Appendix 4E Statement

Preliminary Final Report

for the Year Ended 31 December 2012 (previous corresponding period is the year ended 31 December 2011)

RESULTS FOR ANNOUNCEMENT TO THE MARKET

	2012 $'000	2011 $'000	Change %
Revenue from ordinary activities	**71,412**	58,167	22.8
Loss after tax attributable to equity owners of the Company - before non-controlling interests	**(65,177)**	(19,640)	-231.9
Loss after tax attributable to equity owners of the Company - after non-controlling interests	**(66,346)**	(19,880)	-233.7

DIVIDENDS/DISTRIBUTIONS

	Amount per security	Franked amount per security
2012 final dividend	**Nil**	**Nil**
2011 final dividend	Nil	Nil

No interim dividend was paid for the year ending 31 December 2012 and no final dividend has been proposed for the year ending 31 December 2012.

NET TANGIBLE ASSETS PER SHARE

	2012 $/share	2011 $/share
Net tangible assets per share	**0.02**	0.34

INTERESTS IN JOINT VENTURES

Joint Venture	Location	Principal Activity	**2012 % holding**	2011 % holding
Menninnie Dam (farm-out venture)	South Australia	Base metals exploration	**100**	100
Oued Amizour	Algeria	Base metals exploration and development	**65**	65

EXPLANATION OF REVENUE

Revenue from ordinary activities for the financial year ended 31 December 2012 of $71.4 million was up 23% on 2011. The increase occurred as a result of record production at the Angas Zinc Mine which was achieved through a systematic improvement and optimisation programme introduced during the year.

Please refer to the preliminary final report for the year ended 31 December 2012 for further information.

AUDIT REPORT

The financial information included in this Appendix 4E is unaudited and has been derived from the draft financial report of Terramin Australia Limited for the year ended 31 December 2012, which is in the process of being audited.

TERRAMIN AUSTRALIA LIMITED
2012 PRELIMINARY FINAL REPORT

TERRAMIN
AUSTRALIA
LIMITED

CONTENTS

Review of Operations *for the Year Ended 31 December 2012*

OPERATING RESULTS

	Angas 2012 $'000	Other 2012 $'000	**Total 2012 $'000**	Total 2011 $'000
Revenue	71,412	–	**71,412**	58,167
Other income	–	6	**6**	57
Raw materials, consumables and other direct costs	(56,182)	–	**(56,182)**	(46,797)
Change in inventories of finished goods and WIP	(45)	–	**(45)**	4,154
Employee expenses	–	(4,457)	**(4,457)**	(2,988)
Other expenses	–	(3,236)	**(3,236)**	(3,551)
Share option expense	–	–	**–**	(46)
Net finance income (costs) (non-interest)	(183)	(4,640)	**(4,823)**	709
Earnings before interest, income tax, depreciation and amortisation (EBITDA)	**15,002**	**(12,327)**	**2,675**	**9,705**
Depreciation and amortisation	(26,722)	(54)	**(26,776)**	(26,348)
Impairment of non-current assets	(33,532)	(4,214)	**(37,746)**	–
Earnings before interest and income tax (EBIT)	**(45,252)**	**(16,595)**	**(61,847)**	**(16,643)**
Net finance costs (interest)	(2,220)	(1,110)	**(3,330)**	(2,997)
Income tax expense	–	–	**–**	–
Loss for the period	**(47,472)**	**(17,705)**	**(65,177)**	**(19,640)**

The consolidated loss of the Group after providing for income tax was $65.2 million for the year ended 31 December 2012 (2011: $19.6 million). The major contributors to the result were non-cash charges of $26.8 million for depreciation and amortisation and a one-off impairment charge of $37.7 million. The operating profit for the Angas Zinc Mine was $15 million (2011: $15.4 million) before interest, tax depreciation and amortisation charges (EBITDA).

Sales revenue from zinc and lead concentrates was $71.4 million, a 23% increase on the prior year. Operating expenditure increased in 2012 as a result of increased output from the Angas Zinc Mine to $56.2 million (2011: $46.8 million).

The consolidated net asset position as at 31 December 2012 was $14.6 million.

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 continued to focus on maximising productivity and efficiencies from its Angas Zinc Mine in South Australia. The Company also pursued avenues to progress towards a decision to mine the Tala Hamza deposit in the Oued Amizour Zinc Project in Algeria, and engaged in the exploration and evaluation of base and precious metal projects in Australia. Highlights for each of the Company's major projects are reported below.

Angas Zinc Mine

(Terramin 100%)

Angas Zinc Mine Production Stats	**2012 ('000 tonnes)**	2011 ('000 tonnes)	% Change
Ore Mined	**434**	412	5.3%
Ore Milled	**441**	401	10.0%
Zinc Concentrate (dry metric tonnes (dmt))	**62**	44	40.9%
Lead Concentrate (dmt)	**25**	18	40.9%

The Angas Zinc Mine set production records throughout 2012 for tonnes mined and milled and concentrate production. The Company introduced a systematic improvement and optimisation programme which is reflected in the Mine's strong operational performance. Key deliverables of the programme included the achievement of grade and tonnes targets, and establishing cost improvement targets through improved management processes and business capability. Forecast annual production targets announced to the market in January 2012 were surpassed.

