TERRAMIN AUSTRALIA LIMITED ABN 67 062 576 238

Level 22, Westpac House, 91 King William Street, Adelaide, South Australia 5000
t +61 8 8213 1415 f +61 8 8213 1416 e info@terramin.com.au w www.terramin.com.au

12 April 2011

The Manager
Company Announcements Platform
Australian Securities Exchange

Dear Sir

2010 Annual Report

Please find attached for release to the market the 2010 Annual Report for Terramin Australia Limited.

The 2010 Annual Report will also be sent by post to those shareholders who have elected to receive a hard copy.

An electronic copy of the 2010 Annual Report will be available on the Company's website at http://www.terramin.com.au/media/asx/2011.aspx

Please contact the Chief Financial Officer or the Company Secretary should you have any queries.

Yours faithfully

Mark Terry
Chief Financial Officer

TERRAMIN AUSTRALIA LIMITED

2010 ANNUAL REPORT

Building on Capability

Terramin Australia Limited *ABN 67 062 576 238*

DIRECTORS

Kevin C Moriarty
Executive Chairman

Steven A Bonett
Non-Executive Director

R Bryan Davis
Non-Executive Director

Michael H Kennedy
Non-Executive Director

Robert W Jones
Non-Executive Director

Peter Zachert
Non-Executive Director

Xie Yaheng
Non-Executive Director

COMPANY SECRETARY

Stéphane Gauducheau

REGISTERED & BUSINESS OFFICE

Level 22, Westpac House
91 King William Street, Adelaide
South Australia 5000
t: +61 8 8213 1415
f: +61 8 8213 1416
e: info@terramin.com.au
w: www.terramin.com.au

AUDITORS

KPMG Chartered Accountants
151 Pirie Street, Adelaide
South Australia 5000

SHARE REGISTRY

Computershare Investor Services Pty Limited
Level 5, 115 Grenfell Street, Adelaide
South Australia 5000
t: +61 3 9415 4062

TERRAMIN

Terramin Australia Limited is a mining company operating from Adelaide, South Australia. Our main focus is on zinc and our strategy of acquiring advanced projects that are close to infrastructure allows low start up and operating costs. Current projects include the Angas Zinc Mine in South Australia and the flagship project, Tala Hamza, which is located on the Mediterranean coast of Algeria and is a joint venture with Algerian government-owned companies.
In total Terramin has access to 3 billion pounds of zinc in situ.

CORE VALUES

We believe that our values are a critical part of our business success. We aim to ensure all our decisions and actions are consistent with our core values:

Safety and the Environment
Teamwork
Recognition
Integrity
Vision
Excellence

CONTENTS

JORC Competent Person Statement

The information in this report that relates to Exploration Results and Mineral Resources is based on information compiled by Mr Robert Singer. The information that relates to Angas Ore Reserves is based on information compiled by Mr Andrew Robertson. The information that relates to TalaHamza Ore Reserves is based on information compiled by Dr David Allison. Mr Singer and Mr Robertson are Members of The Australasian Institute of Mining and Metallurgy and Dr Allison is a Member of the Institute on Materials, Minerals and Mining. Mr Singer is Chief Geologist and full time employee of Terramin Australia Limited. Mr Robertson was General Manager Operations and a full time employee of Terramin Australia Limited at the time of the estimation. Dr Allison is Senior Mining Engineer at, and a full time employee of Golder Associates (UK) Ltd. All have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Singer, Mr Robertson and Dr Allison consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.

Chairman's Letter *to shareholders*

Kevin Moriarty - Executive Chairman

I am pleased to report that 2010 was another year of growth and consolidation for your Company and its projects. Angas Zinc Mine management improved operations throughout the year so the focus has now shifted to include increasing mine life. The completion of the $40 million Definitive Feasibility Study (DFS) for the Tala Hamza project in Algeria defined a low cost mine that will rank in the top ten zinc producers. Considerable emphasis was also given to building further depth in the Company's management ranks during the year, such that by year end the team is equipped for the coming expansion to build a block cave mine in Algeria.

Financials

Terramin achieved a 65% improvement in its full year earnings before interest, tax and depreciation (EBITDA) attributable to Angas Zinc Mine of $17 million when compared to the $10.3 million recorded in 2009. The improvement is mainly a reflection of a significant increase in realised commodity prices.

The Company recorded a slightly higher loss of $10 million during the year mainly as a result of higher depreciation and amortisation of $19.5 million compared to $15 million recorded in 2009. This higher charge was somewhat offset by unrealised foreign exchange gains and a lower interest charge.

Terramin management expects cash flow to further improve as the Angas mining operation continues to be optimised.

Funding arrangements improved during the year with a restructure of an existing Investec debt facility that reduced Terramin's debt amortisation obligations in 2010 and 2011, aligning repayments with the cash flow generated by the Angas Zinc Mine.

Over the period 2012 to 2014, cash flows from the Angas mine are expected to be in the region of $100 million, which closely aligns with the peak capital requirements for the Tala Hamza project, which is discussed below.

Also towards the end of the year, Terramin concluded a $50 million subscription agreement with China Non-Ferrous Metal Industry's Foreign Engineering and Construction Company (NFC) to fund Terramin's growth projects as funds are required. The $50 million facility can be drawn on at a 30% premium to the share price at the time of placement. An initial $6.2 million has been raised at 62 cents per share to fund an aggressive exploration programme on Terramin's 100% owned projects in South Australia.

Operations

Angas Zinc Mine - Mining and processing throughput improved by 14% over last year, with just over 392,000 tonnes milled to recover 44,847 tonnes of zinc concentrate and 16,972 tonnes of lead concentrate.

Payable base metal production was 19,306 tonnes of zinc, 8,403 tonnes of lead and 145 tonnes of copper.

Production of payable precious metals exceeded 2009 levels, comprising, 247,554 ounces of silver and 3,465 ounces of gold. These by-products realise around 20% of revenue and significantly lower the C1 cash cost of the operation.

Exploration

Angas - A continuing exploration programme on the Angas Mine Lease is focused on finding additional resources to extend mine life. A new shoot, named Sunter, was identified about 500 metres south of the main mine shoots. The results to date have been encouraging and further funds have been allocated to define the shoot in 2011.

Fleurieu - Terramin holds a highly prospective group of tenements surrounding the Angas Zinc Mine, covering 1,032km². Early in the year the Company undertook diamond and RC drilling programmes beneath a number of old mines that yielded promising copper-gold results. Further drilling will be based on the interpretation of results of a major airborne geophysical survey over 53% of the Fleurieu tenements. Additional prospects for base metals and gold have been identified from geophysical and geochemical data.

Menninnie Dam - This project lies within Exploration Licence (EL) 3640 located on the northern Eyre Peninsula in South Australia, only 240km by road to the Port Pirie lead smelter and port. Subsequent to year-end, Terramin regained control and ownership of 100% of the tenement and remodelled the deposit, incorporating some additional drilling not previously available. The resource estimate was extended to include additional shoots in Menninnie Central and, for the first time, at Viper along the same trend.

Chairman's Letter *to shareholders (cont.)*

The Inferred Resource has doubled to 7.7 million tonnes at 5.7% Pb+Zn and 27g/t Ag. Total contained metal is up 59%, comprising approximately 200,000 tonnes of lead and 240,000 tonnes of zinc in situ. This is now a significant deposit, and a scoping study has been commissioned to evaluate options for taking the project forward.

Importantly, close by are larger prospects with stronger anomalous geochemical and geophysical signatures. These will be drilled in 2011, offering the exciting prospect of multiple deposits, some closer to the surface and amenable to earlier extraction.

The mineralised trend continues to the north, so during the year your Company secured control of additional tenements to ensure it can capitalise on its success on the Menninnie Dam project.

Tala Hamza – The DFS was completed during the year and recommended a low-cost zinc-lead block cave operation. The project has grown in scale to 38.1 million tonnes of Probable Ore Reserves at 4.78% zinc and 1.38% lead, supporting a twelve year mine life at four million tonnes per annum. The life of mine (LOM) C1 cost is forecast as US32 cents per pound of payable zinc which compares extremely favourably when benchmarked against similar projects. The estimated capital cost of US$569 million means the project has a lower capital intensity per tonne per year mined compared to most projects. The proposed financing arrangements estimate Terramin's equity share at US$113 million, with a very manageable requirement of less than $30 million over the first 3 years.

Terramin's expanded mining team now includes several experienced block cave engineers who are examining ways to accelerate the proposed production schedule. Their work has already identified potential to bring first production forward to second quarter 2015, compared to the 2016 start-up of the DFS.

Building Capability

Terramin has made a number of key appointments during the year to continue building the Company's capability and expertise to manage its project pipeline. Terramin's management team now has both breadth and depth of expertise to manage Australia's project pipeline as well as the Algerian Tala Hamza project (key capabilities are described on pages 7 and 8).

Priorities for 2011

Terramin's operational priorities over the next months are to continue to improve output at the Angas mine, produce a scoping study on the Menninnie Central deposit, and further develop exploration of Angas, Fleurieu, Menninnie and Tala Hamza. Securing the regulatory approvals for Tala Hamza will be a central focus for the management team. Meanwhile the Algerian operations team are preparing for the project implementation, with emphasis on efficient and timely delivery.

Zinc Market Conditions

Overall market conditions have not been favourable for zinc-based investments over the last 12 months. This is primarily as a result of a small supply surplus of refined zinc that has allowed stocks to build. Interestingly, demand has been maintained by commodity investors taking advantage of higher forward prices to stockpile zinc under financing arrangements.

However, most analysts predict that the zinc supply is heading towards deficit from 2012 as mines, some of them very large, exhaust their reserves. Prices are forecast to rise sharply in the run up to this period of supply imbalance. Markets also don't appear to be factoring in the observation by China experts, that the strong growth of Chinese mine production from 2004 is unsustainable, and will decline as these small operations close over the next few years.

The Chinese government is also trying to close operations, as many do not meet modern environmental standards. If this happens, there would be a major price shock.

With 3 billion pounds of zinc in reserves, your Company is very well placed to benefit from this positive price outlook.

Lead Market – continuing strength

Lead prices have continued to outperform zinc and appear set to continue due to high demand. About 45% of the Angas revenue is attributable to sales of lead-precious metals concentrate. Lead prices are particularly relevant to the financial assessment of the Menninnie project, because lead/zinc ratios are almost double those at Angas.

Our Committed Workforce

I would like to take this opportunity to thank Terramin's committed workforce. Managing through the aftermath of the global financial crisis has been challenging, however Terramin's staff has remained committed and focused on the job at hand. I look forward to continuing to work with our management and people on the ground to develop Terramin into a major force in the international zinc market.

Kevin Moriarty
Executive Chairman

STRATEGIC FRAMEWORK

Objectives	Achieved during the year
Grow production from existing operations and projects	The Angas exploration programme has identified a new shoot, known as "Sunter". Based on initial results Terramin management now expect that the Angas mine life can be extended and further work will be undertaken during 2011.
Grow production pipeline	The Tala Hamza definitive feasibility study defined a robust operation capable of strong cash flows to 2028. The Company regained 100% ownership of the Menninnie Dam lead-zinc project. Terramin shareholders now have exposure to three million tonnes of metal in resources. Three billion pounds of zinc is in ore reserves at an average cash cost (C1) of 32c/lb. All projects are close to existing infrastructure and provide an opportunity to build on Terramin's portfolio of low capital and operating cost operations.
Focus on zinc but open to other opportunities	Both the Fleurieu and Menninnie projects show potential for copper and gold discoveries to be followed up with further drilling over the next 12 months.

RISK MANAGEMENT FRAMEWORK

Risk	Risk Mitigation
Operating	Terramin has a risk management framework adapted from the Australian Standard ISO3100:2009, aimed at systematic identification, assessment, treatment, communication and monitoring of risk within all areas of the Company.
Country	The Company's management team and Board has in-depth mining and international operational experience. There is a specific "Tala Hamza Risk Assessment Committee" of the Board.
Environment and safety	The Board has established a Risk and Compliance Committee to oversee management of environment and safety related risk. The Company has a code of conduct to ensure compliance with the law and appropriate standards of behaviour and practices.
Community	Terramin works with a government appointed Community Consultative Committee at its operating mine to ensure the community are kept informed of developments at the operating mine.
Regulatory	At both Board and senior management level, Terramin monitors closely policy agendas that influence the mining sector.
Financial	The Company manages its credit risks by limiting transactions to high quality financial institutions. Liquidity risks are managed by ensuring it has sufficient cash financing facilities available. Market risk is managed through a number of instruments including commodity and foreign exchange derivatives as well as periodically incurring financial liabilities.

CALENDAR OF SIGNIFICANT EVENTS

January	JP Morgan Asset Management (UK) Limited becomes a substantial shareholder.
February	Exploration Works Approval granted for regional exploration programme located within 30km of the Angas Zinc Mine.
April	Announcement of high-grade gold and encouraging copper drill results from Fleurieu Region exploration. Conversion of shares to RBS Sempra Metals and Concentrate LLC through convertible redeemable notes issued in June 2005 and March 2008.
July	Drill results for Tala Hamza project reveal enhanced upside. Announcement of Lbarkouk exploration results 3km east of the Tala Hamza project.
August	Announcement of management changes.
September	The findings of the Tala Hamza Definitive Feasibility Study (DFS) released. Announcement of the Investec debt facility restructure. The appointment of the General Manager Algeria announced.
October	Presentation of the Tala Hamza DFS to the investor market. Terramin regains 100% control of the Menninnie Dam Project.
November	Terramin announces the appointment of two key mining engineers to senior management team. A new shoot at the Angas mine is announced potentially extending mine life.
December	Announcement of significant lead-zinc targets at Menninnie. A $50 million finance facility with China Non-Ferrous Metal Industry's Foreign Engineering and Construction Company Ltd (NFC).

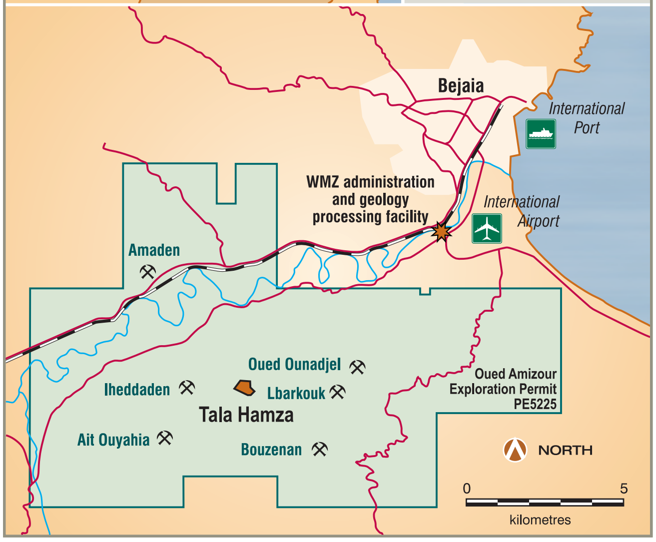
Review of Operations *at a glance*

A full review of operations can be found on page 12 of the Directors' Report. The full Resources and Reserves position is given on page 5.

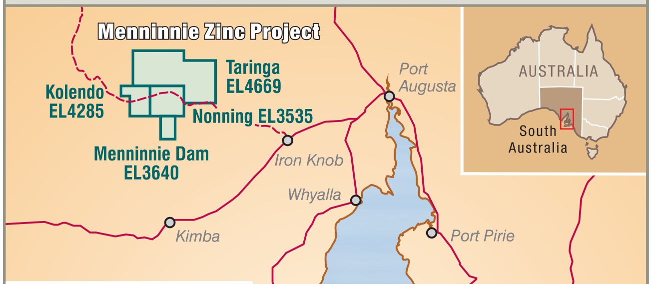
Operation	Description	Resources/ Reserves	2010 Outcomes	Planned Developments
Angas Zinc Mine *100% Terramin owned and operated* 	A 400,000 tpa operation producing zinc and lead-copper-silver-gold concentrates. There is a life of mine offtake agreement with JP Morgan Metals and Concentrates LLC for zinc concentrate and a five year take off agreement with Nyrstar Port Pirie Pty Ltd for lead concentrate.	Probable Reserves of 1.69 million tonnes at 9.75% Pb+Zn; 31g/t Ag and 0.5 g/t Au (June 2010).	Throughput during the year exceeded 2009 results by 14%, with a total 392,144 tonnes milled during 2010. The mine produced 44,847 tonnes of zinc concentrate and 16,972 tonnes of lead-copper-precious metals concentrate in 2010. Payable metal production for the year was 19,306 tonnes of zinc and 8,403 tonnes of lead, in addition to 145 tonnes of copper, 247,554 ounces of silver and 3,465 ounces of gold, all exceeding 2009 quantities. High by-product production credits significantly reduce the zinc cash costs (C1) of the operation.	To extend mine life, focus will be on further defining the newly identified Sunter shoot and conduct drilling programmes on the mine lease. A major airborne geophysical survey undertaken during 2010 of the Terramin tenements surrounding the mine lease will be followed by further drilling in the months to come. Terramin's operational priority at Angas is to continue to improve output. The focus will remain on optimisation of all parts of the existing operations.
Oued Amizour Project *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. Oued Amizour Exploration Permit 5225PE is a 125km^2 tenement which contains several lead-zinc deposits. The Tala Hamza deposit has been the focus for the past 5 years, culminating in a positive feasibility study.	The most recent resource estimate (November 2009) gave a Measured and Indicated Resource of 51.1 million tonnes at 6.1% Pb+Zn within a global Measured Indicated and Inferred Resource of 68.6 million tonnes at 5.7% Pb+Zn. Following the completion of the DFS, a Probable Reserve was announced of 38.1 million tonnes at 6.1% Pb+Zn.	The definitive feasibility study (DFS) that was completed in the third quarter of 2010 defined a very low cost block caving operation. The DFS estimated an initial capital of US$579 million for a 4Mtpa block caving development. The capital cost is low compared to the scale of the mine because of the infrastructure advantages of the deposit. Conventional processing techniques will produce an annual average of 370,000 tonnes of high quality zinc and lead concentrates.	It is expected that a decision to mine will be taken in 2011. Securing the regulatory approvals for Tala Hamza will remain a priority focus for the management team in Australia and Algeria.
Menninnie Zinc Project *Owned by Terramin subsidiary Menninnie Metals Pty Ltd* 	The Menninnie Zinc Project comprises a contiguous group of four tenements covering an area of 1,609km^2: Menninnie Dam (EL3640), Nonning (EL4285) (under Joint Venture with Minotaur Operations Pty Ltd), Kolendo (EL4285) and Taringa (EL4669).	The Project includes the Menninnie Central and Viper deposits in EL3640 with an Inferred Resource of 7.7 million tonnes at 5.7% Pb+Zn and 27g/t Ag (March 2011).	Menninnie Metals Pty Ltd formally regained 100% ownership of the Menninnie Dam tenement in January 2011. The 988km^2 Taringa tenement was granted to Menninnie Metals in December 2010. A scoping study on the Menninnie Central Resource was initiated in the period with a revised Resource (completed in March 2011). Total contained metal is up 59%, comprising approximately 200,000 tonnes of lead and 240,000 tonnes of zinc in situ.	The Menninnie Central scoping study will be delivered in the first half of 2011. Exploration has identified a number of highly prospective targets similar to Menninnie Central and a comprehensive drilling programme is planned during 2011.

Algeria Operations

The Oued Amizour tenement contains the Tala Hamza deposit. Located on the Mediterranean coast of Algeria, the infrastructure advantages for the Tala Hamza project are clear, situated only 15km from a deep water port, international airport and city. The zinc concentrate has very low iron and silica content preferred for nearby European smelters.



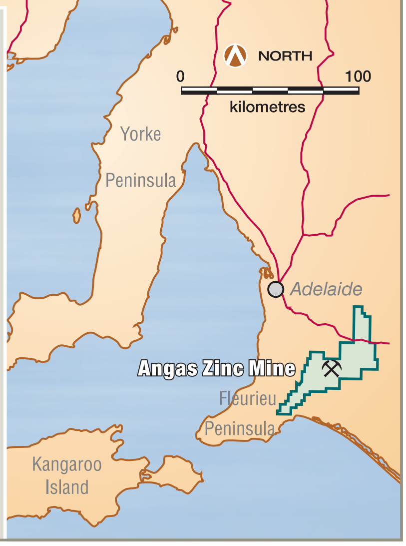
South Australia Operations



The Angas Zinc Mine is situated 60km from the city of Adelaide in South Australia. Zinc concentrate is shipped out of Port Adelaide to Asian markets and the lead-copper-precious metals concentrate is trucked to the Port Pirie smelter.

