



ASX Announcement

31 August 2016

Interim Financial Accounts

Terramin Australia Limited (ASX: TZN) is pleased to provide the Company's interim financial accounts for the half-year ending 30 June 2016.

The Board notes progress has been made in a number of areas during and after that period in particular in respect of the two key development assets of the Company:

Significant progress has been made with respect to the Tala Hamza Zinc Project.

- The re-issue of the Oued Amizour exploration license early in 2016 cleared the path to finalise the revised definitive feasibility study and for the partners to take a decision to mine.
- Since then, Terramin has undertaken geotechnical pits at various locations within the processing plant and tailings dam footprint. These pits are part of a program of geotechnical, hydrological and backfill studies which are required to be undertaken to finalise DFS and the mining lease application.
- The partners have also been investigating a number of improvement options which are expected to result in significant reductions in supporting infrastructure, surface earthworks and shorter decline length. In turn these improvements are expected to result in a substantial reduction in upfront capital costs, lower operating costs and will reduce the environmental impact of the Project.
- Excellent cooperation and agreement on the project between the partners has facilitated progress and is expected to fast track process towards a decision to mine and mining lease approval.
- The development of the Tala Hamza Zinc Project is expected to occur in a context of continued increase in zinc prices as observed during the past 6 months.

The Bird-in-Hand high grade gold Project is also progressing well:

- Terramin has completed diamond drilling programme to provide hydrological, geotechnical and metallurgical data to progress underground mine design and layout of surface facilities.
- Metallurgical and mineralogical drilling has also returned outstanding results confirming the high grade nature of the Bird-in-Hand deposit.
- The high grade results allowed the company to upgrade the Bird-in-Hand Resource to 588,000 tonnes at 13.3g/t gold for 252,000 ounces of gold (an increase of 19,000 ounces) which includes an Indicated Resource of 167,000 tonnes at 16.16g/t gold for 87,000 ounces of gold¹.
- The Company has also progressed studies for the purpose of preparing a mining lease proposal as part of the mining lease application process. Pre-feasibility studies for ventilation systems, mining equipment requirements, material handling, backfill, traffic and storm water studies were undertaken during the quarter. Models for hydrogeology and geotechnical properties will be updated following the new resource model. A mining lease application is planned to be lodged

¹ See ASX Announcement dated 8 August 2016 with Competent Person Statement

at the beginning of 2017.

Terramin also continues to hold an extensive exploration portfolio in Australia and work has continued to determine the potential of these.

To continue advancing the work on the Tala Hamza Zinc Project and the Bird-in-Hand Gold Project, the Company and its major shareholder, Asipac Group Pty Ltd (**Asipac**) have agreed to increase the Bird-in-Hand loan facility by \$1.0 million to \$6.0 million. Subject to a receiving a waiver from the ASX, this additional amount will be secured by the securities granted by Terramin Exploration Pty Ltd to Asipac.

Commenting on the progress made, Terramin CEO, Mr Martin Janes, said: “We are pleased with the progress made towards the development of the Tala Hamza zinc project and the Bird-in-Hand gold project, at a time when there is a global reduction in zinc supply and positive outlook for gold price. We are also pleased with the ongoing support of our shareholders, in particular the Asipac Group, following the increase of the Bird-in-Hand Facility.”

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TERRAMIN AUSTRALIA LIMITED

ABN 67 062 576 238

& Controlled Entities

INTERIM FINANCIAL REPORT *for the half-year ended 30 June 2016*

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Appendix 4D*for the half-year ended 30 June 2016***Results for Announcement to the Market**

(All comparisons to half-year ended 30 June 2015)	\$'000	Up/Down	Movement %
Revenue from ordinary activities	-	down	(100.0)
Loss after tax from ordinary activities	(2,383)	down	51.5

Dividend Information

	Amount per share (cents)	Franked amount per share (cents)	Tax rate for franking credit
Interim 2016 dividend per share	Nil	Nil	Nil
Final 2015 dividend per share	Nil	Nil	Nil

Net Tangible Assets Per Security

	30 June 2016	30 June 2015
Net tangible assets per security	0.03	0.02

This information should be read in conjunction with the 2015 Annual Financial Report of Terramin Australia Limited and its controlled entities and any public announcements made in the period by Terramin Australia Limited in accordance with the continuous disclosure requirements of the *Corporations Act 2001* (Cth) and the Australian Securities Exchange Listing Rules.

Additional Appendix 4D disclosure requirements can be found in the Directors' Report and the consolidated financial statements for the half-year ended 30 June 2016.

