



**TERRAMIN AUSTRALIA LIMITED**

## **ASX Announcement**

27 February 2015

### **Appendix 4E and 2014 Financial Accounts**

Terramin Australia Ltd (ASX: TZN) today released the Appendix 4E and 2014 Financial Report for the group.

In 2014, Terramin focused on advancing the Tala Hamza Zinc Project in Algeria and the Bird-in-Hand Gold Project in South Australia and restructuring its balance sheet.

In respect of Tala Hamza, Terramin has continued to have positive discussions with its Algerian partners which has resulted in an agreement to assess a new mining method. This led to the preparation of a revised definitive feasibility study (**DFS**) which was presented to our partners and the Algerian government. They are now reviewing the DFS and it is expected that further progress will be made over coming months.

At the Bird-in-Hand Gold Project, Terramin has focused on the environmental and hydrogeological studies which have been required to be completed as part of the work to support the regulatory approval. We expect work on this project to accelerate in 2015.

Significant progress has also been made with respect to the restructuring of the Terramin's balance sheet which has resulted in approximately half of the debt being repaid or converted in shares with the balance of the debt being structured on a sustainable basis. During the year, the Company welcomed 2 new cornerstone investors who subscribed to a AUD5.5 million and a USD11 million issues of convertible notes. These new convertibles notes were used to retire maturing convertible notes. Just before and subsequent to year end both new investors elected to convert these notes to equity signaling confidence in the potential of Terramin's key projects, management and board.

In 2015, Terramin will focus on progressing its key Tala Hamza and Bird-in-Hand projects as a priority.

For further information, please contact:

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# Terramin Australia Limited

ABN 67 062 576 238

## Appendix 4E Statement

### PRELIMINARY FINAL REPORT

For the year ended 31 December 2014 (previous corresponding period is the year ended 31 December 2013)

#### Results for Announcement to the market

(All comparisons to year ended 31 December 2013 (restated))	\$'000	Up/down	Movement %
Revenues from ordinary activities	17	down	(100.0)
Revenues from ordinary activities excluding interest income	17	down	(100.0)
Loss after tax from ordinary activities	(8,100)	down	17.9

#### Explanation of Revenue

Revenue from ordinary activities for the financial year ended 31 December 2014 was significantly lower compared to 2013. The decrease occurred as a result of the closure of the Angas Zinc Mine in September 2013.

Please refer to the Annual Financial Report for the year ended 31 December 2014 for further information.

#### Dividends Information

	Amount per share (cents)	Franked amount per share (cents)	Tax rate for franking credit
Interim 2014 dividend per share	Nil	Nil	Nil
Final 2014 dividend per share	Nil	Nil	Nil

No interim dividend was paid for the year ending 31 December 2014 and no final dividend has been proposed for the year ending 31 December 2014.

#### Net Tangible Assets per Security

	31 December 2014	Restated 31 December 2013
Net tangible assets per security	0.02	0.02

#### Audit Report

Additional Appendix 4E disclosure requirements can be found in the Directors' Report and the 31 December 2014 financial statements and accompanying notes.

This report is based on the consolidated financial statements which have been audited by Grant Thornton.



**TERRAMIN  
AUSTRALIA LIMITED**

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# **2014 FINANCIAL REPORT**

# Directors' Report

## for the Year Ended 31 December 2014

Your Directors submit their report on the consolidated entity being Terramin Australia Limited (the Company or Terramin) and its controlled entities (the Group), for the financial year ended 31 December 2014 and auditor's report thereon.

## 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 Michael H Kennedy** BComm (Economics)

*Appointed 15 June 2005*

Mr Kennedy has enjoyed a 40 year career in the non-ferrous mining and smelting industry, and has held a number of senior marketing and logistics roles with the CRA/RTZ Group, managing raw material sales from the Bougainville, Broken Hill, Cobar and Woodlawn mines, managed raw material purchases and supply into the Port Pirie lead smelter, Budel zinc smelter (Netherlands), and the Avonmouth (UK) and Cockle Creek (Newcastle) zinc-lead smelters. He was the resident Director of the Korea Zinc group of companies in Australia from 1991 until 2005, which encompassed the construction and commissioning of the Sun Metals zinc refinery in Townsville. Mr Kennedy is Chairman of the Board, and a member of the Audit, Risk and Compliance Committee and of the Nominations and Remuneration Committee. Mr Kennedy is a Director of ASX listed Resource Base Limited. He is also a Director of Western Mediterranean Zinc Spa (WMZ), the company which owns and operates the Oued Amizour Zinc Project in Algeria.

**Mr Angelo Siciliano** FIPA, Registered Tax Agent, BBus

*Appointed 2 January 2013*

Mr Siciliano has more than 20 years' experience as an accountant in property development and financial services. Mr Siciliano is the Chief Financial Officer of the Asipac Group (including Asipac Capital Pty Ltd and Asipac Group Pty Ltd) (Asipac) and for the last 16 years has owned and managed an accounting practice predominantly focussing on taxation advice and business consulting. Mr Siciliano is a fellow of the Institute of Public Accountants and is a Director of ASX listed Resource Base Limited. He is a member of the Company's Audit, Risk and Compliance Committee, and of the Nominations and Remuneration Committee.

**Mr Feng Sheng**

*Appointed 17 April 2013*

Mr Sheng is Chairman of Melbourne based Asipac. He has owned and operated several businesses over the years predominantly focused in property investment and development. Asipac is an active investor in the resources sector and a significant shareholder in Terramin. Asipac is also an active member of the Australia China Business Council and sponsors the organisation at both a national and state level. Mr Sheng is also a Director of WMZ.

**Mr Kevin McGuinness**

*Appointed 17 April 2013*

Mr McGuinness is a finance executive with more than 20 years of experience as a Director and in executive management with ASX listed and private companies in the mining, medical equipment industries and not-for-profit organisations. Mr McGuinness was previously the Chief Financial Officer of Exact Mining Services. He is the current Chairman of Zero Waste SA, a Director and former Chairman of the Royal Zoological Society of SA and a former Director of Ellex Medical Lasers Limited. Mr McGuinness is Chair of the Audit, Risk and Compliance Committee and the Nominations and Remuneration Committee and is a Director of WMZ.

**Mr Xie Yaheng** MSc, Senior Engineer

*Appointed 18 September 2009*

Mr Xie is Vice-President of China Nonferrous Metals Industry's Foreign Engineering and Construction Company Limited (NFC) and Chairman of Guangdong Zhujiang Rare Earth Co Limited, a company in which NFC holds a 72% interest. Mr Xie's first degree is in electrical engineering and he was a senior electrical engineer at the Design Institute. Mr Xie has further degrees in finance and business administration, and project management experience at zinc and copper mines in Mongolia, Zambia and Vietnam.

## COMPANY SECRETARY

Mr Stéphane Gauducheau is the Group's Legal Counsel and Company Secretary. He is a lawyer with experience in commercial, corporate and financing transactions. Mr Gauducheau is admitted to legal practice in South Australia and in France.

## MEETINGS OF DIRECTORS

The number of meetings of the Company's Board of Directors and of each Board committee held during the year ended 31 December 2014, and the number of meetings attended by each Director were:

	Directors' Meetings		Audit, Risk & Compliance Committee		Nominations & Remuneration Committee	
	E	A	E	A	E	A
MH Kennedy	5	5	3	3	1	1
Y Xie	5	3	-	-	-	-
A Siciliano	5	5	3	3	1	1
K McGuinness	5	5	3	3	1	1
F Sheng	5	3	-	-	-	-

*E Number of meetings eligible to attend.*

*A Number of meetings attended.*

## PRINCIPAL ACTIVITIES

During the period 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 \$8.1 million for the year ended 31 December 2014 (2013 restated: \$9.9 million).

The major contributors to the result were interest costs, loss on disposal of Angas Zinc Mine plant of \$1.1 million and \$1.8 million in expenditure written off in relation to the Oued Amizour Zinc Project.

The consolidated net asset position as at 31 December 2014 was \$23.9 million.

## 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. In 2014 the Company engaged in positive discussions with their Algerian partner and submitted a revised Definitive Feasibility Study (DFS) for the development of the Tala Hamza deposit in the Oued Amizour Zinc Project in Algeria. The Company also continued with hydrogeology and other environmental studies as part of the Preliminary Feasibility Study for the Bird-in-Hand Gold Project in South Australia.

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

### Oued Amizour Zinc Project (Terramin 65%)

The Oued Amizour Zinc Project is 100% owned by 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.

Following the execution of a Technical Cooperation Agreement with NFC in December 2013, the Company and NFC's technical representatives commenced a review of the DFS prepared in 2011 and undertook a study to identify an alternate mining method. In June 2014, NFC and Terramin presented an alternate mining method to the Algerian parties and following this, the joint venture agreed to adopt the revised mining method and revise the DFS. In September 2014, NFC completed the revised DFS which, following a review by Terramin, was presented to the joint venture Algerian Partners for their review.

ENOF and the Algerian government have advised that they are in the process of reviewing the DFS. The review is taking longer than originally anticipated however the feedback from both parties remains positive confirming the Algerian government objective to see the project developed as soon as possible. After completion of the review, ENOF, the Algerian government, Terramin and NFC plan to meet to discuss the technical aspects of the revised study and its implications in terms of mine design, life of mine, project economics and environmental impact including the tailings facility, safety and employment.

### **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. The project has a high grade Resource of 233,000 ounces of gold which is amenable to underground mining.

It is anticipated that 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.

Terramin expects additional mineralisation exists down plunge of the defined Resource (the mineralisation is open at depth) and possibly as separate lodes along strike based on structural and lithological interpretations, grade distribution and the distribution of historic gold mines close to the project.

During the year the project progressed with base line environmental studies being the focus. Five test bores were constructed and a series of pump tests undertaken in order to complete the hydrogeological testwork required to better understand the groundwater flows and aquifer interaction.

Terramin also signed a contract for the purchase of freehold land in close proximity of the Bird-in-Hand gold deposit which significantly de-risks development of this project.

A drilling campaign is expected to commence in 2015.

### **Angas Zinc Mine** *(Terramin 100%)*

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

### **Adelaide Hills Project** *(Terramin 100% / Terramin Exploration Pty Ltd 100%)*

The Adelaide Hills Project consists of twelve contiguous exploration tenements that cover 3,493km<sup>2</sup> stretching 120km between Victor Harbor and Kapunda. This project area is considered prospective for gold, copper, lead, zinc and rare earth elements.

Three project areas have so far been identified for further work: Wheal Barton, Kapunda and Golden Slope.

During the year Terramin undertook regional geochemical sampling focussed on assessing the copper potential between Wheal Barton and Kapunda. Copper mineralisation with potential gold and silver association has been identified at Wheal Barton. Copper, gold and rare earths have been discovered at Kapunda and Terramin is in the process of converting large historic data sets into a single consolidated digital database. Terramin considers the Golden Slope area highly prospective for the discovery of high grade gold mineralisation.

Access agreements are in place with land owners and a drilling application has been lodged with the Department of State Development (DSD).

### **Menninnie Zinc Project**

*(Terramin 100% through its wholly owned subsidiary Menninnie Metals Pty Ltd, farm-out joint venture comprising 5 exploration licences covering 2,471km<sup>2</sup>)*

Menninnie Metals entered into a joint venture agreement with Musgrave Minerals Ltd (Musgrave) in 2013 for the farm-in and joint venture of the Menninnie Dam Project. Musgrave can earn up to 51% by spending \$6.0m and if Menninnie Metals chooses not to contribute to the joint venture, Musgrave can earn up to 75% by spending an extra \$3.0m.

During the reporting period, Musgrave has continued exploration drilling in conjunction with geophysical and geochemical surveys on several Menninnie joint venture prospects. The exploration highlight was a shallow high grade silver aircore intercept at the Frakes Prospect. Subsequent reverse circulation and diamond drilling at Frakes has not produced comparable high grade results, but soil geochemistry indicates that the mineralised system remains only partially tested. Strong anomalism and alteration was encountered in drillhole, rock chips and soil samples at Spare Rib (Ag, Pb, Zn) and Masaraga (Mo, Cu) prospects. Targets will be reviewed with Musgrave early in 2015 to prioritise follow-up work.

### **Mount Ive Project** *(Terramin 100%)*

During the year, 3 tenement applications (ELA 2014/00033, Tanner; ELA 2014/00004, Mt Ive South and ELA2013/00206, Thurlga) were granted to Menninnie Metals; these becoming EL 5458, EL 5430 and EL 5518 respectively. The exploration tenements are located to the south and west of, and are contiguous with, the Mt Ive, Unalla and Kolendo tenements and extend and consolidate the Company's interests in this highly prospective area.

The total exploration area in the southern Gawler Ranges managed by Menninnie Metals independently from the Menninnie Zinc Project joint venture is 2,283km<sup>2</sup>. This area is highly prospective for base metals, silver and gold. The Mt Ive South tenement is just 4km north of the 20km by 6km area of silver prospects containing the Paris 20 million oz Ag Inferred Resource (5.9mt @ 110g/t Au and 0.6% Pb).

Geological field investigations carried out in key areas on the Mt Ive, Mt Ive South, Tanner and Unalla tenements during the reporting period revealed encouraging results and as such field investigations are planned to intensify throughout the first quarter of 2015.

### **Corporate**

During the year, the Company underwent a significant financial restructure in several stages. In July 2014, Terramin agreed with New Asia Wealth Investment Holding (SG) Pte Ltd (New Asia) to refinance the maturing A\$5.0 million institutional investor convertible notes with an issue of new unlisted unsecured A\$5.5 million convertible notes with a term of two years.

During the same period, the Company increased the Terramin Exploration Pty Ltd loan facility with Asipac by \$1.0 million to \$2.8 million, thus increasing access to working capital. Terramin also converted \$1.0 million of debt to equity by issuing 23,529,412 shares to Asipac with shareholders approval at the Extraordinary General Meeting (EGM) held in September 2014.

In October 2014, the Company agreed with Asipac to restructure the maturing US\$15.05 million convertible notes into A\$16.24 million unlisted secured convertible notes with a term of two years.