Ore mined and milled increased by 5% and 10% respectively on 2011, with annual tonnages being the highest in the Mine's history and above target. As a result of increased tonnes and improved mine grade, zinc concentrate production increased by 41% on the prior year, reaching 61,700 tonnes. Lead concentrate production also increased by 41% on the prior year, reaching almost 25,500 tonnes.

Process plant throughput and availability was maintained at a high level throughout the year. Improvements made in processing, maintenance planning and execution, and ore delivery provided for more robust operation of the plant and improved throughput and capacity.

In November, the Company announced an exploration programme for the Angas Zinc Mine aimed at improving reserves accessible from current underground development and increasing mine life. Exploration work is underway, testing the Rowe anomaly, situated approximately 400m East of the current mine workings; the Milne anomaly located below the current mine workings; and the Albyn anomaly, located South of existing workings, and positioned between the Garwood and Sunter Lodes.

Stage 2 of the exploration programme, which commenced in the first quarter of 2013, will include a downhole electromagnetic survey to delineate existing data and provide background for further targeting of economic resources at depth beyond the 380mL.

Fleurieu Exploration Project

(Terramin 100%)

The Fleurieu project comprises five contiguous Exploration Licences (EL4936, Bremer; EL5078, Hartley; EL4210, Currency Creek; EL4466, Langhorne Creek; EL5102, Pfeiffer) which together cover an area of 1,186km^2. The tenements cover an elongated zone stretching 60km Northeast and Southwest of the Angas Zinc Mine.

A drill programme has commenced at the Pipeline Gold Prospect in 2013 to test the presence of the gold, bismuth and copper system. Soil and rock chip sampling work defined a 1.2km long gold, bismuth and copper anomaly with the majority of rock chips having returned values of +0.2g/t gold with a peak of 3.06g/t gold with 0.44% bismuth.

In addition to the Pipeline gold prospect, the Fleurieu Exploration project incorporates a number of high quality gold and base metal prospects. Priority targets include several electromagnetic (EM) anomalies that were identified from the 2010 Versatile Time Domain Electromagnetic (VTEM) survey that covered a large portion of Terramin's Fleurieu tenements. The aerial EM anomalies have been ranked and a process of refining these anomalies with selected ground based geophysical methods has been undertaken.

In addition to the identification of several new targets, the VTEM survey was beneficial in understanding several of the previously explored areas which will allow for better targeting of those prospects. One of the prospects that benefitted from the VTEM survey was the Freeway prospect where previous sampling by North Limited in 1995 returned several anomalous gold samples up to 9.6g/t gold. Drill testing of the nearby linear magnetic anomaly returned no significant results at that time. The 2010 VTEM survey showed an EM feature in parallel to the magnetic feature to the West and that the gold anomalous rock chips demonstrate a stronger correlation with the EM anomaly. Fieldwork undertaken in 2012 by Terramin has now identified subcropping quartz and gossans that have returned +1g/t gold over 800 metres of strike with peak results of 0.38% copper and 2.05g/t gold.

Oued Amizour Zinc Project

(Terramin 65%)

The Company continues to liaise with its joint venture partner to determine a path forward and is assessing all avenues to progress the Tala Hamza project. The Company pursued several options during 2012, including the potential sale of Terramin's interest in the project. In conjunction with the financial restructure and capital raising which took place in late 2012, Terramin discontinued the proposed sale of its interest in the Tala Hamza project to major shareholder NFC and remains focussed on progressing the project with its JV partner. Subsequent to the year end, the Group has met with key stakeholders in Algeria to discuss progress to date and reiterate the Company's commitment and willingness to progress the project in 2013.

The visit in January 2013 included a meeting with the Australian Ambassador to Algeria and meetings with the JV partner, ENOF, as well as with regional authorities and elected members of the Regional and National Assemblies. Discussions centred on the need to agree a path forward for the project. The Tala Hamza project is of regional and national importance, because of its size, because it would be the first significant mining project to be approved in Algeria in many years, and because of the employment opportunities that the project would offer. Specifically, the opening of new mines is a priority for the Algerian government as the Prime Minister, Abdelmalek Sellal, highlighted in the government plan of action published in late September 2012.

The Algerian regulator has advised that the renewal of the Oued Amizour exploration permit will be finalised upon an agreement being reached with the JV partner on the Definitive Feasibility Study.

Menninnie Zinc Project

(Terramin 100%, farm-out joint venture)

The Company announced the execution of a Heads of Agreement with Musgrave Minerals Limited (Musgrave) in October 2012. All the conditions included in this Heads of Agreement have been satisfied.

Musgrave commenced exploration drilling on the Menninnie Dam prospect in the fourth quarter of 2012.

During the year, Menninnie Metals applied for additional exploration tenements to extend the Company's interests in this highly prospective area. The tenements are located to the West of, and are contiguous with, the Taringa tenement (ELA 2012/00299, Unalla and ELA2012/00316, Mt Ive). The area covers 548km^2 and is prospective for base metals, silver and gold.

The information in this report that relates to Exploration Results based on information compiled by Mr Eric Whittaker, who is a member of The Australian Institute of Mining and Metallurgy. Mr Whittaker is a consultant geologist for Terramin Australia Limited. Mr Whittaker has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which is 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 Whittaker consents to the inclusion in the preliminary final report of the matters based on the information in the form and context in which it appears.