This report is based on the consolidated financial statements for the half-year ended 30 June 2016 of Terramin Australia Limited and its controlled entities, which have been reviewed by Grant Thornton. The Independent Review Report provided by Grant Thornton is included in the consolidated financial statements for the half-year ended 30 June 2016.

Directors' Report

for the half-year ended 30 June 2016

Your Directors present their report on the consolidated entity comprising Terramin Australia Limited (the **Company** or **Terramin**) and its controlled entities (the **Group**) for the half-year ended 30 June 2016 and the review report thereon. Terramin is a public company, limited by shares, that is incorporated and domiciled in Australia.

This report should be read in conjunction with the Company's 2015 Annual Financial Report.

BOARD OF DIRECTORS

The following persons were Directors of the Company during the whole of the half-year and up to and including the date of this report (unless stated otherwise):

Mr Feng (Bruce) Sheng	<i>Chairman - Non-Executive</i>
Mr Michael Kennedy	<i>Deputy Chairman - Non-Executive</i>
Mr Kevin McGuinness ¹	<i>Non-Executive Director</i>
Mr Angelo Siciliano	<i>Non-Executive Director</i>
Mr Xie Yaheng	<i>Non-Executive Director</i>

1. Mr McGuinness is Chair of the Audit and Risk Committee and the Nominations and Remuneration Committee.

REVIEW OF OPERATIONS

Principal Activities

During the period there were no significant changes in the nature of the Group's principal activities. The Group 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.

Tala Hamza Zinc Project (Terramin 65%)

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

Following the reissue of the Oued Amizour Exploration Licence by the Algerian regulator in February 2016, Terramin and WMZ in coordination with ENOF have been preparing for hydrological and geotechnical drilling. The necessary work for the completion of the definitive feasibility study is underway and will be integrated into and support the mining lease application. The mining lease application is expected to be lodged early next year.

Bird-in-Hand Gold Project (Terramin 100% through its wholly owned subsidiary Terramin Exploration Pty Ltd)

The Bird-in-Hand Gold Project is located approximately 30km north of Terramin's existing mining and processing facilities at the Angas Zinc Mine in Strathalbyn. The project has a high grade Resource of 252,000 ounces of gold which is amenable to underground mining. 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.

The Company completed a significant geotechnical and hydrological drilling program. The diamond drilling program was designed to provide data about the Bird-in-Hand deposit to enable Terramin to progress the underground mine design and commence layouts of surface facilities. Additional holes were also drilled for metallurgical purposes. That drilling returned outstanding results with high grades. These results have allowed the Company to upgrade the deposit's resource estimate. The Bird-in-Hand Gold Project is also progressing with the continuation of base line water and environmental studies which form part of the pre-feasibility study.

Adelaide Hills Exploration Project (Terramin 100% and through its wholly owned subsidiary Terramin Exploration Pty Ltd)

The Adelaide Hills project consists of twelve contiguous exploration tenements that cover 3,492km² stretching 120km between Victor Harbor and Kapunda. This project area is considered prospective for gold, copper, lead, zinc and rare earth elements.

Terramin has viewed and selectively sampled historic drill core at Kapunda and Cambrai. At Cambrai, Terramin's geologists consider it to have more the appearance of high-sulfidation epithermal gold mineralisation, a style of gold mineralisation not previously reported or explored for in the region.

Gawler Ranges Project (Terramin 100% through its wholly owned subsidiary Menninnie Metals Pty Ltd)

Terramin's Gawler Ranges Project is located along the southern margin of the Gawler Ranges, northern Eyre Peninsula, South Australia. The project comprises a group of ten Exploration Licences totalling 4539km² and one Exploration Licence Application covering 214km². The Project area is prospective for a range of deposit styles that host combinations of gold, silver, copper, molybdenum, lead, zinc, rare earth elements, graphite, and tin ± tungsten. The Project hosts the Menninnie Dam deposit, the largest undeveloped lead-zinc deposit in South Australia.

The main activities carried out during the quarter included the compilation and analysis of field data and discussion with potential joint venture partners. The work is on-going.

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 all lease conditions.

Environment

The Group (in particular the Company's Angas Zinc Mine and the Bird-in-Hand Gold Project) 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 and, in this regard, the

Directors' Report

for the half-year ended 30 June 2016 (continued)

Board considers and if required addresses these issues through the Audit and Risk Committee.

No environmental incidents were recorded during the period with all environmental monitoring areas directly related to site activities within compliance. Insofar as the Directors are aware, 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

During the reporting period, a total of 300,000 employee share options expired and were therefore removed from the options register. No new options have been issued.