Terramin holds a highly prospective group of 4 exploration tenements surrounding the Angas Zinc mine lease, covering 1,032km².

The Menninnie Zinc Project is targeting resources close to significant infrastructure in South Australia. The tenements are located on the northern Eyre Peninsula, about 240km by road from the lead smelter and port at Port Pirie, and encompass the largest known undeveloped lead-zinc-silver deposit in South Australia.



RESOURCES AND RESERVES

The following tables set out the current Resource and Reserve position for the Company.

Table Of Resources

		Measured Resource			Indicated Resource			Inferred Resource			Total Resources		
	Terramin interest *(%)*	Tonnes *(Mt)*	Zn *(%)*	Pb *(%)*	Tonnes *(Mt)*	Zn *(%)*	Pb *(%)*	Tonnes *(Mt)*	Zn *(%)*	Pb *(%)*	Tonnes *(Mt)*	Zn *(%)*	Pb *(%)*
Angas [1,6]	100	-	-	-	0.42	3.69	1.59	0.24	3.3	1.7	0.66	3.6	1.6
Tala Hamza [2,7]	65	30.6	5.74	1.59	20.5	3.57	0.79	17.5	3.7	0.6	68.6	4.6	1.1
Menninnie Dam [3,8]	100	-	-	-	-	-	-	7.7	3.1	2.6	7.7	3.1	2.6
Total *(100%)*	-	**30.6**	**5.74**	**1.59**	**20.9**	**3.57**	**0.81**	**25.4**	**3.5**	**1.2**	**77.0**	**4.4**	**1.2**
Total *(Terramin share)*	-	**19.9**	**5.74**	**1.59**	**13.7**	**3.57**	**0.81**	**19.3**	**3.8**	**1.3**	**53.0**	**4.4**	**1.3**

Table of Reserves

		Probable Reserve			Total Reserve		
	Terramin interest *(%)*	Tonnes *(Mt)*	Zn *(%)*	Pb *(%)*	Tonnes *(Mt)*	Zn *(%)*	Pb *(%)*
Angas [4,6]	100	1.69	6.95	2.80	1.69	6.95	2.80
Tala Hamza [5,7]	65	38.10	4.78	1.36	38.10	4.78	1.36
Total *(100%)*	-	**39.79**	**4.87**	**1.42**	**39.79**	**4.87**	**1.42**
Total *(Terramin share)*	-	**27.55**	**4.91**	**1.45**	**27.55**	**4.91**	**1.45**

Note: Refer to the inside front cover of this report for the JORC Competent Person Statement.

1. *Resources for Angas are estimated at a cut off of 2% Pb+Zn*
2. *Resources for TalaHamza are estimated at a cut off of 2.5% ZnEq. The Zinc Equivalence formula for TalaHamza is %ZnEq = %Zn + 0.59 x %Pb and is based on long term predicted prices at October 2009 of Pb USD1,323/t and Zn USD1,764/t and metal recoveries of Pb 62% and Zn 88%.*
3. *Resources for Menninnie Dam are estimated at a cut off of 2.5% Pb+Zn*
4. *Reserve cut off grade at Angas is 3.9% Pb+Zn*
5. *Reserve cut off grade at TalaHamza is 2.5% Zn*
6. *Angas Resources and Reserves: Estimated as at 30 June 2010. Resources are additional to Reserves. Indicated Resources are exclusive of those Resources converted to Reserve. Resources exclude oxide and transitional material.*
7. *TalaHamza Resources estimated as at 15 November 2009. Reserve is as at 12 October 2010. Reserve is for a block cave. Resources are inclusive of Reserves.*
8. *Menninnie Dam Resources are as at 15 February 2011.*

Terramin Production

Angas Zinc Mine production

Figure 1 shows Angas production levels increasing since June 2008, with a forecast 400,000 tonnes of ore producing 46-48,000 tonnes of zinc concentrate and 18-19,000 tonnes of lead-sliver-gold-copper concentrate in 2011.

Angas Zinc Mine costs.

The industry standard for measuring zinc costs is known as the C1 cash cost which measures cash operating costs, including mining, processing, site administration and refining, net of any by-product sales credits (lead, copper, silver and gold) on a per unit of payable zinc metal. Figure 2 shows the Angas C1 cash cost. Unit mining costs are higher in 2010 due to increased lateral operating development and lower zinc grade over the period. Anticipated higher lead prices and lower treatment charges will have a positive impact on the Angas C1 in 2011.

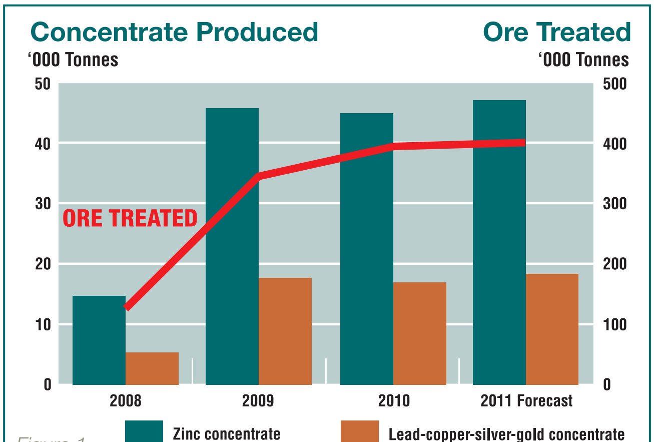


Figure 1

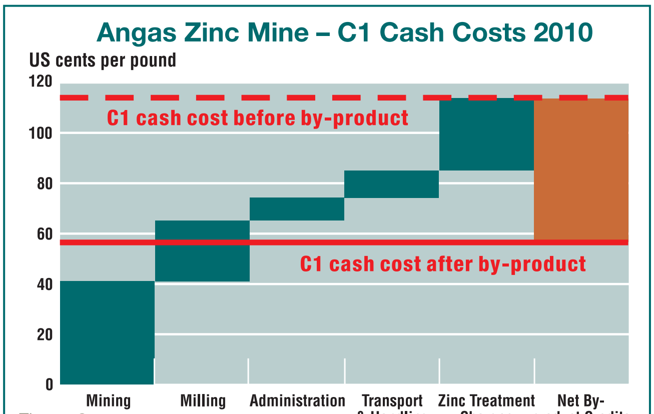


Figure 2

Zinc Industry Drivers

Zinc market demand and supply

Analysts are forecasting a supply deficit in zinc markets (Figures 3, 4) beginning as early as 2012-13 stemming from a combination of increasing demand coupled with less supply as a result of mine closures such as Brunswick (2012), Century (2015), Lisheen and Skorpion (2015). While the exact timing of the shortfall is a point of difference among analysts, there is agreement that the shortfall will lead to a strengthening of zinc prices, as highlighted in Figure 5 (see Chairman's letter to Shareholders, page 2, for details).

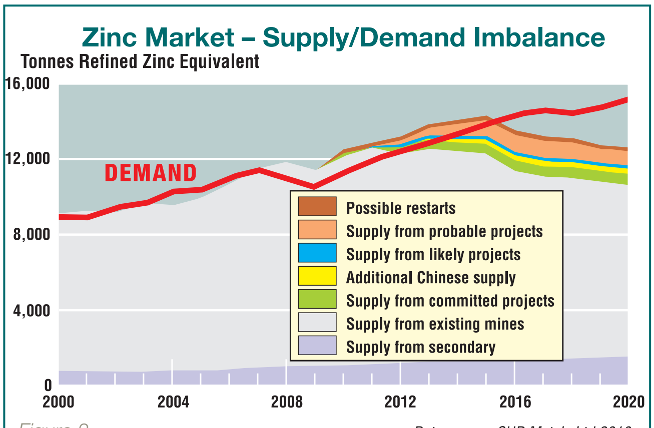


Figure 3 Data source: CHR Metals Ltd 2010

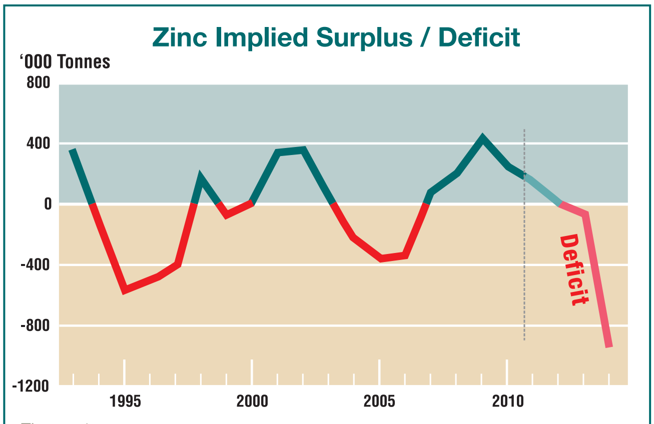


Figure 4 Data source: RBC Capital Markets, Zinc Metals Prospects; December 2010

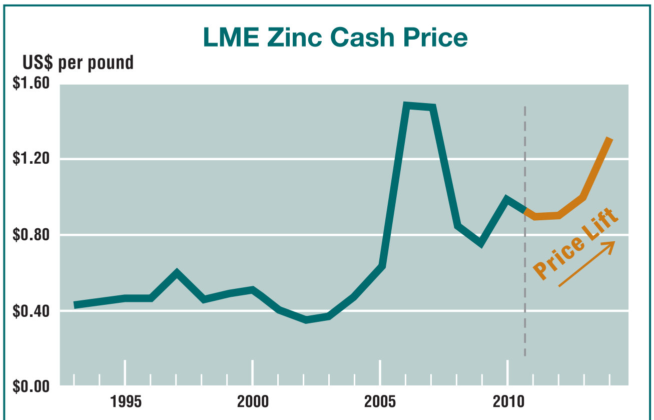


Figure 5 Data source: RBC Capital Markets, Zinc Metals Prospects; December 2010

Our People and the Community

OUR PEOPLE

At Terramin we believe our people make the difference as we continue to strive for excellence and innovation in every aspect of our business.

We have developed a highly experienced management team which is supported by multilingual technical and commercial experts, as shown in the skills matrix below. Further information about Terramin's senior management team can be found on page 8 of this report. Terramin is well equipped with the skills and expertise required to conduct feasibility studies, carry out mining operations in Australia and worldwide and to bring projects to fruition.

To boost capability and add further depth to the skills of the management team, Terramin was pleased to announce a number of key appointments in the period, including Chief Engineer and General Manager Algeria.

We continue to leverage our skilled workforce through the creation of dynamic, multi-skilled, cross functional teams. These teams of committed and talented people operate across international boundaries and provide a forum for sharing best practice and expertise.

Management	Geology / Mining / Processing	Languages	Project Management	HR / Systems	International Experience	Finance / Commercial
Mark Terry *Chief Financial Officer*	✓		✓		✓	✓
Ian Holman *Chief Mining Engineer*	✓		✓		✓	
Nic Clift *General Manager, Algeria*	✓	French	✓		✓	
Robert Howie *General Manager, Angas Zinc Mine*	✓		✓		✓	
Robert Singer *Chief Geologist*	✓		✓		✓	
Charlotte Hy *Angas Exploration*	✓	French Arabic			✓	
Eric Whittaker *Resource Geologist*	✓					
Ken Cross *Menninnie Exploration*	✓					
Sam Hewitt *Principal Mining Engineer Tala Hamza*	✓	Chinese Indonesian			✓	
Rebecca Jarrett *Business Capability Manager*		French Arabic		✓	✓	
Patricia Williams *HR Manager*				✓	✓	
Shaun Reincke *Financial Controller*				✓		✓
Norman Dinevski *Commercial & Marketing Manager*	✓					✓
Stephane Gauducheau *Company Secretary & Legal Counsel*		French			✓	✓

COMMUNITY

Terramin acknowledges that community integration is key to the success of our operations. Maintaining transparency in communication, and respect for our local communities underpin the Company's vision for engagement. Proactive and regular contact and consultation with stakeholders close to our projects is an important part of maintaining sustainable relationships and monitoring the social and environmental impacts of our operations.

Terramin invests in the communities in which it operates via a number of monetary, participatory and policy-driven avenues. Sponsorships and donations are targeted towards purely local organisations and events that benefit a broad spectrum of the community such as sporting and educational groups, festive and community events, as well as groups supporting people with disabilities.

Local communities benefit directly and indirectly through the Company's preferential support for local businesses and suppliers, and encouraging employees to live in close vicinity to operations.

Directors *and Management Team*

BOARD OF DIRECTORS

Terramin Australia Limited is governed by a Board with an emphasis on entrepreneurial skills and experience in mineral exploration, development, production and finance. The company relies upon its strong team of technical and commercial experts with broad experience of mining projects in Australia and internationally.

Details of your Directors' qualifications and experience can be found on page 10 of the Directors' Report.

MANAGEMENT TEAM

KEVIN MORIARTY

Executive Chairman

Dr. Moriarty is a professional geologist and company director whose career has included involvement in geophysical and geological projects in both the petroleum and minerals sectors. Both his early and later career has focussed on base and precious metal exploration and industrial mineral projects in many countries. Dr Moriarty is the Chairman of the Board and a Director of Western Mediterranean Zinc Spa, the company which owns and operates the Oued Amizour Zinc Project in Algeria.

MARK TERRY

Chief Financial Officer

Mr Terry is a CPA with more than fifteen years' experience in the management of finance matters in the mineral exploration and mining industry. He started his career with KPMG before holding a series of diverse senior finance positions with Normandy Mining Limited, Newmont Australia and Xstrata Zinc where he was Finance and Commercial Manager for Australian operations. He has broad experience in corporate treasury, mergers and acquisitions, resource project evaluation, accounting, tax and general management roles and brings a strong focus on systems, management accounting and compliance to support the developing operations.

ROBERT SINGER

Chief Geologist

Mr Singer manages Terramin's resource development and exploration teams. He is a geologist with more than 30 years' experience in operating mines and exploration in diverse terrains. Previously he was chief geologist for the Newmont-Barrick "Super Pit" operations at Kalgoorlie, mining 13Mtpa of gold ore and also leader of the team responsible for a major expansion of zinc resources at the 1.2Mtpa Golden Grove mine. He is a member of the Australian Institute of Mining and Metallurgy.

NIC CLIFT

General Manager Algeria

Mr Clift has over 30 years of international experience in the mining and base metals extraction, refining, and recycling industries. He has worked in a variety of corporate, management, project, development, and operating roles, and has extensive experience of dealing with government and local administration. More than a third of his career has been spent in Africa; most recently he ran Kamoto Operating Limited in the DRC, and prior to that CBG in Guinea. He is a graduate of the University of Manchester, holds an MBA from the University of Queensland, and is a Fellow of the Australasian Institute of Mining and Metallurgy (FAusIMM).

JOHN BURGESS

General Manager Tala Hamza Project

Mr Burgess is a process and environmental engineer with 35 years' experience in zinc plants mostly at Broken Hill. He consulted to Zinifex on the Century Mine and on various nickel and gold operations and has held positions as Manager of Metallurgy and Environment at Broken Hill and General Manager of the Renison Tin Mine. He has extensive experience in commissioning nickel, copper and gold plants and most recently, he managed the successful commissioning of the Angas Zinc Mine.

IAN HOLMAN

Chief Engineer

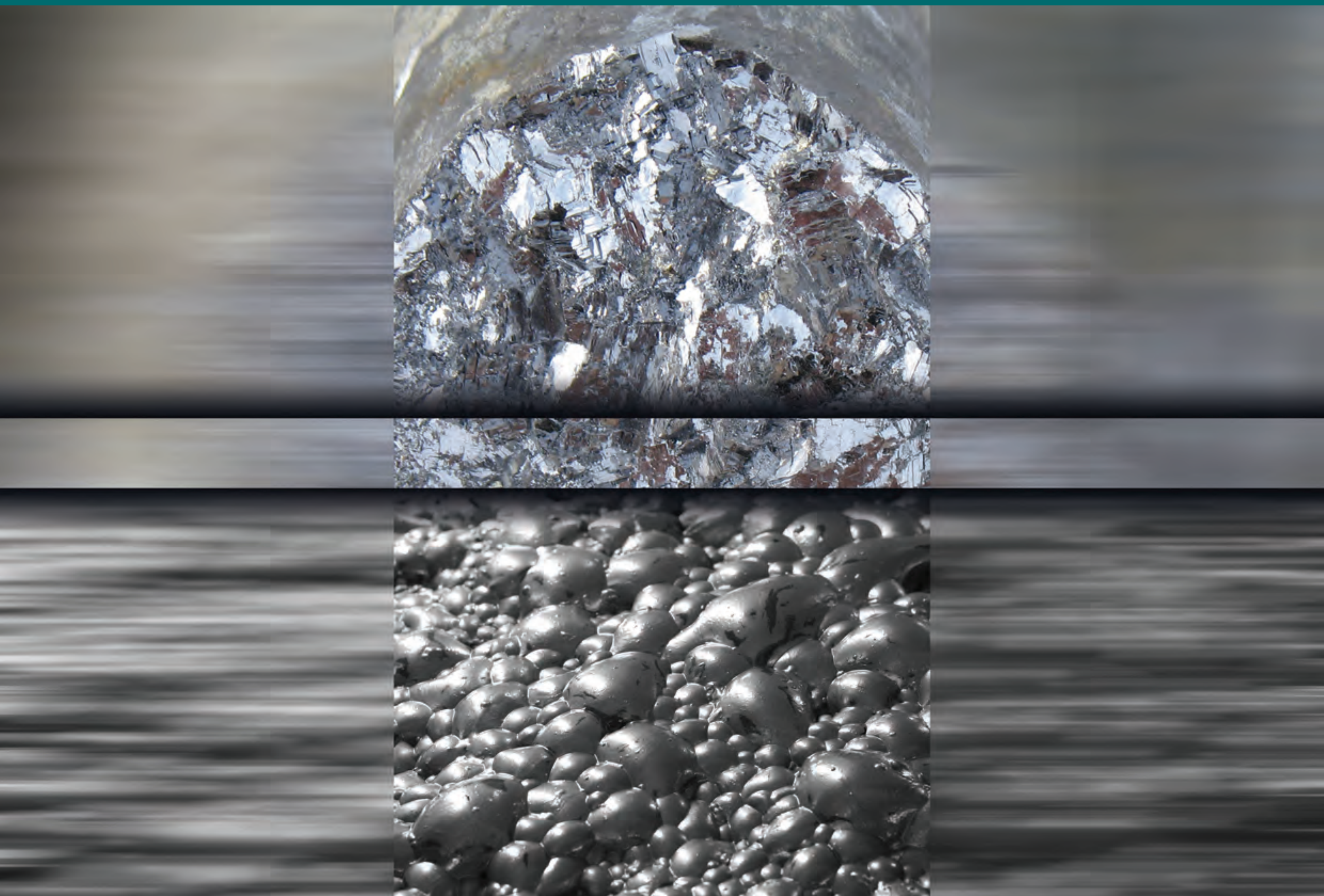
Mr Holman is a tertiary qualified mining and mechanical engineer, with 35 years' experience in engineering and management of operations and project in Africa, Asia, Europe, USA and Australia. Most recently he was the General Manager of the technical support function for RioTinto Minerals Europe and Asia Pacific. Prior to that he was the Design and Construction Manager for the Argyle Diamonds Block Cave Project. Mr Holman has had extensive project execution experience across a number of commodities in remote and third-world environments.

ROBERT HOWIE

General Manager Angas Zinc Mine

Mr Howie has an engineering and management career spanning 20 years, earning him a diverse background in hard rock, underground and open cut mining. Mr Howie has international experience as the General Manager of the one million tonne per annum Chelopech copper-gold mine in Bulgaria. His Australian career includes project manager for Downer EDI Mining's Goonyella operation for the BHP Billiton Mitsubishi Alliance, and some of Australia's largest mining operations including the Century lead-zinc mine, and BHP's Queensland Nickel and Olympic Dam operations.

TERRAMIN AUSTRALIA LIMITED



2010 FINANCIAL REPORT

Directors' Report *for the Year Ended 31 December 2010*

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 2010 and auditor's report thereon.

DIRECTORS

The names of the Directors in office at any time during, or since the end of the year are listed below.

Dr Kevin C Moriarty BSc(Hons), PhD
Appointed 1 September 2000

Dr Moriarty is a professional geologist and company Director whose career has included involvement in geophysical and geological projects in both the petroleum and minerals sectors. Both his early and later career has focussed on base and precious metal exploration and industrial mineral projects in many countries. Dr Moriarty is the Chairman of the Board and a Director of Western Mediterranean Zinc Spa (WMZ), the company which owns and operates the Oued Amizour Zinc Project in Algeria.