The Company received a Research and Development Tax rebate in October 2014 of \$1.4 million.

In November 2014, the Company issued US\$11.0 million unlisted unsecured convertible notes (new US\$ notes) to Rainbow Dream Worldwide Corp (Rainbow Dream) with a term of two years. The issue of the new US\$ notes were used to redeem the US\$10.0 million convertible notes held by Transaminvest SA which matured on 24 November 2014 and for working capital purposes. These notes were subsequently converted to ordinary shares on 4 February 2015.

In December 2014, New Asia advised the Company that it elected to convert its A\$5.5 million convertible notes into shares. As a consequence, the Company issued 84,615,384 shares to New Asia.



# Directors' Report

for the Year Ended 31 December 2014 (continued)

There were no unlisted options over fully paid ordinary shares in the capital of the Company exercised or cancelled during the period. In December 2014, 3,500,000 unlisted options over fully paid ordinary shares were granted to other Key Management Personnel under the Employee Option Plan.

## Business Development Activities

Throughout 2014, the Company continued to identify, assess and, where appropriate, pursue the acquisition of interests in advanced mining projects.

## 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 elsewhere in this report.

## SUBSEQUENT EVENTS

On 4 February 2015, Rainbow Dream elected to convert its US\$11 million unlisted unsecured convertible notes into ordinary shares. As a consequence, the Company issued 110,000,000 shares to Rainbow Dream pursuant to the terms and conditions of the notes.

In the Directors' opinion, no other events or circumstances have arisen since 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.

## FUTURE DEVELOPMENTS

The Group will continue to work with its Algerian partners and NFC to reach a decision to mine on the revised DFS and proceed with the development of Tala Hamza. The Group also intends to continue to progress the Bird-in-Hand project through a Preliminary Feasibility Study and an additional drilling programme. 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.

## CORPORATE GOVERNANCE

The Board has adopted the ASX Corporate Governance Council's "Corporate Governance Principles and Recommendations – 3rd Edition" (ASX Recommendations). The Board continually 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
- Nominations and Remuneration Committee

## SHARE CAPITAL

### (a) Ordinary Shares

As at 31 December 2014, there were 1,404,009,037 fully paid ordinary shares in the capital of the Company on issue. At the date of this report, there were 1,515,092,595 fully paid ordinary shares on issue, following the conversion of the Rainbow Dream convertible notes into ordinary shares.

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

At the date of this report there were 3,800,000 unlisted options over fully paid ordinary shares in the capital of the Company on issue.

Expiry Date	Exercise Price \$	Number of Options on Issue
7-Apr-16	0.53	300,000
19-Dec-17	0.135	1,750,000
19-Dec-18	0.135	1,750,000
<b>TOTAL</b>		<b>3,800,000</b>

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 no options were cancelled.

### (d) Unlisted options exercised/cancelled since 31 December 2014

No unlisted options over fully paid shares in the Company have been exercised since 31 December 2014. At the date of this report, 1,000,000 options have lapsed.

## REMUNERATION REPORT - AUDITED

This remuneration report for the year ended 31 December 2014 outlines the remuneration arrangements of the Company in accordance with requirements of the *Corporations Act 2001 (Act)* and its regulations. This information has been audited as required by section 308 of the *Act*.

The remuneration report details the remuneration arrangements for Key Management Personnel (KMP). Under the Accounting Standards, KMPs are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company including any Director (whether executive or otherwise). The information regarding remuneration and entitlements of the Company's Board and KMP required for the purposes of section 300A of the *Act* is provided below.

### (a) Directors and Other Key Management Personnel Information

The following persons were Directors of the Company during the financial year and up until the date of this report unless stated otherwise:

#### (i) Non-Executive Directors

- Mr MH Kennedy (Independent - Chairman)
- Mr A Sciliano (Non-Independent)
- Mr K McGuinness (Independent)
- Mr F Sheng (Non-Independent)

Mr Y Xie (Non-Independent)

The following persons are also KMP of the Group:

**(ii) Other Key Management Personnel**

Mr MS Janes (Chief Executive Officer)

Mr JF Ranford (Chief Technical Officer and Operations Manager)

Mr SD Gauduchau (Legal Counsel and Company Secretary)

There have been no changes to KMP after the reporting date and before the date the Financial Report was authorised for issue.

## **(b) Nominations and Remuneration Committee**

The Nominations and Remuneration Committee is a committee of the Board. The current members of the committee are Mr K McGuinness (Chair), Mr MH Kennedy and Mr A Siciliano.

The Committee is responsible to assist the Board to:

- ensure it is of an effective composition, size and commitment to adequately discharge its responsibilities and duties; and
- independently ensure that the Company adopts and complies with remuneration policies that:
  - attract, retain and motivate high calibre Directors and Executives so as to enhance performance by the Company;
  - are consistent with the human resource needs of the Company; and
  - motivate Directors and management to pursue the long-term growth and success of the Company within an appropriate control framework and ensure that shareholder and employee interests are aligned.

## **(c) Remuneration Policy and Practices**

This report outlines the remuneration arrangements for KMP of the Company. It is recognised that the performance of the Company depends on the quality and skills of its Directors and Executives. The Board is mindful of the need to attract, motivate and retain highly skilled Directors and Executives.

Compensation of KMPs of the Group is competitively set to attract and retain appropriately qualified and experienced Directors and Executives in accordance with the following principles:

- Provide competitive rewards in accordance with market standards to attract and retain high calibre Directors and other KMP; and
- Link rewards with the strategic goals and performance of the Group and the creation of shareholder value (by the granting of share options where appropriate).

The policy for determining the nature and amount of remuneration of the KMP includes consideration of individual performance in addition to the overall performance of the Group. Historically, the Group's performance was measured by a range of financial and production indicators. Since the Angas Zinc Mine was placed in care and maintenance the remuneration of KMPs is dependent upon achievement of progress towards a number of company objectives: (1) restructure of the company's financial position (including debt and on-going funding); (2) progress towards the development of the Oued Amizour Zinc Project (including delivery of revised DFS, decision to mine by the partners, approvals, funding and transition towards development); (3) progress towards the development of the Bird-in-Hand Gold Project (including approvals, financing, firming and expanding the existing resource); and (4) growing the Company's assets.

## **(d) Use of Remuneration Consultants**

From time to time the Nominations and Remuneration Committee may seek external remuneration advice as required. No such advice was obtained during the reporting period.

## **(e) Remuneration Report Approval**

Terramin Australia Limited received more than 90% of 'yes' votes on its Remuneration Report for the financial year ending 31 December 2013. The Company received no specific feedback on its Remuneration Report at the 2013 Annual General Meeting.

## **(f) Executive Remuneration and Incentives**

### **(i) Fixed Remuneration**

The fixed portion of Executive remuneration packages comprises a base salary, statutory superannuation payment and FBT charges related to employee benefits, such as car parking.

Executive performance and remuneration packages are reviewed at least annually by the Nominations and Remuneration Committee. The review process includes consideration of both individual performance and the overall performance of the Group.

### **(ii) Incentives**

Performance based remuneration may include both short-term and long-term incentives, and is designed to reward KMP for meeting or exceeding key performance indicators (KPI's). KPI's may include financial metrics and completion of key group objectives. The Board may from time to time approve the award of such incentives subject to satisfaction of KPI's. The short-term incentive (STI) is an "at risk" bonus which may be provided in the form of cash and/or equity securities. There are no current fixed STI's in place with current KMP.

Long-term incentives may be provided under the Terramin Australia Employee Option Plan (EOP). The plan was approved by shareholders at the 2013 Annual General Meeting and is valid for 3 years. The Directors may grant options to employees to acquire shares at an exercise price set by the Board. Each share option converts into one ordinary share of the Company when exercised. The grant of options is linked to the achievement of the Company's objectives (refer item (c) of the remuneration report) and the creation of shareholder value.

There was one issue made under the EOP during the year, being 3,500,000 options issued to other KMPs in December 2014.

### **(iii) Employment Contracts**

Mr Janes, the Company's Chief Executive Officer, entered into an employment contract in June 2013 with no definite term following an initial period of 6 months. Mr Janes receives a salary of \$350,000 per annum (excluding superannuation). Either party may terminate the employment contract without cause by providing 2 months written notice or (in the case of the Company) by making payment in lieu.

Mr Ranford, the Company's Chief Technical Officer and Operations Manager, entered into an employment contract with the Company in June 2012. Under this contract, Mr Ranford receives a salary of \$293,550 per annum (excluding superannuation) and his further education costs are paid by the Company. Either party may terminate the employment contract without cause by providing 6 months written notice or (in the case of the Company) by making payment in lieu.

Mr Gauduchau, the Group's Legal Counsel and Company Secretary, signed an employment contract in November 2009 which was subsequently amended. Under this contract, Mr Gauduchau receives a salary of \$200,000 per annum (excluding superannuation). Either party may terminate the employment contract without cause by providing 2 months written notice or (in the case of the Company) by making payment in lieu.

Termination payments of any Executives or employees are not payable in the instance of resignation or dismissal for serious misconduct.

## **(g) Directors Remuneration**

### **(i) Remuneration**

The maximum aggregate fees payable to Non-Executive Directors is subject to approval by shareholders at a general meeting. All securities issued to Directors and related parties must be approved by shareholders at a general meeting.

Non-Executive Directors are either paid a base fee plus superannuation, or remunerated via contractual arrangements approved by the Board and negotiated in consultation with the Nominations and Remuneration Committee. The current Non-Executive base fees are \$40,000 per annum which is consistent with fees paid to other Non-Executive Directors of comparable companies. Company policy supports the issue, where appropriate, of equity securities to Directors (whether Executive or Non-Executive) to help ensure Directors' interests are aligned with those of shareholders.

The aggregate fees paid to Non-Executive Directors during 2014 was \$494,666 compared to the maximum limit approved by shareholders at the 2010 Annual General Meeting of \$700,000.

# Directors' Report

for the Year Ended 31 December 2014 (continued)

The Board recognises that from time to time, Non-Executive Directors are called upon to provide services in addition to their usual Director's duties. Accordingly, Directors may be compensated for additional duties undertaken at the request of the Board, for instance extensive travels to Algeria or meetings with overseas investors. In accordance with Company policy effective 1 May 2014, additional compensation of up to \$1,000 per day may be provided to Directors for work additional to standard Board duties. This form of Non-Executive compensation is only provided in circumstances where Directors are required to commit time beyond that expected of a Non-Executive Director role and requires continuous commitment of 2 or more days. Additional remuneration may be paid in shares in lieu of cash subject to shareholder approval. In May 2014, shareholders approved the issue of shares for a value of \$35,000 to Mr Kennedy, Mr McGuinness, Mr Siciliano and Mr Sheng in compensation for various activities undertaken by the Directors including travelling on numerous occasions to Algeria, assisting in the restructure of the Company's convertible notes, undertaking investor relations and identifying additional sources of funds for the Company.

## (ii) Director Options

Other than noted above, there were no options or other equity securities issued to Directors during the year as remuneration.

## (iii) Retirement or other Post-Employment Benefits

The Company has no policy to provide benefits to its Directors or Executives upon their retirement or otherwise upon cessation of employment, other than by making the statutory superannuation guarantee contributions as required by law.

## (iv) Board and Committees – Membership and Remuneration

The following table sets out the Chair and members of each committee and the annual fees allocated for each position.

Committee	Pre 1 May 2014		Post 1 May 2014	
	Chairman Fee \$	Member Fee \$	Chairman Fee \$	Member Fee \$
Each Non-Executive Director	100,000	40,000	100,000	40,000
Additional work to standard Board duties <sup>1</sup>	-	-	1,000/day	1,000/day
<b>Audit, Risk &amp; Compliance</b>				
K McGuinness (Chair), MH				
Kennedy, A Siciliano	15,000	10,000	7,500	5,000
<b>Nominations &amp; Remuneration</b>				
K McGuinness (Chair), MH				
Kennedy, A Siciliano	15,000	10,000	7,500	5,000

1. Subject to Board approval to compensate for work undertaken in addition to standard Director's duties and requires a commitment of 2 or more days.