Corporate

During the year, the Company underwent a significant financial restructure, which included a placement and underwritten renounceable rights issue which raised $10 million. The rights issue was completed in December 2012. Upon completion of the capital raising, new cornerstone investors Asipac Capital Pty Limited (Asipac) and Tronic Enterprise Development Limited held 37.01% and 7.27% of issued capital respectively. The capital raising will allow the Company to advance South Australian exploration interests and progress the Company's Tala Hamza project. Upon completion of the entitlement offer, the Company applied $3 million of the proceeds to the Corporate revolving facility held with Investec Bank (Australia) Limited (Investec). The repayment reduced the balance of the Corporate revolving facility to $15.5 million at 31 December 2012.

Total options on issue by the Company reduced by 2,425,000 due to the cancellation of options.

Business Development Activities

Throughout 2012, the Company continued to identify, assess and, where appropriate, pursue the acquisition of interests in advanced mining projects. In addition, the Company has sought wherever possible to reduce expenditure, including reducing corporate overheads and employee expenses through restructuring and relocating the corporate office.

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

The Group has agreed with Investec to the deferral of $2 million of the principal repayment due on 28 February 2013 to 30 September 2013. In addition, the balance of the facility ($8.5 million) due on 30 June 2013 has also been deferred until 30 September 2013 (subject to final documentation). A repayment of $5 million on 28 February 2013 has reduced the facility balance to approximately $10.5 million.

In addition, subject to final documentation, the Group has agreed a restructure of convertible notes maturing in 2013. The maturity date of the US$15 million unlisted convertible notes held by Asipac will be deferred from 16 September 2013 to 31 May 2014. The maturity date of the $5 million unlisted convertible notes held by an institutional investor will be deferred from 17 September 2013 to 31 July 2014.

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 years that have not been otherwise disclosed in this report.

FUTURE DEVELOPMENTS

The Company intends to continue to undertake appropriate exploration and evaluation expenditure, thereby enabling it to maintain good title to all its prospective mineral properties until decisions can be made to successfully develop and exploit, sell or abandon such properties. New projects will continue to be sought and evaluated.

ENVIRONMENTAL MANAGEMENT

The Group (in particular the Company's Angas Zinc Mine) is subject to significant environmental regulation under both Commonwealth and South Australian legislation in relation to its exploration, development and mining activities. Exploration Licences and Mining Leases are issued subject to various obligations as to environmental monitoring and rehabilitation, and ongoing compliance with all relevant legislative obligations. The Group's Directors, employees and consultants are committed to achieving a high standard of environmental performance and, in this regard, the Board has an established and active Risk & Compliance Committee.

In late 2011, an Environmental Direction was issued by the mine regulator, the Department for Manufacturing, Innovation, Trade, Resources and Energy (DMITRE), relating to compliance of the tailings storage facility (TSF) water release plans and associated actions. Management of water in the TSF was a matter of intense focus during 2012 and improvements in evaporation techniques, raw water disposal and the use of the pipeline for providing clean water to local primary producers resulted in a significant drop in the water level. At the end of 2012, the TSF level was deemed by the regulator DMITRE to be compliant with the terms of the Environmental Direction. Water management continues to be an ongoing focus for the management team to ensure that the TSF remains within agreed parameters, as defined in the Mining and Rehabilitation Plan.

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.

Consolidated Statement of Comprehensive Income

for the Year Ended 31 December 2012

	Note	2012* $'000	2011 $'000
Revenue	4	71,412	58,167
Other income	4	6	57
Raw materials, consumables and other direct costs		(56,182)	(46,797)
Change in inventories of finished goods and WIP		(45)	4,154
Employee expenses		(4,457)	(2,988)
Depreciation and amortisation	10	(26,776)	(26,348)
Exploration and evaluation write down	11	(4,214)	–
Impairment of non-current assets	11	(33,532)	–
Share option expense		–	(46)
Other expenses		(3,236)	(3,551)
Loss before net financing costs and income tax		**(57,024)**	**(17,352)**
Finance income	6	1,884	3,878
Finance costs	6	(10,037)	(6,166)
Net finance cost		**(8,153)**	**(2,288)**
Loss before income tax		**(65,177)**	**(19,640)**
Income tax expense		–	–
Loss for the year		**(65,177)**	**(19,640)**
Attributable to:			
Owners of the Company		(65,177)	(19,640)
Non-controlling interest		–	–
Loss for the year		**(65,177)**	**(19,640)**
Other comprehensive income/(loss)			
Foreign currency translation differences for foreign operations		(1,169)	(240)
Other comprehensive income/(loss) for the period, net of income tax		**(1,169)**	**(240)**
Total comprehensive loss for the period attributable to equity holders of the Company		**(66,346)**	**(19,880)**

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

	Note	2012	2011
Basic earnings/(loss) per share - (cents per share)	26(a)	(30.14)	(10.67)
Diluted earnings/(loss) per share - (cents per share)	26(b)	(30.14)	(10.67)

The Consolidated Statement of Comprehensive Income is to be read in conjunction with the accompanying notes.