A total of 140,231 Share Rights have been issued to the Chief Executive Officer (CEO) as part of his remuneration during the reporting period. The fair value of the rights was \$22,000.

FINANCIAL

The consolidated loss of the Group after providing for income tax and non-controlling interest was \$2.4 million for the half-year ended 30 June 2016 (2015: \$4.9 million).

Finance costs of \$0.6 million were recorded for the period, representing borrowing costs and interest on borrowings. Exploration expenditure written off in relation to the Tala Hamza Zinc Project was \$0.2 million for the half-year ended 30 June 2016 (2015: \$0.4 million). Other administration costs of \$1.5 million were incurred in relation to the Corporate administration and Angas mine site care and maintenance activities.

The consolidated net asset position as at 30 June 2016 was \$46.4 million (2015: \$49.6 million) with current liabilities

Signed in Adelaide on the 31st day of August 2016 in accordance with a resolution of the Board of Directors.



Feng Sheng

Chairman - Non-Executive

exceeding current assets by \$2.0 million (2015: current assets exceeded current liabilities by \$0.3 million).

No dividends were paid during the interim period and the Directors have not recommended the payment of a dividend.

SUBSEQUENT EVENTS

On 30 August 2016, Terramin Exploration Pty Ltd and Asipac Group Pty Ltd (**Asipac**) entered into an agreement to provide an additional \$1.0 million under the existing \$5.0 million Bird-in-Hand facility. Subject to receiving a waiver from the ASX, this increase in the facility will be secured under the existing security interest and mortgage granted to Asipac.

No other events or circumstances have arisen since the end of the financial period.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration for the half-year ended 30 June 2016 can be found on page 6 and forms part of the Directors' Report.

ROUNDING OF AMOUNTS

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



Kevin McGuinness

Non-Executive Director

Directors' Report

for the half-year ended 30 June 2016 (continued)

GROUP TENEMENT LISTING

Terramin Australia Limited (100% Terramin)

Title Name and Location	Licence Number	Licence Area	Interest	Minimum Expenditure Commitment
Angas – South Australia ²	ML 6229	87.97ha	100%	Not applicable
Bremer – South Australia	EL 4936	387 km ²	100%	\$2,900,000 ¹
Currency Creek – South Australia	EL 5356	80 km ²	100%	Amalgamated with EL 4936
Hartley – South Australia	EL 5078	76 km ²	100%	Amalgamated with EL 4936
Kinchina – South Australia ²	EL 5252	56 km ²	100%	Amalgamated with EL 4936
Langhorne Creek – South Australia	EL 5784	233 km ²	100%	Amalgamated with EL 4936
Pfeiffer – South Australia	EL 5102	154 km ²	100%	Amalgamated with EL 4936
Tepko – South Australia	EL 5339	998 km ²	100%	Amalgamated with EL 4936
Cambrai – South Australia	EL 5662	89 km ²	100%	\$80,000 over 2 years
Wild Horse – South Australia ²	ELA2016/00094	462 km ²	100%	\$180,000 over 2 years

Western Mediterranean Zinc Spa (65% Terramin)

Title Name and Location	Licence Number	Licence Area	Interest	Minimum Expenditure Commitment
Oued Amizour – Algeria ³	6911PEM	12,276 ha	100%	Not applicable

Terramin Exploration Pty Ltd (100% Terramin)

Title Name and Location	Licence Number	Licence Area	Interest	Minimum Expenditure Commitment
Kapunda – South Australia	EL 5262	624 km ²	100%	Amalgamated with EL 4936
Lobethal – South Australia	EL 5469	221 km ²	100%	Amalgamated with EL 4936
Mount Barker – South Australia	EL 5214	118 km ²	100%	Amalgamated with EL 4936
Mount Pleasant – South Australia	EL 5805	452 km ²	100%	Amalgamated with EL 4936
Mount Torrens – South Australia	EL 5568	93 km ²	100%	Amalgamated with EL 4936

Menninnie Metals Pty Ltd (100% Terramin)