## (h) Parent Entity Directors' and Executives' Remuneration and Entitlements

During the year, the following cash and non-cash payments were made to the KMP:

		Short Term			Post Employment		Share-based payments			Total
		Salary & Fees	Contract Payments	Cash Bonus	Super-annuation Benefits	Termination Benefits	Share Options	Shares	%	
<b>Non-Executive Directors<sup>1</sup></b>										
MH Kennedy	2014	117,324	-	-	11,009	-	-	35,000	21.4%	163,333
	2013	114,558	-	-	10,442	-	-	-	-	125,000
A Siciliano	2014	-	66,333	-	-	-	-	35,000	34.5%	101,333
	2013	-	53,333	-	-	-	-	-	-	53,333
F Sheng	2014	-	50,000	-	-	-	-	35,000	41.2%	85,000
	2013	-	28,242	-	-	-	-	-	-	28,242
K McGuinness	2014	-	70,000	-	-	-	-	35,000	33.3%	105,000
	2013	-	48,393	-	-	-	-	-	-	48,393
Y Xie	2014	-	40,000	-	-	-	-	-	-	40,000
	2013	-	40,000	-	-	-	-	-	-	40,000
P Zachert <sup>2</sup>	2013	-	26,667	-	-	-	-	-	-	26,667
<b>Executive Directors</b>										
NM Clift <sup>3</sup>	2013	166,667	-	100,000	24,000	35,114	-	-	-	325,781
<b>Key Management Personnel</b>										
MS Janes	2014	350,000	-	-	32,813	-	1,405	-	0.4%	384,218
	2013	194,250	-	-	17,920	-	-	-	-	212,170
JF Ranford	2014	293,550	-	-	27,581	-	937	-	0.3%	322,068
	2013	293,550	-	60,000	32,261	-	-	-	-	385,811
SD Gauducheau	2014	200,000	-	-	18,750	-	937	-	0.4%	219,687
	2013	201,053	-	-	18,345	-	-	-	-	219,398
SD Reincke <sup>4</sup>	2013	31,720	-	-	2,855	50,219	-	-	-	84,794
<b>TOTAL</b>	<b>2014</b>	<b>960,874</b>	<b>226,333</b>	<b>-</b>	<b>90,153</b>	<b>-</b>	<b>3,279</b>	<b>140,000</b>	<b>-</b>	<b>1,420,639</b>
	<b>2013</b>	<b>1,001,798</b>	<b>196,635</b>	<b>160,000</b>	<b>105,823</b>	<b>85,333</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,549,589</b>

1. Refer to page 7 of the Directors' Report for details of Non-Executive Directors' fees allocated by role.

2. Mr Zachert retired from the Board on 30 April 2013.

3. Mr Clift retired from the Board and ceased employment on 30 May 2013.

4. Mr Reincke ceased employment on 28 February 2013.



## (i) Key management personnel – shares and options over equity instruments

The movement during the reporting period in the number of ordinary shares or options over ordinary shares in Terramin Australia Limited by each KMP is as follows:

	Shares Balance 1 Jan 14	Shares Acquired during Year	Shares Granted as Remuneration <sup>1</sup>	Shares Disposed of during Year	Balance Shares 31 Dec 14
<b>Parent Entity Directors</b>					
MH Kennedy	1,876,034	1,000,000	895,370	-	3,771,404
A Siciliano	3,750,000	4,535,714	895,370	-	9,181,084
K McGuinness	-	1,000,000	895,370	-	1,895,370
F Sheng	545,149,934	51,070,891	895,370	-	597,116,195
Y Xie	-	-	-	-	-
<b>Other Key Management Personnel</b>					
MS Janes	10,000	750,000	-	-	760,000
JF Ranford	-	500,000	-	-	500,000
SD Gauduchau	183,771	500,000	-	-	683,771
<b>Total</b>	<b>550,969,739</b>	<b>59,356,605</b>	<b>3,581,480</b>	<b>-</b>	<b>613,907,824</b>

	Options Balance 1 Jan 14	Options Granted as Incentive <sup>1</sup>	Options Exercised	Options Cancelled	Balance Options 31 Dec 14 <sup>2</sup>
<b>Parent Entity Directors</b>					
MH Kennedy	-	-	-	-	-
A Siciliano	-	-	-	-	-
K McGuinness	-	-	-	-	-
F Sheng	-	-	-	-	-
Y Xie	-	-	-	-	-
<b>Other Key Management Personnel</b>					
MS Janes	250,000	1,500,000	-	-	1,750,000
JF Ranford	-	1,000,000	-	-	1,000,000
SD Gauduchau	40,000	1,000,000	-	-	1,040,000
<b>Total</b>	<b>290,000</b>	<b>3,500,000</b>	<b>-</b>	<b>-</b>	<b>3,790,000</b>

1. Details of shares and options including terms and exercise price are included at item (j) of the remuneration report.
2. Of the balance of options held by KMP at the end of the year, a total of 290,000 options were fully vested and exercisable.

The KMP of the Company had the following direct or indirect interests in the equity of the Company as at the date of this report:

	Fully paid ordinary shares	Options
<b>Parent Entity Directors</b>		
MH Kennedy	3,771,404	-
A Siciliano	9,181,084	-
K McGuinness	1,895,370	-
F Sheng <sup>1</sup>	356,955,606	-
Y Xie	-	-
<b>Other Key Management Personnel</b>		
MS Janes	760,000	1,500,000
JF Ranford	500,000	1,000,000
SD Gauduchau	683,771	1,000,000
<b>Total</b>	<b>373,747,235</b>	<b>3,500,000</b>

1. Subsequent to the reporting period, Wanshe Holdings Pty Ltd (Wanshe) has completed a transfer of its 480,321,177 Terramin shares (31.70% of Terramin's issued capital) to its existing shareholders, split equally between Ms Wang and Mr Sheng. Mr Sheng's relevant interest which is now wholly held through Asipac Group Pty Ltd represents 356,955,606 shares which is 23.56% of Terramin's issued ordinary shares.

# Directors' Report

for the Year Ended 31 December 2014 (continued)

## (j) Shares and Options Issued or Lapsed during the Year

A total of 3,581,480 shares were granted to Non-Executive Directors as remuneration during the year. The shares were issued in lieu of cash in compensation for duties undertaken by Directors that were over and above standard duties expected of Board members.

Shares issued during the year:

31 Dec 2014	Date of issue	Issue price	No. issued during the year	Value at issue date \$'000
MH Kennedy	4-Jun-14	\$0.04	895,370	\$35
A Siciliano	4-Jun-14	\$0.04	895,370	\$35
F Sheng	4-Jun-14	\$0.04	895,370	\$35
K McGuinness	4-Jun-14	\$0.04	895,370	\$35

A total of 3,500,000 options were granted to other KMPs as remuneration during the year. No share options were exercised by KMPs during the year. No share options lapsed during the year. In January 2015, 1,000,000 unlisted options lapsed and were accordingly cancelled.

Options issued during the year:

31 Dec 2014	Award date	Vesting date	Exercise Price	No. issued during the year	Value at grant date \$'000
MS Janes	19-Dec-14	19-Dec-15 <sup>1</sup>	\$0.14	750,000	\$27
MS Janes	19-Dec-14	19-Dec-16 <sup>2</sup>	\$0.14	750,000	\$32
JF Ranford	19-Dec-14	19-Dec-15 <sup>1</sup>	\$0.14	500,000	\$18
JF Ranford	19-Dec-14	19-Dec-16 <sup>2</sup>	\$0.14	500,000	\$21
SD Gauduchau	19-Dec-14	19-Dec-15 <sup>1</sup>	\$0.14	500,000	\$18
SD Gauduchau	19-Dec-14	19-Dec-16 <sup>2</sup>	\$0.14	500,000	\$21

1. If employment ceases for any reason within 12 months of the issue of the options (other than genuine redundancy) the options will be cancelled. The options are not dependent on the satisfaction of a performance condition.

2. If employment ceases for any reason within 24 months of the issue of the options (other than genuine redundancy) the options will be cancelled. The options are not dependent on the satisfaction of a performance condition.

## (k) Other Director and Key Management Personnel transactions

Some KMP, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

These entities transacted with the Group in the reporting period. The terms and conditions of the transactions were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-Director related entities on an arm's length basis.

The value of transactions relating to KMP and entities over which they have control or significant influence were as follows:

Directors fees outstanding as at 31 December:

	2014 \$'000	2013 \$'000
A Siciliano <sup>1</sup>	6	15
K McGuinness <sup>1</sup>	-	6
F Sheng <sup>1</sup>	15	10
Y Xie <sup>1</sup>	-	3
	<b>21</b>	<b>34</b>

1. Mr Siciliano, Mr McGuinness, Mr Sheng and Mr Xie are Non-Executive Directors of the Company.

Other transactions with related parties are disclosed at note 20(b).

## (l) Share Trading Policies

All Company employees and contractors, Directors and Executives are subject to the Company's Share Trading Policy (available on the Company's website) with respect to limiting their exposure to risk in relation to the Company's securities, including securities issued as an element of Executive remuneration. The Company's Share Trading Policy requires all officers, employees and consultants to the Company to notify the Chairman and Company Secretary of any intention to deal in the Company's securities, whether by sale or purchase of shares on market, or the exercise of options. The notified dealing is subject to the approval of the Chairman. In addition, and in accordance with ASX Listing Rule 12, the Company's trading policy provides that all Directors, officers and consultants are prohibited from trading in the Company's securities during specific periods. The Board considers that, in light of the size and structure of the Company and the absence of a secondary market for the Company's securities, this policy provides adequate protection against unauthorised dealings by Directors and specified Executives, in particular in relation to risk mitigation.

## RESTATEMENT OF PRIOR YEAR BALANCES

During the year, the Company discussed with the Australian Securities and Investments Commission (ASIC) the Company's ability to continue capitalising the balance of exploration expenditure incurred with respect to the Oued Amizour Zinc Project. As a result of these discussions, the Company has restated its results for the year ended 31 December 2013 in the Financial Report for the year ended 31 December 2014. Refer to note 2(f) for further information relating to this matter.

## 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.

## INDEMNIFICATION OF DIRECTORS AND OFFICERS

Directors' and Officers' Liability Insurance has been subscribed to. The officers of the Company and the Group covered by the insurance policy includes any person acting in the course of duties for the Company or the Group who is or was a Director, secretary or senior Executive. The contract of insurance prohibits the disclosure of the nature of the liability covered and the amount of the premium. The Group has not otherwise, during or since the end of the period, indemnified or agreed to indemnify an officer or auditor of the Group or any related body corporate against a liability incurred as such an officer or auditor.

## NON-AUDIT SERVICES

No additional services were provided during the year by the Company's auditors, Grant Thornton Audit Pty Limited.

## AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration for the year ended 31 December 2014 can be found on page 11 and forms part of the Directors' Report.

## LITIGATION

As at the date of this report, no person has applied to the Court under section 237 of the Act for leave to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company of all or any part of those proceedings. No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Act.

## ROUNDING

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998. In accordance with the class order, amounts in the financial reports have been rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in Adelaide this 27th day of February 2015 in accordance with a resolution of the Board of Directors.



**Michael H Kennedy**  
*Chairman*



**Kevin McGuinness**  
*Director*

# Directors' Declaration

The Directors of the Company declare that:

1. the financial statements and notes, as set out on pages 15 to 41, and the remuneration disclosures contained in pages 4 to 8 of the Directors' Report, are in accordance with the Corporations Act 2001, and:
  - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
  - (b) give a true and fair view of the financial position as at 31 December 2014 and of the performance for the year ended on that date of the consolidated entity;
2. the Chief Executive Officer and Commercial Manager have each declared that:
  - (a) the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
  - (b) the financial statements and notes for the financial year comply with the Accounting Standards;
  - (c) the declaration is provided in accordance with section 295A of the Corporations Act 2001 and is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks; and
  - (d) the financial statements and notes for the financial year give a true and fair view;
3. in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
4. the consolidated financial statements comply with International Financial Reporting Standards as disclosed in note 2(a). This declaration is made in accordance with a resolution of the Board of Directors.



**Michael H Kennedy**

*Chairman*

27 February 2015



**Kevin McGuinness**

*Director*

27 February 2015

# Auditor's Independence Declaration



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## AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF TERRAMIN AUSTRALIA LIMITED

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Terramin Australia Limited for the year ended 31 December 2014, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in blue ink that reads "Grant Thornton".

GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants

A handwritten signature in blue ink, appearing to read "J L Humphrey".

J L Humphrey  
Partner – Audit & Assurance

Adelaide, 27 February 2015

Grant Thornton Audit Pty Ltd ACN 130 913 594  
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

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# Independent Audit Report



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## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TERRAMIN AUSTRALIA LIMITED**

### **Report on the financial report**

We have audited the accompanying financial report of Terramin Australia Limited (the "Company"), which comprises the consolidated statement of financial position as at 31 December 2014, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

### **Director' responsibility for the financial report**

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, the financial statements comply with International Financial Reporting Standards.

### **Auditor's responsibility**

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Independence**

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

**Auditor's opinion**

In our opinion:

- a the financial report of Terramin Australia Limited is in accordance with the Corporations Act 2001, including:
  - i giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the year ended on that date; and
  - ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

**Material uncertainty regarding continuation as a going concern**

Without qualifying our opinion, we draw attention to Note 2(c) to the annual financial statements. The annual financial statements indicate that the consolidated entity incurred a net loss of \$8.1 million for the year ended 31 December 2014 bringing accumulated losses to \$166.2 million. As at 31 December 2014 the consolidated entity's current liabilities exceeded its current assets by \$4.5 million.



As outlined in Note 2(c) the company has two facilities totalling \$4.2 million with a director-related entity which are due to mature within the next 12 months. The director-related entity has confirmed in writing that in the event that the consolidated entity is unable to repay the amount due at maturity, they will negotiate in good faith to restructure the terms of the loans to accommodate consolidated entity's financial requirements.

The consolidated entity continues to be reliant upon completion of capital raising or the raising of additional debt for continued operations and the provision of working capital.

These conditions, as set out in Note 2(c), indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business at the amounts stated in the year financial report.

#### **Report on the remuneration report**

We have audited the remuneration report included in the directors' report for the year ended 31 December 2014. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

#### **Auditor's opinion on the remuneration report**

In our opinion, the remuneration report of Terramin Australia Limited for the year ended 31 December 2014, complies with section 300A of the Corporations Act 2001.

A handwritten signature in blue ink that reads "Grant Thornton".

GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants

A handwritten signature in blue ink that reads "J L Humphrey".