Mr Michael H Kennedy BComm (Economics)
Appointed 15 June 2005

Mr. Kennedy has enjoyed a 35 year career in the mining industry and has held a number of senior marketing and logistics roles with CRA Limited; managed raw material sales from the Broken Hill, Cobar and Woodlawn mines; managed raw material 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 early 2005. Mr Kennedy is Chair of the Company's Risk & Compliance Committee and a member of the Audit and Nominations & Remuneration Committees.

Mr Steven AJ Bonett BCom, LLB (Hons)
Appointed 15 June 2005

Mr. Bonett is a corporate lawyer and company Director, holding degrees in Commerce and Law. He is a former partner of Finlaysons Lawyers and in that role, led several major transactions in Australia and overseas. He is currently a consultant to Adelaide commercial law firm, Kelly & Co. Lawyers and a Director of numerous companies in the Precision Group, a national property, finance and investment group. He is recognised as an expert in the field of corporate and commercial law, mergers and acquisitions and corporate governance. He has also served on the Boards of not-for-profit organisations, including most recently The Queen Elizabeth Hospital Research Foundation. Mr Bonett is Chair of the Company's Nominations & Remuneration Committee and a member of the Audit Committee.

Mr Peter Zachert BBus, MGeoscience, MCom, FCA, FAIM
Appointed 5 June 2009

Mr. Zachert is a Chartered Accountant and company Director. His executive background is primarily in resources and diversified industrials in Australia and overseas, most recently as Chief Financial Officer of Elders Limited. Previous positions held by Mr Zachert include Director and CFO of Cyprus Australia Coal Company, CFO of Delta Gold Limited and senior roles in Prodeco SA and Exxon Coal and Mineral Company Limited. Mr Zachert has been a Director of ASX listed Agricultural Land Trust Limited since July 2007, and has held the position of Chairman of the Board since September 2009. Mr Zachert is also a Director of a number of private companies. Mr Zachert is Chair of the Company's Audit Committee and a member of the Risk & Compliance Committee.

Mr Robert W Jones BAppSc, Dip. Prim. Met.
Appointed 5 June 2009

Mr. Jones is a metallurgist with over 35 years of experience in the zinc-lead and copper resources sector in both mining and refining. He has overseen the construction, commissioning and operation of mining and mineral processing operations in both Australia and the US. Mr Jones spent a number of years as President of US Operations for Pasminco Limited, most notably responsible for the Tennessee zinc mining and smelting operations, and as GM of the company's Port Pirie lead smelter. Throughout his career he has been actively involved in the zinc industry, including executive positions with the International Lead Zinc Research Organization and the American Zinc Association. Mr Jones is a member of the Company's Tala Hamza Risk Assessment and Risk & Compliance Committees.

Mr Robert (Bryan) Davis BSc (Tech), FAIMM, MAICD
Appointed 23 July 2009

Mr. Davis is a qualified mining engineer with over 40 years' experience in the mining and resources industry. Mr Davis has held a variety of senior corporate and operational roles during his career, including as Chief Executive Officer and subsequently, as a non-executive Director of Newcrest Mining Limited. Mr Davis was formerly Executive Director - Mining at Pasminco Limited, and held senior management positions at CRA Limited. He currently acts as an independent, non-executive Director on the boards of OneSteel Limited (appointed December 2004) and Coal & Allied Limited (appointed September 2000). In addition, Mr Davis was a Director of Newcrest Mining Limited from April 1998 to October 2008. Mr Davis is Chair of the Company's Tala Hamza Risk Assessment Committee and a member of the Nominations & Remuneration Committee.

Mr Xie Yaheng MSc, Senior Engineer

Appointed 18 September 2009

Mr. Xie is Vice-President of China Non-ferrous Metals Industry's Foreign Engineering and Construction Company Ltd (NFC) and Chairman of Guangdong Zhujiang Rare Earth Co Ltd, 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 Secretaries

The names of the Company Secretaries in office at any time during or since the end of the year are listed below.

Mr Stéphane Gauducheau LLB, GDLP, Maîtrise de Droit

Appointed 24 August 2010

Mr. Gauducheau is a lawyer with experience in commercial, corporate and financing transactions. Whilst in private practice Mr Gauducheau advised mining and oil and gas companies on projects and transactions in Australia, Europe, North and West Africa and the Middle East. Mr Gauducheau is admitted to legal practice in South Australia and in France.

Mrs Kate E McKeough BA, BCom, LLB (Hons), GDLP

Mrs. McKeough was appointed on 26 April 2007 and resigned on 24 August 2010. Mrs McKeough is a Senior Associate in the corporate and commercial team of Adelaide law firm Kelly & Co. Lawyers. Mrs McKeough practices in the areas of companies and securities law, fundraising, mergers and acquisitions and general commercial law.

Mr Mark J Terry BAcc, CPA

Mr Terry was appointed on 18 September 2009 and resigned as company secretary on 24 August 2010. Mr Terry is an accountant with more than fifteen years' experience in the mineral exploration and mining industry. He previously held a series of diverse senior finance positions with Normandy Mining Limited, Newmont and at Xstrata Zinc where he was Finance and Commercial Manager for Australian operations. He has broad experience in corporate treasury, mergers and acquisitions, resource project evaluation, accounting, tax and general management roles.

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 2010, and the number of meetings attended by each Director were:

	Directors' Meetings		Audit Committee		Nominations & Remuneration Committee		Risk & Compliance Committee		Tala Hamza Risk Assessment Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
KC Moriarty	8	8	-	-	-	-	-	-	-	-
MH Kennedy	8	8	4	4	3	3	5	5	-	-
SAJ Bonett	8	8	4	4	3	3	-	-	-	-
RB Davis	8	8	-	-	3	3	-	-	7	7
RW Jones	8	8	-	-	-	-	5	5	7	7
P Zachert	8	8	4	4	-	-	5	5	-	-
Y Xie	8	6	-	-	-	-	-	-	-	-

Directors' Report *for the Year Ended 31 December 2010 (cont.)*

Directors' Interests

The Directors 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	Options exercise price	Options expiry date
KC Moriarty	9,026,313	500,000	$4.11	04-May-11
	-	500,000	$4.93	04-May-11
MH Kennedy	300,000	-	-	-
SAJ Bonett	250,000	250,000	$4.11	04-May-11
P Zachert	20,000	-	-	-
RW Jones	190,000	150,000	$1.97	22-Feb-12
RB Davis	31,470	-	-	-
Y Xie	-	-	-	-
Total	**9,817,783**	**1,400,000**		

PRINCIPAL ACTIVITIES

There were no significant changes in the nature of the Group's principal activities during the reporting period, which continues to focus on the mining, development of and exploration for base metals (in particular zinc and lead) and other economic mineral deposits.

OPERATING RESULTS

The consolidated loss of the Group after providing for income tax and eliminating non-controlling interests was $9.9 million for the year ended 31 December 2010 (2009: $9.0 million). The major contributor to the result were non-cash charges of $18.5 million for depreciation and amortisation, partly offset by non-cash credits relating to the mark to market on USD convertible notes $2.4 million. Operating revenues were up 45% on 2009 largely as a result of higher average realised prices, particularly relating to zinc, supported by improved smelter terms compared to 2009 and marginally higher payable metal sold. The operating profit for the Angas Zinc Mine was $16.7 million before depreciation and amortisation charges of $18.5 million.

Project expenditure on the Angas Zinc Mine, Oued Amizour Zinc Project, and Fleurieu regional exploration totalled $23.4 million. This expenditure includes $11.4 million (2009: $9.4 million) related to exploration and evaluation on the Group's tenements, representing an increased focus on extending mine life at Angas and progressing studies at Tala Hamza.

During the period the Company reduced its debt by US$ 5 million as a result of the conversion of 5,000,000 unlisted, unsecured, redeemable notes into equity (7,447,829 shares).

DIVIDENDS PAID OR RECOMMENDED

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

REVIEW OF OPERATIONS

During the year the Company focused on optimising the operation of its Angas Zinc Mine in South Australia and on the completion of the definitive feasibility studies of the Tala Hamza Deposit in the Oued Amizour Zinc Project in Algeria, as well as examining new opportunities in Australia. Highlights for each of the Group's major projects are reported below.

Angas Zinc Mine

(Terramin 100%)

The Angas Zinc Mine continued setting production records for total development, annual tonnes mined and monthly milled ore during 2010. Full year ore production of 387,169 tonnes and mill throughput of 392,144 tonnes was in line with budget. Concentrate production levels fell short of expectations as a result of below-budget ore grade and recovery, primarily due to a lack of access to stoping areas as a result of insufficient mine development rates carried over from 2009 into early 2010. Programmes implemented in relation to safety, community and environment continued to improve indicators across the site. This was supported by in-house training of all technical and supervisory staff to confirm responsibilities. Excess water on the tails storage facility (TSF) was reduced during the fourth quarter with MARP and EPA compliance being targeted for late 2011.

The 2010 Probable Reserve of 1.69Mt at 6.95% Zn and 2.80% Pb for the Angas Zinc Mine (as at 30 June 2010) was released in August 2010. An additional 30 underground diamond holes were used along with extensive additional information from underground exposures. The Reserve showed a reduction of 0.46Mt, aligning very closely with mine depletion of 0.45Mt. Additional Indicated and Inferred Resources comprised 0.66Mt at 3.6% Zn and 1.6% Pb. Exploration drilling was successful in identifying a new shoot (Sunter Shoot) at the southern end of the lease. An infill programme will be completed in 2011 with a view to adding Resources as soon as possible. Further exploration, including deep drilling, is planned on the lease.

Mine development continued with the decline extending a further 420 metres to 1,417 metres from the portal at the period end. Total development for the year reached 3,004 metres with the establishment of drives on the 260 level. Development drives are established on all levels above the 260 level, with stopes established in the Rankine Shoot and the Garwood Shoot. Backfilling commenced using process plant tailings. Concentrate production for the year totalled 44,847 tonnes of zinc concentrate and 16,972 tonnes of lead-copper-precious metals concentrate. New production records were established in the first quarter for both concentrate products. Payable metal production for the year was 19,306 tonnes of zinc and 8,403 tonnes of lead.

C1 cash costs (direct cash costs net of by-product credits) averaged US 57 cents/lb for the period influenced by lower production in the second and third quarters. Cash costs in the first and last quarter were in line with forecasts at US 48 cents/lb and US 46 cents/lb respectively. In addition, treatment charges for both zinc and lead concentrates were lower than in the previous year as a result of increased competition between smelting operators.

Fleurieu Exploration Project

(Terramin 100%)

The Fleurieu Project comprises four contiguous Exploration Licences (EL 3641, Bremer; EL3792, Hartley; EL4210, Currency Creek; EL4466, Langhorne Creek) which together cover an area of 1,032 km^2. The tenements cover an elongate zone stretching 60km northeast and southwest of the Angas Mine.

Work during 2010 included geochemical sampling, ground geophysical surveys (passive EM) and drilling (2,964m of RC and 660m of diamond), focused on targets on the Preamimma North, Preamimma, Lady Jane and Frahns prospects in the Monarto District and targets near the southern boundary of the Angas Mining Lease.

Promising gold/copper results were obtained at the Lady Jane Prospect (released to the ASX on 12 April 2010) including intersections of 3m @ 11.1 g/t Au (LJRC004) and 13m @ 3.17 g/t Au (LJRC005). While follow-up diamond drilling did not encounter further significant mineralisation, the prospect warrants additional work.

An extensive airborne time-domain electromagnetic (VTEM) and magnetic survey was flown over most of the eastern half of the project area covering 56% of the tenement area. At year-end, data from this survey was still being processed however initial inspection of preliminary gridded data has revealed a number of significant regional conductive features that will require ground follow up and drill testing. An airborne electro magnetic survey (REPTEM) was also flown over some of these more localised targets.

Exploration over the coming year will focus on further groundwork on targets already defined in the Angas and Monarto Syncline areas and on new regional targets generated by the VTEM and REPTEM surveys.

Oued Amizour Zinc Project

(Terramin 65%)

Terramin completed the Definitive Feasibility Study (DFS) on the Tala Hamza project development at the end of the third quarter and released the results to the ASX on 12 October 2010. The DFS represents the culmination of a two year intensive work programme involving Terramin staff, consultants and the project's various stakeholders and represents a major milestone for the Company and Algerian mining.

The DFS confirms that the safest and least expensive mining method for the Tala Hamza deposit is the block caving method. A total of 39.9Mt of ore is contained in the block cave design (of which 38.1Mt at 4.78% zinc and 1.36% lead is classified as Probable Reserve), however the deposit is open to the south and the design is amenable to be extended in that direction.

Construction of the mine has been conservatively calculated to take 57 months. However the application of roadheaders and other rapid tunnelling methods for the critical path access declines and mine development have been investigated. Initial analysis shows a potential doubling of advance rates resulting in a nine month timeline reduction that would bring forward first production to the second quarter of 2015. Pre-production capital cost for development is estimated at US$579 million assuming that VAT and custom duty are exempted from the project cost.

The DFS also envisages that production will commence at a rate of 3.5Mtpa and will ramp up to 4.0Mtpa over a 15 month period. Average annual production is projected at 310,000 tonnes of zinc concentrate containing 164,000 tonnes of zinc and 60,000 tonnes of lead concentrate containing 36,000 tonnes of lead. Production will peak in the second full year of the operation. The DFS concludes that 1.68Mt of zinc and 0.37Mt of lead metal will be produced over the life of the mine. C1 cash costs are forecast to be US 32 cents/lb payable zinc after lead credits.

The deposit holds a Resource of 68.6Mt (Measured, Indicated and Inferred) at 4.6% zinc and 1.2% lead at a cut off of 2.5% zinc equivalent (inclusive of Probable Reserve).

The DFS confirms the potential for a very low-cost mine and low development capital compared to other start-ups because of the proximity to infrastructure. The lead time to first production reflects the fact that a block caving method requires the majority of the underground development to be completed upfront. This increases the time to first production but results in very low mining costs compared with underground selective mining methods and is comparable with open-cut mining.

Directors' Report *for the Year Ended 31 December 2010 (cont.)*

The availability of finance within Algeria for such projects, and the ability to co-fund with banks, such that the equity contribution of the partners (on a pro-rata basis) will be concentrated towards the end of the development phase is another positive aspect.

The DFS is now with our Algerian partners who are undertaking their project review process using an independent consultant to assist them in their assessment.

Following the decision to mine on the basis of the DFS by the Board of WMZ, a mining lease application will be lodged with the appropriate authorities in Algeria. The approval process for the mining lease is expected to take approximately five months.

All documentation required to be submitted to the relevant Algerian government departments for the purpose of a Mining Lease Application (MLA), in addition to the DFS, including the Environmental Impact Statement (EIS), the Environmental Management Plan and the Accident Risk Study were completed during the year.

Positive discussions in regard to project finance have continued with a number of institutions, including a state-owned Algerian bank.

In order to ensure that Tala Hamza has the right technical profile to become a long-term, low cost producer, Terramin made three significant appointments:

- Mr Nicholas Clift, a process engineer with substantial operating company experience in Africa and Australia, will manage the Algerian operations;
- Mr Ian Holman and Mr Sam Hewitt, both mining engineers with substantial experience in block caving operations, will oversee the design and implementation of the Tala Hamza mining operation.

From an exploration perspective the Tala Hamza deposit also continues to provide upside potential, particularly to the south where drilling showed the deposit was thicker and higher grade than expected. The deposit is currently open and untested in the south, while there also remains potential to the northeast and east. WMZ has also progressed regional exploration on its 125 square kilometre exploration licence, including regional mapping, geochemical sampling and drilling at Lbarkouk and Bouzenan. Initial results are promising.

Terramin and its partners, along with WMZ, are working co-operatively with the Algerian government on the project given that Tala Hamza will be the first major modern underground mine to be developed in Algeria. It is estimated that the project will employ about 620 people at start-up, of which over 90% are envisaged to be Algerian nationals.

Menninnie Zinc Project

(a) Menninnie Dam (Terramin 100%)

Menninnie Dam has a significant lead-zinc deposit at Menninnie Central with an Inferred Resource of 3.8 million tonnes at 4% Zn, 3.2% Pb and 34 g/t Ag as at December 2007. The deposit is open at depth and along strike. An update of this resource is planned for early 2011.

The Project remained on care and maintenance under the management of Minerals and Metals Group (MMG) for the duration of the year. On 26 October 2010, Terramin announced that its wholly owned subsidiary, Menninnie Metals Pty Ltd (MMPL), had agreed to acquire MMG's 76% interest. The registration of MMPL's new interest was finalised in January 2011. Terramin has resumed management and will focus on a drilling programme on the numerous untested or partly tested geophysical (IP, EM, gravity) and geochemical targets and on completing a scoping study on the Menninnie Central area. Native Title Agreement was reached with the Gawler Ranges traditional owners and has been registered with the Department of Primary Industries and Resources of South Australia (PIRSA).

During 2011, exploration drilling on the Menninnie Dam tenement will target high priority IP/soil anomalies at Mannequin, Phone Hill and Tank Hill as well as shallow mineralisation at known prospects near Menninnie Central.

(b) Nonning (Terramin earn-in of up to 70%)

In April 2010 a VTEM survey and magnetic survey was made over selected Nonning areas and this data is being processed by our joint venture partner, Minotaur Operations Pty Ltd. Limited other work was conducted on this tenement during the period while ownership of Menninnie Dam was resolved. On 23 September, Minotaur and Terramin agreed to extend MMPL's 70% earn-in period to 5 years. Accordingly, MMPL may earn 51% by spending $1 million by 5 June 2012, and 70% by spending a further $2 million by 5 June 2013. Expenditure to date is $0.4 million. A Native Title Agreement was reached with the Gawler Ranges traditional owners and has been registered with PIRSA.

(c) Kolendo (Terramin 100%)

Limited exploration work was conducted in the year consisting of a short VTEM survey over prospective base metal sulphide targets. The data will be processed early in 2011.

(d) Taringa (Terramin 100%)

The application for this tenement, lodged in June 2010 was successful and the offer from PIRSA of the exploration licence was accepted in December 2010. This tenement is considered prospective for deposits of gold and/or base metals in epithermal vein systems within and beneath the Gawler Range Volcanics.

Corporate

During the year, the Company saw two key investors, China Non-Ferrous Metal Industry's Foreign Engineering & Construction Co., Ltd (NFC) and JP Morgan Metals and Concentrates LLC, formerly RBS Sempra Metals and Concentrates LLC (JP Morgan), strengthen their positions.

In May 2010, JP Morgan re-entered the registry following the conversion of 5 million of the total 20.05 million outstanding US$ 1.00 five year unlisted convertible redeemable notes issued in June 2005 and March 2008. As a result, the Company issued 7,447,829 shares to JP Morgan.

In December 2010, the Company announced the placement of 10,000,000 shares to NFC. The agreed placement price was $0.62 a share. This placement was made pursuant to a $50 million subscription agreement whereby the Company has the right, but not the obligation, to issue shares to NFC at a 30% premium to the 15 day volume weighted average price (VWAP) at the time of subscription subject to NFC's agreement and any shareholders' approval if required. Under this agreement NFC's maximum shareholding is capped at 19.9%.

In the third quarter, the Company completed the restructure of its debt facility with Investec Bank (Australia) Ltd (Investec). The restructure will free cash flow to fund the development of the Tala Hamza project and on-going exploration activities in Australia and Algeria. The restructure consisted of a reduction in debt amortisation payments in 2010 from $4.0 million to nil and 2011 payments from $7.0 million to $3.0 million. As part of this restructure, Terramin also issued a total of 1.8 million three year options at a strike price of $1.00 to Investec.

The Company took advantage of the terms of its various convertible note facilities to issue 1,159,329 shares in satisfaction of interest payment obligations during 2010.

During the year, Terramin implemented a tax exempt employee share scheme whereby each qualifying company employee received the equivalent of $1,000 in Terramin shares. Accordingly, a total of 169,740 shares were issued to employees under this scheme.

In addition, a total of 2,200,000 options were issued to various employees in accordance with the Company's employee option plan. However, in August, upon the departure of the Company's Chief Executive Officer, 1,000,000 of these options were cancelled.

Business Development Activities

Throughout 2010, the Company continued to identify, assess and, where appropriate, pursue the acquisition of interests in advanced mining projects, specifically zinc projects with a close proximity to infrastructure.