Title Name and Location	Licence Number	Licence Area	Interest	Minimum Expenditure Commitment
Menninnie – South Australia	EL 5039	101 km ²	100%	\$750,000 ⁴
Kolendo – South Australia ²	EL 5453	208 km ²	100%	Amalgamated with EL 5039
Nonning – South Australia	EL 4813	312 km ²	100%	Amalgamated with EL 5039
Taringa – South Australia	EL 5816	988 km ²	100%	Amalgamated with EL 5039
Wipipippee – South Australia	EL 4865	862 km ²	100%	Amalgamated with EL 5039
Mt Ive – South Australia	EL 5276	214 km ²	100%	\$150,000 over 2 years
Mt Ive South – South Australia	EL 5430	394 km ²	100%	\$180,000 over 2 years
Tanner – South Australia	EL 5458	354 km ²	100%	\$210,000 over 2 years
Thurlga – South Australia	EL 5518	951 km ²	100%	\$300,000 over 2 years
Unalla – South Australia	EL 5266	155 km ²	100%	\$90,000 over 2 years
Mulleroo – South Australia	ELA2015/00183	210 km ²	100%	\$100,000 over 2 years

1. Amalgamated Expenditure Arrangement (AEA) for the period 1 July 2016 to 30 June 2016.
2. Application renewals have been lodged.
3. The Oued Amizour exploration licence was renewed for a period of 18 months on 4 February 2016 by Agence Nationale des Activités Minières (ANAM), the Algerian regulator.
4. AEA for the period 1 July 2016 to 31 December 2016.

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 review of Terramin Australia Limited for the half-year ended 30 June 2016, 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 review; and
- b No contraventions of any applicable code of professional conduct in relation to the review.

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, 31 August 2016

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Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income

for the half-year ended 30 June 2016

	Note	2016 \$'000	2015 \$'000
Revenue		-	-
Raw materials, consumables and other direct costs		(704)	(308)
Employee expenses		(521)	(577)
Depreciation and amortisation	6	(21)	(17)
Exploration and evaluation expensed (Tala Hamza Zinc Project)		(222)	(402)
Other expenses		(277)	(321)
Loss before net financing costs and income tax		(1,745)	(1,625)
Finance income	5	6	5
Finance costs	5	(644)	(3,293)
Net finance costs		(638)	(3,288)
Loss before income tax		(2,383)	(4,913)
Income tax expense		-	-
Loss for the period		(2,383)	(4,913)
Attributable to:			
Owners of the Company		(2,305)	(4,772)
Non-controlling interest		(78)	(141)
Loss for the period		(2,383)	(4,913)
Other comprehensive (loss)/income			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations		(968)	(1,098)
Other comprehensive (loss)/income for the period		(968)	(1,098)
Total comprehensive (loss) for the period attributable to equity holders of the Company		(3,351)	(6,011)
Attributable to:			
Owners of the Company		(3,273)	(5,849)
Non-controlling interest		(78)	(162)
Total comprehensive loss for the period		(3,351)	(6,011)
(Loss) per share attributable to the ordinary equity holders of the Company:	Note	June 2016	June 2015
Basic (loss) per share - (cents per share)	13 (a)	(0.13)	(0.32)
Diluted (loss) per share - (cents per share)	13 (b)	(0.13)	(0.32)

The consolidated interim statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to the financial statements.

Consolidated Interim Statement of Financial Position*as at 30 June 2016*

	<i>Note</i>	June 2016 \$'000	December 2015 \$'000
Assets			
Cash and cash equivalents		226	2,601
Trade and other receivables		127	38
Other assets		144	78
Total current assets		497	2,717
Non-current assets			
Inventories	8	659	663
Property, plant and equipment	6	8,539	8,557
Exploration and evaluation	7	54,256	53,521
Total non-current assets		63,454	62,741
TOTAL ASSETS		63,951	65,458
Liabilities			
Current liabilities			
Trade and other payables		2,161	2,091
Short term borrowings	9	114	31
Provisions	10	263	259
Total current liabilities		2,538	2,381
Non-current liabilities			
Long term borrowings	9	9,030	7,917
Provisions	10	6,021	5,610
Total non-current liabilities		15,051	13,527
TOTAL LIABILITIES		17,589	15,908
NET ASSETS		46,362	49,550
EQUITY			
Share capital	12	204,076	203,913
Reserves		2,649	3,617
Accumulated losses		(174,577)	(172,272)
Total equity attributable to equity holders of the Company		32,148	35,258
Non-controlling interest		14,214	14,292
TOTAL EQUITY		46,362	49,550

The consolidated interim statement of financial position is to be read in conjunction with the notes to the financial statements.