* *The accounts upon which this Appendix 4E is based are in the process of being audited. Refer to basis of preparation note 2(a).*

Consolidated Statement of Financial Position

for the Year Ended 31 December 2012

	Note	2012* $'000	2011 $'000
Assets			
Cash and cash equivalents	7	10,865	7,502
Trade and other receivables	9	6,233	6,478
Inventories	8	7,276	7,950
Derivative financial instruments	21	–	892
Other assets		317	56
Total current assets		24,691	22,878
Derivative financial instruments	21	–	156
Property, plant and equipment	10(a)	10,943	69,960
Exploration and evaluation	10(b)	47,374	50,605
Total non-current assets		58,317	120,721
TOTAL ASSETS		83,008	143,599
Liabilities			
Current Liabilities			
Trade and other payables	12	11,697	12,031
Loans and borrowings	13	36,373	10,508
Provisions	14	2,801	1,152
Derivative financial instruments	21	1,687	20
Total current liabilities		52,558	23,711
Non-current Liabilities			
Loans and borrowings	13	10,420	42,590
Provisions	14	5,411	6,140
Derivative financial instruments	21	–	10
Total non-current liabilities		15,831	48,740
TOTAL LIABILITIES		68,389	72,451
NET ASSETS		14,619	71,148
Equity			
Share capital	15	143,699	133,882
Reserves	16	2,525	3,694
Accumulated losses		(146,620)	(81,508)
Total equity attributable to equity holders of the Company		(396)	56,068
Non-controlling interest	17	15,015	15,080
TOTAL EQUITY		14,619	71,148

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

* *The accounts upon which this Appendix 4E is based are in the process of being audited. Refer to basis of preparation note 2(a).*

Consolidated Statement of Change In Equity

for the Year Ended 31 December 2012

	Share capital $'000	Share option reserve $'000	Translation reserve $'000	Accumulated losses $'000	**Total $'000**	Non-controlling interest $'000	**Total equity $'000**
2012*							
Balance at 1 January 2012	**133,882**	**8,966**	**(5,272)**	**(81,508)**	**56,068**	**15,080**	**71,148**
Total comprehensive income for the period							
Loss for the period	–	–	–	(65,177)	**(65,177)**	–	**(65,177))**
Other comprehensive income							
Foreign currency translation differences	–	–	(1,169)	–	**(1,169)**	–	**(1,169)**
Total other comprehensive income	–	–	(1,169)	–	**(1,169)**	–	**(1,169)**
Total comprehensive income for the period	–	–	(1,169)	(65,177)	**(66,346)**	–	**(66,346)**
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Issue of ordinary shares	10,458	–	–	–	**10,458**	–	**10,458**
Share issue costs	(641)	–	–	–	**(641)**	–	**(641)**
Total contributions by and distributions to owners	9,817	–	–	–	**9,817**	–	**9,817**
Changes in ownership interests in subsidiaries that do not result in a loss on control							
Non-controlling interest share of parent exploration expenditure	–	–	–	65	**65**	(65)	**–**
Total changes in ownership interests in subsidiaries	–	–	–	65	**65**	(65)	**–**
Balance at 31 December 2012	**143,699**	**8,966**	**(6,441)**	**(146,620)**	**(396)**	**15,015**	**14,619**
2011							
Balance at 1 January 2011	**120,014**	**8,920**	**(5,032)**	**(60,873)**	**63,029**	**14,085**	**77,114**
Total comprehensive income for the period							
Loss for the period	–	–	–	(19,640)	**(19,640)**	–	**(19,640)**
Other comprehensive income							
Foreign currency translation differences	–	–	(240)	–	**(240)**	–	**(240)**
Total other comprehensive income	–	–	(240)	–	**(240)**	–	**(240)**
Total comprehensive income for the period	–	–	(240)	(19,640)	**(19,880)**	–	**(19,880)**
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Issue of ordinary shares	13,955	–	–	–	**13,955**	–	**13,955**
Share issue costs	(87)	–	–	–	**(87)**	–	**(87)**
Share options expensed / cancelled	–	46	–	–	**46**	–	**46**
Total contributions by and distributions to owners	13,868	46	–	–	**13,914**	–	**13,914**
Changes in ownership interests in subsidiaries that do not result in a loss on control							
Non-controlling interest share of parent exploration expenditure	–	–	–	(995)	**(995)**	995	**–**
Total changes in ownership interests in subsidiaries	–	–	–	(995)	**(995)**	995	**–**
Balance at 31 December 2011	**133,882**	**8,966**	**(5,272)**	**(81,508)**	**56,068**	**15,080**	**71,148**

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

** The accounts upon which this Appendix 4E is based are in the process of being audited. Refer to basis of preparation note 2(a).*