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

Following the approval granted by the Minister under the Mining Act in January 2011, Menninnie Metals Pty Ltd completed the acquisition of the Menninnie Dam tenement (EL3640) from MMG, increasing its ownership from 24% to 100%. Since 21 January 2011, Menninnie Metals Pty Ltd has taken over responsibility for the management of the tenement.

In the Directors' opinion, no further 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 financial years that have not been otherwise disclosed in this report.

FUTURE DEVELOPMENTS

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 proper decisions can be made to successfully develop and exploit, sell or abandon such properties. New projects will continue to be sought and evaluated. The Directors believe, on reasonable grounds, that the disclosure of any further information on the Group's future operations is likely to result in unreasonable prejudice to the Company or Group.

Directors' Report *for the Year Ended 31 December 2010 (cont.)*

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 Company's Directors, employees and consultants are committed to achieving a high standard of environmental performance and, in this regard, the Board has an established and active Risk & Compliance Committee.

In respect of the Angas Zinc Mine, the Company has implemented a number of measures to ensure that the level of water in the tailings storage facility is reduced to comply with the levels detailed in the Mine's Mining and Rehabilitation Plan. The Company has made significant progress towards resolution of this issue and is working with PIRSA and the Environmental Protection Agency to that effect. Terramin does not expect this to have a material adverse impact on its future operations.

Insofar as the Directors are aware, there have been no other 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 acknowledges and endorses the ASX Corporate Governance Council's "Corporate Governance Principles and Recommendations – 2nd 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 in the Corporate Governance section of this report.

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

- Audit Committee
- Nominations & Remuneration Committee
- Risk & Compliance Committee
- Tala Hamza Risk Assessment Committee

SHARE CAPITAL

(a) Ordinary Shares

As at 31 December 2010 and as at the date of this report, there were 167,315,574 fully paid ordinary shares in the capital of the Company on issue.

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

As at 31 December 2010 there were 16,201,630 unlisted options over fully paid ordinary shares in the capital of the Company on issue. As at the date of this report, there are 16,071,630 unlisted options over fully paid ordinary shares in the capital of the Company on issue.

Expiry date	Exercise price $	Number of options on issue
3-May-11	1.44	25,000
4-May-11	4.11	750,000
4-May-11	4.93	500,000
7-Jun-11	1.26	467,000
7-Aug-11	1.42	280,000
22-Feb-12	1.97	725,000
8-May-12	2.43	1,075,000
21-May-12	2.16	4,629,630
17-Jun-12	3.32	150,000
9-Sep-12	2.92	100,000
11-Nov-12	3.74	50,000
19-Dec-12	3.55	325,000
23-Jan-13	2.66	275,000
15-Mar-13	2.80	3,125,000
20-Jul-13	2.45	575,000
7-Sep-13	2.12	20,000
20-Jan-13	1.08	100,000
20-Jan-13	1.12	100,000
31-Aug-13	1.00	1,800,000
20-Jan-15	1.17	1,000,000
TOTAL		**16,071,630**

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 during the year

The following unlisted options over fully paid ordinary shares in the capital of the Company were exercised during the year:

Exercise dates	Number exercised	Exercise price $	Funds received $
06-May-10	100,000	0.52	52,000
15-Jun-10	50,000	0.52	26,000
TOTAL	**150,000**		**78,000**

Upon exercise, each option entitled the holder to be issued with one fully paid ordinary share in the capital of the Company.

(d) Unlisted options exercised/cancelled since 31 December 2010

No unlisted options over fully paid shares in the Company have been exercised since 31 December 2010. On 16 February 2011, 130,000 options were cancelled.

REMUNERATION REPORT - AUDITED

Directors and other key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company. The information regarding remuneration and entitlements of the Company's Board, key management personnel and relevant Group executives required for the purposes of section 300A of the *Corporations Act 2001* is provided below.

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

(i) Executive Directors

Dr KC Moriarty — *Executive Chairman*

(ii) Non-Executive Directors

Mr MH Kennedy *(Independent)*
Mr SAJ Bonett *(Independent)*
Mr P Zachert *(Independent)*
Mr RW Jones *(Independent)*
Mr RB Davis *(Independent)*
Mr Y Xie *(Non-Independent)*

The following persons were both the key management personnel of the Group, and the relevant executives of the Group who received the highest remuneration during the financial year (collectively Other Key Management Personnel). Key management personnel are those persons who were able to make or participate in making decisions affecting the whole or a substantial part of the business of the Group or its financial standing as at the date of this report.

(iii) Other Key Management Personnel

Mr G Cochran — *Chief Executive Officer (ceased employment 6 August 2010)*
Mr N Clift — *General Manager Algeria (appointed 23 August 2010)*
Mr RB Howie — *General Manager Angas Zinc Mine (appointed 11 January 2010)*
Mr MS Janes — *Chief Financial Officer (ceased employment 17 December 2010)*
Mr RP Singer — *Chief Geologist*
Mr MJ Terry — *Chief Financial Officer (appointed 17 December 2010)*
Mr J Burgess — *General Manager Tala Hamza Project*
Mr JP Wilhelm — *Vice-President North Africa (ceased employment 7 January 2011)*

(a) Remuneration Report and Practices

This report outlines the remuneration arrangements for Directors and Other Key Management Personnel of the Company. It is recognised that the performance of the Group 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. To this end, the Group strives, by way of the Board and its Nominations & Remuneration Committee, to devise and offer remuneration packages that are competitive, transparent and justifiable to shareholders.

The Group has continued throughout the period to review and monitor its remuneration practices at all levels, with a view to ensuring, to the greatest extent possible, consistency with market expectations and the practices of similarly sized companies. These objectives are achieved through the development and implementation of policies and practices which support the following key principles underlying the Group's remuneration policy:

- to provide competitive remuneration to attract high calibre people;
- to actively consult with the established Nominations & Remuneration Committee in determining remuneration policies and practices;
- to have reference to independent advice and confirmation where appropriate;
- to establish appropriately demanding hurdles in relation to performance based remuneration, where appropriate; and
- where appropriate, to link executive Director and senior management reward to the creation of shareholder value and/or Group milestones and production budgets.

Directors' Report *for the Year Ended 31 December 2010 (cont.)*

Nominations and Remuneration Committee

The current members of the Committee are Mr Bonett (Chair), Mr Kennedy and Mr Davis. The objectives of the Committee are 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 executives and Directors so as to encourage enhanced performance by the Company;
  - are consistent with the human resource needs of the Company;
  - 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;
  - demonstrate a clear relationship between key executive performance and remuneration; and
  - are consistent with current governance and legal developments.

REMUNERATION AND INCENTIVE STRUCTURES

Executives

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 Board or its nominee (historically, the Executive Chairman).

Performance Based Remuneration and Entitlements

The Board will from time to time approve the award of bonuses including cash and/or equity securities, designed to reward or incentivise executives, contractors and staff on such terms and conditions determined by the Board (in consultation with the Executive Chairman or senior management) to be appropriate at the time of payment or issue. Often, the grant or vesting of options or other bonuses will be linked to the achievement of specific Company objectives (such as operational milestones) with a direct link to the creation of shareholder value.

The Board, through its Nomination and Remuneration Committee, is in the process of preparing a long-term incentive plan which will provide incentive and reward executives for achieving pre-determined hurdles and creating shareholder value.

Directors

Remuneration and Incentives

The maximum aggregate fee payable to non-executive Directors is subject to approval by shareholders at general meeting (the current limit is $700,000). All securities issued to Directors and related parties must be approved by shareholders at 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 & Remuneration Committee. Group 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.

Director Options

There were no options or other equity securities issued to Directors during the year.

Retirement or other Post Employment Benefits

Historically, the Company has not provided 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.

(b) Parent Entity Directors' Remuneration and Entitlements

During the period, the following cash and non-cash payments were made to the Directors:

2010	Short term		Post employment		Share-based payments		Total
	Salary & fees	Contract payments	Superannuation benefits	Termination benefits	Value of options	%	
KC Moriarty	-	508,420	-	-	-	-	508,420
SAJ Bonett	59,633	-	5,367	-	-	-	65,000
MH Kennedy	68,807	-	6,193	-	-	-	75,000
RB Davis	68,807	-	6,193	-	-	-	75,000
P Zachert	-	65,000	-	-	-	-	65,000
RW Jones	-	70,000	-	-	-	-	70,000
Y Xie	-	39,999	-	-	-	-	39,999
TOTAL	**197,247**	**683,419**	**17,753**	**-**	**-**	**-**	**898,419**

2009	Short term		Post employment		Share-based payments		Total
	Salary & fees	Contract payments	Superannuation benefits	Termination benefits	Value of options	%	
KC Moriarty	-	511,060	-	-	-	-	511,060
SAJ Bonett	49,817	-	4,484	-	-	-	54,301
MH Kennedy	54,404	-	4,896	-	-	-	59,300
RB Davis	30,415	-	2,737	-	-	-	33,152
P Zachert	-	22,750	-	-	-	-	22,750
RW Jones	-	21,000	-	-	-	-	21,000
Y Xie	-	1,500	-	-	-	-	1,500
DA Paterson	-	18,047	-	-	-	-	18,047
JT Hazel	21,750	-	1,958	-	-	-	23,708
TOTAL	**156,386**	**574,357**	**14,075**	**-**	**-**	**-**	**744,818**

(c) Other Key Management Personnel Remuneration

Details of the remuneration of the above-mentioned key management personnel (who are also the relevant Group executives for the purpose of s.300A(i)(c)(iii) of the *Corporations Act 2001*) appear below:

2010	Short Term		Post Employment		Share-based payments		Total
	Salary & fees	Contract payments	Superannuation benefits	Termination benefits	Value of options	%	
GC Cochran [1]	238,718	-	19,943	218,000	-	-	476,661
N Clift [2]	112,374	-	10,114	-	-	-	122,488
RB Howie	254,795	-	22,932	-	24,196	8%	301,923
MS Janes [3]	274,462	-	21,685	113,542	75,156	16%	484,845
RP Singer	246,750	-	22,208	-	75,156	22%	344,114
MJ Terry [4]	15,417	-	1,387	-	-	-	16,804
J Burgess	-	270,200	-	-	-	-	270,200
JP Wilhelm [5]	-	154,321	-	-	-	-	154,321
TOTAL	**1,142,516**	**424,521**	**98,269**	**331,542**	**174,508**	**-**	**2,171,356**

Directors' Report *for the Year Ended 31 December 2010 (cont.)*

1. Mr Cochran ceased employment with the Company on 6 August 2010. In accordance with the terms of his employment contract, a termination payment was made in lieu of notice.
2. Mr Clift commenced employment with the Company on 23 August 2010.
3. Mr Janes ceased employment with the Company on 17 December 2010. In accordance with the terms of his employment contract, a termination payment was made in lieu of notice.
4. Mr Terry was appointed to the role of Chief Financial Officer of the Company on 17 December 2010.
5. Mr Wilhelm ceased employment with the Company on 7 January 2011.

2009	**Short Term**		**Post Employment**		**Share-based payments**		**Total**
	Salary & fees	Contract payments	Superannuation benefits	Termination benefits	Value of options	%	
MS Janes	215,596	-	19,404	-	-	-	235,000
RP Singer	235,000	-	21,150	-	-	-	256,150
AC Robertson	200,009	-	18,001	-	-	-	218,010
J Burgess	-	274,065	-	-	-	-	274,065
JP Wilhelm	-	252,670	-	-	-	-	252,670
TOTAL	**650,605**	**526,735**	**58,555**	**-**	**-**	**-**	**1,235,895**

All Directors and Specified 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 key consultants to the Company to notify the Executive 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 Executive Chairman. In addition and in accordance with ASX LR 12, the 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 Other Key Management Personnel, in particular in relation to risk mitigation.

No bonuses or non-cash benefits were paid to Directors or Other Key Management Personnel during the year.

(d) Options Issued during the Year

The following options over unissued shares in the capital of the Company were issued to Specified Executives during the year. There were no options issued to Directors.

	Granted No.	Grant Date	Fair Value per Option at Grant Date ($)	Exercise Price ($)	Last Exercise Date
Other Key Management Personnel					
G Cochran	500,000 [1]	21 Jan 2010	0.29	1.25	21 Jan 2015
G Cochran	500,000 [1]	21 Jan 2010	0.24	1.12	21 Jan 2013
MS Janes	250,000	21 Jan 2010	0.30	1.17	21 Jan 2015
RP Singer	250,000	21 Jan 2010	0.30	1.17	21 Jan 2015
RB Howie	100,000	21 Jan 2010	0.24	1.08	21 Jan 2013
MJ Terry	90,000	21 Jan 2010	0.29	1.17	21 Jan 2015
Total	**1,690,000**				

1. In accordance with their terms, Mr Cochran's options were cancelled on 5 October 2010.

(e) Contracts and Agreements

The Company is operating in an environment where there is significant competition for skilled staff and contractors. To help ensure project continuity the following arrangements are currently in place.

The Company has employment agreements with each key management person which allow termination by either party on the provision of notice, (from one to four months prior) or if terminated by the employer, on making a payment in lieu of notice. On termination, key management personnel are also entitled to receive statutory entitlements of accrued annual and long service leave plus superannuation benefits.

Agreements with key management personnel that differ from the above are detailed below:

Dr Kevin C Moriarty *Executive Chairman*

Dr Moriarty is engaged by the Company as a consultant to manage day to day activities. Dr Moriarty also serves as Chairman of the Board.

This arrangement has no fixed term and is reviewed annually by the Nominations & Remuneration Committee. Dr Moriarty's hourly rate is $200 plus GST, with consultancy fees payable to Towarnie Geosciences. There are no fixed termination entitlements in respect of this arrangement.

Mr Gregory Cochran *Chief Executive Officer*

Mr Cochran, Chief Executive Officer, had an employment contract with the Company dated 18 January 2010 which terminated on 6 August 2010. In accordance with its terms, the termination of the employment agreement was agreed by the parties and a payment in lieu equivalent to 6 months' salary was paid to Mr Cochran.

Mr John Burgess *General Manager Tala Hamza Project*

In February 2007, a consulting company controlled by Mr Burgess signed an initial agreement to provide his services to the Company as General Manager Angas Zinc Mine.

In January 2009, a new contract was signed by Mr Burgess as an agreement to provide his services to the Company as General Manager Tala Hamza Project at a daily rate of $1,000 plus GST. The contract is for a fixed period of 3 years, with an option to renew for a further 2 years at the election of the Company. The consultancy arrangement between Mr Burgess' company and the Company entitles either party to terminate the agreement upon the giving of 3 months' notice in writing. Apart from outstanding consultancy fees incurred under the arrangement, no entitlements are payable upon termination of this agreement.

Mr Burgess has been appointed General Manager Tala Hamza and will manage the process following the completion of the feasibility studies and development in respect of that deposit.

Mr Jean-Pierre Wilhelm *Vice-President North Africa*

In January 2008, the Company entered into an agreement with a consulting company controlled by Mr Wilhelm to provide his services to the Company as Vice-President North Africa. Mr Wilhelm resigned from his position in December 2010. Consultancy fees have been paid during the reporting period at a rate of €11,660 per month, inclusive of GST or any other applicable taxes.

No entitlements were payable upon termination of this agreement.

(f) Indemnification of Directors and Officers

Directors' and Officers' Liability Insurance has been secured to insure the Directors, officers and senior executives of the Group to the extent permitted by the *Corporations Act 2001*. The officers of the Company and the Group covered by the insurance policy include 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

Additional services provided during the year by the Company's auditors, KPMG, included taxation advice for the Group in Australia, Spain and Algeria. Fees paid for these services totalled $36,000 for the period and have been accounted for as administrative expenses. In accordance with advice from Terramin's Audit Committee, the Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. Also in accordance with the advice of the Audit Committee, the Directors are satisfied that the nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Directors' Report *for the Year Ended 31 December 2010 (cont.)*

AUDITORS' INDEPENDENCE DECLARATION

The auditors' independence declaration for the year ended 31 December 2010 can be found on page 15 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 *Corporations Act 2001* 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 *Corporations Act 2001*.

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 dollar, unless otherwise stated.

Signed in Adelaide this 24th day of February 2011 in accordance with a resolution of the Board of Directors.

Kevin C Moriarty
Executive Chairman

Peter Zachert
Director

Directors' Declaration

1. In the opinion of the Directors of the Company:

   (a) the consolidated financial statements and notes that are set out on pages 27 to 57 and the Remuneration report contained in pages 17 to 21 of the Directors' report, are in accordance with the *Corporations Act 2001*, including:

      (i) giving a true and fair view of the Group's financial position as at 31 December 2010 and of its performance for the year ended on that date; and

      (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

   (b) there are reasonable grounds to believe that the Company and the group entities identified in note 21 will be able to pay their debts as and when they become due and payable.

2. The directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Executive Chairman and Chief Financial Officer for the year ended 31 December 2010.

3. The directors draw attention to note 1 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:

Kevin C Moriarty
Executive Chairman
24 February 2011

Peter Zachert
Director
24 February 2011

Auditor's Independence Declaration

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Terramin Australia Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 December 2010 there have been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Derek Meates
Partner

Adelaide

24 February 2011

Independent Audit Report

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 2010, and consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 27 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' 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* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group 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. These Auditing Standards require that we 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.

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 entity'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 entity'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 performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

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

Independent Audit Report *(cont.)*

KPMG

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 the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as 31 December 2010 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1.

Report on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 31 December 2010. 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 auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Terramin Australia Limited for the year ended 31 December 2010, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Derek Meates
Partner

Adelaide

24 February 2011

Consolidated Income Statement *for the Year Ended 31 December 2010*

	Note	2010 $'000	2009 $'000
Revenue	3	**59,450**	41,054
Other income	3	**17**	281
Raw materials, consumables and other direct costs		**(40,383)**	(31,917)
Change in inventories of finished goods and WIP		**(2,075)**	1,152
Employee expenses		**(3,705)**	(2,148)
Depreciation and amortisation expense	10(a) & (b)	**(18,523)**	(15,041)
Exploration and evaluation write down	10(a) & (b)	**-**	(23)
Share option expense	14(f)	**(661)**	(214)
Other expenses		**(2,785)**	(2,998)
Loss before net financing income/(costs) and income tax		**(8,665)**	(9,854)
Finance income	5	**4,853**	7,127
Finance costs	5	**(6,063)**	(6,268)
Net finance income/(cost)		**(1,210)**	859
Loss before income tax		**(9,875)**	(8,995)
Income tax expense	17	**-**	-
Loss for the year attributable to equity holders of the Company		**(9,875)**	(8,995)

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

	Note	2010	2009
Basic earnings/(loss) per share - (cents per share)	24(a)	**(6.04)**	(6.89)
Diluted earnings/(loss) per share - (cents per share)	24(b)	**(6.04)**	(6.89)

Consolidated Statement of Comprehensive Income

for the Year Ended 31 December 2010

	Note	2010 $'000	2009 $'000
Loss for the period		**(9,875)**	(8,995)
Other comprehensive income			
Foreign currency translation differences for foreign operations	15	**(2,508)**	(3,968)
Other comprehensive loss for the period, net of income tax		**(2,508)**	(3,968)
Total comprehensive loss for the period			
Attributable to equity holders of the Company		**(12,383)**	(12,963)

The Consolidated Income Statement and Consolidated Statement of Comprehensive Income are to be read in conjunction with the notes to the consolidated financial statements.