Consolidated Interim Statement of Changes in Equity

for the half-year ended 30 June 2016

2016	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
Balance at 1 January 2016	203,913	8,970	(5,353)	-	(172,272)	35,258	14,292	49,550
Total comprehensive (loss)/income for the period								
Loss for the period	-	-	-	-	(2,305)	(2,305)	(78)	(2,383)
Other comprehensive (loss)/income								
Foreign currency translation differences	-	-	(968)	-	-	(968)	-	(968)
Total other comprehensive (loss)/income	-	-	(968)	-	-	(968)	-	(968)
Total comprehensive (loss)/income for the period	-	-	(968)	-	(2,305)	(3,273)	(78)	(3,351)
Transactions with owners, recorded directly in equity								
Contributions by owners								
Issue of ordinary shares	141	-	-	-	-	141	-	141
Share rights	22	-	-	-	-	22	-	22
Total contributions by owners	163	-	-	-	-	163	-	163
Balance at 30 June 2016	204,076	8,970	(6,321)	-	(174,577)	32,148	14,214	46,362

2015	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
Balance at 1 January 2015	168,828	8,970	(3,977)	1,593	(166,181)	9,233	14,668	23,901
Total comprehensive (loss)/income for the period								
Loss for the period	-	-	-	-	(4,772)	(4,772)	(141)	(4,913)
Other comprehensive (loss)/income								
Foreign currency translation differences	-	-	(1,077)	-	-	(1,077)	(21)	(1,098)
Total other comprehensive (loss)/income	-	-	(1,077)	-	-	(1,077)	(21)	(1,098)
Total comprehensive (loss)/income for the period	-	-	(1,077)	-	(4,772)	(5,849)	(162)	(6,011)
Transactions with owners, recorded directly in equity								
Contributions by owners								
Issue of ordinary shares	15,518	-	-	-	-	15,518	-	15,518
Total contributions by and distributions to owners	15,518	-	-	-	-	15,518	-	15,518
Balance at 30 June 2015	184,346	8,970	(5,054)	1,593	(170,953)	18,902	14,506	33,408

The consolidated interim statement of changes in equity is to be read in conjunction with the notes to the financial statements.

Consolidated Interim Statement of Cash Flows*for the half-year ended 30 June 2016*

	June 2016 \$'000	June 2015 \$'000
Cash from operating activities:		
Receipts from customers	-	-
Payments to suppliers and employees	(1,494)	(1,771)
Financing costs and interest paid	(261)	(141)
Interest received	6	3
Total cash (used in) operating activities	(1,749)	(1,909)
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(8)	(29)
Exploration and evaluation expenditure	(1,698)	(819)
Net cash (used in) investing activities	(1,706)	(848)
Cash flows from financing activities:		
Payment of transaction costs on debt and/or equity	-	(66)
Proceeds from borrowings	1,190	2,270
Repayment of borrowings	(108)	(67)
Net cash from financing activities	1,082	2,137
Other activities:		
Net (decrease) in cash and cash equivalents	(2,373)	(620)
Net foreign exchange differences	(2)	2
Cash and cash equivalents at beginning of the period	2,601	943
Cash and cash equivalents at end of the period	226	325

The consolidated interim statement of cash flows is to be read in conjunction with the notes to the financial statements.

Condensed Notes to the Consolidated Interim Financial Statements

for the half-year ended 30 June 2016

NOTE 1: REPORTING ENTITY

Terramin Australia Limited is a listed public company, incorporated and domiciled in Australia. The consolidated interim financial report as at and for the half-year ended 30 June 2016, covers the consolidated entity of Terramin Australia Limited and its controlled entities (together referred to as the Group).

NOTE 2: BASIS OF PREPARATION

(a) Statement of Compliance

The consolidated interim financial report is a general purpose financial report that has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001 (Cth).

The consolidated interim financial report was authorised for issue by the Directors on the 31st day of August 2016.

(b) Reporting Basis

The consolidated interim financial report does not include full disclosures of the type normally included in an annual financial report, and therefore it is recommended that this financial report be read in conjunction with the annual financial report for the year ended 31 December 2015, and any public announcements made by the Company during the interim reporting period in accordance with continuous disclosure requirements arising under the Australian Securities Exchange Listing Rules and the Corporations Act 2001 (Cth).

Where required by accounting standards, comparative figures have been reclassified to conform with changes in presentation in the current interim financial period.

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

This report has been prepared in Australian dollars on the basis of 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.

(c) Estimates

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

In preparing this consolidated interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 31 December 2015.

(d) 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 the 2016 interim period, the Group incurred a loss of \$2.4 million, bringing accumulated losses to \$174.6 million. As at 30 June 2016, the Group's current liabilities exceeded its current assets by \$2.0 million and had operating cash outflows during the interim period of \$1.7 million.