J L Humphrey  
Partner – Audit & Assurance

Adelaide, 27 February 2015

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the Year Ended 31 December 2014

	Note	2014 \$'000	Restated 2013 \$'000
Revenue	4	17	46,551
Raw materials, consumables and other direct costs		(1,000)	(36,895)
Change in inventories of finished goods and WIP		-	(4,471)
Employee expenses		(998)	(1,879)
Depreciation and amortisation	10	(59)	(8,662)
Exploration and evaluation expensed (Oued Amizour Zinc Project)		(1,838)	(1,658)
Write back of impairment losses	11	-	5,565
Loss on disposal of plant and equipment		(1,087)	-
Write down of consumable and spare part inventories		(427)	-
Mine rehabilitation obligation expense	14	(283)	-
Share option expense	25(c)	(4)	-
Other expenses		(713)	(1,606)
<b>Loss before net financing costs and income tax</b>		<b>(6,392)</b>	<b>(3,055)</b>
Finance income	6	82	2,348
Finance costs	6	(3,231)	(9,160)
<b>Net finance costs</b>		<b>(3,149)</b>	<b>(6,812)</b>
<b>Loss before income tax</b>		<b>(9,541)</b>	<b>(9,867)</b>
Income tax benefit	18	1,441	-
<b>Loss for the year</b>		<b>(8,100)</b>	<b>(9,867)</b>
Attributable to:			
Owners of the Company		(7,472)	(9,391)
Non-controlling interest	23	(628)	(476)
<b>Loss for the year</b>		<b>(8,100)</b>	<b>(9,867)</b>
<b>Other comprehensive income/(loss)</b>			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations		(623)	3,101
<b>Other comprehensive income/(loss) for the year, net of income tax</b>		<b>(623)</b>	<b>3,101</b>
<b>Total comprehensive loss for the year attributable to equity holders of the Company</b>		<b>(8,723)</b>	<b>(6,766)</b>
Attributable to:			
Owners of the Company		(8,103)	(6,292)
Non-controlling interest		(620)	(474)
<b>Total comprehensive loss for the year</b>		<b>(8,723)</b>	<b>(6,766)</b>
<b>Earnings per share attributable to the ordinary equity holders of the Company:</b>			Restated
	Note	2014	2013
Basic earnings/(loss) per share - (cents per share)	27(a)	(0.59)	(1.14)
Diluted earnings/(loss) per share - (cents per share)	27(b)	(0.59)	(1.14)

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 2014

	Note	31 Dec 2014 \$'000	Restated 31 Dec 2013 \$'000	Restated 1 Jan 2013 \$'000
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	7	943	4,799	10,865
Trade and other receivables	9	128	1,098	6,233
Inventories	8	-	1,647	7,276
Other assets		71	212	317
<b>Total current assets</b>		<b>1,142</b>	<b>7,756</b>	<b>24,691</b>
<b>Non-current assets</b>				
Inventories	8	1,233	-	-
Property, plant and equipment	10(a)	7,153	8,833	10,943
Exploration and evaluation	10(b)	53,382	51,448	45,419
<b>Total non-current assets</b>		<b>61,768</b>	<b>60,281</b>	<b>56,362</b>
<b>TOTAL ASSETS</b>		<b>62,910</b>	<b>68,037</b>	<b>81,053</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade and other payables	12	1,615	1,999	11,697
Short term borrowings	13	3,629	35,557	36,373
Provisions	14	358	1,196	2,801
Derivative financial instruments		-	-	1,687
<b>Total current liabilities</b>		<b>5,602</b>	<b>38,752</b>	<b>52,558</b>
<b>Non-current liabilities</b>				
Long term borrowings	13	27,749	1,782	10,420
Provisions	14	5,658	5,508	5,411
<b>Total non-current liabilities</b>		<b>33,407</b>	<b>7,290</b>	<b>15,831</b>
<b>TOTAL LIABILITIES</b>		<b>39,009</b>	<b>46,042</b>	<b>68,389</b>
<b>NET ASSETS</b>		<b>23,901</b>	<b>21,995</b>	<b>12,664</b>
<b>Equity</b>				
Share capital	15	168,828	159,796	143,699
Reserves	16	6,586	5,620	2,521
Accumulated losses		(166,181)	(158,709)	(149,318)
<b>Total equity attributable to equity holders of the Company</b>		<b>9,233</b>	<b>6,707</b>	<b>(3,098)</b>
Non-controlling interest	17	14,668	15,288	15,762
<b>TOTAL EQUITY</b>		<b>23,901</b>	<b>21,995</b>	<b>12,664</b>

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 2014

	Share capital \$'000	Share option reserve \$'000	Translation reserve \$'000	Other components of equity \$'000	Accumulated losses \$'000	Total \$'000	Non- controlling interest \$'000	Total equity \$'000
<b>2014</b>								
<b>Balance at 1 January 2014 (restated)</b>	<b>159,796</b>	<b>8,966</b>	<b>(3,346)</b>	<b>-</b>	<b>(158,709)</b>	<b>6,707</b>	<b>15,288</b>	<b>21,995</b>
<b>Total comprehensive income for the period</b>								
Loss for the year	-	-	-	-	(7,472)	(7,472)	(628)	(8,100)
<b>Other comprehensive income</b>								
Foreign currency translation differences	-	-	(631)	-	-	(631)	8	(623)
Total other comprehensive income	-	-	(631)	-	-	(631)	8	(623)
Total comprehensive income for the year	-	-	(631)	-	(7,472)	(8,103)	(620)	(8,723)
<b>Transactions with owners, recorded directly in equity</b>								
<b>Contributions by and distributions to owners</b>								
Equity component of debt facilities <sup>1</sup>	-	-	-	1,593	-	1,593	-	1,593
Issue of ordinary shares	9,074	-	-	-	-	9,074	-	9,074
Share issue costs	(42)	-	-	-	-	(42)	-	(42)
Share options issued	-	4	-	-	-	4	-	4
Total contributions by and distributions to owners	9,032	4	-	1,593	-	10,629	-	10,629
<b>Balance at 31 December 2014</b>	<b>168,828</b>	<b>8,970</b>	<b>(3,977)</b>	<b>1,593</b>	<b>(166,181)</b>	<b>9,233</b>	<b>14,668</b>	<b>23,901</b>

1. Refer to note 13 - Borrowings.

# Consolidated Statement of Changes In Equity

for the Year Ended 31 December 2014 (continued)

	Share capital \$'000	Share option reserve \$'000	Translation reserve \$'000	Other components of equity \$'000	Accumulated losses \$'000	<b>Total \$'000</b>	Non- controlling interest \$'000	<b>Total equity \$'000</b>
<b>2013</b>								
Balance at 1 January 2013	143,699	8,966	(6,441)	-	(146,620)	<b>(396)</b>	15,015	<b>14,619</b>
Prior period error - note 2(f)	-	-	(4)	-	(2,698)	<b>(2,702)</b>	747	<b>(1,955)</b>
<b>Balance at 1 January 2013 (restated)</b>	<b>143,699</b>	<b>8,966</b>	<b>(6,445)</b>	<b>-</b>	<b>(149,318)</b>	<b>(3,098)</b>	<b>15,762</b>	<b>12,664</b>
<b>Total comprehensive income for the period</b>								
Loss for the year (previously stated)	-	-	-	-	(8,209)	<b>(8,209)</b>	-	<b>(8,209)</b>
Prior period error - note 2(f)	-	-	-	-	(1,182)	<b>(1,182)</b>	(476)	<b>(1,658)</b>
Loss for the year (restated)	-	-	-	-	(9,391)	<b>(9,391)</b>	(476)	<b>(9,867)</b>
<b>Other comprehensive income</b>								
Foreign currency translation differences (previously stated)	-	-	3,257	-	-	<b>3,257</b>	-	<b>3,257</b>
Prior period error - note 2(f)	-	-	(158)	-	-	<b>(158)</b>	2	<b>(156)</b>
Foreign currency translation differences (restated)	-	-	3,099	-	-	<b>3,099</b>	2	<b>3,101</b>
Total other comprehensive income	-	-	3,099	-	-	<b>3,099</b>	2	<b>3,101</b>
Total comprehensive income for the year	-	-	3,099	-	(9,391)	<b>(6,292)</b>	(474)	<b>(6,766)</b>
<b>Transactions with owners, recorded directly in equity</b>								
<b>Contributions by and distributions to owners</b>								
Issue of ordinary shares	16,908	-	-	-	-	<b>16,908</b>	-	<b>16,908</b>
Share issue costs	(811)	-	-	-	-	<b>(811)</b>	-	<b>(811)</b>
Total contributions by and distributions to owners	16,097	-	-	-	-	<b>16,097</b>	-	<b>16,097</b>
<b>Changes in ownership interests in subsidiaries that do not result in a loss of control</b>								
Non-controlling interest share of parent exploration expenditure (previously stated)	-	-	-	-	(1,534)	<b>(1,534)</b>	1,534	-
Prior period error - note 2(f)	-	-	-	-	1,534	<b>1,534</b>	(1,534)	-
Non-controlling interest share of parent exploration expenditure (restated)	-	-	-	-	-	-	-	-
Total changes in ownership interests in subsidiaries	-	-	-	-	-	-	-	-
<b>Balance at 31 December 2013 (restated)</b>	<b>159,796</b>	<b>8,966</b>	<b>(3,346)</b>	<b>-</b>	<b>(158,709)</b>	<b>6,707</b>	<b>15,288</b>	<b>21,995</b>

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 2014

	Note	2014 \$'000	Restated 2013 \$'000
<b>Cash from operating activities:</b>			
Receipts from customers		1,010	49,477
Payments to suppliers and employees		(4,825)	(50,241)
Financing costs and interest paid		(961)	(2,030)
Interest received		40	77
Research and development tax concession received		1,441	-
<b>Total cash (used in) operating activities</b>	19	<b>(3,295)</b>	<b>(2,717)</b>
<b>Cash flows from investing activities:</b>			
Proceeds from the sale of fixed assets		582	-
Acquisition of property, plant and equipment		49	542
Mine construction and development expenditure		-	(24)
Exploration and evaluation expenditure		(2,659)	(2,834)
<b>Net cash (used in) investing activities</b>		<b>(2,028)</b>	<b>(2,316)</b>
<b>Cash flows from financing activities:</b>			
Proceeds from the issue of share capital		1,000	14,094
Payment of transaction costs on debt and/or equity		(378)	(1,393)
Realised derivative gains		-	(592)
Proceeds from borrowings		18,514	5,800
Repayment of borrowings		(17,513)	(19,073)
<b>Net cash from/(used in) financing activities</b>		<b>1,623</b>	<b>(1,164)</b>
<b>Other activities:</b>			
Net (decrease)/increase in cash and cash equivalents		(3,700)	(6,197)
Net foreign exchange differences		(156)	131
Cash and cash equivalents at beginning of year		4,799	10,865
<b>Cash and cash equivalents at end of year</b>	7	<b>943</b>	<b>4,799</b>

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

# Notes

to the Consolidated Financial Statements for the Year Ended 31 December 2014

## 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 Level 3, 70 Hindmarsh Square, SA, 5000.

The financial report was authorised for issue by the Directors on 27 February 2015.

### (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 plant and equipment and derivative financial instruments measured at fair value and the provision for mine rehabilitation measured at the present value of future cash flows.

The Group is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998. In accordance with the Class Order, 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 2014, the Group incurred a loss of \$8.1 million, bringing accumulated losses to \$166.2 million. As at 31 December 2014 the Group's current liabilities exceeded its current assets by \$4.5 million. The Group had net assets of \$23.9 million.

As set out in note 13 to the financial statements, current liabilities at 31 December 2014 include:

- Loans from Asipac of \$4.2 million as follows:

	Due date	A\$m
Asipac	12 May 2015	2.2
Asipac	30 September 2015	2.0
		4.2

Asipac have confirmed in writing that in the event that the Group is unable to repay the amount due under the Asipac loans at their maturity that they will negotiate in good faith with the Company to restructure the terms of the loans to accommodate the Group's financial requirements.

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 of the Bird-in-Hand Gold Project or that the \$42.7 million investment in the Oued Amizour Zinc Project can be realised through mining or sale. The realisation of the investment in the Oued Amizour Zinc Project is dependent upon agreement being reached with the joint venture partner on the Definitive Feasibility Study (refer note 10(b)).

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 has 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 financial report on a going concern basis.

### (d) Use of Estimates and Judgements

The preparation of the financial statements in conformity to IFRS 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(g) – Ore reserves: estimates of the amount of product in an area of interest that can be expected to be profitably extracted, processed and sold under current and foreseeable economic conditions.
- 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

The accounting policies applied by the Group in the Consolidated Financial Statements are the same as those applied by the Group in its consolidated financial report as at and for the year ended 31 December 2013. In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current annual reporting period as shown below.

*AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements*

*Effective from 1 July 2013*

The Standard amends AASB 124 Related Party Disclosures to remove the individual Key Management Personnel (KMP) disclosures required by Australian specific paragraphs. This amendment reflects the AASB's view that these disclosures are more in the nature of governance disclosures that are better dealt within the legislation, rather than by the accounting standards.

As a result of these amendments, the Group has transferred certain individual Key Management Personnel disclosures relating to shareholdings, options / rights holdings, loans and other transactions from the notes to the financial statements to the remuneration report.

## 2. BASIS OF PREPARATION (CONTINUED)

### *AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities*

*Effective 1 January 2014*

AASB 2012-3 adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of “currently has a legally enforceable right of set-off” and that some gross settlement systems may be considered equivalent to net settlement.

The adoption of these amendments has not had a material impact on the Group as the amendments merely clarify the existing requirements in AASB 132.

### *AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets*

*Effective 1 January 2014*

These narrow-scope amendments address disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

When developing IFRS 13 Fair Value Measurement, the IASB decided to amend IAS 36 Impairment of Assets to require disclosures about the recoverable amount of impaired assets. The IASB noticed however that some of the amendments made in introducing those requirements resulted in the requirement being more broadly applicable than the IASB had intended. These amendments to IAS 36 therefore clarify the IASB's original intention that the scope of those disclosures is limited to the recoverable amount of impaired assets that is based on fair value less costs of disposal.

AASB 2013-3 makes the equivalent amendments to AASB 136 Impairment of Assets. The adoption of these amendments has not had a material impact on the Group as they are largely of the nature of clarification of existing requirements.

### **Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group:**

The accounting standards that have not been adopted early for the year ended 31 December 2014, but will be applicable to the Group in future reporting periods, are detailed below. Apart from these standards, other accounting standards that will be applicable in future periods have been reviewed, however they have been considered to be insignificant to the Group.

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Group.

Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements is provided below.

Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's financial statements.

*AASB 9 Financial Instruments (December 2014); AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014); AASB 2014-8 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) – Application of AASB 9 (December 2009) and AASB 9 (December 2010)*

*Effective from 1 January 2018*

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities.

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; and

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; and
- 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 enables 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.

The Group is yet to undertake a detailed assessment of the impact of AASB 9. However, based on the entity's preliminary 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; AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15*

*Effective from 1 January 2017*

AASB 15 replaces AASB 118 Revenue, AASB 111 Construction Contracts and some revenue-related interpretations and:

- 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); and
- expands and improves disclosures about revenue.