Consolidated Statement of Financial Position

for the Year Ended 31 December 2010

	Note	2010 $'000	2009 $'000
Assets			
Property, plant and equipment	10(a)	**82,136**	89,380
Exploration and evaluation	10(b)	**42,956**	33,642
Investments in equity accounted investees	9	**1,079**	1,078
Total non-current assets		**126,171**	124,100
Inventories	7	**2,733**	4,390
Derivative financial instruments	20.1(b)	**503**	18
Other assets		**262**	210
Trade and other receivables	8	**7,791**	8,308
Cash and cash equivalents	6	**9,550**	21,904
Total current assets		**20,839**	34,830
Total assets		**147,010**	158,930
Equity			
Share capital	14	**120,014**	113,667
Reserves	15	**3,888**	5,572
Accumulated losses		**(60,873)**	(48,766)
Total equity attributable to equity holders of the Company		**63,029**	70,473
Non-controlling interest	16	**14,085**	11,854
Total equity		**77,114**	82,327
Liabilities			
Loans and borrowings	12	**49,204**	58,412
Provisions	13	**5,370**	4,970
Total non-current liabilities		**54,574**	63,382
Loans and borrowings	12	**4,768**	5,871
Trade and Other Payables	11	**9,281**	6,109
Provisions	13	**1,157**	1,241
Derivative financial instruments	20.1(a)	**116**	-
Total current liabilities		**15,322**	13,221
Total liabilities		**69,896**	76,603
Total equity and liabilities		**147,010**	158,930

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 2010

	Share capital $'000	Share option reserve $'000	Translation reserve $'000	Accumulated losses $'000	**Total $'000**	Non-controlling interest $'000	**Total equity $'000**
2010							
Balance at 1 January 2010	**113,667**	**8,096**	**(2,524)**	**(48,766)**	**70,473**	**11,854**	**82,327**
Total comprehensive income for the period							
Loss for the period	-	-	-	(9,875)	**(9,875)**	-	**(9,875)**
Other comprehensive income							
Foreign currency translation differences	-	-	(2,508)	-	**(2,508)**	-	**(2,508)**
Total other comprehensive income	-	-	(2,508)	-	**(2,508)**	-	**(2,508)**
Total comprehensive income for the period	-	-	(2,508)	(9,875)	**(12,383)**	-	**(12,383)**
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Issue of ordinary shares	6,276	-	-	-	**6,276**	-	**6,276**
Share issue costs	(21)	-	-	-	**(21)**	-	**(21)**
Share options exercised	78	-	-	-	**78**	-	**78**
Transfer from option reserve on exercise	14	(14)	-	-	**-**	-	**-**
Share options issued	-	178	-	-	**178**	-	**178**
Share options expensed / cancelled	-	661	-	-	**661**	-	**661**
Total contributions by and distributions to owners	6,347	824	-	-	**7,170**	-	**7,170**
Changes in ownership interests in subsidiaries that do not result in a loss on control							
Non-controlling interest share of parent exploration expenditure	-	-	-	(2,231)	**(2,231)**	2,231	**-**
Total changes in ownership interests in subsidiaries	-	-	-	(2,231)	**(2,231)**	2,231	**-**
Balance at 31 December 2010	**120,014**	**8,920**	**(5,032)**	**(60,873)**	**63,029**	**14,085**	**77,114**
2009							
Balance at 1 January 2009	**80,675**	**7,896**	**1,444**	**(37,699)**	**52,316**	**9,783**	**62,099**
Total comprehensive income for the period							
Loss for the period	-	-	-	(8,995)	**(8,995)**	-	**(8,995)**
Other comprehensive income							
Foreign currency translation differences	-	-	(3,968)	-	**(3,968)**	-	**(3,968)**
Total other comprehensive income	-	-	(3,968)	-	**(3,968)**	-	**(3,968)**
Total comprehensive income for the period	-	-	(3,968)	(8,995)	**(12,963)**	-	**(12,963)**
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Issue of ordinary shares	33,804	-	-	-	**33,804**	-	**33,804**
Share issue costs	(871)	-	-	-	**(871)**	-	**(871)**
Share options exercised	45	-	-	-	**45**	-	**45**
Transfer from option reserve on exercise	14	(14)	-	-	**-**	-	**-**
Share options expensed / cancelled	-	214	-	-	**214**	-	**214**
Total contributions by and distributions to owners	32,992	200	-	-	**33,192**	-	**33,192**
Changes in ownership interests in subsidiaries that do not result in a loss on control							
Non-controlling interest share of parent exploration expenditure	-	-	-	(2,071)	**(2,071)**	2,071	**-**
Total changes in ownership interests in subsidiaries	-	-	-	(2,071)	**(2,071)**	2,071	**-**
Balance at 31 December 2009	**113,667**	**8,096**	**(2,524)**	**(48,766)**	**70,473**	**11,854**	**82,327**

The Consolidated Statement of Changes 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 2010

	Note	2010 $'000	2009 $'000
Cash from operating activities:			
Receipts from customers		**59,219**	32,965
Payments to suppliers and employees		**(43,352)**	(38,078)
Financing costs and interest paid		**(3,337)**	(3,112)
Interest received		**360**	275
Total cash from/(used by) operating activities	*18(b)*	**12,890**	(7,950)
Cash flows from investing activities:			
Proceeds from the sale of fixed assets		**478**	-
Acquisition of property, plant and equipment		**(3,932)**	(2,577)
Mine construction & development expenditure		**(8,174)**	(4,328)
Exploration and evaluation expenditure		**(12,074)**	(12,189)
Net cash used by investing activities		**(23,702)**	(19,094)
Cash flows from financing activities:			
Proceeds from the issue of share capital		**78**	33,085
Payment of transaction costs on debt and/or equity		**(212)**	(871)
Realised derivative gains/(losses)		**783**	(451)
Proceeds from other non-current borrowings		**-**	11,756
Repayment of borrowings		**(1,656)**	(8,494)
Net cash from/(used by) financing activities		**(1,007)**	35,025
Other activities:			
Net (decrease)/increase in cash and cash equivalents		**(11,819)**	7,981
Net foreign exchange differences		**(535)**	(576)
Cash and cash equivalents at beginning of year		**21,904**	14,499
Cash and cash equivalents at end of year	*6*	**9,550**	21,904

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

Notes *to and forming part of the Consolidated Financial Statements for the Year Ended 31 December 2010*

1. GENERAL INFORMATION

The Consolidated Financial Statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards (including Australian interpretations) adopted by the Australian Accounting Standards Board (AASBs) and the *Corporations Act 2001*. The consolidated financial statements comply with International Financial Reporting Standards (IFRS's) and interpretations adopted by the International Accounting Standards Board (IASB).

The Consolidated Financial Statements cover the economic 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 financial report was authorised for issue by the Directors on 24th February 2011.

The following is a summary of the significant accounting policies adopted by the Group in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

2. BASIS OF PREPARATION

(a) Reporting Basis and Conventions

The financial statements are presented in Australian dollars (AUD) and have been prepared on an accruals basis and are based on historical costs, except for derivative financial instruments measured at fair value.

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.

The following standards, amendments to standards and interpretations including the IFRS equivalent have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 31 December 2010, but have not been applied in preparing these financial statements.

- AASB 9 Financial Instruments includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 will become mandatory for the Group's 31 December 2014 financial statements. Retrospective application is generally required, although there are exceptions, particularly if the entity adopts the standard for the year ended 31 December 2012 or earlier. The Group has not yet determined the potential effect of the standard. IFRS equivalent IFRS 9.
- AASB 124 Related Party Disclosures (revised December 2009) simplifies and clarifies the intended meaning of the definition of a related party and provides a partial exemption from the disclosure requirements for government-related entities. The amendments, which will become mandatory for Group's 31 December 2012 financial statements, are not expected to have any impact on the financial statements. IFRS eqivalent IAS 124.
- AASB 2009-5 Further amendments to Australian Accounting Standards arising from the Annual Improvements Process affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for the Group's 31 December 2011 financial statements, are not expected to have a significant impact on the financial statements.
- AASB 2009-10 Amendments to Australian Accounting Standards - Classification of Rights Issue AASB 132 (October 2010) clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. The amendments, which will become mandatory for the Group's 31 December 2011 financial statements, are not expected to have any impact on the financial statements. IFRS equivalent IAS 132.
- AASB 2009-14 Amendments to Australian Interpretation - Prepayments of a Minimum Funding Requirement - AASB 14 make amendments to Interpretation 14 AASB 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements removing an unintended consequence arising from the treatment of the prepayments of future contributions in some circumstances when there is a minimum funding requirement. The amendments will become mandatory for the Group's 31 December 2012 financial statements, with retrospective application required. The amendments are not expected to have any impact on the financial statements. IFRS equivalent IFRC 14.
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. IFRIC 19 will become mandatory for the Group's 31 December 2011 financial statements, with retrospective application required. The Group has not yet determined the potential effect of the interpretation.

Notes *to and forming part of the Consolidated Financial Statements for the Year Ended 31 December 2010*

2. BASIS OF PREPARATION *(cont.)*

(b) 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 2010 the Group incurred a loss of $9.9 million, bringing accumulated losses to $60.9 million. As at 31 December 2010 the Group has net assets of $77.1 million including cash of $9.6 million. The Group had operating cash inflows of $12.9 million in 2010 and expects to continue to generate positive net operating cash flows in 2011. It is the intention of the Directors to continue to explore, evaluate and develop the Group's areas of interest for which rights of tenure are current, within the financial capacity of the Group.

(c) Use of Estimates and Judgements

The preparation of financial statements 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 2(j) – Impairment of assets: estimates of fair values and future cash flows. The key sensitivities in the value in use model for the Angas Zinc Mine relate to zinc and lead prices and the USD to AUD exchange rate. Recognised analyst forecast assumptions for commodity prices and exchange rates have been applied in determining the cash flow estimates. Commodity assumptions are marginally above current spot prices. AUD/USD exchange rate assumptions are approximately in line with the market forward curve.
- Note 2(k) – 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 2(m) - Exploration and Evaluation Expenditure: fair values and ore reserve estimates.
- Note 2(o) – Mine rehabilitation provision: estimates of amount and timing of future mine closure costs.
- Note 2(v) - Recognition of tax losses: assessment of the point in time at which it is deemed probable that future taxable income will be derived.
- Note 2(p) - 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 Trinomial model fair value calculations.

(d) Principles of Consolidation

A controlled entity is any entity in respect of which the Company has the power to control the financial and operating policies so as to obtain benefits from its activities. Refer to note 21 for details of controlled entities.

Each controlled entity has a 31 December financial year end.

All inter-company balances and transactions between entities within the Group, including any unrealised profits and losses, have been eliminated on consolidation. Accounting policies of the controlled entities have been changed when necessary to ensure consistency with those policies applied by the Company.

Where a controlled entity joined the Group during the year, the operating results have been included from the date control was obtained. Non-controlling interest in the equity and results of the controlled entities are shown as a separate item in the consolidated financial report.

(e) Comparative Figures

When required by AASBs, comparative figures have been reclassified to conform to changes in presentation. No reclassifications occurred in the comparative financial period.

(f) Cash and Cash Equivalents

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

(g) 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.

(h) 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.

(i) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

Property

Freehold land and buildings are shown at their 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 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%

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 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.

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.

(j) 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 income statement.

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 CGUs 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.

Notes *to and forming part of the Consolidated Financial Statements for the Year Ended 31 December 2010*

2. BASIS OF PREPARATION *(cont.)*

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 income statement. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to the income statement.

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

An impairment test on the Angas CGU was undertaken as at 31 December 2010 which was based on the 'value in use' methodology. Value in use in relation to the Angas CGU, was determined by discounting the future cash flows generated from the continued use of the asset and was based on the following key sensitivities:

- 4 year mine life
- Production based on the most recent reserve statement
- Recognised analyst forecast assumptions for commodity prices and exchange rates have been applied in determining the cash flow estimates. Commodity assumptions are marginally above current spot prices, AUD/USD exchange rate assumptions are approximately in line with the market forward curve.
- A range of discount rates (10% - 18% (a sensitivity)) based on the Company's weighted average cost of capital adjusted for business risk specific to the CGU

The impairment test concluded at a range of appropriate discount rates that the 'value in use' was in excess of the carrying value of the Angas CGU.

Recoverable Amount

The recoverable amount of non-financial assets or CGUs is the greater of their fair value less costs to sell and value in use. In assessing 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.

(k) 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 determines and reports ore reserves under the standards incorporated in the Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves, 2004 edition (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 ore reserves impact 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.

(l) Associates and jointly controlled entities (Equity Accounted Investees)

Joint ventures are accounted for using the equity method (equity accounted investees) where the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. The consolidated financial statements include the Group's share of the income and expenses of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discounted except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Interests in such entities are accounted for using the equity method and are carried at the lower of the equity amount and recoverable amount.

(m) 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. The capitalised costs are presented as either tangible or intangible E&E assets according to the nature of the assets acquired. When a licence is relinquished or a project is abandoned, the related costs are recognised in the income statement immediately.

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 economically recoverable reserves.

E&E assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount (see impairment note 2(j)). 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 income statement immediately.

(n) Trade and other payables

Trade payables and other payables are stated at cost.

(o) 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 income statement in future periods. The provision is recognised as a non-current liability 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 or 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 added to or deducted from the related asset.

(p) 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. At the Company's 2008 Annual General Meeting, shareholders approved the issue of options to employees of the Group under the Terramin Australia Limited Employee Option Plan (EOP). 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. The fair value of options at grant date is independently determined using a Trinomial option pricing model that

Notes *to and forming part of the Consolidated Financial Statements for the Year Ended 31 December 2010*

2. BASIS OF PREPARATION *(cont.)*

takes into account the exercise price, the term of option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, 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 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.

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

(q) Leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases (refer notes 12, 20(c) and 25(f)). Finance leases are capitalised at the lease's 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 income statement 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 are 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.

(r) 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 income statement over the period of the borrowings on an effective interest basis. Convertible notes are classified as current or non-current based on their redemption date.

(s) 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.

(t) 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 income statement.

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.

(u) 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.

(v) 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 balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the 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 income statement 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 2(k)), 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 does not recognise any deferred tax balances (refer note 17).

The Company is part of an income tax consolidated group under the Australian Tax Consolidation Regime.

(w) 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.

(x) 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 sales 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 existing arrangements, the Company has a limited option to request early payment for concentrates against a warehouse receipt. Although some of the criteria under AASB 118 is 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 is 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 are treated as unearned income until such time that the concentrate is shipped and the usual characteristics of revenue recognition are satisfied.

Management fee revenue is recognised as the service is provided to the customer (joint venture associate), and is determined based on the basis of a percentage expenditure funded by the joint venture partner as per the agreement with the joint venture partner.

(y) 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 income statement and are included in finance income or costs.

(z) Earnings per share

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

Notes *to and forming part of the Consolidated Financial Statements for the Year Ended 31 December 2010*

2. BASIS OF PREPARATION *(cont.)*

(aa) Segments

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. 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, as this is the basis of the Group's internal reporting.

(bb) Compound Financial Instruments

Compound financial instruments issued by the Group comprise convertible notes that can be converted to share capital at either the option of the holder or the Company 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. 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.

(cc) 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 12 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 Financial Officer and Chief Executive Officer 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 20 to the 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. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

3. REVENUE & OTHER INCOME

	2010 $'000	2009 $'000
Revenue:		
Sale of concentrate	**59,450**	41,045
	59,450	41,054
Other Income:		
Rent, hire & office services	**17**	20
Cost recoveries	**-**	238
Management fees	**-**	5
Other income	**-**	18
	17	281

4. AUDITOR'S REMUNERATION

	2010 $	2009 $
KPMG Australia:		
Audit and review of financial reports	**110,000**	113,000
Non-audit services	**31,000**	30,000
Overseas KPMG firms:		
Audit	**20,000**	20,000
Non-audit services	**5,000**	-
	166,000	163,000

5. FINANCE INCOME AND COSTS

	2010 $'000	2009 $'000
Finance income:		
Interest income	**320**	273
Unrealised foreign exchange gains	**2,905**	6,854
Realised foreign exchange and hedging gains	**1,628**	-
	4,853	7,127
Finance costs:		
Interest on convertibles notes	**1,229**	1,562
Interest on borrowings [1]	**1,974**	2,339
Unwinding of discount on mine rehabilitation provision	**253**	212
Other borrowing costs	**982**	904
Unrealised foreign exchange and hedging losses	**206**	557
Realised foreign exchange losses	**1,419**	694
	6,063	6,268

1. **Interest on Borrowings:**

Bank loan interest	**1,672**	1,880
Lease liability interest	**302**	459
	1,974	2,339

6. CASH AND CASH EQUIVALENTS

	2010 $'000	2009 $'000
Cash on hand	**4**	6
Bank balances	**3,024**	3,168
Short-term deposits [1]	**6,522**	18,730
	9,550	21,904

1. Short term deposits includes AUD 4.5 million and USD 2 million maturing within 30 days at interest rates of 4.75% and 0.54% respectively.

Notes *to and forming part of the Consolidated Financial Statements for the Year Ended 31 December 2010*

7. INVENTORIES

	2010 $'000	2009 $'000
Raw materials and consumables (at cost)	**2,372**	1,953
Work in progress - ore run of mine (at cost)	**141**	477
Finished goods (at cost)	**220**	1,960
	2,733	4,390

8. TRADE AND OTHER RECEIVABLES

	2010 $'000	2009 $'000
Current:		
Trade receivables [1]	**7,175**	7,748
Accrued interest receivable	**14**	54
Other receivables	**602**	506
	7,791	8,308

1. Trade receivables relate to sales of concentrate.

9. INVESTMENT IN EQUITY ACCOUNTED INVESTEES

	2010 $'000	2009 $'000
Investment in Associate	**1,079**	1,078
	1,079	1,078

The amount represents the carrying value applied to Menninnie Dam Exploration Joint Venture (MDEJV) by the Group at year end.

10. (a) PROPERTY PLANT AND EQUIPMENT

	2010 $'000	2009 $'000
Freehold land:		
At cost	**2,818**	3,208
Total freehold land	**2,818**	3,208
Leasehold improvements:		
At cost	**56**	56
Less accumulated depreciation	**(33)**	(22)
Total leasehold improvements	**23**	34
Buildings and other infrastructure:		
At cost	**109**	45
Less accumulated depreciation	**(19)**	(7)
Total buildings and other infrastructure	**90**	38
Plant and Equipment:		
At cost	**63,888**	60,382
Less accumulated depreciation	**(22,429)**	(12,261)
Total plant and equipment	**41,459**	48,121
Mining property and developments assets:		
At cost	**50,180**	42,006
Less accumulated amortisation	**(15,536)**	(7,705)
Total mining property and development assets	**34,644**	34,301
Construction in progress:		
At cost	**313**	123
Total construction in progress	**313**	123
Mine rehabilitation assets:		
At cost	**4,222**	4,222
Less accumulated depreciation	**(1,433)**	(667)
Total mine rehabilitation assets	**2,789**	3,555
Total property plant and equipment	**82,136**	89,380

10. (b) EXPLORATION AND EVALUATION

	2010 $'000	2009 $'000
Exploration and evaluation		
At cost	**42,956**	33,642
Total exploration and evaluation	**42,956**	33,642
Total property, plant & equipment and exploration & evaluation	**125,092**	123,022

10. (a) & (b) *cont.*

Movements in carrying amounts

	Freehold land $'000	Leasehold improve-ments $'000	Buildings and other infrastructure $'000	Plant and equipment $'000	Mining property and development $'000	Construc-tion in progress $'000	Exploration and evaluation [1] $'000	Mine reha-bilitation assets $'000	Total $'000
Opening carrying amount									
1 Jan 2010	3,208	34	38	48,121	34,301	123	33,642	3,555	123,022
Additions	-	-	-	10	-	12,019	11,400	-	23,429
Disposals	(390)	-	-	(19)	-	-	-	-	(409)
Transfers	-	-	63	3,328	8,174	(11,829)	264	-	-
Depreciation and amortisation	-	(11)	(11)	(9,904)	(7,831)	-	-	(766)	(18,523)
Foreign currency movement	-	-	-	(77)	-	-	(2,350)	-	(2,427)
Carrying amount at									
31 December 2010	**2,818**	**23**	**90**	**41,459**	**34,644**	**313**	**42,956**	**2,789**	**125,092**

	Freehold land $'000	Leasehold improve-ments $'000	Buildings and other infrastructure $'000	Plant and equipment $'000	Mining property and development $'000	Construc-tion in progress $'000	Exploration and evaluation [1] $'000	Mine reha-bilitation assets $'000	Total $'000
Opening carrying amount									
1 Jan 2009	3,208	45	27	55,016	35,860	505	27,162	3,618	125,441
Additions	-	-	-	94	-	6,353	9,358	604	16,409
Transfers	-	-	17	2,110	4,518	(6,735)	-	-	(90)
Depreciation and amortisation	-	(11)	(6)	(8,280)	(6,077)	-	-	(667)	(15,041)
Write down	-	-	-	(50)	-	-	(23)	-	(73)
Foreign currency movement	-	-	-	(769)	-	-	(2,855)	-	(3,624)
Carrying amount at									
31 December 2009	**3,208**	**34**	**38**	**48,121**	**34,301**	**123**	**33,642**	**3,555**	**123,022**

1. Recoverability of the carrying amount of the exploration and exploration assets is dependent on the successful development and commercial exploitation, or alternatively sale of the respective area of interest.