Consolidated Statement of Cash Flows

for the Year Ended 31 December 2012

	Note	2012* $'000	2011 $'000
Cash from operating activities:			
Receipts from customers		**72,658**	60,136
Payments to suppliers and employees		**(64,171)**	(52,295)
Financing costs and interest paid		**(3,641)**	(3,638)
Interest received		**96**	282
Total cash from operating activities	*19*	**4,942**	4,485
Cash flows from investing activities:			
Proceeds from the sale of fixed assets		**54**	4
Acquisition of property, plant and equipment		**(1,770)**	(5,719)
Mine construction & development expenditure		**(525)**	(8,466)
Exploration and evaluation expenditure		**(2,762)**	(5,971)
Net cash (used by) investing activities		**(5,003)**	(20,152)
Cash flows from financing activities:			
Proceeds from the issue of share capital		**10,040**	13,724
Payment of transaction costs on debt and/or equity		**(261)**	(87)
Realised derivative gains		**1,026**	1,488
Proceeds from borrowings		**4,028**	–
Repayment of borrowings		**(11,307)**	(1,409)
Net cash from/(used by) financing activities		**3,526**	13,716
Other activities:			
Net increase/(decrease) in cash and cash equivalents		**3,465**	(1,951)
Net foreign exchange differences		**(102)**	(97)
Cash and cash equivalents at beginning of year		**7,502**	9,550
Cash and cash equivalents at end of year	*7*	**10,865**	7,502

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

* *The accounts upon which this Appendix 4E is based are in the process of being audited. Refer to basis of preparation note 2(a).*

1. REPORTING ENTITY

The preliminary final report covers 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 Group is a for-profit entity and primarily is involved in the mining and development of, and exploration for, base metals (in particular zinc and lead) and other economic mineral deposits.

2. BASIS OF PREPARATION

(a) Statement of Compliance

The preliminary final report has been prepared in accordance with Australian Accounting Standards (including Australian interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The preliminary final report complies with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The preliminary final report is based on accounts in the process of being audited. Due to the matters outlined in note 2(c) below, the consolidated financial statements are likely to contain an independent audit report that is subject to a modified opinion or an emphasis of matter.

(b) Basis of Measurement

The preliminary final report is presented in Australian dollars (AUD) and has been prepared on an accruals basis and is 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 preliminary final report have been rounded off to the nearest thousand dollars, unless otherwise stated.

(c) Going Concern

During 2012, the Group incurred a loss of $66.3 million, bringing accumulated losses to $146.6 million. As at 31 December 2012 the Group has total equity of $14.6 million and the Group's current liabilities exceeded its current assets by $27.9 million. The Group had operating cash inflows of $4.9 million in 2012 and expects to continue to generate positive net operating cash flows in 2013.

Current liabilities at 31 December 2012 included the Investec revolving facility of $15.5 million. Subsequent to balance date, the Company has repaid a further $5 million and agreed with Investec to a restructure of the Corporate revolving facility. $2 million of the principal repayment due on 28 February 2013 has been deferred until 30 September 2013. The balance of the facility ($8.5 million) due on 30 June 2013 has also been deferred until 30 September 2013 (subject to final documentation).

Current liabilities at 31 December 2012 also included US$15 million in unlisted convertible redeemable notes. Subsequent to balance date the maturity date of these notes has been deferred from 16 September 2013 to 31 May 2014. In addition, $5 million in unlisted convertible notes maturing 17 September 2013, have been deferred until 31 July 2014. The restructure of convertible notes is subject to final documentation.

Subject to final documentation, the restructure of the Investec revolving facility, including a repayment of $5 million, together with the deferral of the unsecured convertible notes, provides a significant financial restructure of the balance sheet since reporting date.

The Group remains reliant on operational cashflows from its Angas Zinc Mine, together with the successful sale of plant and equipment from the Angas Zinc Mine upon closure, to meet future obligations. The cashflows from the Angas Zinc Mine are dependent on the successful execution of the mine plan and are exposed to Australian Dollar commodity prices.

The Directors note that the matters outlined above indicate material uncertainty, which may cast doubt on the ability of the Group to continue as a going concern without further cash injections by way of equity.

(d) Use of Estimates and Judgements

The preparation of the preliminary final report in conformity to IFRSs 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 preliminary final report are described in the following notes:

- Note 3(f) – Impairment of assets: estimates of fair values and future cash flows. The key sensitivities in the fair value model for the Angas Zinc Mine relate to zinc and lead prices and the USD to AUD exchange rate. Recognised analyst forecast assumptions and market forward curves for commodity prices and exchange rates have been considered in determining the cash flow estimates. Commodity assumptions utilised in the model are below current spot prices due to an increase in spot prices subsequent to balance date.
- Note 3(g) – Ore reserves: estimates of the amount of product in an area of interest that can be expected to be profitably extracted, processed and sold under current and foreseeable economic conditions.

- Note 3(i) - Exploration and Evaluation Expenditure: fair values and ore reserve estimates.
- Note 3(k) – Mine rehabilitation provision: estimates of amount and timing of future mine closure costs.
- Note 3(l) - Share Based Entitlements and Payments: assumptions are required to be made in respect to measuring share price volatility, dividend yield, future option holding period and other inputs to the Trinomial model fair value calculations.
- Note 3(r) - Recognition of tax losses: assessment of the point in time at which it is deemed probable that future taxable income will be derived.

(e) Changes in Accounting Standards

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012, and have not been applied in preparing this preliminary final report. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except for AASB 9 Financial Instruments, which becomes mandatory for the Group's 2016 consolidated financial statements and could change the classification and measurement of financial liabilities. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis 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 23 for details of controlled entities.

Each controlled entity has a 31 December financial year end.

All inter-company balances and transactions between entities in 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 preliminary final report.

(b) 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 four months or less.