The Group is yet to undertake a detailed assessment of the impact of AASB 15. However, based on the entity's preliminary 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 2017.

### *AASB 2014-1 Amendments to Australian Accounting Standards (Part A: Annual Improvements 2010–2012 and 2011–2013 Cycles)*

*Effective from 1 July 2015*

Part A of AASB 2014-1 makes amendments to various Australian Accounting Standards arising from the issuance by the International Accounting Standards Board (IASB) of International Financial Reporting Standards Annual Improvements to IFRSs 2010-2012 Cycle and Annual



# Notes

to the Consolidated Financial Statements for the Year Ended 31 December 2014

## 2. BASIS OF PREPARATION (CONTINUED)

Improvements to IFRSs 2011-2013 Cycle.

Among other improvements, the amendments arising from *Annual Improvements to IFRSs 2010-2012 Cycle*:

- a. clarify that the definition of a 'related party' includes a management entity that provides key management personnel services to the reporting entity (either directly or through a group entity); and
- b. amend AASB 8 Operating Segments to explicitly require the disclosure of judgements made by management in applying the aggregation criteria.

Among other improvements, the amendments arising from *Annual Improvements to IFRSs 2011-2013 Cycle* clarify that an entity should assess whether an acquired property is an investment property under AASB 140 Investment Property and perform a separate assessment under AASB 3 Business Combinations to determine whether the acquisition of the investment property constitutes a business combination.

When these amendments are first adopted for the year ending 31 December 2015, there will be no material impact on the entity.

*AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations*

Effective from 1 January 2016

The amendments to AASB 11 state that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a 'business', as defined in AASB 3 Business Combinations, should:

- apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except principles that conflict with the guidance of AASB 11. This requirement also applies to the acquisition of additional interests in an existing joint operation that results in the acquirer retaining joint control of the joint operation (note that this requirement applies to the additional interest only, i.e. the existing interest is not remeasured) and to the formation of a joint operation when an existing business is contributed to the joint operation by one of the parties that participate in the joint operation; and
- provide disclosures for business combinations as required by AASB 3 and other Australian Accounting Standards.

When these amendments are first adopted for the year ending 31 December 2016, there will be no material impact on the transactions and balances recognised in the financial statements.

### (f) Restatement of prior period results

During the year, the Company discussed with the Australian Securities and Investments Commission (ASIC) the Company's ability to continue capitalising the balance of exploration expenditure incurred on the Oued Amizour Zinc Project from August 2011 to December 2013 in accordance with Australian Accounting Standard AASB6. Notwithstanding that the Algerian regulator has continued to assess the renewal of the exploration permit since August 2011, the Company reasonably believed that it had rights to tenure on the basis of the continuity of its Joint Venture Agreement with a Government owned entity, sanctioned by the highest level of Government and the continuity of the work performed to progress the project.

Based on these discussions with ASIC the Company has expensed \$3.8 million (inclusive of foreign currency movement) post exploration licence expiry as a prior period restatement in the financial report for the year ended 31 December 2014. All expenditure incurred during the period 1 January 2014 to 31 December 2014 has also been expensed at 31 December 2014. The restated balances as at 31 December 2013 are as follows:

### Consolidated Statement of Financial Position

	Previous Amount 31 Dec 2013 \$'000	Adjustment 31 Dec 2013 \$'000	Restated Amount 31 Dec 2013 \$'000
<b>Exploration and evaluation</b>			
At cost	59,431	(3,769)	55,662
Less impairment	(4,214)	-	(4,214)
<b>Total exploration and evaluation</b>	<b>55,217</b>	<b>(3,769)</b>	<b>51,448</b>
Opening carrying amount	47,374	(1,954)	45,420
Additions	4,491	(1,362)	3,129
Impairment	-	-	-
Foreign currency movement	3,352	(453)	2,899
<b>Carrying amount at the end of the year</b>	<b>55,217</b>	<b>(3,769)</b>	<b>51,448</b>
Exploration by Region			
- Australia	8,103	-	8,103
- Algeria	47,114	(3,769)	43,345
<b>Total</b>	<b>55,217</b>	<b>(3,769)</b>	<b>51,448</b>
Accumulated losses	(156,363)	(2,346)	(158,709)
Non-controlling interest	16,549	(1,261)	15,288
Foreign exchange reserve	(3,184)	(162)	(3,346)
		<b>(3,769)</b>	

### Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Previous Amount 2013 \$'000	Adjustment 2013 \$'000	Restated Amount 2013 \$'000
Exploration expenses	-	(1,658)	(1,658)
<b>Loss for the year</b>	<b>(8,209)</b>	<b>(1,658)</b>	<b>(9,867)</b>
<b>Attributable to:</b>			
Owners of the company	(8,209)	(1,182)	(9,391)
Non-controlling interest	-	(476)	(476)
<b>Loss for the year</b>	<b>(8,209)</b>	<b>(1,658)</b>	<b>(9,867)</b>
Foreign currency translation differences for foreign operations	3,257	(156)	3,101
<b>Total comprehensive loss for the year</b>	<b>(4,952)</b>	<b>(1,814)</b>	<b>(6,766)</b>
<b>Attributable to:</b>			
Owners of the company	(4,952)	(1,340)	(6,292)
Non-controlling interest	-	(474)	(474)
<b>Total comprehensive loss for the year</b>	<b>(4,952)</b>	<b>(1,814)</b>	<b>(6,766)</b>

## 2. BASIS OF PREPARATION (CONTINUED)

### Consolidated Statement of Cash Flows

	Previous Amount 2013 \$'000	Adjustment 2013 \$'000	Restated Amount 2013 \$'000
Cash from operating activities:			
Payments to suppliers and employees	(48,583)	(1,658)	(50,241)
Cash flows from investing activities:			
Exploration and evaluation expenditure	(4,492)	1,658	(2,834)

### Consolidated Statement of Financial Position

	Previous Amount 1 Jan 2013 \$'000	Adjustment 1 Jan 2013 \$'000	Restated Amount 1 Jan 2013 \$'000
<b>Exploration and evaluation</b>			
At cost	51,588	(1,955)	49,633
Less impairment	(4,214)	-	(4,214)
<b>Total exploration and evaluation</b>	<b>47,374</b>	<b>(1,955)</b>	<b>45,419</b>
Opening carrying amount	50,605	(872)	49,733
Additions	1,893	(961)	932
Impairment	(4,214)	-	(4,214)
Foreign currency movement	(910)	(122)	(1,032)
<b>Carrying amount at the end of the year</b>	<b>47,374</b>	<b>(1,955)</b>	<b>45,419</b>
Exploration by Region			
- Australia	4,734	-	4,734
- Algeria	42,640	(1,955)	40,685
<b>Total</b>	<b>47,374</b>	<b>(1,955)</b>	<b>45,419</b>
Accumulated losses	(146,620)	(2,698)	(149,318)
Non-controlling interest	15,015	747	15,672
Foreign exchange reserve	(6,441)	(4)	(6,445)
		<b>(1,955)</b>	

## 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 2014. 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

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. The cost of mining stocks include direct material, direct labour, transportation costs and a proportion of variable and fixed overhead costs relating to mining activities. Net realisable value is the amount to be obtained from the sale of the item of inventory in the normal course of business less the estimated costs of completion and any anticipated selling costs to be incurred prior to its sale. 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 either a diminishing value, straight line or units of use basis over their useful lives to the Group commencing from the time the asset is held ready for use. 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 & 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.

### Mining property and development

Mining property and development expenditure for the establishment of access to mineral reserves, together with expenditure transferred from exploration and evaluation and expenditure incurred in the commissioning of a mine are capitalised to the extent that the expenditure results in future benefits. These amounts are amortised, upon commencement of production, over the estimated economic reserve of the mine on a units of use basis.

# Notes

to the Consolidated Financial Statements for the Year Ended 31 December 2014

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Construction in progress

During the construction phase, self-constructed assets are classified as construction in progress within property, plant and equipment. Once commissioned these assets are reclassified to property, plant and equipment at which time they will commence being depreciated. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

### (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.

#### 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.

### Angas cash generating unit impairment test

In 2013, an independent valuation of the plant based on an estimated salvage value less costs to sell showed a realisable value to be greater than the previously calculated value in use (as determined through the method described below). As a result, the Group reassessed the value of plant and equipment on the basis of realisable value.

### 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 Group historically determined and reported ore reserves under the standards incorporated in the Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves, 2004 edition (the JORC code). Going forward the Group will determine and report ore reserves under the standards incorporated in the 2012 edition of the JORC code. 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



### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

loss immediately. With respect to the Oued Amizour Zinc Project, all exploration and evaluation costs have been expensed from 26 August 2011, being the date at which the exploration licence expired. It is expected that either the exploration licence will be renewed or a mining lease will be granted, at which point the expenditure in relation to this project will be capitalised.

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 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 national Government 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 2014, 3,500,000 options were issued to KMPs of the Group under the Terramin Australia Limited Employee Option Plan (EOP). 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 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.

#### (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 13 and 28). 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.

# Notes

to the Consolidated Financial Statements for the Year Ended 31 December 2014

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (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.

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 Group is 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) Revenue

Revenue from commodity sales is recognised when the risks and rewards of ownership have been transferred to the buyer, the quantity of the goods has been reasonably accurately determined, the price is determinable and recovery of consideration is probable. This is generally when title to the goods transfers to the buyer.

Commodity sales are recognised net of all discounts and pricing adjustments, refining and distribution costs as applicable based on either fixed or provisional pricing and assays. Commodity sale contracts allow for provisional prices and assays to be estimated where metal prices or final assays are not able to be established until future periods. Revenue on provisional commodity sales is adjusted in future periods as final pricing and assays are confirmed.

Under arrangements in place through the contract for the sale of concentrates up until the final shipment following closure of the mine, the Company had a limited option to request early payment for concentrates against a warehouse receipt. Although some of the criteria under AASB 118 are satisfied (it is probable that delivery will be made and the concentrate is on hand, identified and ready for delivery), the holding of the concentrates was at the request of the seller and not the buyer, and usual payment terms do not apply. Accordingly, proceeds received from the early payment option were treated as unearned income until such time that the concentrate was shipped and the usual characteristics of revenue recognition were satisfied.

### (u) Derivatives

Commodity and foreign exchange hedging in fixed forward contracts are utilised to reduce short term exposure to commodity and foreign exchange.

These derivative financial instruments are initially recognised at fair value on the date the derivative contract is entered into and are subsequently re-measured to fair value. The method of recognising the changes in fair value subsequent to initial recognition is dependent on whether the derivative is designated as a hedging instrument, the nature of the underlying item being hedged and whether the arrangement qualifies for hedge accounting.

The Group has not designated the derivative contracts entered into during the period as hedges for accounting purposes. As such, changes in fair value of hedges are recognised immediately in the statement of profit or loss and other comprehensive income and are included in finance income or costs.

### (v) 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



### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

#### (w) Segments

The consolidated entity has identified its operating segments to be its Australian interests and its International 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.

#### (x) Compound Financial Instruments

Compound financial instruments issued by the Group comprise convertible notes that can be converted to share capital at the option of the holder where the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not include an equity conversion option. The equity component is recognised initially as the difference between the fair value of the compound financial instrument as a whole and the fair value of the debt component and recognised as a separate component of equity. Subsequent to recognition, the liability component is measured on the amortised cost basis until extinguished on conversion or redemption. The equity component is not re-measured.

#### (y) 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 the Group's product sales, short term cash investments and derivatives.

##### 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 13 for detail on available financing facilities).

##### Market Risk

The risk that changes in market prices, such as commodity prices, 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.

Specific details of how these risk exposures impact the Group, and the use of derivative financial instruments to hedge market risk, is provided in note 22 to the consolidated financial statements.

#### 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.

### 4. REVENUE AND OTHER INCOME

	2014 \$'000	Restated 2013 \$'000
<b>Revenue</b>		
Sale of concentrate	17	46,551
	17	46,551

### 5. AUDITOR'S REMUNERATION

	2014 \$'000	Restated 2013 \$'000
<b>Grant Thornton</b>		
Audit and review of financial reports	85	112
	85	112

### 6. FINANCE INCOME AND COSTS

	2014 \$'000	Restated 2013 \$'000
<b>Finance income</b>		
Interest income	32	81
Foreign exchange and commodity hedging gains	50	2,267
	82	2,348
<b>Finance costs</b>		
Interest on convertible notes	1,272	1,208
Interest on borrowings	283	1,062
Unwinding of discount on mine rehabilitation provision	-	133
Other borrowing costs	1,110	1,851
Foreign exchange and commodity hedging losses	566	4,906
	3,231	9,160

### 7. CASH AND CASH EQUIVALENTS

	2014 \$'000	Restated 2013 \$'000
Cash on hand	3	3
Bank balances	791	1,040
Short-term deposits	149	3,756
	943	4,799

Short-term deposits include \$0.1 million which is restricted under the terms of a bank guarantee facility.

# Notes

to the Consolidated Financial Statements for the Year Ended 31 December 2014

## 8. INVENTORIES

	2014 \$'000	Restated 2013 \$'000
<b>Current</b>		
Raw materials and consumables	-	1,647
<b>Total inventories at the lower of cost and net realisable value</b>	-	1,647
<b>Non-current</b>		
Raw materials and consumables	1,233	-
<b>Total inventories at the lower of cost and net realisable value</b>	1,233	-

At 31 December 2014, the write-down of inventories to net realisable value amounted to \$848,303 (2013: \$421,244).

## 9. TRADE AND OTHER RECEIVABLES

	2014 \$'000	Restated 2013 \$'000
Trade receivables <sup>1</sup>	-	1,006
Accrued interest receivable	-	9
Other receivables	128	83
	128	1,098

1. Trade receivables relate to the sale of concentrate.

At 31 December 2014, there are no trade receivables which are past their trading terms.

