabilities	**20,294**	20,980	**227**	178	**20,521**	21,158
Other disclosures						
Capital expenditure[1]	**2,337**	2,500	**3,096**	814	**5,433**	3,314

1. *Capital expenditure consists of additions of property, plant and equipment, and exploration and evaluation assets.*

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

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

24. SHARE BASED ENTITLEMENTS AND PAYMENTS

The Group uses share options and share rights to provide incentives to Directors, employees and consultants. The Board, upon the recommendation of senior management, has discretion to determine the number of options to be offered to Eligible Employees (as that term is defined by the EOP) and the terms upon which they are offered, including exercise price and vesting conditions.

For the first half of the calendar year 2017, under the terms of the remuneration package of the Group's Chief Executive Officer, share rights under a Terramin Employee Share Rights Plan were issued. The share rights were issued quarterly and are priced at a 5% discount to the volume weighted average price of the shares traded in the last 5 days of the relevant quarter. The share rights convert to ordinary shares 12 months after the date of issue. During the period, the remuneration package of the Group's Chief Executive Officer was renegotiated and from 1 July 2017, the share rights component was replaced with an equivalent cash payment.

No options were issued to KMPs in 2017 (2016: Nil).

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

	Weighted average exercise price 2017	**Number of options 2017**	Weighted average exercise price 2016	Number of options 2016
Outstanding at 1 January	**$0.135**	**3,500,000**	$0.38	3,800,000
Granted during the period	**-**	**-**	-	-
Exercised during the period	**-**	**-**	-	-
Lapsed during the year	**$0.135**	**(1,750,000)**	$0.53	(300,000)
Outstanding at 31 December	**$0.135**	**1,750,000**	$0.135	3,500,000
Exercisable at 31 December	**$0.135**	**1,750,000**	$0.135	3,500,000

The options outstanding at 31 December 2017 have a weighted average contractual life of 0.97 years (2016: 1.46 years).

A balance of 1,750,000 options outstanding for the Group at 31 December 2017 were fully vested and exercisable. 1,750,000 options lapsed during the period.

(b) Options exercised during the year

During the year ended 31 December 2017 there were no options exercised (2016: Nil).

(c) Table of share options movement for the Group at 31 December 2017

Expiry Date	Number of options	Options expense this year $'000	Total option value $'000
Opening balance 1 January 2017	**3,500,000**	**-**	**-**
Lapsed during the period	(1,750,000)	-	-
Closing balance 31 December 2017	**1,750,000**	**-**	**-**

(d) Table of share options movement for the Group at 31 December 2016

Expiry Date	Number of options	Options expense this year $'000	Total option value $'000
Opening balance 1 January 2016	**3,800,000**	**-**	**-**
Lapsed during the period	(300,000)	-	-
Closing balance 31 December 2016	**3,500,000**	**-**	**-**

During the year, no options were issued to employees and Executives of the Group.

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

(e) Shares issued in lieu of cash payments

During the year, no shares were issued in lieu of cash payments.

Type of Share Issue 2016	Date of issue	Number of Ordinary Shares on issue	Issue Price $	Share Capital $'000
Shares issued in lieu of directors fees	31/05/2016	81,699	0.12	10
Shares issued in lieu of directors fees	31/05/2016	231,054	0.13	29
Shares issued in lieu of directors fees	31/05/2016	219,511	0.16	34
Shares issued in lieu of directors fees	31/05/2016	212,190	0.16	34
Shares issued in lieu of directors fees	31/05/2016	209,349	0.16	34
Total shares issued in lieu of cash payments		953,803		141

(f) Shares rights issued in lieu of cash payments

Type of Share Rights Issue 2017	Date of issue	Number of Share Rights issued	Issue Price $	Share Rights $'000
Share Rights issued in lieu of salary and wages	02/02/2017	230,945	0.09	22
Share Rights issued in lieu of salary and wages	02/02/2017	162,615	0.13	22
Share Rights issued in lieu of salary and wages	04/04/2017	137,882	0.16	22
Share Rights issued in lieu of salary and wages	03/07/2017	123,331	0.18	22
Total Share Rights issued in lieu of cash payments		654,773		88

561,508 share rights converted to ordinary shares issued during the year.

Type of Share Rights Issue 2016	Date of issue	Number of Share Rights issued	Issue Price $	Share Rights $'000
Share Rights issued in lieu of salary and wages	23/05/2016	140,231	0.16	22
Share Rights issued in lieu of salary and wages	02/08/2016	190,332	0.11	22
Total Share Rights issued in lieu of cash payments		330,563		44

25. EMPLOYEE OPTION PLAN

(a) Current Options

No options were exercised and 1,750,000 options lapsed in 2017.

(b) Employee Incentive Plan

Terramin has established an Employee Incentive Plan. Shares are allotted to employees under this Plan at the Board's discretion.

The following options are currently on issue:

	No. of Options on issue	Issue Price	Fair Value $'000
Balance as at 1 January 2017	3,500,000	0.135	-
Issued during the financial year	-	-	-
Balance as at 31 December 2017	**3,500,000**	**0.135**	**-**
Lapsed during the financial year	(1,750,000)	0.135	-
Balance as at 31 December 2017	**1,750,000**	**0.135**	**-**

The fair value of options issued is calculated using the Black-Scholes Option Pricing Model.

26. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share at 31 December 2017 was based on the net loss attributable to equity holders of the Company of $3.2 m (2016: $3.6m) and a weighted average number of ordinary shares outstanding during the year ended 31 December 2017 of 1,831,391,323 (2016: 1,795,602,400), calculated as follows:

	2017 $'000	2016 $'000
Net loss for the year attributable to the equity holders of the Company	**(3,195)**	(3,588)
Ordinary shares on issue	**1,869,177,543**	1,795,996,987
Weighted average number of ordinary shares	**1,831,391,323**	1,795,602,400
Basic earnings per share (cents)	**(0.17)**	(0.20)

(b) Diluted earnings per share

The calculation of diluted earnings per share does not include potential ordinary shares on issue as to do so would have the effect of reducing the amount of the loss per share.

	2017 $'000	2016 $'000
Diluted earnings per share (cents)	**(0.17)**	(0.20)

27. COMMITMENTS AND CONTINGENCIES

There are contractual commitments at the reporting date as follows:

(a) Operating lease

Non-cancellable operating leases contracted but not capitalised in the financial statements payable:

	2017 $'000	2016 $'000
Within 1 year	31	64
One to five years	22	3
Total	53	67

(b) Minimum expenditure on exploration tenements of which the Group has title

As at 31 December 2017, there were minimum exploration commitments on exploration tenements as follows: Bremer, Cambrai, Hartley, Kinchina, Tepko and Pfeiffer, Kapunda, Lobethal, Mount Barker, Mount Pleasant and Mount Torrens have amalgamated minimum expenditure of $3 million over the 2 year period ending 30 June 2018. Note that Currency Creek and Langhorne Creek tenements were surrendered in early 2017. The minimum exploration commitments for Menninnie Dam, Nonning, Kolendo, Taringa and Wipipippee are currently under review. Mount Ive, Mount Ive South, Mulleroo, Tanner, Thurlga and Unalla have a requirement of $100,000, $180,000, $100,000, $210,000, $300,000 and $90,000 over two years respectively.

Under the terms of the joint venture agreement for the South Gawler Project and the Kapunda Project, all amounts spent, whilst not reflected in the accounts of the Group, contribute towards the minimum expenditure requirements of the relevant exploration licences.

(c) Capital expenditure commitments

	2017 $'000	2016 $'000
Within 1 year	25	-
Total	25	-

(d) Finance leases

	2017 $'000	2016 $'000
Within 1 year	10	6
Longer than 1 year and not longer than 5 years	11	9
Minimum lease payments	21	15
Less: future finance charges	4	2
Total lease liabilities	17	13
Representing		
Current	7	4
Non-current	10	9
	17	13

The interest rate implicit in the lease is 14.2%.

(e) Other commitments

Tala Hamza Zinc Project

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

Bird-in-Hand acquisition

Terramin Exploration Pty Ltd agreed to purchase the Bird-in-Hand Gold Project from Maximus Resources Limited. Pursuant to a tenement sale and purchase agreement two further payments of $1 million each may become payable following approval of the Programme for Environmental Protection and Rehabilitation in respect of the Bird-in- Hand deposit and following the first shipment of mined gold respectively. A net smelter royalty will also become payable following the first shipment of mined gold.

Consultancy fee

Under the Technical Cooperation Agreement entered into with NFC up to an additional 8 million ordinary shares will be issued upon the Board of WMZ taking a decision to mine.

Finder's Fee

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

Bank Guarantees – Angas Zinc Mine

As at 31 December 2017, the Company had lodged bank guarantees having a face value of $5.3 million with the **DPC**.

Litigation

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

28. EVENTS AFTER THE REPORTING DATE

In the Directors' opinion, there we no events or circumstances arising following the end of the financial year that have significantly affected or may significantly affect the operations of the Company or the Group, the results of those operations or the state of affairs of the Group in future years that have not been otherwise disclosed in this report.

29. PARENT ENTITY DISCLOSURES

As at, and throughout, the financial year ending 31 December 2017 the parent Company of the Group was Terramin Australia Limited.

	2017 $'000	2016 $'000
Result of the parent entity		
Loss for the period	**(3,848)**	(4,199)
Other comprehensive income	**-**	-
Total comprehensive income for the period	**(3,848)**	(4,199)
Financial position of parent entity		
Current assets	**2,760**	1,134
Total assets	**64,746**	59,652
Current liabilities	**8,468**	8,347
Total liabilities	**13,026**	14,120
Total equity of the parent entity comprising of:		
Share capital	**215,318**	204,054
Reserves	**90**	9,014
Accumulated losses	**(163,688)**	(167,536)
Total equity	**51,720**	45,532

Parent entity capital commitments for acquisition of property plant and equipment

	2017 $'000	2016 $'000
Capital expenditure commitments contracted for:		
Within 1 year	**-**	-
Total	**-**	-

Parent entity guarantees in respect of debts of its subsidiaries

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

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