(c) Inventories

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. The cost of mining stocks include direct material, direct labour, transportation costs and a proportion of variable and fixed overhead costs relating to mining activities. Net realisable value is the amount to be obtained from the sale of the item of inventory in the normal course of business less the estimated costs of completion and any anticipated selling costs to be incurred prior to its sale.

(d) Trade and Other Receivables

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

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

(e) Property, Plant and Equipment

Property

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

Plant and equipment

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

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

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

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

Mining property and development

Mining property and development expenditure for the establishment of access to mineral reserves, together with expenditure transferred from exploration and evaluation and expenditure incurred in 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Construction in progress

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

(f) Impairment of Assets

Non-financial Assets

At each reporting date, the Group reviews the carrying values of its non-financial assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset is determined and compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is recognised as an expense in the 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 CGU's are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

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

Financial Assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.
An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.
An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

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

All impairment losses are recognised in the 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 30 June 2012 and 31 December 2012 which was based on the value in use methodology. An impairment expense was recognised at 30 June 2012, no further impairment was required at 31 December 2012. Fair value of the Angas CGU was determined as the fair market value that would be obtained from the sale of the asset at arms length between knowledgeable and willing parties under normal sale conditions and was based on the following key assumptions:

- Estimate of last ore processed in August 2013.
- Production based on the most recent reserve statement.
- Recognised analyst forecast assumptions and market forward prices for commodity prices and exchange rates have been applied in determining the cash flow estimates. Commodity assumptions are below spot prices due to an increase in spot prices subsequent to balance date.
- A post-tax discount rate of 12.5%.

Recoverable Amount

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

(g) Ore Reserves

Economically recoverable ore reserves represent the estimated quantity of product in an area of interest that can be expected to be profitably extracted, processed and sold under current and foreseeable economic conditions. The Group 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.

(h) Associates and Joint Ventures

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. 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 preliminary final report includes 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 to make or has made payments on behalf of the investee.

Where the joint venture represents a jointly controlled operation, the Group recognises its interest in the jointly controlled operations by recognising the assets that it controls and the liabilities that it incurs. The Group also recognises the expenses that it incurs and its share of the income that it earns from the sale of goods or services by the jointly controlled operation.

A jointly controlled operation involves use of assets and other resources of the venturers rather than establishment of a separate entity.

(i) Exploration and Evaluation Expenditure

Exploration and evaluation costs, including the costs of acquiring licenses, are capitalised as exploration and evaluation assets (E&E assets) on an area of interest basis pending determination of the technical feasibility and commercial viability of the project. When a licence 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 3(f)). E&E assets are assessed for impairment when any of the following facts and circumstances exist:

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

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

Pre-licence expenditure and expenditure deemed to be unsuccessful is recognised in the income statement immediately.

(j) Trade and Other Payables

Trade payables and other payables are stated at cost.

(k) Provisions

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

Site restoration liability

A provision is recognised for the estimated cost of rehabilitation, decommissioning and restoration relating to areas disturbed during operation of the Angas Zinc Mine up to reporting date but not yet rehabilitated. The provision is based upon current cost estimates and has been determined on a discounted basis with reference to current legal requirements and technology.
As the provision represents the discounted value of the present obligation, using a pre-tax rate that reflects current market assessments and the risks specific to the liability, the increase in

value of the provision due to the passage of time will be recognised as a borrowing cost in the income statement in future periods. The provision is recognised as a non-current liability (in line with the expected timescales for the work to be performed), with a corresponding asset taken to account and amortised over the life of the mine. At each reporting date the rehabilitation liability is reviewed and re-measured in line with changes in discount rates and timing 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.

Redundancy provision is made for the Group's liability for redundancy payments which will fall due upon closure of the Angas Zinc Mine.

(l) Employee Benefits

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

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

Share Based Payments

The Group uses share options to provide incentives to Directors, employees and consultants. During 2012 no additional options were issued 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 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.

(m) Leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases (refer notes 13 and 27). Finance leases are capitalised at lease inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included as loans and borrowings. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the 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 is depreciated over the lesser of the asset's useful life and the lease term.

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

(n) Loans and Borrowings

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

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

(o) Financing Costs

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

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

(p) Foreign Currency Transactions and Balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. The preliminary final report is 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.

(q) Share Capital

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

(r) Income Tax

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

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the preliminary final report. 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 3(g)), exchange rates, future capital requirements, future operational performance and the timing of estimated cash flows. Changes in these estimates and assumptions could impact on the amount and probability of estimated taxable profits and accordingly the recoverability of deferred tax assets.

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

(s) Goods and Services Tax (GST)

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

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

(t) Revenue

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

Commodity sales are recognised net of all discounts and pricing adjustments, refining and distribution costs as applicable based on either fixed or provisional pricing and assays. Commodity 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 are satisfied (it is probable that delivery will be made and the concentrate is on hand, identified and ready for delivery), the holding of the concentrates 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.

(u) Derivatives

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

(v) Earnings Per Share

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

(w) Segments

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, which is the basis of the Group's internal reporting.

(x) Compound Financial Instruments

Compound financial instruments issued by the Group comprise convertible notes that can be converted to share capital at 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.

(y) Financial Risk Management

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

Credit Risk

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

Liquidity Risk

The risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages this exposure by targeting to have sufficient cash financing facilities available on demand to meet planned expenditure for a minimum period of 45 days (refer note 13 for detail on available financing facilities).