## 10. (a) PROPERTY PLANT AND EQUIPMENT

	2014 \$'000	Restated 2013 \$'000
<b>Freehold land</b>		
At cost	2,844	2,819
Total freehold land <sup>1</sup>	2,844	2,819
<b>Buildings and other infrastructure</b>		
At cost	126	126
Less accumulated depreciation	(116)	(112)
Total buildings and other infrastructure	10	14
<b>Plant and Equipment</b>		
At cost	59,194	71,763
Less accumulated impairment	(14,219)	(14,219)
Less accumulated depreciation	(40,685)	(51,544)
Total plant and equipment	4,290	6,000
<b>Construction in progress</b>		
At cost	9	-
Total construction in progress	9	-
<b>Total property plant and equipment</b>	7,153	8,833

1. The Directors have considered the recoverable amount of land based on a value in use calculation taking into account the future use of the land as the processing site for the Bird-in-Hand Gold Project.

## 10. (b) EXPLORATION AND EVALUATION ASSETS

	2014 \$'000	Restated 2013 \$'000
<b>Exploration and evaluation</b>		
At cost	57,596	55,662
Less impairment	(4,214)	(4,214)
<b>Total exploration and evaluation</b>	53,382	51,448

	2014 \$'000	Restated 2013 \$'000
<b>Exploration and evaluation assets by location</b>		
Oued Amizour Zinc Project (Terramin 65%)	42,746	43,345
Adelaide Hills Project (Terramin 100%)	1,444	1,077
Bird-in-Hand Gold Project (Terramin Exploration Pty Ltd 100%)	4,447	2,425
Menninnie Zinc Project (Menninnie Metals Pty Ltd 100%, farm-out joint venture)	4,745	4,601
<b>Total exploration and evaluation</b>	53,382	51,448

The Oued Amizour Zinc Project is held by WMZ, an entity controlled by the Group.

Recoverability of the carrying amount of the exploration and evaluation asset is dependent on the successful development and commercial exploitation, or alternatively sale of the respective area of interest, and continuity of the joint venture agreement with its Algerian partner. The Oued Amizour exploration license expired on 26 August 2011. The Group is liaising with Agence Nationale des Activités Minières, the Algerian regulator, who has advised that a mining lease will be issued upon an agreement being reached with the joint venture partner on the DFS.

On 25 June 2014, the joint venture parties attended a formal WMZ Board meeting and resolved unanimously to proceed with the revision of the Definitive Feasibility Study (DFS) on the basis of the mining method proposed by China Nonferrous Metals Industry's Foreign Engineering and Construction Company Limited (NFC) and Terramin. Following this resolution by the partners and taking into consideration the material progress made by the parties towards development of the project, the Terramin Board decided to terminate the arbitration proceedings launched by Terramin in June 2013.

In September/ October 2014, Terramin delivered the revised DFS prepared by NFC in English and French and provided additional information to the questions raised by Enterprise National des Produits Miniers Non-Ferreux et des Substances Utiles Spa (ENOF). Since October 2014, ENOF has been reviewing the revised DFS in preparation for a new round of technical meetings to explain and respond to all queries of the Company's Algerian partner and the Algerian government.

Movement year on year of the carrying value of the Oued Amizour Zinc Project exploration and evaluation asset is due to the changes in foreign currency exchange rates.

## 10. (a) AND (b) *CONTINUED*

### Movements in carrying amounts

	Freehold land \$'000	Buildings and other infrastructure \$'000	Plant and equipment <sup>1</sup> \$'000	Construction in progress \$'000	Exploration and evaluation \$'000	Total \$'000
Opening carrying amount 1 Jan 2014 (restated)	2,819	14	6,000	-	51,448	60,281
Additions	25	-	-	54	4,219	4,298
Disposals	-	-	(1,668)	-	-	(1,668)
Transfers	-	-	45	(45)	-	-
Exploration expensed	-	-	-	-	(1,685)	(1,685)
Depreciation and amortisation	-	(4)	(55)	-	-	(59)
Impairment	-	-	-	-	-	-
Foreign currency movement	-	-	(32)	-	(600)	(632)
<b>Carrying amount at 31 Dec 2014</b>	<b>2,844</b>	<b>10</b>	<b>4,290</b>	<b>9</b>	<b>53,382</b>	<b>60,535</b>

	Freehold land \$'000	Leasehold improve- ments \$'000	Buildings and other infrastructure \$'000	Plant and equipment <sup>1</sup> \$'000	Mining property and development \$'000	Construction in progress \$'000	Exploration and evaluation \$'000	Mine rehabilitation assets \$'000	Total \$'000
Opening carrying amount 1 Jan 2013 (restated)	2,819	3	14	3,465	4,064	237	45,420	341	56,363
Additions	-	-	12	-	-	1,087	4,491	-	5,590
Disposals	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	1,300	24	(1,324)	-	-	-
Exploration expensed	-	-	-	-	-	-	(1,362)	-	(1,362)
Depreciation and amortisation	-	(3)	(12)	(4,218)	(4,088)	-	-	(341)	(8,662)
Impairment	-	-	-	5,565	-	-	-	-	5,565
Foreign currency movement	-	-	-	(112)	-	-	2,899	-	2,787
<b>Carrying amount at 31 Dec 2013 (restated)</b>	<b>2,819</b>	<b>-</b>	<b>14</b>	<b>6,000</b>	<b>-</b>	<b>-</b>	<b>51,448</b>	<b>-</b>	<b>60,281</b>

1. Plant and equipment includes assets located at the Menninnie Zinc Project, subject to a farm-out joint venture arrangement with Musgrave.

## 11. IMPAIRMENT REVERSAL

During the year ended 31 December 2012, total impairment charges of \$33.5 million were recognised in respect of mining property and development and associated plant and equipment at the Angas Zinc Mine. In January 2013, an independent valuation of the plant based on an estimated salvage value less costs to sell showed a realisable value greater than the calculated value in use. As a result, the Group reassessed the value of the plant and equipment and \$5.6 million of the initially recognised impairment was reversed in 2013. This is shown separately in the statement of profit or loss and other comprehensive income for 2013. No further impairment of the value of plant and equipment is required for the year ended 31 December 2014.

# Notes

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## 12. TRADE AND OTHER PAYABLES

	2014 \$'000	Restated 2013 \$'000
Trade payables	302	438
Other payables and accrued expenses	1,313	1,561
	<b>1,615</b>	<b>1,999</b>

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

## 13. BORROWINGS

	2014 \$'000	Restated 2013 \$'000
<b>Current</b>		
Lease liabilities (note 28(d)) <sup>1</sup>	5	786
Loans - secured <sup>2</sup>	3,624	1,774
Convertible notes <sup>3</sup>	-	32,997
	<b>3,629</b>	<b>35,557</b>
<b>Non-current</b>		
Lease liabilities (note 28(d)) <sup>1</sup>	-	4
Loans - secured <sup>2</sup>	-	1,778
Convertible notes <sup>3/5</sup>	27,749	-
	<b>27,749</b>	<b>1,782</b>
<b>Financing facilities</b>		
Loan facilities - available	6,800	3,800
Loan facilities - undrawn	(2,580)	-
<b>Loan facilities - drawn</b>	<b>4,220</b>	<b>3,800</b>
Less: unamortised transaction costs	(596)	(248)
<b>Carrying amount at 31 December</b>	<b>3,624</b>	<b>3,552</b>
Guarantee facility - available <sup>4</sup>	5,315	5,315
Guarantee facility - undrawn	-	-
<b>Guarantee facility - drawn</b>	<b>5,315</b>	<b>5,315</b>

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 drawn down \$4.2 million of two loan facilities provided by Asipac. Interest is payable half yearly on the facilities and is fixed at a base rate of 7%. Interest can be paid in cash or shares at the election of the Group.
3. Asipac hold \$16.24 million in two year unlisted convertible notes issued by the Group with a maturity date of 7 October 2016. The notes can be converted to shares at the election of Asipac. Any unconverted notes are to be repaid in cash at maturity. Interest is payable semi-annually based on a fixed interest rate of 7.5% per annum and can be paid in cash or shares at the election of the Group. A total of 13,830,327 shares were issued during the year to Asipac in lieu of a cash interest payment of \$0.5 million.

In July 2014 the maturing Institutional Investor Notes of \$5.0 million were refinanced with the issue of new \$5.5 million convertible notes to New Asia. In December 2014, New Asia elected to convert its \$5.5 million convertible notes into shares. As a consequence, the Company issued 84,615,384 shares to New Asia to satisfy the Notes and 1,689,512 shares in lieu of a cash interest payment of \$0.2 million.

In November 2014 the maturing convertible notes of US\$10 million held by Transaminvest SA were refinanced with the issue of US\$11 million (A\$13.4 million) in two year unlisted convertible notes to Rainbow Dream. The notes were issued by the Group with a maturity date of 21 November 2016. Any unconverted notes were to be repaid in cash at maturity. The notes could be converted to shares at the election of Rainbow Dream at any time.

Interest was payable semi-annually based on a fixed interest rate of 5% per annum and could be paid in cash or shares at the election of the Group. The USD balance owing has been translated to AUD equivalents using the spot currency rate at 31 December 2014, which has given rise to an unrealised foreign exchange loss of \$0.6 million for the year.

Since the reporting date, Rainbow Dream has elected to convert its US\$11 million convertible notes into shares. As a consequence, the Company issued 110,000,000 shares to Rainbow Dream to satisfy the notes and 1,083,558 shares in lieu of a cash interest payment of \$0.2 million.

4. A \$5.3 million guarantee facility has been provided by Investec in relation to rehabilitation bonds required by Department of State Development (DSD) over the ML6229.

5. Convertible notes

Asipac	\$'000
Proceeds from issue of convertible notes (249,825,703 at \$0.065)	16,239
Transaction costs	(750)
<b>Net proceeds</b>	<b>15,489</b>
Amount classified as equity (net of transaction costs)	(1,593)
Transaction costs (debt)	673
<b>Carrying amount of Asipac convertible note</b>	<b>14,569</b>
Carrying amount of Rainbow Dream convertible note	13,411
Other transaction costs	(231)
<b>Carrying amount of Rainbow Dream convertible note</b>	<b>13,180</b>
<b>Total carrying amount of convertible notes at 31 December 2014</b>	<b>27,749</b>

6. Finance Loans

The carrying value of plant and equipment and mining property subject to finance loans and hire purchase contracts at 31 December 2014 was \$nil (2013: \$913,000). There were no additions during the year (2013: \$nil) of plant and equipment and mining property under finance loans and hire purchase contracts. Assets under hire purchase contracts are pledged as security for the related finance loans and hire purchase liabilities. All other Company assets are subject to a first ranking security interest in respect of the guarantee facility provided by Investec Bank PLC (Investec), the \$2.0 million Asipac loan and the unlisted convertible notes held by Asipac.

The Asipac \$2.0 million loan and convertible notes are secured under a facility trust agreement for which Investec is the trustee. The security trust agreement holds a security interest over the Company's assets and real estate mortgages over land. The securities must be discharged upon satisfaction of all obligations under the Asipac facilities and convertible notes and Investec's guarantee facility.

All Terramin Exploration assets are subject to a first ranking security interest relating to the \$2.8 million Asipac debt facility for the benefit of Asipac Group Pty Ltd. In addition, the Company granted to Asipac a specific security over all the shares in Terramin Exploration Pty Ltd. Both securities will be discharged upon satisfaction of all obligations under the \$2.8 million loan facility.

## 14. PROVISIONS

	2014 \$'000	Restated 2013 \$'000
<b>Current</b>		
Employee benefits	216	594
Onerous lease	142	602
	<b>358</b>	<b>1,196</b>
<b>Non-current</b>		
Employee benefits	46	62
Mine rehabilitation	5,612	5,329
Onerous lease	-	117
	<b>5,658</b>	<b>5,508</b>

	Employee benefits \$'000	Mine rehabili- tation \$'000	Onerous leases \$'000	Total \$'000
<b>At 1 January 2014</b>	<b>656</b>	<b>5,329</b>	<b>719</b>	<b>6,704</b>
Increases in provisions	252	283	-	535
Unused amounts reversed	(304)	-	-	(304)
Paid during the period	(342)	-	(577)	(919)
<b>At 31 December 2014</b>	<b>262</b>	<b>5,612</b>	<b>142</b>	<b>6,016</b>

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 3.2% (2013: 2.5%). The rehabilitation is expected to occur following the processing of ore from the Bird-in-Hand gold mine (subject to regulatory approvals).

A provision for an onerous lease has been recognised to reflect the present value of future contract costs which are required to be made. The benefits expected to be generated by the lease contract are outweighed by the future costs.

## 15. ISSUED CAPITAL

### (a) Ordinary shares

	2014 \$'000	Restated 2013 \$'000
<b>1,404,009,037 (2013: 1,245,051,770)</b>		
Ordinary shares	173,677	164,603
Share issue costs	(4,849)	(4,807)
	<b>168,828</b>	<b>159,796</b>

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.