The financial report has been prepared on a going concern basis following the extension of the Bird-in-Hand facility and the expectation that the Group can raise additional equity or restructure debt when required. 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 \$40.9 million investment in the Tala Hamza Zinc Project can be realised through mining or sale.

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. As 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 area 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, debt financing or sale of assets 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.

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Group in the consolidated interim financial report are the same as those applied by the Group in its consolidated financial report as at and for the year ended 31 December 2015.

Condensed Notes to the Consolidated Interim Financial Statements

for the half-year ended 30 June 2016 (continued)

NOTE 4: 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 and lead deposit

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

	Australia		Northern Africa		Consolidated	
	June 2016 \$'000	June 2015 \$'000	June 2016 \$'000	June 2015 \$'000	June 2016 \$'000	June 2015 \$'000
Revenue						
External customers	-	-	-	-	-	-
Total revenue	-	-	-	-	-	-
Results						
Depreciation and amortisation	(20)	(17)	-	-	(20)	(17)
Exploration and evaluation write down	-	-	(222)	(402)	(222)	(402)
(Loss) before income tax	(2,161)	(4,511)	(222)	(402)	(2,384)	(4,913)
Operating assets	23,052	20,115	40,899	41,917	63,951	62,032
Operating liabilities	17,505	28,565	82	59	17,589	28,624
Other disclosures						
Capital expenditure ¹	1,308	848	476	-	1,784	848

1. Capital expenditure consists of additions of property, plant and equipment and exploration and evaluation assets. There are no transactions other than cash funding between reportable segments.

NOTE 5: OTHER INCOME & EXPENSES

	June 2016 \$'000	June 2015 \$'000
Finance income		
Interest income	6	3
Realised foreign exchange and commodity hedging gains	-	2
Total finance income	6	5
Finance costs		
Interest on convertible notes	-	(705)
Interest on borrowings	(292)	(186)
Unwinding of discount on mine rehabilitation provision	(56)	(84)
Other borrowing costs	(296)	(1,363)
Unrealised foreign exchange and commodity hedging losses	-	(955)
Total finance costs	(644)	(3,293)

Condensed Notes to the Consolidated Interim Financial Statements

for the half-year ended 30 June 2016 (continued)

NOTE 6: EXPLORATION AND EVALUATION ASSETS / PROPERTY, PLANT AND EQUIPMENT

	Freehold land \$'000	Buildings and other infrastructure \$'000	Plant and equipment \$'000	Construction in progress \$'000	Sub-total \$'000	Exploration and evaluation \$'000
Opening carrying amount 1 January 2016	4,271	9	4,277	-	8,557	53,521
Additions	-	-	7	-	7	1,998
Disposals	-	-	-	-	-	-
Exploration expensed	-	-	-	-	-	(222)
Depreciation and amortisation	-	(1)	(20)	-	(21)	-
Impairment	-	-	-	-	-	-
Foreign currency movement	-	-	(4)	-	(4)	(1,041)
Carrying amount at 30 June 2016	4,271	8	4,260	-	8,539	54,256

	Freehold land \$'000	Buildings and other infrastructure \$'000	Plant and equipment \$'000	Construction in progress \$'000	Sub-total \$'000	Exploration and evaluation \$'000
Opening carrying amount 1 January 2015	2,844	10	4,290	9	7,153	53,382
Additions	1,427	-	-	29	1,456	2,436
Disposals	-	-	-	-	-	-
Transfers	-	-	38	(38)	-	-
Exploration expensed	-	-	-	-	-	(987)
Depreciation and amortisation	-	(1)	(36)	-	(37)	-
Foreign currency movement	-	-	(15)	-	(15)	(1,310)
Carrying amount at 31 December 2015	4,271	9	4,277	-	8,557	53,521

NOTE 7: EXPLORATION AND EVALUATION ASSETS

	June 2016 \$'000	December 2015 \$'000
Exploration and evaluation		
At cost	58,470	57,735
Less impairment	(4,214)	(4,214)
Total exploration and evaluation	54,256	53,521
	2016 \$'000	2016 \$'000
Exploration and evaluation assets by location		
Tala Hamza Zinc Project (Terramin 65%)	40,718	41,431
Adelaide Hills Project (Terramin and Terramin Exploration Pty Ltd 100%)	1,689	1,617
Bird-in-Hand Gold Project (Terramin Exploration Pty Ltd 100%)	6,642	5,441
Gawler Ranges Project (Menninnie Metals Pty Ltd 100%)	5,207	5,032
Total exploration and evaluation	54,256	53,521

The Oued Amizour exploration license (which incorporates the Tala Hamza Zinc Project) was re-issued by Agence Nationale des Activités Minières (ANAM), the Algerian regulator, on 4 February 2016. The licence is required to undertake additional drilling on the site in order to complete the revised feasibility study and a decision to mine.