Change in estimates

During the year ended 31 December 2010, the Group completed a review of operating assets at the Angas Zinc Mine, which resulted in a change to the residual values of certain items of property, plant and equipment. There were no changes in the expected useful lives of any assets. The effect of the change on depreciation expense recognised in the Income Statement in current and future periods is as follows:

	2010 $'000	2011 $'000	2012 $'000	2013 $'000	2014 $'000
Decrease in depreciation expense	532	480	485	489	485

Notes *to and forming part of the Consolidated Financial Statements for the Year Ended 31 December 2010*

11. TRADE AND OTHER PAYABLES

	2010 $'000	2009 $'000
Current:		
Trade payables	**4,422**	1,959
Other payables and accrued expenses	**4,859**	4,150
	9,281	6,109

12. LOANS AND BORROWINGS

	2010 $'000	2009 $'000
Current:		
Lease liabilities (note 25(f)) [1]	**1,768**	1,871
Bank loans - secured - Angas Zinc project [2]	**3,000**	4,000
	4,768	5,871
Non-current:		
Lease liabilities (note 25(f)) [1]	**719**	2,272
Bank loans - secured - Angas Zinc project [2]	**18,835**	17,634
Convertible notes [3]	**29,650**	38,506
	49,204	58,412
Financing facilities		
Bank loan facilities - available [2]	**23,000**	23,000
Bank loan facilities - undrawn	**-**	-
Bank loan facilities - drawn	**23,000**	23,000
Less: unamortised transaction costs	**(1,165)**	(1,366)
Carrying amount at 31 December	**21,835**	21,634
Guarantee facility - available [4]	**5,600**	5,000
Guarantee facility - undrawn	**(300)**	-
Guarantee facility - drawn	**5,300**	5,000

1 Lease liabilities are effectively secured as rights to the leased assets revert to the lessor in the event of default.

2 The Company has a Corporate revolving $23 million loan facility provided by Investec Bank (Australia) Limited (IBAL). Interest is payable quarterly on the facility at the bank bill swap reference rate for the period plus a margin. During the period the Company completed a restructure of the IBAL facility that was in place as at 31 December 2009. The key feature of the restructure was to reduce scheduled principal payments in the second half of 2010 from $4 million to nil and in 2011 from $7 million to $3 million. As part of the restructure, the Company paid a fee of $0.2 million and an additional margin of 0.5% is payable on outstanding borrowings. Repayment of principal on the facility has been re-scheduled to commence in August 2011 with the final repayment due in August 2013. In addition, as part of the restructure, the Company issued a total of 1,800,000 options with no vesting conditions over fully paid ordinary shares in the capital of the Company exercisable at $1.00 Proceeds from the exercise of part or all of the total 9,554,630 options held by IBAL (4,629,630 of which are exercisable at $2.16 before 21 May 2012, 3,125,000 of which are exercisable at $2.80 before 15 March 2013 and the remaining 1,800,000 of which are exercisable at $1.00 before 31 August 2013) must be applied by the Company to repayment of the facility.

3 J.P. Morgan holds US$ 15.05 million (AU$ 14.8 million) in five year unlisted convertible redeemable notes issued by the Company, with a maturity date of 31 March 2013. The notes are repayable in either cash or shares with reference to the VWAP of the Company's shares around the time of repayment.

The notes can be converted to shares at the discretion of the Company at any time, or at the election of J.P. Morgan after the earlier of two years after issue date of the notes or after the completion of the definitive feasibility study for the Tala Hamza deposit. Any unconverted notes are to be repaid in cash at maturity. Interest is payable semi-annually based on the London Interbank Offered Rate (LIBOR) plus a margin of 200 basis points and can be paid in cash or shares at the election of the Company. The USD balance owing has been translated to AUD equivalents using the spot currency rate at 31 December 2010, which has given rise to an unrealised foreign currency exchange gain of $1.1 million for the year.

During the period, J.P. Morgan converted 5,000,000 notes (US$ 5 million), accordingly 7,447,829 shares were issued. Upon conversion, a foreign exchange gain of $0.8 million was realised. A total of 528,789 shares were issued during the period in lieu of a cash interest payment of US$ 0.3 million.

An institutional investor holds $5 million in five year unlisted convertible notes issued by the Company having a maturity date of 17 September 2013. The note holder has the right to convert the notes into fully paid ordinary shares in the capital of the Company at a conversion price of $2.21 per note. The interest rate is fixed at 8.00% per annum, with interest payable in cash or shares at the discretion of the Company. A total of 389,414 shares were issued during the period in lieu of a cash interest payment of $0.2 million.

Transaminvest S.A hold US$10 million (AU$ 9.8 million) in 5 year unlisted convertible redeemable notes issued by the Company with a maturity date of 23 September 2014. The notes are repayable in either cash or shares with reference to the VWAP of the Company's shares around the time of repayment.

The notes can be converted to shares at the discretion of the Company at any time or at the election of Transaminvest S.A at any time 12 months after issue, subject to a minimum VWAP of $1.70. Interest is payable semi annually based on the LIBOR plus a margin of 200 basis points and can be paid in cash or shares at the election of the Company. The USD balance owing has been translated to AUD equivalents using the spot currency rate at 31 December 2010, which has given rise to an unrealised foreign exchange gain of $1.3 million for the year. A total of 241,126 shares were issued during the period in lieu of a cash interest payment of US$0.1 million.

4 A $5.6 million guarantee facility has been provided by IBAL in relation to rehabilitation bonds required by PIRSA over the ML 6229. An amount of $0.3 million of this facility remains undrawn.

13. PROVISIONS

	2010 $'000	2009 $'000
Current:		
Employee benefits	**1,157**	991
Other	**-**	250
	1,157	1,241
Non-current:		
Employee benefits	**307**	161
Mine rehabilitation	**5,063**	4,809
	5,370	4,970

	Employee benefits $'000	Mine rehabilitation $'000	Other $'000	Total $'000
At 1 January 2010	**1,152**	**4,809**	**250**	**6,211**
Increases in provisions	2,170	-	-	2,170
Paid during the period	(1,858)	-	(250)	(2,107)
Unwind	-	254	-	253
At 31 December 2010	**1,464**	**5,063**	**-**	**6,527**

14. ISSUED CAPITAL

(a) Ordinary shares

	2010 $'000	2009 $'000
167,315,574 (2009: 158,388,677)		
Ordinary Shares	**123,282**	116,914
Share issue costs	**(3,268)**	(3,247)
	120,014	113,667

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

14. ISSUED CAPITAL *(cont.)*

(b) Detailed table of capital issued

Type of share issue	Number of ordinary shares on issue	Exercise price $	Share capital $'000	Employee, consultant or other
Opening Balance 1 January 2010	**158,388,677**		**113,667**	
Shares issued in lieu of interest	85,391	0.75	64	Other
Shares issued on conversion of notes	7,447,829	0.75	5,590	Other
Exercise of options	150,000	0.52	78	Other
Shares issued in lieu of interest	389,414	0.51	197	Other
Shares issued in lieu of interest	241,126	0.53	129	Other
Share placement	169,740	0.53	90	Employee
Shares issued in lieu of interest	443,397	0.47	206	Other
Closing Balance 31 December 2010	**167,315,574**		**120,021**	
Share issue costs			(21)	
Transfer of option reserve to issued capital following option exercise			14	
Issued Capital			**120,014**	

Notes *to and forming part of the Consolidated Financial Statements for the Year Ended 31 December 2010*

14. ISSUED CAPITAL *(cont.)*

Type of share issue	Number of ordinary shares on issue	Exercise price $	Share capital $'000	Employee, consultant or other
Opening balance 1 January 2009	**110,625,605**		**80,675**	
Shares issued in lieu of interest	505,648	0.39	197	Other
Share placement	11,538,462	0.65	7,500	Other
Shares issued in lieu of interest	812,740	0.70	567	Other
Share placement	15,500,000	0.65	10,075	Other
Exercise of options	75,000	0.60	45	Employee
Share placement	19,331,222	0.80	15,465	Other
Closing balance 31 December 2009	**158,388,677**		**114,524**	
Share issue costs			(871)	
Transfer of option reserve to issued capital following option exercise			14	
Issued Capital			**113,667**	

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

	Weighted average exercise price 2010	**Number of Options 2010**	Weighted average exercise price 2009	Number of Options 2009
Outstanding at 1 January	**$2.53**	**13,686,630**	$2.40	16,661,630
Cancelled during the period	**$1.52**	**(1,335,000)**	$1.83	(2,900,000)
Exercised during the period	**$0.52**	**(150,000)**	$0.60	(75,000)
Granted during the period	**$1.09**	**4,000,000**	-	-
Outstanding at 31 December	**$2.28**	**16,201,630**	$2.53	13,686,630
Exercisable at 31 December	**$2.28**	**16,201,630**	$2.54	13,016,630

The options outstanding at 31 December 2010 have a weighted average contractual life of 1.8 years (2009: 2.41 years).

All options outstanding for the Group at 31 December 2010 were fully vested and exercisable.

(d) Options exercised during the year

During the period ended 31 December 2010, 150,000 ordinary shares of the Company were issued on the exercise of options. The exercise price of the options was 52 cents. No amounts are unpaid on any of these shares.

(e) Table of share options movement for the Group at 31 December 2010

Expiry Date	Exercise Price $	Classification	Vesting or hurdle terms Yes/No	Number of option	Options expense this period $'000	Total option value $'000
Opening Balance 1 January 2010				**13,686,630**		
21 Jan 2013	1.12	Employee	No	600,000	167	167
21 Jan 2013	1.08	Employee	No	100,000	24	24
31 Aug 2013 [1]	1.00	Other	No	1,800,000	178	178
21 Jan 2015	1.25	Employee	No	500,000	118	118
21 Jan 2015	1.17	Employee	No	1,000,000	282	282
Total				**17,686,630**	**769**	**769**
Options exercised during the period				(150,000)	-	-
Options cancelled during the period				(1,335,000)	-	-
Expense relating to prior years option issues				-	70	-
Option expense capitalised as transaction cost [1]				-	(178)	-
Closing Balance 31 December 2010				**16,201,630**	**661**	**-**

1. On 31 August 2010 1,800,000 options over fully paid shares in the capital of the Company were issued to Investec in part satisfaction of the transaction fees associated with the restructure of the $23 million revolving Corporate facility. The options are exercisable at $1.00 before 31 August 2013. The fair value of these options has been capitalised in 2010 as a transaction cost (notes 15) and is amortised over the term of the financing facility.

The inputs used in the measurement of the fair values at grant date of options issued during the reporting period were as follows:

	Key management personnel 2010	Senior employees 2010	Other 2010
Fair value at grant date	$0.27	$0.25	$0.10
Share price at grant date	$0.85	$0.85	$0.54
Exercise price	$1.17	$1.17	$1.00
Expected volatility	46%	49%	50%
Option life	4.3 Years	5 Years	3 Years
Expected dividends	0%	0%	0%
Risk-free interest rate	4.9%	5.0%	4.7%

During the year 2,200,000 options (exercisable between $1.08 and $1.25 and vesting immediately) with expiry dates between 20 January 2013 and 20 January 2015 were issued to employees and executives of the Group. The total value of the options issued during 2010 was $0.8 million, being the fair value of the options apportioned over the vesting periods (where applicable) as determined by the Trinomial option pricing model (refer note 2(p)). There were no options granted to key management personnel during the reporting period ended 31 December 2009.

(f) Table of share options movement for the Group at 31 December 2009

Expiry Date	Exercise Price $	Classification	Vesting or hurdle terms Yes/No	Number of option	Options expense this period $'000	Total option value $'000
Opening balance 1 January 2009				**16,661,630**		
Options issued	-	-	-	-	-	-
Total				**16,661,630**	**-**	**-**
Options exercised during the period				(75,000)	-	-
Options lapsed during the period				(2,900,000)	(15)	-
Expense relating to prior years option issues				-	229	-
Option expense capitalised as transaction cost				-	-	-
Closing balance 31 December 2009				**13,686,630**	**214**	

Notes *to and forming part of the Consolidated Financial Statements for the Year Ended 31 December 2010*

15. RESERVES

	2010 $'000	2009 $'000
Foreign currency reserve		
Balance at the beginning of the year	**(2,524)**	1,444
Adjustment arising on translation into presentation currency	**(2,508)**	(3,968)
Balance at the end of the year	**(5,032)**	(2,524)
Share option reserve		
Balance at the beginning of the year	**8,096**	7,896
Options expensed during the period	**661**	214
Options expense capitalised as transaction cost	**178**	-
Options exercised during the period	**(14)**	(14)
Balance at the end of the year	**8,920**	8,096
Total reserves	**3,888**	5,572

16. NON-CONTROLLING INTEREST

	2010 $'000	2009 $'000
Balance at the beginning of the year	**11,854**	9,783
Shares issued	**-**	-
Share of parent exploration expenditure	**2,231**	2,071
Balance at the end of the year	**14,085**	11,854

Profit attributable to the non-controlling interest in 2010 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 2010, the Group funded approximately $9.5 million of exploration and evaluation costs in Algeria, of which ENOF and ORGM are entitled to $3.3 million (35%). 35% of all assets contributed to WMZ by the Group effectively accrue to ENOF & ORGM for nil consideration (other than forming part of the Group's 65% earn-in) and has therefore been included in profit attributable to the non-controlling interest.

17. INCOME TAX EXPENSE

	2010 $'000	2009 $'000
Prima facie tax benefit on loss before income tax at 30% (2009: 30%)	**(2,963)**	(2,699)
Decrease in income tax benefit due to:		
(Deductible)/non-deductible items	**(644)**	(2,050)
	(3,607)	(4,749)
Deferred tax asset not brought to account	**(3,607)**	(4,749)
Balance	**-**	-
Unused tax losses for which no deferred tax asset has been recognised	**70,939**	64,293
Potential tax benefit	**21,282**	19,288
The applicable weighted average effective tax rates are as follows:	**30%**	30%

The Company is part of an Australian Tax Consolidated Group. The Australian Tax Consolidated Group has potential future net income tax benefits of $12.2 million (net of deferred tax liabilities in relation to mine development, property plant & equipment and exploration expenditure not shown above) (2009: $8.9 million) calculated at 30% attributable to tax losses and timing differences carried forward. These have not been brought to account because the Directors do not consider the realisation of the future tax benefit as probable. This assessment is based on a forecast of net taxable income generated from existing mineable reserves only. 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.

18. CASH FLOW INFORMATION

(a) Reconciliation of cash

For the purposes of the Consolidated Cash Flow statement, cash and cash equivalents comprise the following at year end:

	2010 $'000	2009 $'000
Cash at bank and in hand	**3,028**	3,174
Short-term deposits	**6,522**	18,730
Closing Cash Balance	**9,550**	21,904

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

	2010 $'000	2009 $'000
Loss for the period	**(9,875)**	(8,995)
Adjustment for:		
Depreciation and amortisation	**18,523**	15,041
Unrealised (gain)/loss on foreign exchange	**(2,420)**	(6,297)
Unrealised derivative (gain)/loss	**(369)**	(18)
Realised derivative (gain)/loss	**(783)**	-
Non-cash inventory movements	**517**	334
Share options expense	**661**	214
Exploration expenditure written off	**-**	23
Shares issued in lieu of interest	**597**	764
Realised gain on conversion of USD denominated notes	**(845)**	-
Employee share scheme	**90**	-
(Profit)/Loss on sale of fixed assets	**(72)**	50
Realised foreign exchange (gain)/loss	**535**	1,026
Net financing costs	**824**	1,815
Other	**(6)**	(4)
Change in assets and liabilities:		
(Increase)/decrease in trade and other receivables	**517**	(7,128)
(Increase)/decrease in inventory	**1,140**	(977)
(Increase)/decrease in prepayments	**(52)**	(185)
(Decrease)/increase in trade payables and accruals	**3,846**	(3,246)
(Decrease)/increase in provisions	**62**	485
(Decrease)/increase in unearned income	**-**	(852)
Cashflow from operating activities	**12,890**	(7,950)

19. RELATED PARTIES

Directors & other Key Management Personnel (during the year or at the date of this report):

Executive Directors

KC Moriarty

Non-executive Directors

SAJ Bonett
RB Davis
RW Jones
MH Kennedy
Y Xie
P Zachert

Other Key Management Personnel

G Cochran	Chief Executive Officer *(ceased employment 6 August 2010)*
N Clift	General Manager Algeria *(appointed 23 August 2010)*
RB Howie	General Manager Angas Zinc Mine *(appointed 11 January 2010)*
MS Janes	Chief Financial Officer *(ceased employment 17 December 2010)*
RP Singer	Chief Geologist
MJ Terry	Chief Financial Officer *(appointed 17 December 2010)*
J Burgess	General Manager, Tala Hamza Project
JP Wilhelm	Vice-President North Africa *(ceased employment 7 January 2011)*

Notes *to and forming part of the Consolidated Financial Statements for the Year Ended 31 December 2010*

19. RELATED PARTIES *(cont.)*

Key management personnel – summary of share holdings and options

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

	Shares balance 1/01/2010	Options balance 1/01/2010	Shares acquired during year	Options granted as incentive	Shares disposed of during year	Options exercised	Options cancelled	Balance options 31/12/2010	Balance shares 31/12/2010
Parent Entity Directors									
KC Moriarty	9,026,313	1,000,000	-	-	-	-	-	1,000,000	9,026,313
MH Kennedy	300,000	300,000	-	-	-	-	300,000	-	300,000
SAJ Bonett	250,000	250,000	-	-	-	-	-	250,000	250,000
RW Jones	190,000	150,000	-	-	-	-	-	150,000	190,000
RB Davis	31,470	-	-	-	-	-	-	-	31,470
P Zachert	-	-	20,000	-	-	-	-	-	20,000
Y Xie	-	-	-	-	-	-	-	-	-
Other Key Management Personnel									
G Cochran	-	-	-	1,000,000	-	-	1,000,000	-	-
N Clift	-	-	-	-	-	-	-	-	-
RB Howie	-	-	1,886	100,000	-	-	-	100,000	1,886
MS Janes [1]	46,470	630,000	-	250,000	-	-	-	880,000	-
RP Singer	-	350,000	-	250,000	-	-	-	600,000	-
MJ Terry	-	200,000	-	90,000	-	-	-	290,000	-
J Burgess	-	300,000	-	-	-	-	-	300,000	-
JP Wilhelm	-	200,000	-	-	-	-	-	200,000	-
Total	**9,844,253**	**3,380,000**	**21,886**	**1,690,000**	**-**	**-**	**1,300,000**	**3,770,000**	**9,819,669**

1. As Mr Janes was no longer employed by the Company as at 31 December 2010, his shareholdings at that date have not been disclosed.

	Shares balance 1/01/2009	Options balance 1/01/2009	Shares acquired during year	Options granted as incentive	Shares disposed of during year	Options exercised	Options cancelled	Balance options 31/12/2009	Balance shares 31/12/2009
Parent Entity Directors									
KC Moriarty	9,026,313	3,000,000	-	-	-	-	(2,000,000)	1,000,000	9,026,313
MH Kennedy	300,000	300,000	-	-	-	-	-	300,000	300,000
SAJ Bonett	250,000	250,000	-	-	-	-	-	250,000	250,000
RW Jones	190,000	150,000	-	-	-	-	-	150,000	190,000
RB Davis	31,470	-	-	-	-	-	-	-	31,470
P Zachert	-	-	-	-	-	-	-	-	-
Y Xie	-	-	-	-	-	-	-	-	-
DA Paterson [1]	9,164,302	500,000	-	-	-	-	(500,000)	-	-
JT Hazel [2]	55,000	250,000	-	-	-	-	(250,000)	-	-
Other Key Management Personnel									
MS Janes	46,470	630,000	-	-	-	-	-	630,000	46,470
AC Robertson	-	350,000	-	-	-	-	-	350,000	-
RP Singer	-	350,000	-	-	-	-	-	350,000	-
J Burgess	-	300,000	-	-	-	-	-	300,000	-
JP Wilhelm	-	200,000	-	-	-	-	-	200,000	-
Total	**19,063,555**	**6,280,000**	**-**	**-**	**-**	**-**	**(2,750,000)**	**3,530,000**	**9,844,253**

1. As Mr Paterson was not a Director of the Company as at 31 December 2009, his shareholdings at that date have not been disclosed.
2. As Mr Hazel was not a Director of the Company as at 31 December 2009, his shareholdings at that date have not been disclosed.