### (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
<b>Opening balance 1 January 2014</b>		<b>1,245,051,770</b>		<b>159,796</b>
Shares issued in lieu of interest (Asipac)	4/06/2014	5,327,462	0.04	189
Shares issued in lieu of interest (Asipac)	4/06/2014	4,904,417	0.04	188
Shares issued in lieu of interest (Asipac)	4/06/2014	1,988,999	0.03	69
Shares issued in lieu of interest (Asipac)	4/06/2014	1,609,449	0.04	62
Shares issued to Directors	4/06/2014	3,581,480	0.04	140
Shares issued in lieu of restructure fee (Asipac)	19/09/2014	13,711,152	0.05	750
Share placement to Asipac	19/09/2014	23,529,412	0.04	1,000
Shares issued to NFC	19/09/2014	18,000,000	0.06	1,008
Conversion of convertible note (New Asia)	18/12/2014	84,615,384	0.07	5,500
Shares issued in lieu of interest (New Asia)	18/12/2014	1,689,512	0.10	168
<b>Closing balance 31 December 2014</b>		<b>1,404,009,037</b>		<b>168,870</b>
Share issue costs				(42)
<b>Issued Capital</b>				<b>168,828</b>



# Notes

to the Consolidated Financial Statements for the Year Ended 31 December 2014

## 15. ISSUED CAPITAL (CONTINUED)

### (b) Detailed table of capital issued during the year (continued)

Type of Share Issue	Date of Issue	Number of Ordinary Shares on issue	Exercise Price \$	Share Capital \$'000
<b>Opening balance 1 January 2013</b>		<b>718,881,339</b>		<b>143,699</b>
Shares issued in lieu of interest (Institutional Investor)	26/02/2013	9,309,196	0.02	208
Share placement	6/03/2013	41,523,066	0.02	1,000
Shares issued in lieu of interest (Transaminvest SA)	18/03/2013	6,015,613	0.02	137
Share placement	28/03/2013	13,452,914	0.02	300
Shares issued in lieu of interest (Asipac)	10/09/2013	10,215,650	0.02	186
Shares issued in lieu of interest (Transaminvest SA)	10/09/2013	5,970,069	0.02	123
Share placement	25/11/2013	25,000,000	0.02	500
Rights Issue	25/11/2013	402,683,923	0.04	14,094
Share placement	24/12/2013	12,000,000	0.03	360
<b>Closing balance 31 December 2013</b>		<b>1,245,051,770</b>		<b>160,607</b>
Share issue costs				(811)
<b>Issued Capital</b>				<b>159,796</b>

## 16. RESERVES

	2014 \$'000	Restated 2013 \$'000
<b>Foreign currency translation reserve<sup>1</sup></b>		
Balance at the beginning of the year	(3,346)	(6,445)
Adjustment arising on translation into presentation currency	(631)	3,099
<b>Balance at the end of the year</b>	<b>(3,977)</b>	<b>(3,346)</b>
<b>Other components of equity<sup>2</sup></b>		
Balance at the beginning of the year	-	-
Equity component of debt facilities	1,593	-
<b>Balance at the end of the year</b>	<b>1,593</b>	<b>-</b>
<b>Share option reserve<sup>3</sup></b>		
Balance at the beginning of the year	8,966	8,966
Options issued during the year	4	-
<b>Balance at the end of the year</b>	<b>8,970</b>	<b>8,966</b>
<b>Total reserves</b>	<b>6,586</b>	<b>5,620</b>

1. Foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.
2. Other components of equity reserve is used to record the equity component of compound financial instruments issued by the Group.
3. Share option reserve is used to recognise the value of equity-settled share-based payment transactions, including employees and KMP, as part of their remuneration.

## 17. NON-CONTROLLING INTEREST

	2014 \$'000	Restated 2013 \$'000
Balance at the beginning of the year	15,288	15,762
Share of movement in net assets	(620)	(474)
<b>Balance at the end of the year</b>	<b>14,668</b>	<b>15,288</b>

Movement in non-controlling interest in 2014 relates to the 35% minority interest (ENOF 32.5% and ORGM 2.5%) in exploration and evaluation costs for the Oued Amizour Zinc Project funded directly by the Group through its 65% shareholding in WMZ. During 2014, the Group funded approximately \$1.8 million of exploration and evaluation costs in WMZ, of which ENOF and ORGM are entitled to \$0.63 million (35%). The remainder of the movement is in relation to foreign exchange changes.

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 23 for further disclosures with respect to material non-controlling interests.

## 18. INCOME TAX EXPENSE

	2014 \$'000	Restated 2013 \$'000
Prima facie tax benefit on loss before income tax at 30% (2013: 30%)	(2,862)	(2,960)
Decrease in income tax benefit due to:		
(Deductible)/non-deductible items	(150)	776
Deferred tax asset not brought to account	(3,012)	(2,184)
Research and development tax concession received	1,441	-
Unused tax losses for which no deferred tax asset has been recognised	140,668	127,590
Potential tax benefit	42,200	38,277
The applicable weighted average effective tax rates are as follows:	30%	30%



## 18. INCOME TAX EXPENSE (CONTINUED)

The Company is part of an Australian Tax Consolidated Group. The Australian Tax Consolidated Group has potential deferred tax assets of \$40.7 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:

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

## 19. CASH FLOW INFORMATION

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

	Consolidated 2014 \$'000	Restated 2013 \$'000
Loss for the period	(8,100)	(9,867)
<b>Adjustment for:</b>		
Depreciation and amortisation	59	8,662
Unrealised (gain)/loss on foreign exchange	410	3,824
Unrealised derivative (gain)/loss	-	(1,687)
Realised derivative (gain)/loss	-	592
Non-cash inventory movements	427	1,305
Write back of impairment losses	-	(5,565)
Share options expense	4	-
Shares issued in lieu of interest	676	518
Share-based payment transactions (other)	1,008	-
Employee/Director share scheme	140	-
(Profit)/loss on sale of fixed assets	1,087	-
Realised foreign exchange (gain)/loss	156	(131)
Net financing costs	1,150	1,514
Other	121	(6)
<b>Change in operating assets and liabilities:</b>		
Decrease/(increase) in trade and other receivables	923	5,182
Decrease/(increase) in inventory	-	4,322
Decrease/(increase) in prepayments	-	98
(Decrease)/increase in trade payables and accruals	(384)	(7,979)
(Decrease)/increase in provisions	(972)	(1,639)
(Decrease)/increase in unearned income	-	(1,860)
<b>Cashflow (used in) operating activities</b>	<b>(3,295)</b>	<b>(2,717)</b>

## 20. RELATED PARTIES

### (a) Key management personnel compensation

Summary of KMP compensation:

	2014 \$'000	2013 \$'000
Short-term employee benefits	1,187	1,358
Post-employment benefits	90	106
Termination benefits	-	85
Share-based payments	144	-
	<b>1,421</b>	<b>1,549</b>

Information regarding the compensation of KMP and some equity instrument disclosures as required by Corporations Regulation 2M.3.03 is provided in the Remuneration Report section of the Directors' Report on pages 4 to 8.

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.

#### Entities with significant influence over the Group

At 31 December 2014, Asipac together with Wanshe Holdings Pty Limited (Wanshe) owned 42.53% of the ordinary shares in Terramin (2013: 43.8%) and are controlled by Mr F Sheng who is a Non-Executive director of the Company. Mr A Siciliano is the Chief Financial Officer of Asipac. Wanshe is a shareholder only. Asipac has had the following transactions in the year:

	Asipac Group	
	2014 \$'000	2013 \$'000
Borrowings as at 1 January	20,619	14,493
Convertible notes acquired during the year	-	-
Foreign exchange movement on convertible notes	(581)	2,326
Loans advanced during the year	1,420	5,800
Loan repayments in the year	(1,000)	(2,000)
Borrowings as at 31 December	20,458	20,619
Fees in relation to provision of underwriting services	1,462	705
Loan facility fees paid	28	135
Interest paid/payable	1,147	532
Amounts owed at year end	660	334
Interest and fees paid in shares during the year	1,260	186

Subsequent to the reporting period, Wanshe has completed a transfer of its 480,321,177 Terramin shares (31.70% of Terramin's issued capital) to its existing shareholders, split equally between Ms Wang and Mr Sheng. Mr Sheng's relevant interest which is now wholly held through Asipac Group Pty Ltd represents 23.56% of Terramin's issued ordinary shares.

#### Other transactions

In 2013, the Group entered into a consultancy agreement with NFC, the company of which Mr Xie Yaheng is Vice-President. 18,000,000 shares with a fair value of \$1,008,000 were issued to NFC during the year as consideration under this agreement.

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## 20. RELATED PARTIES (CONTINUED)

### 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.

There are no other related party transactions.

## 21. 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	2014 \$'000	2013 \$'000
<b>Current</b>			
Cash and cash equivalents	7	943	4,799
Receivables	9	128	1,098
Payables and accruals	12	(1,615)	(1,999)
Financial liabilities at amortised cost	13	(31,378)	(37,339)
		<b>(31,922)</b>	<b>(33,441)</b>

### 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.

## 22. FINANCIAL RISK MANAGEMENT

The Group's principal financial liabilities comprise loans, convertible notes 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.

#### (a) Commodity price risk

The Group was previously exposed to commodity price and exchange rate volatility in respect to future sales of commodities derived from the Angas Zinc Mine. This exposure was partially mitigated by fixed forward commodity hedging contracts.

No amount was recognised in the statement of profit or loss and other comprehensive income during the current year (2013:\$1.6m).

#### Sensitivity Analysis

Sensitivity to fluctuations in commodity prices has been assessed based on existing price exposures in respect of commodity sales that occurred during the reporting period. There were no outstanding Zinc and Lead price exposures in respect of Zinc and Lead sales that occurred in the reporting period.

#### (b) Currency risk

The Group is exposed to foreign currency risk on debt, as a result of USD convertible note issues, 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 (2013:\$123,000).

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

	31 December 2014		31 December 2013	
In AUD thousand equivalent	USD	DZD	USD	DZD
Cash at bank	49	37	16	37
Trade receivables	-	15	1,008	11
Trade payables	-	(44)	-	(54)
Convertible notes	(13,411)	-	(32,997)	-
Gross exposure	<b>(13,362)</b>	<b>8</b>	<b>(31,973)</b>	<b>(6)</b>

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

	Currency	2014	2013
Year end rates used for the consolidated statement of financial position, to translate the following currencies into AUD, are:			
	USD	0.82	0.89
	DZD	72.03	69.66

#### Sensitivity Analysis

Sensitivity to fluctuations in foreign currency rates is based on outstanding monetary items at 31 December 2014 which are denominated in a foreign currency. A 10% strengthening of the AUD against the following currencies at the end of the reporting period would have decreased losses by the amounts shown below. This analysis assumes that all other variables remain constant, in particular interest rates.

## 22. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Effect in AUD thousands - 10% increase of the AUD against the following currencies

31 December 2014	Equity	Profit or (loss)
USD	(1,485)	(1,485)
<b>Total</b>	<b>(1,485)</b>	<b>(1,485)</b>

### Effect in AUD thousands - 10% decrease of the AUD against the following currencies

31 December 2014	Equity	Profit or (loss)
USD	1,215	1,215
<b>Total</b>	<b>1,215</b>	<b>1,215</b>

### Effect in AUD thousands - 10% increase of the AUD against the following currencies

31 December 2013	Equity	Profit or (loss)
USD	(3,533)	(3,533)
<b>Total</b>	<b>(3,533)</b>	<b>(3,533)</b>

### Effect in AUD thousands - 10% decrease of the AUD against the following currencies

31 December 2013	Equity	Profit or (loss)
USD	2,907	2,907
<b>Total</b>	<b>2,907</b>	<b>2,907</b>

#### (c) 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:

	Effective interest rate	Total \$'000	Floating interest rate \$'000	Fixed interest rate \$'000
<b>2014</b>				
Cash <sup>1</sup>	2.21%	794	794	-
Short-term deposits <sup>1</sup>	2.90%	149	149	-
Finance lease liabilities	8.82%	(5)	-	(5)
Loans - secured	7.00%	(4,220)	-	(4,220)
Convertible notes <sup>2</sup>	0.06%	(27,749)	-	(27,749)
<b>NET FINANCIAL ASSETS/ (LIABILITIES)</b>		<b>(31,031)</b>	<b>943</b>	<b>(31,974)</b>

	Effective interest rate	Total \$'000	Floating interest rate \$'000	Fixed interest rate \$'000
<b>2013</b>				
Cash <sup>1</sup>	0.85%	1,043	1,043	-
Short-term deposits <sup>1</sup>	2.52%	3,756	3,756	-
Finance lease liabilities	8.82%	(790)	-	(790)
Bank loans - secured	7.00%	(3,800)	-	(3,800)
Convertible notes <sup>2</sup>	3.41%	(32,997)	(27,995)	(5,002)
<b>NET FINANCIAL ASSETS/ (LIABILITIES)</b>		<b>(32,788)</b>	<b>(23,196)</b>	<b>(9,592)</b>

1. Includes AUD and USD denominated balances.
2. \$13.4 million in convertible notes have been converted to equity after the reporting date.

#### 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 2014 financial year, a 100 basis points increase in the effective interest rate would have resulted in an increase in losses of \$nil (2013: \$0.2 million).

#### 2. Credit risk

Derivative counterparties and cash term deposits are limited to high credit quality financial institutions.

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	2014 \$'000	2013 \$'000
Receivables	9	128	1,098
Cash assets	7	943	4,799
		<b>1,071</b>	<b>5,897</b>

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

	2014 \$'000	2013 \$'000
Australia	113	239
USA	-	848
Other	15	11
	<b>128</b>	<b>1,098</b>

# Notes

to the Consolidated Financial Statements for the Year Ended 31 December 2014

## 22. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 3. Liquidity risk

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

2014	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
<b>Non-derivative financial liabilities</b>								
Trade and other payables	12	1,615	(1,615)	(1,615)	-	-	-	-
Bank loans - secured	13	3,624	-	(2,220)	(2,000)	-	-	-
Convertible notes <sup>1</sup>	13	27,749	-	(9)	(9)	(29,665)	-	-
Finance lease liabilities	13	5	(5)	(5)	-	-	-	-
		<b>32,993</b>	<b>(1,620)</b>	<b>(3,849)</b>	<b>(2,009)</b>	<b>(29,665)</b>	-	-

1. \$13.4 million in convertible notes have been converted to equity after the reporting date.