Recoverability of the carrying amount of the exploration and evaluation assets is dependent on either the successful development and commercial mining or sale of respective areas of interest.

Condensed Notes to the Consolidated Interim Financial Statements

for the half-year ended 30 June 2016 (continued)

NOTE 8: INVENTORIES

	June 2016 \$'000	December 2015 \$'000
Non-current		
Raw materials and consumables	659	663
Total inventories at the lower of cost and net realisable value	659	663

Inventories of mining supplies are recognised as non-current to reflect the period in which they will be utilised

NOTE 9: BORROWINGS

	June 2016 \$'000	December 2015 \$'000
Current		
Loans - other ¹	114	-
Loans - secured	-	31
Total current borrowings	114	31
Non-current		
Loans – secured ²	9,030	7,917
Total non-current borrowings	9,030	7,917

- The Group has an insurance premium funding arrangement at the reporting date.
- As at the reporting date, the Group had drawn down \$9.3 million of two \$5 million facilities provided by Asipac. Interest is payable half yearly on the loan facilities and is fixed at a base rate of 7%. There are \$0.3 million of unamortised transaction costs being carried in relation to the two facilities.

NOTE 10: PROVISIONS

	June 2016 \$'000	December 2015 \$'000
Current		
Employee benefits	263	259
Total current provisions	263	259
Non-current		
Employee benefits	102	70
Mine rehabilitation	5,919	5,540
Total non-current provisions	6,021	5,610

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 with a contingency 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 1.9% (2015: 2.9%). The rehabilitation is expected to occur following the processing of ore from the Bird-in-Hand Gold Project (subject to regulatory approvals).

NOTE 11: FAIR VALUE OF ASSETS AND LIABILITIES

The fair values of the financial assets and liabilities of the Group are equal to the carrying amount in the financial report. 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 interim financial report at fair value.

Condensed Notes to the Consolidated Interim Financial Statements

for the half-year ended 30 June 2016 (continued)

NOTE 12: ISSUED CAPITAL

Table of issued capital for the half-year ended 30 June 2016:

Type of Share Issue	Date of issue	Number of ordinary shares on issue	Issue Price \$	Share capital \$'000
Opening balance 1 January 2016		1,795,043,184		203,913
Shares issued in lieu of Directors Fees ¹	31-May-16	81,699	0.12	10
Shares issued in lieu of Directors Fees ¹	31-May-16	231,054	0.13	29
Shares issued in lieu of Directors Fees ¹	31-May-16	219,511	0.16	34
Shares issued in lieu of Directors Fees ¹	31-May-16	212,190	0.16	34
Shares issued in lieu of Directors Fees ¹	31-May-16	209,349	0.16	34
Closing balance 30 June 2016		1,795,996,987		204,054
Share rights ²				22
Issued Capital				204,076

1. During the period the Company issued 953,803 shares in relation to payment of directors' fees due from the quarter ending 31 March 2015 to 31 March 2016 as approved by shareholders at the Annual General Meeting held on 27 May 2016.

2. Share rights issued as part of the CEO's remuneration package (Note 14).

Table of issued capital for the year ended 31 December 2015:

Type of Share Issue	Date of issue	Number of ordinary shares on issue	Issue Price \$	Share capital \$'000
Opening balance 1 January 2015		1,404,009,037		168,828
Conversion of convertible notes (Rainbow Dream)	04-Feb-15	110,000,000	0.13	14,368
Shares issued in lieu of interest (Rainbow Dream)	04-Feb-15	1,083,558	0.15	158
Shares issued in lieu of interest (Asipac)	03-Jun-15	1,243,984	0.06	69
Shares issued in lieu of interest (Asipac)	03-Jun-15	536,786	0.13	69
Shares issued in lieu of interest (Asipac)	03-Jun-15	901,796	0.08	72
Shares issued in lieu of interest (Asipac)	03-Jun-15	2,002,982	0.04	81
Shares issued in lieu of interest (Asipac)	03-Jun-15	1,040,608	0.07	71
Shares issued in lieu of interest (Asipac)	03-Jun-15	5,053,244	0.13	632
Conversion of convertible notes (Asipac) ¹	14-Jul-15	249,825,703	0.07	16,238
Shares issued in lieu of interest (Asipac)	14-Jul-15	2,706,551	0.12	327
Share placement	02-Nov-15	16,638,935	0.18	3,000
Closing balance 31 December 2015		1,795,043,184		203,913
Share issue costs				-
Issued Capital				203,913