Market Risk

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

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

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

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

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.

(z) Forward Exchange Contracts

The fair value of forward exchange contracts is based on their quoted price, if available. If a quoted price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a credit-adjusted risk-free interest rate (based on government bonds).

4. REVENUE AND OTHER INCOME

	2012 $'000	2011 $'000
Revenue:		
Sale of concentrate	71,412	58,167
	71,412	58,167
Other Income:		
Rent, hire & office services	6	32
Other income	–	25
	6	57

5. AUDITOR'S REMUNERATION

	2012 $	2011 $
KPMG Australia:		
Audit and review of financial reports	200,500	133,000
Other services in relation to due diligence	3,000	–
Other services in relation to taxation services	–	20,000
	203,500	153,000

6. FINANCE INCOME AND COSTS

	2012 $'000	2011 $'000
Finance income:		
Interest income	77	291
Foreign exchange and commodity hedging gains	1,807	3,587
	1,884	3,878
Finance costs:		
Interest on convertibles notes	1,188	1,150
Interest on borrowings	2,220	2,138
Unwinding of discount on mine rehabilitation provision	215	276
Other borrowing costs	2,371	1,020
Foreign exchange and commodity hedging losses	4,043	1,582
	10,037	6,166

7. CASH AND CASH EQUIVALENTS

	2012 $'000	2011 $'000
Cash on hand	3	4
Bank balances	7,073	1,953
Short-term deposits [1]	3,789	5,545
	10,865	7,502

1. *Short-term deposits includes AUD 3.8 million with maturity dates up to 120 days and interest rates ranging from 3.1% to 4.35%. The Group has pledged $0.2 million of its short-term deposits to fulfil bank guarantee requirements. These funds will be returned to the Group on satisfaction of the guarantees.*

8. INVENTORIES

	2012 $'000	2011 $'000
Raw materials and consumables (at cost)	2,805	3,435
Work in progress - ore run of mine (at net realisable value)	311	1,276
Finished goods (at net realisable value)	4,160	3,239
Total inventories at the lower of cost and net realisable value	7,276	7,950

In 2012, the write-down of inventories to net realisable value amounted to $6,275,000 (2011: $2,556,000). The write-down is included in "Raw materials, consumables and other direct costs".

9. TRADE AND OTHER RECEIVABLES

	2012 $'000	2011 $'000
Trade receivables [1]	5,723	5,518
Accrued interest receivable	4	23
Other receivables	506	937
	6,233	6,478

1. *Trade receivables relate to sales of concentrate.*

10. (a) PROPERTY PLANT AND EQUIPMENT

	2012 $'000	2011 $'000
Freehold land:		
At cost	**2,819**	2,819
Total freehold land	**2,819**	2,819
Leasehold improvements:		
At cost	**56**	56
Less accumulated depreciation	**(53)**	(45)
Total leasehold improvements	**3**	11
Buildings and other infrastructure:		
At cost	**114**	114
Less accumulated depreciation	**(100)**	(47)
Total buildings and other infrastructure	**14**	67
Plant and Equipment:		
At cost	**70,537**	69,180
Less accumulated impairment	**(19,784)**	–
Less accumulated depreciation	**(47,288)**	(35,077)
Total plant and equipment	**3,465**	34,103
Mining property and developments assets:		
At cost	**59,171**	58,646
Less accumulated impairment	**(13,748)**	–
Less accumulated amortisation	**(41,359)**	(28,312)
Total mining property and development assets	**4,064**	30,334
Construction in progress:		
At cost	**237**	460
Total construction in progress	**237**	460
Mine rehabilitation assets:		
At cost	**4,059**	4,697
Less accumulated depreciation	**(3,718)**	(2,531)
Total mine rehabilitation assets	**341**	2,166
Total property plant and equipment	**10,943**	69,960

10. (b) EXPLORATION AND EVALUATION ASSETS

	2012 $'000	2011 $'000
Exploration and evaluation assets		
At cost	**51,588**	**50,605**
Less impairment	**(4,214)**	–
Total exploration and evaluation	**47,374**	50,605

10. (a) AND (b) *continued*

Movements in carrying amounts

	Freehold land $'000	Leasehold improve-ments $'000	Buildings and other infrastructure $'000	Plant and equipment [1] $'000	Mining property and development $'000	Construction in progress $'000	Exploration and evaluation [2] $'000	Mine rehabilitation assets $'000	Total $'000
Opening carrying amount 1 January 2012	2,819	11	67	34,103	30,334	460	50,605	2,166	120,565
Additions	–	–	–	–	–	2,252	1,893	–	4,145
Disposals	–	–	–	(123)	–	–	–	(638)	(761)
Transfers	–	–	–	1,950	525	(2,475)	–	–	–
Depreciation and amortisation	–	(8)	(53)	(12,481)	(13,047)	–	–	(1,187)	(26,776)
Impairment	–	–	–	(19,784)	(13,748)	–	(4,214)	–	(37,746)
Foreign currency movement	–	–	–	(200)	–	–	(910)	–	(1,110)
Carrying amount at 31 December 2012	**2,819**	**3**	**14**	**3,465**	**4,064**	**237**	**47,374**	**341**	**58,317**