2013	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
<b>Non-derivative financial liabilities</b>								
Trade and other payables	12	1,999	(1,999)	(1,999)	-	-	-	-
Loans - secured	13	3,552	(3,801)	-	(1,801)	(2,001)	-	-
Convertible notes	13	32,997	(33,669)	(17,383)	(16,287)	-	-	-
Finance lease liabilities	13	790	(1,610)	(726)	(76)	(803)	(5)	-
		<b>39,338</b>	<b>(41,079)</b>	<b>(20,108)</b>	<b>(18,164)</b>	<b>(2,804)</b>	<b>(5)</b>	-

## 23. CONTROLLED ENTITIES

Name	Country of incorporation	2014	Percentage	2013
<b>Parent Entity</b>				
Terramin Australia Limited	Australia			
<b>Subsidiaries of parent entity</b>				
Menninnie Metals Pty Ltd	Australia	<b>100%</b>		100%
Western Mediterranean Zinc Spa	Algeria	<b>65%</b>		65%
Terramin Spain S.L.	Spain	<b>100%</b>		100%
Terramin Exploration Pty Ltd	Australia	<b>100%</b>		100%

### Subsidiary with material non-controlling interests

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

Name	Proportion of Ownership Interests & Voting Rights held by the NCI		Profit/(Loss) Allocated to NCI		Accumulated NCI	
	31-Dec-14	31-Dec-13	31-Dec-14	31-Dec-13	31-Dec-14	31-Dec-13
Western Mediterranean Zinc Spa	<b>35%</b>	35%	<b>(628)</b>	(476)	<b>14,668</b>	15,288

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

	2014 \$'000	Restated 2013 \$'000		2014 \$'000	Restated 2013 \$'000
Current assets	<b>152</b>	158	Revenue	-	-
Non-current assets	<b>42,780</b>	43,411	Loss for the year	(1,838)	(1,658)
<b>Total assets</b>	<b>42,932</b>	43,569	Other comprehensive income for the year (all attributable to owners of the parent)	-	-
Current liabilities	<b>44</b>	54	Total comprehensive loss for the year	(1,838)	(1,658)
Non-current liabilities	-	-	Net cash (used in) operating activities	(794)	(769)
<b>Total liabilities</b>	<b>44</b>	54	Net cash used in investing activities	-	-
			Net cash from financing activities	789	766
			Net cash (outflow)	(5)	(3)

## 24. SEGMENT REPORTING

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

- Australia – explores, develops and mines zinc, lead and gold deposits
- Northern Africa – developing a zinc deposit

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

	Australia		Northern Africa		Consolidated	
	2014	Restated	2014	Restated	2014	Restated
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue						
External customers	17	46,551	-	-	17	46,551
<b>Total Revenue</b>	<b>17</b>	<b>46,551</b>	<b>-</b>	<b>-</b>	<b>17</b>	<b>46,551</b>
<b>Results</b>						
Depreciation and amortisation	(59)	(8,662)	-	-	(59)	(8,662)
Exploration and evaluation write down	-	-	(1,838)	(1,658)	(1,838)	(1,658)
Impairment of non-current assets	-	-	-	-	-	-
Write back of impairment losses	-	5,565	-	-	-	5,565
Interest income	32	81	-	-	32	81
Interest expense	(1,555)	(2,270)	-	-	(1,555)	(2,270)
<b>(Loss) before income tax</b>	<b>(7,703)</b>	<b>(8,209)</b>	<b>(1,838)</b>	<b>(1,658)</b>	<b>(9,541)</b>	<b>(9,867)</b>
Income tax benefit	1,441	-	-	-	1,441	-
<b>(Loss) for the year attributable to equity holders of the Company</b>	<b>(7,472)</b>	<b>(9,391)</b>	<b>-</b>	<b>-</b>	<b>(7,472)</b>	<b>(9,391)</b>
<b>Operating assets</b>	<b>19,979</b>	<b>24,468</b>	<b>42,932</b>	<b>43,569</b>	<b>62,911</b>	<b>68,037</b>
<b>Operating liabilities</b>	<b>38,965</b>	<b>45,988</b>	<b>44</b>	<b>54</b>	<b>39,009</b>	<b>46,042</b>
<b>Other disclosures</b>						
Capital expenditure <sup>1</sup>	2,613	4,228	-	-	2,613	4,228

1. Capital expenditure consists of additions of property, plant and equipment, mine properties and development 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.

# Notes

to the Consolidated Financial Statements for the Year Ended 31 December 2014

## 25. SHARE BASED ENTITLEMENTS AND PAYMENTS

The Group uses share options 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.

There were 3,500,000 options granted to KMPs in 2014 (2013: nil).

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

	Weighted average exercise price 2014	Number of options 2014	Weighted average exercise price 2013	Number of options 2013
Outstanding at 1 January	\$1.02	1,300,000	\$1.51	4,170,000
Granted during the period	\$0.14	3,500,000	-	-
Exercised during the period	\$0.00	-	-	-
Lapsed during the year	\$0.00	-	\$1.46	(2,870,000)
Outstanding at 31 December	\$0.94	4,800,000	\$1.02	1,300,000
Exercisable at 31 December	\$1.02	1,300,000	\$1.02	1,300,000

The options outstanding at 31 December 2014 have a weighted average contractual life of 2.6 years (2013: 1.1 years). A balance of 1,300,000 options outstanding for the Group at 31 December 2014 were fully vested and exercisable. Since the reporting date 1,000,000 share options have lapsed.

### (b) Options exercised during the year

During the year ended 31 December 2014 there were no options exercised (2013: Nil).

### (c) Table of share options movement for the Group at 31 December 2014

Expiry Date	Number of options	Options expense this year \$'000	Total option value \$'000
<b>Opening balance 1 January 2014</b>	<b>1,300,000</b>		
Granted during the period	3,500,000	4	137
<b>Closing balance 31 December 2014</b>	<b>4,800,000</b>	<b>4</b>	<b>137</b>

### (d) Table of share options movement for the Group at 31 December 2013

Expiry Date	Number of options	Options expense this year \$'000	Total option value \$'000
<b>Opening balance 1 January 2013</b>	<b>4,170,000</b>	-	-
Options lapsed during the year	(2,870,000)	-	-
<b>Closing balance 31 December 2013</b>	<b>1,300,000</b>	-	-

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

### (e) Shares issued in lieu of cash payments

Type of Share Issue 2014	Date of issue	Number of Ordinary Shares on issue	Issue Price \$	Share Capital \$'000
Shares issued in lieu of interest (Asipac)	4/06/2014	5,327,462	0.04	189
Shares issued in lieu of interest (Asipac)	4/06/2014	4,904,417	0.04	188
Shares issued in lieu of interest (Asipac)	4/06/2014	1,988,999	0.03	69
Shares issued in lieu of interest (Asipac)	4/06/2014	1,609,449	0.04	62
Shares issued to Directors	4/06/2014	3,581,480	0.04	140
Shares issued in lieu of restructure fee (Asipac)	19/09/2014	13,711,152	0.05	750
Shares issued to NFC	19/09/2014	18,000,000	0.06	1,008
Shares issued in lieu of interest (New Asia)	18/12/2014	1,689,512	0.10	168
<b>Total shares issued in lieu of cash payments</b>				<b>2,574</b>



## 25. SHARE BASED ENTITLEMENTS AND PAYMENTS (CONTINUED)

### (e) Shares issued in lieu of cash payments (continued)

Type of Share Issue 2013	Date of issue	Number of Ordinary Shares on issue	Issue Price \$	Share Capital \$'000
Shares issued in lieu of interest (Institutional Investor)	26/02/2013	9,309,196	0.02	208
Shares issued in lieu of interest (Transaminvest SA)	18/03/2013	6,015,613	0.02	137
Shares issued in lieu of interest (Asipac)	10/09/2013	10,215,650	0.02	186
Shares issued in lieu of interest (Transaminvest SA)	10/09/2013	5,970,069	0.02	123
Share placement	24/12/2013	12,000,000	0.03	360
Total shares issued in lieu of cash payments				1,014

## 26. EMPLOYEE OPTION PLAN

### (a) Current Options

No options either lapsed or were exercised in 2014 as detailed in the remuneration report.

Date of Issue	Number of shares subject to option	Exercise price	Exercisable by
<b>2014 Employee Options – Tranche A</b>			
19-Dec-14	1,750,000	\$0.14	19-Dec-17
Less options lapsed during 2014	-		
Less options exercised during 2014	-		
	1,750,000		
<b>2014 Employee Options – Tranche B</b>			
19-Dec-14	1,750,000	\$0.14	19-Dec-18
Less options lapsed during 2014	-		
Less options exercised during 2014	-		
	1,750,000		
<b>Total options outstanding at 31 December 2014</b>	<b>3,500,000</b>		

### (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 2013	1,300,000	-	-
Issued during the financial year	-	-	-
<b>Balance as at 31 December 2013</b>	<b>1,300,000</b>	-	-
Issued during the financial year	3,500,000	\$0.14	137
<b>Balance as at 31 December 2014</b>	<b>4,800,000</b>	-	-

In May 2014, shareholders of Terramin approved an Employee Incentive Plan. The terms and conditions of this plan are disclosed in the Remuneration Report. During the financial year, options were issued to executive management pursuant to the Employee Incentive Plan. The fair value of issuing these shares has been calculated using the Black-Scholes Option Pricing Model. The terms and conditions of shares issued during the reporting period are as follows:

	Tranche A Issued December 2014	Tranche B Issued December 2014
Total fair value at grant date	\$62,366	\$74,786
Number of securities issued	3,500,000	3,500,000
Share price	\$0.14	\$0.14
Volatility <sup>1</sup>	70.40%	70.40%
Term	3 years	4 years
Risk free rate	2.30%	2.45%

1. The expected volatility is based on the historic quarterly volatility, adjusted for any expected changes to the future volatility due to publicly available information.

## 27. EARNINGS PER SHARE

### (a) Basic earnings per share

The calculation of basic earnings per share at 31 December 2014 was based on the net loss attributable to equity holders of the Company of \$7.5m (2013 restated: \$9.4m) and a weighted average number of ordinary shares outstanding during the year ended 31 December 2014 of 1,274,167,327 (2013: 825,827,572), calculated as follows:

	2014 \$'000	Restated 2013 \$'000
Net loss for the year attributable to the equity holders of the Company	(7,472)	(9,391)
Ordinary shares on issue	1,404,009,037	1,245,051,770
Weighted average number of ordinary shares	1,274,167,327	825,827,572
Basic earnings per share (cents)	(0.59)	(1.14)

### (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.

	2014 \$'000	Restated 2013 \$'000
Diluted earnings per share (cents)	(0.59)	(1.14)

# Notes

to the Consolidated Financial Statements for the Year Ended 31 December 2013

## 28. 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:

	2014 \$'000	2013 \$'000
Within 1 year	295	705
One to five years	60	204
Total	355	909

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

As at 31 December 2014, there were minimum exploration commitments on tenements with local Government authorities as follows: Bremer, Currency Creek, Hartley, Kinchina, Langhorne Creek, Tepko and Pfeiffer, Kapunda, Lobethal, Mount Barker, Mount Pleasant and Mount Torrens have amalgamated minimum expenditure of \$2.9m over the 2 year period ending 30 June 2016. Menninnie Dam, Nonning, Kolendo, Taringa and Wipipippee have amalgamated minimum expenditure of \$0.75m over the 18 month period ending 31 December 2015. Mount Ive, Unalla, Mount Ive South, Tanner and Thurlga have a requirement of \$150,000, \$90,000, \$180,000, \$210,000 and \$300,000 over two years respectively.

As at 31 December 2013, there were minimum exploration commitments on tenements with local Government authorities as follows: Bremer, Currency Creek, Hartley, Kinchina, Langhorne Creek and Pfeiffer have amalgamated minimum expenditure of \$630,000 per annum; Kapunda, Lobethal, Mount Barker, Mount Pleasant and Mount Torrens have amalgamated minimum expenditure of \$650,000 per annum. Tepko, Kolendo, Mount Ive, Nonning, Taringa, Unalla and Wipipippee have a requirement of \$250,000, \$100,000, \$150,000, \$240,000, \$250,000, \$90,000 and \$230,000 over 2 years respectively. Menninnie Dam has a requirement of \$480,000 over 3 years.

### (c) Capital expenditure commitments

	2014 \$'000	2013 \$'000
Within 1 year <sup>1</sup>	1,375,000	-
Total	1,375,000	-

1. Terramin Exploration Pty Limited signed a contract for the purchase of land in the Woodside area in order to advance the Group's activities in relation to the Bird-in-Hand Gold Project. Settlement is expected to occur 3 July 2015.

### (d) Finance leases

Commitments in relation to finance leases for the purchase of mining equipment are as follows:

	2014 \$'000	2013 \$'000
Within 1 year	5	803
Longer than 1 year and not longer than 5 years	-	5
Minimum lease payments	5	808
Less: future finance charges	-	18
Total lease liabilities	5	790
<b>Representing</b>		
Current	5	786
Non-current	-	4
	5	790

The interest rate implicit in the various leases vary from 6.7% to 10.4%.

### (e) Other commitments

#### Oued Amizour Zinc Project

In February 2006, the Group signed a joint venture agreement in respect of the Oued Amizour 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 Limited 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 completion of particular milestones.

#### 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 2014, the Company had lodged bank guarantees having a face value of \$5.3 million with the Department of State Development (DSD), and a cash backed bank guarantee of \$0.1 million with Flinders Ports.

#### Litigation

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

## 29. EVENTS AFTER THE REPORTING DATE

On 4 February 2015, Rainbow Dream elected to convert its US\$11 million unlisted convertible notes into ordinary shares. As a consequence, the Company issued 110,000,000 shares to Rainbow Dream.

In the Directors' opinion, no other events or circumstances have arisen since 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.

### 30. PARENT ENTITY DISCLOSURES

As at, and throughout, the financial year ending 31 December 2014 the parent Company of the Group was Terramin Australia Limited.

	2014 \$'000	2013 \$'000
<b>Result of the parent entity</b>		
Loss for the period	(14,536)	(11,497)
Other comprehensive income	-	-
Total comprehensive income for the period	(14,536)	(11,497)
<b>Financial position of parent entity</b>		
Current assets	1,080	5,062
Total assets	58,543	66,734
Current liabilities	3,279	35,458
Total liabilities	36,686	40,970
<b>Total equity of the parent entity comprising of:</b>		
Share capital	168,828	159,796
Share option reserve	8,970	8,966
Other components of equity	1,593	-
Accumulated losses	(157,534)	(142,998)
<b>Total equity</b>	<b>21,857</b>	<b>25,764</b>

#### Parent entity capital commitments for acquisition of property plant and equipment

	2014 \$'000	2013 \$'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.