Key management personnel compensation

Summary of key management personnel compensation:

	2010 $'000	2009 $'000
Short-term employee benefits	1,340	807
Post-employment benefits	116	73
Termination benefits	332	-
Share-based payments	201	-
	1,989	880

As a result of the termination of employment of key management personnel during the reporting period, in-lieu entitlements were paid. Accordingly, the Group has recorded an expense of $0.3 million during the period ended 31 December 2010 (2009: nil).

Other key management personnel transactions

Some key management personnel, 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 key management personnel and entities over which they have control or significant influence were as follows:

	Transaction	2010 $'000	2009 $'000
KC Moriarty [1]	Consultant Fees	508	511
KC Moriarty [1]	Other	-	9
JP Wilhelm [2]	Consultant Fees	154	253
J Burgess [3]	Consultant Fees	270	274
P Zachert [4]	Consultant Fees	65	23
		997	1,070

1 Dr Moriarty is engaged by the Company as a consultant to manage day to day activities.

2 Mr Wilhelm provided services relating to the management of operational support and business development for the Group in North Africa prior to his resignation 7 December 2010.

3 Mr Burgess provides services relating to the Tala Hamza project.

4 Mr Zachert is a Director of the Company.

Information regarding the compensation of individual Directors and Key Management Personnel and some equity instruments disclosures as required by Corporations Regulation 2M.3.03 is provided in the Remuneration Report section of the Directors' Report on pages 17 to 21.

There are no other related party transactions.

20. FINANCIAL INSTRUMENTS AND RISK EXPOSURES

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	2010 $'000	2009 $'000
Receivables	*8*	7,791	8,308
Financial liabilities at amortised cost	*12*	(53,972)	(64,283)
Financial assets at fair value through profit and loss	*20.1(b)*	503	18
Financial liabilities at fair value through profit and loss	*20.1(a)*	(116)	-
		(45,794)	(55,957)

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 above). 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.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Notes *to and forming part of the Consolidated Financial Statements for the Year Ended 31 December 2010*

20. FINANCIAL INSTRUMENTS AND RISK EXPOSURES *(cont.)*

	2010 $'000	2009 $'000
Level 1		
Financial assets at fair value through profit and loss	-	-
Financial liabilities at fair value through profit and loss	-	-
	-	-
Level 2		
Financial assets at fair value through profit and loss	503	18
Financial liabilities at fair value through profit and loss	(116)	-
	387	18
Level 3		
Financial assets at fair value through profit and loss	-	-
Financial liabilities at fair value through profit and loss	-	-
	-	-
Total	387	18

The Group's exposure and sensitivity to financial risk is detailed as follows:

1. Market Risk

(a) Commodity price risk

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

	2010 $'000	2009 $'000
Current assets	-	-
Non-current assets	-	-
Current liabilities [1]	(116)	-
Non-current liabilities	-	-
Net amount recognised in income statement	**(116)**	-

1. Relates to 1,415 tonnes of lead hedging held at the end of the period (2009: Nil) measured at fair value.

Sensitivity Analysis

Sensitivity to fluctuations in commodity prices in the tables below has been assessed based on existing price exposures in respect of commodity sales that occurred during the reporting period.

A 10 percent increase in the zinc and lead commodity prices at 31 December 2010 would have decreased losses by the amounts shown below. This analysis assumes that all other variables remain constant, in particular interest rates, currency rates and other metal prices.

Effect in AUD thousands : 10% increase in commodity prices

31 December 2010	Equity	Profit or (loss)
Zinc [1]	-	-
Lead	484	484
TOTAL	**484**	**484**

Effect in AUD thousands : 10% decrease in commodity prices

31 December 2010	Equity	Profit or (loss)
Zinc [1]	-	-
Lead	(484)	(484)
TOTAL	**(484)**	**(484)**

Effect in AUD thousands : 10% increase in commodity prices

31 December 2009	Equity	Profit or (loss)
Zinc [1]	-	-
Lead	851	851
TOTAL	**851**	**851**

Effect in AUD thousands : 10% decrease in commodity prices

31 December 2009	Equity	Profit or (loss)
Zinc [1]	-	-
Lead	(851)	(851)
TOTAL	**(851)**	**(851)**

1. There were no outstanding zinc price exposures in respect of 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.

The Group is also exposed to foreign currency risk on future USD denominated commodity sales. This exposure is partially mitigated by the AUD/USD fixed forward currency hedging contracts below (see note 20.1(a))

	2010 $'000	2009 $'000
Current assets [1]	503	18
Non-current assets	-	-
Current liabilities	-	-
Non-current liabilities	-	-
Net amount recognised in income statement	503	18

1. Relates to USD 3.9 million of currency hedging against AUD held at the end of the period (2009: USD 10.2 million) measured at fair value.

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

	31 December 2010		31 December 2009	
In AUD thousand equivalent	USD	DZD	USD	DZD
Cash at bank	3,935	-	10,497	-
Trade receivables	7,175	-	7,743	-
Trade payables	-	(370)	-	(365)
Convertible note	(29,650)	-	(33,504)	-
Gross balance sheet exposure	(18,540)	(370)	(15,264)	(365)

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

	Currency	2010 USD	2009 USD
Year end rates used for the consolidated statement of financial position, to translate the following currencies into AUD, are:	AUD	1.02	0.90

	Currency	2010 DZD	2009 DZD
Year end rates used for the consolidated statement of financial position, to translate the following currencies into AUD, are:	AUD	77.08	66.47

Sensitivity Analysis

Sensitivity to fluctuations in foreign currency rates is based on outstanding monetary items which are denominated in a foreign currency and foreign exchange contracts covering future USD denominated commodity proceeds at 31 December 2010. 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.

Notes *to and forming part of the Consolidated Financial Statements for the Year Ended 31 December 2010*

20. FINANCIAL INSTRUMENTS AND RISK EXPOSURES *(cont.)*

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

31 December 2010	Equity	Profit or (loss)
USD	1,520	1,520
TOTAL	**1,520**	**1,520**

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

31 December 2009	Equity	Profit or (loss)
USD	2,478	2,478
TOTAL	**2,478**	**2,478**

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

31 December 2010	Equity	Profit or (loss)
USD	(1,811)	(1,811)
TOTAL	**(1,811)**	**(1,811)**

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

31 December 2009	Equity	Profit or (loss)
USD	(3,019)	(3,019)
TOTAL	**(3,019)**	**(3,019)**

(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:

2010	Effective interest rate	Total $'000	Floating interest rate $'000	Fixed interest rate $'000
Cash [1]	1.41%	3,028	3,028	-
Short-term deposits [1]	3.48%	6,522	6,522	-
Finance lease liabilities	9.48%	(2,487)	-	(2,487)
Bank loans - secured	8.09%	(23,000)	(23,000)	-
Convertible notes [1]	3.39%	(29,650)	(24,648)	(5,002)
Net Financial Assets		**(45,587)**	**(38,098)**	**(7,489)**

2009	Effective interest rate	Total $'000	Floating interest rate $'000	Fixed interest rate $'000
Cash [1]	0.62%	3,174	3,174	-
Short-term deposits [1]	2.50%	18,730	18,730	-
Finance lease liabilities	9.58%	(4,143)	-	(4,143)
Bank loans - secured	6.56%	(23,000)	(23,000)	-
Convertible notes [1]	3.25%	(38,506)	(33,504)	(5,002)
Net Financial Assets		**(43,745)**	**(34,600)**	**(9,145)**

1 Includes AUD and USD denominated balances.

Sensitivity analysis

As the Group does not account for any financial assets and liabilities at fair value and does not use interest rate derivatives a change in interest rates at reporting date would have no effect on profit and loss or equity.

For the 2010 financial year however, a 1% increase in the effective interest rate would have resulted in an increase in losses of $0.4 million.

2. Credit risk

The Group has no significant concentrations of 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	2010 $'000	2009 $'000
Financial assets at fair value through profit and loss	*20.1(b)*	**503**	18
Receivables	*8*	**7,791**	8,308
Cash assets	*6*	**9,550**	21,904
		17,844	30,230

The Group has a credit exposure to outstanding receivables resulting from commodity sales. Existing off-take agreements in relation to commodities result a limited number of customers, all of whom are well established industry participants that account for 100% of Trade receivables (see note 8).

The Group's maximum exposure to credit risk for amounts receivable at the reporting date by geographic region was:

	2010 $'000	2009 $'000
Australia	**4,126**	4,662
USA	**3,645**	3,602
Other	**20**	44
	7,791	8,308

3. Liquidity risk

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

2010	Carrying amount $'000	Contractual cash flows $'000	6 mths or less $'000	6-12 mths $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000
Non-derivative financial liabilities							
Trade and other payables	9,281	(9,281)	(9,281)	-	-	-	-
Bank loans - secured	23,000	(26,541)	(931)	(3,870)	(21,740)	-	-
Convertible notes	29,650	(33,422)	(503)	(503)	(2,011)	(30,406)	-
Finance lease liabilities	2,487	(2,663)	(1,129)	(778)	(756)	-	-
	64,418	**(71,907)**	**(11,843)**	**(5,151)**	**(24,507)**	**(30,406)**	**-**

Refer table in note 20.1(b) for maturity profile of derivative financial instruments.

2009	Carrying amount $'000	Contractual cash flows $'000	6 mths or less $'000	6-12 mths $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000
Non-derivative financial liabilities							
Trade and other payables	6,109	(6,109)	(6,109)	-	-	-	-
Bank loans - secured	23,000	(25,868)	(754)	(4,688)	(20,426)	-	-
Convertible notes	38,506	(44,103)	(626)	(626)	(2,504)	(40,347)	-
Finance lease liabilities	4,143	(4,597)	(1,085)	(1,085)	(2,360)	(67)	-
	71,758	**(80,677)**	**(8,574)**	**(6,399)**	**(25,290)**	**(40,414)**	**-**

Notes *to and forming part of the Consolidated Financial Statements for the Year Ended 31 December 2010*

21. CONTROLLED ENTITIES

Name	Country of incorporation	Percentage 2010	Percentage 2009
Parent Entity:			
Terramin Australia Limited	Australia		
Subsidiaries of parent entity:			
Menninnie Metals Pty Ltd	Australia	**100%**	100%
Western Mediterranean Zinc Spa	Algeria	**65%**	65%
Terramin Spain S.L.	Spain	**100%**	100%
Terramin Exploration Pty Ltd	Australia	**100%**	100%
Terramin Investments S.L.	Spain	**100%**	100%

22. SEGMENT REPORTING

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

Australia – Develops and mines zinc and lead deposits

Northern Africa – Developing a zinc deposit

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

	Australia 2010 $'000	Australia 2009 $'000	Northern Africa 2010 $'000	Northern Africa 2009 $'000	Consolidated 2010 $'000	Consolidated 2009 $'000
Revenue						
External customers	**59,450**	41,054	**-**	-	**59,450**	41,054
Total Revenue	**59,450**	41,054	**-**	-	**59,450**	41,054
Results						
Depreciation and amortisation	**(18,523)**	(15,041)	**-**	-	**(18,523)**	(15,041)
Exploration and evaluation write down	**-**	(23)	**-**	-	**-**	(23)
Interest income	**-**	-	**-**	-	**320**	273
Interest expense	**-**	-	**-**	-	**(3,203)**	(3,901)
Loss before income tax	**(9,875)**	(8,995)	**-**	-	**(9,875)**	(8,995)
Income tax expense					**-**	-
Loss for the period attributable equity holders of the Company					**(9,875)**	(8,995)
Operating assets	**106,397**	124,697	**40,613**	34,233	**147,010**	158,930
Operating liabilities	**69,526**	76,238	**370**	365	**69,896**	76,603
Other disclosures						
Investment in associates	**1,079**	1,078	**-**	-	**1,079**	1,078
Capital expenditure [1]	**14,164**	7,216	**9,265**	9,193	**23,429**	16,409

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. However, income taxes, interest income and interest expense are managed on a Group basis and are not allocated to operating segments.

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

23. SHARE BASED ENTITLEMENTS AND PAYMENTS

The Group uses share options to provide incentives to Directors, employees and consultants. At the Company's 2008 Annual General Meeting, shareholders approved the issue of options to employees of the Company under the Terramin Australia Limited Employee Option Plan (EOP). 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

Options granted during the year all vested immediately and have contractual lives of between 3 and 5 years and a weighted average price of $1.09. Exercise prices range from $1.00 to $1.25 in respect of options outstanding at 31 December 2010. The weighted average fair value of the options granted during the year was $0.19.

The value attributed to each option was calculated by using a Trinomial option pricing model applying the following inputs: exercise price, ife of the option, underlying share price, expected share price volatility (45%-55%), percentage likelihood of vesting conditions being met and the risk free interest rate.

24. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share at 31 December 2010 was based on the net loss attributable to equity holders of the Company of $9.9 million (2009: $9.0 million) and a weighted average number of ordinary shares outstanding during the year ended 31 December 2010 of 163,496,138 (2009: 130,487,796), calculated as follows:

	2010 $'000	2009 $'000
Net loss for the year attributable to the equity holders of the Company	**(9,875)**	(8,995)

	2010	2009
Issued ordinary shares	**167,315,574**	158,388,677
Weighted average number of ordinary shares	**163,496,138**	130,487,796
Basic earnings per share (cents)	**(6.04)**	(6.89)

(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.

	2010	2009
Diluted earnings per share (cents)	**(6.04)**	(6.89)

25. COMMITMENTS AND CONTINGENCIES

There are contractual commitments at the reporting date as follows:

	2010 $'000	2009 $'000
(a) Operating lease		
Non-cancellable operating leases contracted but not capitalised in the financial statements payable:		
Within 1 year	**1,089**	900
One to five years	**2,310**	3,093
Total	**3,399**	3,993
(b) Consultant contracts		
Commitments for the payment of services under consultant contracts in existence at the date of this report but not recognised as liabilities, payable:		
Within 1 year	**230**	470
One to five years	**18**	738
Total	**248**	1,208
(c) Employee remuneration contracts		
Commitments for the payment of salaries and other remuneration under long term employment contracts in existence at the date of this report but not recognised as liabilities, payable:		
Within 1 year	**-**	32
One to five years	**-**	-
Total	**-**	32
(d) Minimum expenditure on exploration tenements on which the Group has title are as follows:		
Within 1 year	**705**	580
Longer than 1 year and not longer than 5 years	**-**	-
Total	**705**	580
(e) Capital expenditure commitments		
Capital expenditure commitments contracted for:		
Within 1 year	**275**	697
Total	**275**	697

Notes *to and forming part of the Consolidated Financial Statements for the Year Ended 31 December 2010*

25. COMMITMENTS AND CONTINGENCIES *(cont.)*

	2010 $'000	2009 $'000
(f) Finance leases		
Commitments in relation to finance leases for the purchases of are as follows:		
Within 1 year	**1,907**	2,169
Longer than 1 year and not longer than 5 years	**756**	2,428
Minimum lease payments	**2,663**	4,597
Less: Future Finance Charges	**176**	454
Total lease liabilities	**2,487**	4,143
Representing:		
Current	**1,768**	1,871
Non-current	**719**	2,272
	2,487	4,143

The interest rate implicit in the various leases vary from 6.7% to 11%.

Oued Amizour Zinc Project

In February 2006, the Company signed a joint venture agreement in respect of the Oued Amizour Project with Entreprise Nationale des Produits Miniers Non Ferreux et des Substances Utiles (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.

Finders 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 2010 the Company had lodged bank guarantees having a face value of $5.3 million with PIRSA.

Litigation

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

26. EVENTS AFTER THE BALANCE SHEET DATE

Following the approval granted by the Minister under the Mining Act, Menninnie Metals Pty Ltd completed the acquisition of the Menninnie Dam tenement (EL3640) from MMG, increasing its ownership from 24% to 100%. Since 21 January 2011 Menninnie Metals Pty Ltd has taken over responsibility for the management of the tenement.

In the Directors' opinion, no further 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 financial years that have not been otherwise disclosed in this report.

27. PARENT ENTITY DISCLOSURES

As at, and throughout, the financial year ending 31 December 2010 the parent company of the Group was Terramin Australia Limited.

	Parent	
	2010 $'000	2009 $'000
Result of the parent entity		
Loss for the period	**(9,871)**	(8,985)
Other comprehensive income	**-**	-
Total comprehensive income for the period	**(9,871)**	(8,985)
Financial position of parent entity		
Current assets	**20,509**	34,113
Total assets	**151,653**	161,270
Current liabilities	**14,783**	12,892
Total liabilities	**69,357**	76,274
Total equity of the parent entity comprising of:		
Share capital	**120,014**	113,667
Reserves	**8,920**	8,096
Accumulated losses	**(46,638)**	(36,767)
Total equity	**82,296**	84,996

Parent entity contingencies

The Directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

	Parent	
	2010 $'000	2009 $'000
Contingent liabilities not considered remote		
Litigation	**Nil**	Nil
Performance guarantees	**Nil**	Nil
GST liabilities of other entities within the GST group	**Nil**	Nil
Tax liabilities of other entities within the tax consolidated group	**Nil**	Nil

Parent entity capital commitments for acquisition of property plant and equipment

Capital expenditure commitments contracted for:

	Parent	
	2010 $'000	2009 $'000
Within 1 year	**275**	697
Total	**275**	697

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.

Corporate Governance Statement *for the Year Ended 31 December 2010*

ADOPTED POLICIES & DIRECTION

The Board and management are committed at all times to preserving and enhancing shareholder wealth in accordance with the highest standards of corporate governance. The Board is committed, where possible and reasonable, to compliance with the ASX Corporate Governance Council's *"Corporate Governance Principals and Recommendations – 2nd Edition"* (ASX Recommendations) to better satisfy its obligations to shareholders and the broader community.

On 30 June 2010 the ASX Corporate Governance Council released amendments to the ASX Recommendations in relation to diversity, remuneration, trading policies and corporate briefings. The Company will be required to report against these revised ASX Recommendations (other than in relation to the share trading policy which has been adopted by the board in 2010) in relation to its 2011 financial year (which commenced on 1 January 2011) in its annual report to be released by the end of April 2012, and has commenced work on establishing relevant policies, systems and procedures to support the implementation of these most recent amendments.

The details of the Company's key current and evolving corporate governance practices as they relate to the 8 key principles of the ASX Recommendations are identified below. To the extent that Company policies and practices departed from the ASX Recommendations during the period, the nature and extent of this departure is explained in the table on page 63 of this statement.

PRINCIPLE 1:

Lay solid foundations for management and oversight

Companies should establish and disclose the respective roles and responsibilities of board and management

The Board has the responsibility of protecting the rights and interests of shareholders and achieving growth in shareholder value over the long term.

To fulfil this role, the Board is responsible for:

- the general oversight of the Company, including its control and accountability systems;
- appointing and removing the Chief Executive Officer and executive management and approving relevant terms of engagement and termination benefits;
- reviewing and adopting strategic plans prepared by senior management and monitoring performance against those plans;
- ensuring systems are in place to facilitate the effective management of material risks to the Company;
- ensuring that the Company has established reporting systems and internal controls (financial, operational and legal), and monitoring their effectiveness;
- approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures;
- protecting the Company's financial position and its ability to meet its debts and other obligations as they fall due;
- ensuring that the Company's accounts comply with relevant accounting standards and present a true and fair view;
- ensuring senior management have sufficient resources to carry out the strategic plans approved by the Board;
- adopting an annual budget for the financial performance of the Company and monitoring performance against it; and
- ensuring that the Company has an effective process for communicating with shareholders, other stakeholders and the public.

Additional details regarding the role, composition and operation of the Board are contained in the Board Charter, which can be found in the Corporate section of the Company's website.

The Board has delegated responsibility for the day-to-day operation and administration of the Company and matters not expressly reserved to the Board to the Executive Chairman and the senior management team by way of a formal Delegation of Authority Policy. This delegation includes the appointment and removal of key senior executives.

Upon their appointment, all non-executive directors are provided with a formal letter of appointment, setting out the key terms and conditions of their appointment including duties, rights and responsibilities, remuneration (including superannuation and expenses), the time commitment required to properly perform the role of a non-executive director and the Board's expectations regarding involvement in Board committees. A comprehensive set of induction papers is provided to the new directors containing a range of information about the Company's operations and internal policies and procedures, including share trading and continuous disclosure policies.

All senior executives of the Company are party to a formal employment agreement, or consultancy agreement containing detailed provisions in relation to their term of office, duties, rights and responsibilities and rights on termination. Like all new employees of the Company, senior executives are required to participate in a formal induction process at the commencement of their engagement by the Company. The induction process is managed by the Human Resources Manager, with the involvement of such other relevant management personnel as may be appropriate given the role in question. The aim of the induction process is to provide new personnel with such information and training as necessary to enable them to contribute fully and effectively to the management of the Company as quickly as possible.