1. Includes the release of the other components of equity of \$1,593

Condensed Notes to the Consolidated Interim Financial Statements

for the half-year ended 30 June 2016 (continued)

NOTE 13: EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

	June 2016 \$'000	June 2015 \$'000
Net loss for the period attributable to the equity holders of the Company	(2,306)	(4,772)
Ordinary shares on issue	1,795,996,987	1,525,871,995
Weighted average number of ordinary shares	1,795,205,645	1,495,893,602
Basic loss per share (cents)	(0.13)	(0.32)

(b) Diluted (loss)/earnings per share

	June 2016 \$'000	June 2015 \$'000
Diluted (loss) per share (cents)	(0.13)	(0.32)

The calculation of diluted loss 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.

NOTE 14: SHARE BASED PAYMENTS

For the calendar year 2016, under the terms of the remuneration package of the Group's CEO, \$87,500 will be paid in Share Rights under a Terramin Employee Share Rights Plan. The share rights will be issued quarterly and will be priced at a 5% discount to the volume weighted average price of the shares traded in the last 5 days of the relevant quarter.

The share rights convert to ordinary shares 12 months after the date of issue.

Table of share rights issued for the period ended 30 June 2016:

	Date of issue	Number of share rights issued	Issue Price	Share rights \$'000
Opening balance 1 January 2016		-		-
Share rights issued	23 May 2016	140,231	0.16	22
Closing balance 30 June 2016		140,231	1,375	22

No share rights converted to ordinary shares during the period.

NOTE 15: EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 30 August 2016, Terramin Exploration Pty Ltd and Asipac Group Pty Ltd (Asipac) entered into an agreement to provide an additional \$1.0 million under the existing \$5.0 million Bird-in-Hand facility. Subject to receiving a waiver from the ASX, this increase in the facility will be secured under the existing security interest and mortgage granted to Asipac.

In the Directors' opinion, no events or circumstances have arisen since the end of the financial period 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 financial years that have not been otherwise disclosed in this report.

Directors' Declaration

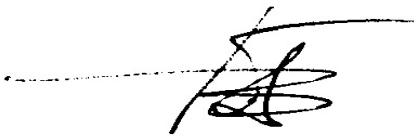
The Directors of the Company declare that:

The financial statements and notes, as set out on pages 7 to 16:

- (a) comply with Accounting Standard AASB 134: Interim Financial Reporting and the *Corporations Regulations 2001*; and
- (b) give a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the half-year ended on that date.

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.

Signed in Adelaide on the 31st day of August 2016 in accordance with a resolution of the Board of Directors.



Feng Sheng

Chairman - Non-Executive



Kevin McGuinness

Non-Executive Director

Independent Review Report

to the Members of Terramin Australia Limited



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

We have reviewed the accompanying half-year financial report of Terramin Australia Limited ("Company"), which comprises the consolidated financial statements being the statement of financial position as at 30 June 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a description of accounting policies, other explanatory information and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of Terramin Australia Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such controls as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Terramin Australia Limited consolidated entity's financial position as at 30 June 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

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Independent Review Report

to the Members of Terramin Australia Limited (continued)



As the auditor of Terramin Australia Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Terramin Australia Limited is not in accordance with the Corporations Act 2001, including:

- a giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Material uncertainty regarding continuation as a going concern

Without qualification to the conclusion expressed above, we draw attention to Note 2(d) to the half-year financial statements. The half-year financial statements indicate that the consolidated entity incurred a net loss of \$2.4 million for the half-year ended 30 June 2016 bringing accumulated losses to \$174.6 million. As at 30 June 2016 the consolidated entity's current liabilities exceeded its current assets by \$2.0 million and had operating cash outflows during the period of \$1.7 million.

The financial report has been prepared on a going concern basis on the expectation that the consolidated entity can raise additional equity, realise assets and / or extend existing debt facilities when required. The consolidated entity's ability to raise equity will rely on investor confidence in the development of the Bird-in-Hand project or that the \$40.9 million investment in the Tala Hamza Zinc project can be realised through mining or sale.

Independent Review Report

to the Members of Terramin Australia Limited (continued)



These conditions, as set out in Note 2(d), 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 half-year financial report.

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, 31 August 2016



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