The performance of senior managers is reviewed annually (or more regularly as appropriate) by the Board or its delegate (typically the Executive Chairman) and the Company's Human Resources Manager. Performance is measured against objective benchmarks including operational or financial milestones. A comprehensive set of Key Performance Indicators (KPIs) is established in consultation with each senior manager during the annual performance appraisal process. Performance is measured against these KPIs on an annual basis (or more frequently as required). Performance evaluations for all senior management personnel were conducted during the period in accordance with the abovementioned policy.

The performance of the Executive Chairman is subject to review by the full Board.

PRINCIPLE 2:
Structure the Board to add value

Companies should have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties

At the end of the reporting period, the Company's Board was comprised of an Executive Chairman, charged with the overall management of the Company and the functions of the Board, as well as 6 non-executive directors. Details of the qualifications and relevant experience of each of the Company's directors can be found in the Directors' Report on pages 10 and 11. In accordance with ASX Recommendation 2.1, a majority of these non-executive directors (five out of six) are considered by the Board to be independent.

As a founding director, substantial shareholder and executive director of the Company, Dr KC Moriarty is not considered by the Board to be an independent director for the purposes of ASX Recommendation 2.1.

Mr Y Xie was appointed to the Board on 18 September 2009 as a nominee of the Company's most substantial shareholder, China Non-Ferrous Metals Industry's Foreign Engineering and Constructions Co., Ltd (NFC). By virtue of his position as a representative of a substantial shareholder of the Company, Mr Xie is not considered by the Board to be an independent director for the purpose of ASX Recommendation 2.1.

Mr MH Kennedy, Mr SA Bonett, Mr P Zachert, Mr RB Davis and Mr BW Jones are all considered to be independent directors.

Directors are regularly informed of, and consulted on, the activities of the Company, both at formal monthly Board meetings and more regularly and informally as relevant information becomes available (for example on a daily or weekly basis, via the Executive Chairman). Given the size and operational profile of the Company, this culture of open and timely communication and consultation is considered as strongly supportive of good corporate governance practices.

In order to ensure that all directors (whether independent or otherwise) are best placed to bring their independent judgment to board decisions, all directors are entitled to access relevant information regarding the Company, and consult with Company executives in the course of discharging their duties as directors. Directors may also seek independent advice in furtherance of their duties as directors, from a suitably qualified professional adviser at the expense of the Company. Established processes are in place to support the ability of non-executive directors to obtain information and advice relevant to the proper discharge of their duties to the Company.

None of the directors has a trading relationship with the Company (other than the supply of services in a non-material manner) which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company. As a standing agenda item at the start of each Board meeting, directors are asked to declare any potential conflicts of interest in any business or relationship to be considered or discussed at the Board meeting. Given the relatively small size of the Board, and the active nature of each director's participation in Board activities, the independence of directors is subject to continuous review and assessment. In the circumstances, the Company considers that any change to a director's independent status is able to be quickly identified and disclosed to the market.

While the Company has no immediate plans for further Board appointments, as the Company continues to grow, the Board, in consultation with the Nominations & Remuneration Committee, will continue to review the composition of the Board and where appropriate, seek to recruit directors with the ability to enhance the Board's expertise and management ability.

Corporate Governance Statement *for the Year Ended 31 December 2010*

The committees of the Board and their membership at the date of this report are set out below:

Board Committee	Current Members
Audit Committee	P Zachert (Chair) MH Kennedy SAJ Bonett
Risk & Compliance Committee	MH Kennedy (Chair) P Zachert RW Jones
Nominations & Remuneration Committee	SAJ Bonett (Chair) MH Kennedy RB Davis
Tala Hamza Risk Assessment Committee	RB Davis (Chair) RW Jones

The composition of each of the Audit Committee and the Nomination & Remuneration Committee comply with the ASX Recommendations and the requirements of the Listing Rules of the Australian Securities Exchange (ASX) (where relevant). Details of each director's attendance at committee meetings during the reporting period can be found in the Directors' Report on page 11.

Each Board committee has a Charter outlining its functions and responsibilities, which can be found in the Corporate section of the Company's website. Each of these Charters is subject to annual review by the full Board.

PRINCIPLE 3:

Promote ethical and responsible decision making

Companies should actively promote ethical and responsible decision making

Code of Conduct

The Company has a Code of Conduct which establishes the core values in accordance with which the Company operates its business and interacts with its stakeholders, including its shareholders and the broader community. The Code of Conduct addresses matters such as compliance with laws, appropriate standards of behaviour, the management of conflicts of interest, environmental management and dealings with individuals in both employment and other contexts.

The Code of Conduct can be found in the Corporate section of the Company's website.

Share Trading Policy

The Company has a Share Trading Policy which applies to all directors, employees and regular consultants. Among other things, the policy establishes a procedure for the notification of the Company Secretary or Executive Chairman of intended trading activity and addresses dealings by Company officers, employees or consultants in the securities of other companies in respect of which that person may have inside knowledge deriving from their position within the Company.

During the reporting period, and in anticipation of changes to the ASX Listing Rules which took effect on 1 January 2011, the Company revised and updated its Share Trading Policy to ensure compliance with the updated requirements of the ASX Listing Rules. The updated Share Trading Policy can be found in the Corporate section of the Company's website.

PRINCIPLE 4:

Safeguard integrity in financial reporting

Companies should have a structure to independently verify and safeguard the integrity of their financial reporting

The Board has an established Audit Committee, the size and structure of which complies with the ASX Recommendations. The Audit Committee comprises members with appropriate financial and industry expertise to ensure the establishment of, and adherence to, proper internal controls of the Company's accounting systems and financial reporting processes. Details of the qualifications and experience of each of the Audit Committee members, as well as details of their attendance at meetings of the Audit Committee during the reporting period can be found on page 11 of the Directors' Report. The Audit Committee is kept informed of matters relevant to its function by receipt of regular management reports and communications from the Company's external auditors.

The Executive Chairman and Chief Financial Officer have each declared in writing to the Board that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results, and have been prepared in accordance with the Corporations Act 2001 and the relevant Australian Accounting Standards.

A more detailed description of the roles and responsibilities of the Audit Committee can be found in the Audit Committee Charter, in the Corporate section of the Company's website.

PRINCIPLE 5:
Make timely and balanced disclosures

Companies should promote timely and balanced disclosure of all material matters concerning the Company

The Company has a formal Continuous Disclosure Policy, setting out guidelines and procedures for the timely identification and disclosure of all material information regarding the Company, in accordance with the Company's obligations under the ASX Listing Rules.

Material information is lodged immediately by the Company with the ASX and upon acknowledgement is disseminated by posting to the Company's website. Shareholders, potential investors and interested parties can avail themselves of an email alert facility through which announcements made to ASX, and other relevant information is made available . Other relevant information, such as community newsletters and Company presentations, are also disclosed to shareholders via the Company's website and, where relevant, to the ASX. The Executive Chairman is ultimately responsible for the approval and release of all Company announcements and statutory reports, which are prepared with the input of relevant senior executives and the Company Secretary.

PRINCIPLE 6:
Respect the rights of shareholders

Companies should respect the rights of shareholders and facilitate the effective exercise of those rights

The Board has adopted communications strategies and practices to promote communication with shareholders in a form and language intended to be easily understandable, and which encourage effective participation at general meetings. Given the nature and size of the Company and its operations, a separate written communications policy is not considered necessary to ensure the Company complies with the ASX Recommendations in this regard.

All shareholders are encouraged to attend and be heard at the Company's annual general meeting, and shareholders may do this by lodging questions with the Company prior to the meeting date. The external auditor attends the Company's annual general meeting to respond to specific questions from shareholders.

The communication strategies and practices adopted by the Board are further enhanced and supported through adherence to the Company's Continuous Disclosure Policy and Code of Conduct which, in combination with compliance by the Company with its periodic (quarterly, half yearly and annual) reporting obligations, ensure that shareholders and the broader investment community are provided at all times with up-to-date Company information. Where appropriate, the Company engages the support of experienced public and investor relations consultants to assist the Company in ensuring that its communication strategies are effectively implemented.

PRINCIPLE 7:
Recognise and manage risk

Companies should establish a sound system of risk oversight and management and internal control

The Board considers that proper risk and compliance management is fundamental to the success of its operations and, as such, the Board takes seriously its obligations in this regard.

The Board has an established and active Risk & Compliance Committee which meets regularly to receive and consider reports on, and monitor and discuss, known and emerging risk and compliance issues, in particular in relation to non-financial operational and other business risks. In addition, the Audit Committee assists the Board to monitor financial risks faced by the Company. A copy of the Charters for these committees, along with the Company's Risk Management Policy, can be found in the Corporate section of the Company's website.

In support of the functions of the Risk & Compliance Committee, the Company's senior managers are directly responsible for risk management in their respective areas of accountability. Financial, legal, compliance, strategic and reputational risks continue to be managed primarily by the Executive Chairman and Chief Financial Officer and their teams as a part of the day-to-day management of the Company's affairs. Operational, environmental and other more specific business risks are managed by relevant senior managers with the support and input of the Executive Chairman and Chief Financial Officer. These risks are managed with the support of relevant professional advisers.

The Executive Chairman and Chief Financial Officer are primarily responsible for reporting to the Board on a regular basis in relation to whether the Company's material business risk are being managed effectively by way of the Company's risk management and internal control systems.

During 2008, the Company established a risk management framework adapted from the Australian Standard for Risk Management AS4360:2004, which is aimed at the systematic identification, assessment, treatment, communication and monitoring of risk within all areas of the Company. The Company continually monitors and reviews this risk management framework at the operational and corporate levels, and in addition undertook

Corporate Governance Statement *for the Year Ended 31 December 2010*

a significant review of this framework during the reporting period at an organisation-wide level . The company's risk management framework has been partially rolled-out at the Company's Oued Amizour Zinc project as a part of the Company's management of its exploration activities in the region. As the Company's activities in the region continue to develop and intensify, further work will be done to complete a comprehensive implementation of the risk management system to the Company's Algerian operations.

The ongoing mitigation and management of key business risks is a standing item of business on the agenda of the Risk & Compliance Committee, and responsible senior managers, who regularly attend meetings of the Committee, provide regular reports on areas of material risk. The Risk & Compliance Committee Chairman reports to the Board at each of its meetings as to current matters of significance raised with, or being considered by the Committee.

These reporting and control measures are supported by the certifications given annually by the Executive Chairman and Chief Financial Officer to the Board in accordance with section 295A of the *Corporations Act 2001* (Cth).

PRINCIPLE 8:

Remunerate Fairly and Responsibly

Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear

The Company has an established Nominations & Remuneration Committee. The Committee's composition is in accordance with the ASX Recommendations. Details of the qualifications and experience of each of the Nominations & Remuneration Committee members, as well as details of their attendance at meetings of the Nominations & Remuneration Committee during the reporting period can be found on page 11 of the Directors' Report.

Matters of remuneration of the Board and Executive Chairman are considered by the Nominations & Remuneration Committee, and in the case of non-executive Directors, remuneration does not exceed the limit set by shareholders at annual general meeting (currently $700,000, which level was approved by shareholders at the Company's Annual General Meeting in April 2010). Non-executive director are not entitled to receive any benefit in connection with their retirement or loss of office, other than the payment of superannuation entitlements in accordance with the law.

The Board delegates the review and determination of appropriate remuneration levels for senior executives to the Executive Chairman. Where appropriate, the Board (via the Nominations & Remuneration Committee) is guided by the advice of professional advisers.

Key executive remuneration is set with reference to industry standards and generally comprises a fixed portion, as well as an "at risk" portion, usually in the form of options over securities in the Company, with vesting conditions commonly linked to objectively verifiable performance criteria, or time based vesting conditions. During the reporting period, the Nominations & Remuneration Committee invested significant time and effort into reviewing market practices in relation to senior executive remuneration, including in relation to the payment of cash bonuses and the use of equity based incentive plans for the purpose of rewarding senior executives. The Company will continue to assess its approach to remuneration practices in order to ensure it is sufficiently competitive within the market to attract and retain senior managers with the skill and expertise required to effectively implement the Company's business plans.

Further information on the Company's remuneration policies are provided in the Remuneration Report on pages 17 to 21 of the Directors' Report.

CORPORATE GOVERNANCE DISCLOSURES

During the period, the Company complied with the ASX Recommendations, other than as specified below.

PRINCIPLE 2

Structure the board to add value

Recommendation Reference 2.2 & 2.3

Notification of Departure

The Chairperson is not an independent Director, and fulfils the role of CEO.

Explanation for Departure

For of the first 7 months of the reporting period, Mr G Cochran held the role of Chief Executive Officer. Mr Cochran resigned from this role during August 2010 and the Board is currently undertaking a formal process for the identification and review of candidates for this role. From August 2010, the Executive Chairman, Dr KC Moriarty performed the role of both Chairman of the Board and CEO.

The Board is currently undertaking a process of identifying and reviewing potential candidates for the position of CEO. Until such time as this position is filled on a permanent basis, Dr Moriarty will continue to perform both the role of Chairman of the Board and of Chief Executive Officer, such that compliance with ASX Recommendations 2.2 and 2.3 will not be possible.

During this transitional period, the Board believes that Dr Moriarty continues to be the most appropriate person to fulfil the role of both Chairman and CEO.

Recommendation Reference 2.5

Notification of Departure

The process for evaluating the Board, committees and individual Directors was not disclosed.

Explanation for Departure

To date, given its size and composition, the Board has taken the view that there are no significant benefits to be gained through the implementation of a formal review process. As the size and composition of the Company's Board continues to change, the Company will consider the implementation of a formal Board review process.

Tenement Information *5 April 2011*

TERRAMIN AUSTRALIA LIMITED

Tenement listing

Title name and location	Licence number	Licence area	Expiry date	Terramin interest	Minimum expenditure commitment
Angas – South Australia	ML6229	87.97 ha	16 Aug 2016	100%	Not applicable
Bremer – South Australia	EL 3641	457 km^2	26 Oct 2011	100%	$390,000 from 01 Jul 2010 to 30 Jun 2011
Currency Creek – South Australia	EL 4210	174 km^2	23 Nov 2011	100%	Amalgamated with EL 3641
Hartley – South Australia	EL 3792	126 km^2	03 Jun 2012	100%	Amalgamated with EL 3641
Langhorne Creek – South Australia	EL 3310	275 km^2	18 Apr 2011	100%	Amalgamated with EL 3641

WESTERN MEDITERRANEAN ZINC SPA *(65% Terramin)*

Tenement listing

Title name and location	Licence number	Licence area	Expiry date	WMZ interest	Minimum expenditure commitment
Oued Amizour – Algeria	5225PE	12,276 ha	26 Aug 2011	100%	Not applicable

MENNINNIE METALS PTY LTD *(100% Terramin)*

Tenement listing

Title name and location	Licence number	Licence area	Expiry date	MMPL interest	Minimum expenditure commitment
Menninnie Dam – South Australia [1]	EL 3640	101 km^2	26 Oct 2011	100%	$80,000 per annum
Nonning – South Australia [2]	EL 3535	312 km^2	29 Mar 2011	0%	$60,000 per annum
Kolendo – South Australia	EL 4285	208 km^2	26 Jul 2011	100%	$50,000 per annum
Taringa – South Australia	EL 4669	988 km^2	21 Feb 2013	100%	$125,000 per annum

1. Please refer to Subsequent Events in the Director's Report.
2. Pursuant to a Heads of Agreement dated 5 June 2008 between Menninnie Metals Pty Ltd and Minotaur Operations Pty Ltd, Menninnie Metals Pty Ltd obtained a right to acquire up to a 70% interest in the Nonning tenement by spending $3 million over 5 years, including a minimum expenditure obligation of $300,000 in the first 12 months. As at the period end, Menninnie Metals Pty Ltd satisfied its obligation.

In Australia, the Company has an obligation to meet various exploration expenditure commitments as imposed and/or negotiated with PIRSA and other Government authorities. Relinquishment of part or all of the titles will reduce the commitments.

Additional Securities Exchange Information

EQUITY SECURITIES ON ISSUE

Fully paid ordinary shares

As at 5 April 2011, there were 4,347 holders of a total of 177,315,574 ordinary fully paid shares in the capital of the Company. All ordinary fully paid shares in the capital of the Company are listed for quotation on the ASX.

Unlisted options

As at 5 April 2011 there were 45 holders of a total of 16,071,630 options over fully paid ordinary shares in the capital of the Company.

Unlisted convertible notes

As at 5 April 2011, there were two holders of 25,050,000 unlisted convertible redeemable notes at US$1.00 that are convertible by Terramin, as well as one holder of 2,263,529 unlisted convertible notes at $2.21.

SHAREHOLDER VOTING RIGHTS

At a general meeting of shareholders, on a show of hands, each person who is a member or sole proxy has one vote. On a poll, each shareholder is entitled to one vote for each fully paid share.

Unlisted options and unlisted convertible notes carry no voting rights.

DISTRIBUTION SCHEDULE

as at 5 April 2011

Number of securities	Fully paid ordinary shares	Unlisted options	US $1.00 Unlisted convertible notes	$2.21 Unlisted convertible notes
1 - 1,000	686	-	-	-
1,001 - 5,000	1,624	-	-	-
5,001 - 10,000	804	-	-	-
10,001 - 100,000	1,100	26	-	-
100,001 - and over	133	19	2	1
TOTAL	**4,347**	**45**	**2**	**1**

As at 5 April 2011, there were 820 shareholdings of less than a marketable parcel.

RESTRICTED SECURITIES

There are no restricted securities on issue.

SUBSTANTIAL SHAREHOLDERS

As at 5 April 2011, the following shareholders were substantial shareholders, as disclosed in substantial shareholder notices given to the Company:

	Number of shares	% Issued capital
China Non-Ferrous Metals Industry's Foreign Engineering & Construction Co., Ltd	25,500,000	14.38
JP Morgan Chase & Co	15,624,958	8.81
Transaminvest S.A.	12,960,349	7.74
TOTAL	**54,085,307**	**30.93**

LIST OF 20 LARGEST SHAREHOLDERS

The names of the twenty largest shareholders as shown in the Company's register at 5 April 2011 are:

Shareholder	Number of shares	%
China Non-Ferrous Metals Industry's Foreign Engineering & Construction	25,500,000	14.38
JP Morgan Nominees Australia Limited	15,624,958	8.81
JP Morgan Nominees Australia Limited	13,847,777	7.81
Merrill Lynch (Australia) Nominees Pty Limited	8,721,672	4.92
National Nominees Limited	7,447,425	4.20
Mr Kevin Charles Moriarty	6,783,616	3.83
Mr David Alaster Paterson	3,919,233	2.21
HSBC Custody Nominees (Australia) Limited	3,901,352	2.20
Bond Street Custodians Limited	3,532,039	1.99
Villaford Pty Ltd	3,432,697	1.94
Mr Julian Paul Leach	2,400,000	1.35
Bond Street Custodians Limited	2,341,595	1.32
Mr Kevin Charles Moriarty & Mrs Pamela Christine Moriarty	2,042,697	1.15
HSBC Custody Nominees (Australia) Limited-GSCO ECA	1,546,915	0.87
Ms Wendy Marylyn Jackson	1,503,030	0.85
Citicorp Nominees Pty Limited	1,373,311	0.77
Mr Terrance John Soukoulis	1,164,898	0.66
Mr Stephen Burns & Mrs Kellie Burns	1,000,000	0.56
Girth Pty Ltd	958,350	0.54
Pan Australian Nominees Pty Limited	795,837	0.45
Total	**107,837,402**	**60.82**

ADDITIONAL INFORMATION

- Unquoted equity securities

The following persons were the holders of 20% or more of the equity securities in an unquoted class as at 5 April 2011:

Class of unquoted securities	Number of securities held	% of securities in class
US$1.00 Unlisted convertible redeemable notes		
JP Morgan Metals & Concentrates LLC	15,050,000	60.08
Transaminvest S.A.	10,000,000	39.92
$2.21 Unlisted convertible notes		
Bond Street Custodians Limited	2,263,529	100.00
Unlisted options		
Investec Bank (Australia) Limited	9,554,630	59.45

TERRAMIN AUSTRALIA LIMITED

Level 22, Westpac House
91 King William Street
Adelaide, 5000
South Australia
t: +61 8 8213 1415
f: +61 8 8213 1416
e: info@terramin.com.au
w: www.terramin.com.au