	Freehold land $'000	Leasehold improve-ments $'000	Buildings and other infrastructure $'000	Plant and equipment $'000	Mining property and development $'000	Construction in progress $'000	Exploration and evaluation [1] $'000	Mine rehabilitation assets $'000	Total $'000
Opening carrying amount 1 January 2011	2,818	23	90	41,459	34,644	313	42,956	2,789	125,092
Additions	1	–	–	45	–	14,140	6,420	282	20,888
Disposals	–	–	–	(31)	–	–	–	–	(31)
Transfers	–	–	5	5,264	8,466	(13,993)	258	–	–
Transfer to equity accounted investee	–	–	–	–	–	–	1,079	–	1,079
Depreciation and amortisation	–	(12)	(28)	(12,627)	(12,776)	–	–	(905)	(26,348)
Impairment	–	–	–	–	–	–	–	–	–
Foreign currency movement	–	–	–	(7)	–	–	(108)	–	(115)
Carrying amount at 31 December 2011	**2,819**	**11**	**67**	**34,103**	**30,334**	**460**	**50,605**	**2,166**	**120,565**

1. *Plant and equipment includes assets located at the Menninnie Zinc Project, subject to a farm-out joint venture arrangement with Musgrave.*
2. *Recoverability of the carrying amount of the exploration and evaluation assets is dependent on the successful development and commercial exploitation, or alternatively sale of the respective area of interest, and continued renewal of exploration licences. The Oued Amizour exploration licence expired on 26 August 2011. The Group is liaising with Agénce Nationale du Patrimione Minier, the Algerian regulator and has satisfied all the legal requirements for a renewal to be granted. The Algerian regulator has advised that the renewal of the exploration permit will be finalised upon an agreement being reached with the JV partner on the Definitive Feasibility Study.*

Finance Loans

The carrying value of plant and equipment and mining property subject to finance loans and hire purchase contracts at 31 December 2012 was $1,559,000 (2011: $6,038,000). Additions during the year include $966,000 (2011: $4,609,000) of plant and equipment and mining property under finance loans and hire purchase contracts. Loaned assets and assets under hire purchase contracts are pledged as security for the related finance loans and hire purchase liabilities. All other assets are subject to a first charge as security to the Group's bank loans.

Change in estimates

During the year the Group conducted a review of the remaining life of the Angas mine, which resulted in changes in the expected usage of certain items of property, plant and equipment. Property, plant and equipment located at the Angas mine, which management previously expected to use to the first half of 2015, is now expected to remain in production until the closure of the mine in the second half of 2013, after which these assets will be sold or scrapped. As a result the expected useful lives of these assets has decreased. The effect of these changes result in the remaining carrying value of these assets being depreciated down to their expected residual values in 2013.

11. IMPAIRMENT LOSSES

During the year ended 31 December 2012, total impairment charges of $4.2 million (2011: nil) were recognised in relation to the exploration and evaluation assets held in the Fleurieu region. The impairment was triggered due to a lack of active and significant exploration activities occurring. Subsequent to the year end, an active exploration programme commenced in the Fleurieu region on the Pipeline gold prospect.

Total impairment charges of $33.5 million (2011: nil) were recognised in respect of mining property and development and associated plant and equipment at the Angas Zinc Mine. The triggers for impairment were primarily due to the effect of changes to the mine plan resulting from a revised estimate of Angas Ore Reserves and Mineral Resources which shows a reduction of mineral reserve resulting from mining depletion and the impact of lower AUD commodity prices on the economic cut-off grade.

In assessing whether an impairment is required for the carrying value of an asset, its carrying value is compared with its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. Given the nature of the Company's activities, information on the fair value of an asset is usually difficult to obtain unless negotiations with potential purchasers or similar transactions are taking place. Consequently, unless indicated otherwise, the recoverable amount used in assessing the impairment charges is value in use.

The estimate of value in use was determined using a post-tax discount rate of 12.5 percent (2011: 12.5 percent). The calculation of value in use is most sensitive to the following assumptions:

- Production volumes
- Mine life
- Operating costs
- Metal prices and exchange rates
- Discount rates

Estimated operating assumptions are based on detailed life of mine plans and take into account development plans for the mine agreed by management as part of the long-term planning process. Estimates based on current market conditions would indicate a closure date for the Angas Zinc Mine in approximately August 2013. Updates will continue to be provided as more certainty is gained through optimisation processes and consideration of global markets.

Following the impairment of the Angas Zinc Mine, the recoverable amount is equal to the carrying amount. Therefore any adverse movement in a key assumption would lead to a further impairment.

12. TRADE AND OTHER PAYABLES

	2012 $'000	2011 $'000
Current:		
Trade payables	4,320	5,178
Other payables and accrued expenses	5,517	6,256
Unearned income/customer advances	1,860	597
	11,697	12,031

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

13. LOANS AND BORROWINGS

	2012 $'000	2011 $'000
Current:		
Lease liabilities (note 27) [1]	1,550	1,930
Bank loans - secured - Angas Zinc project [2]	15,328	8,578
Convertible Notes [3]	19,495	–
	36,373	10,508
Non-current:		
Lease liabilities (note 27) [1]	790	2,148
Bank loans - secured - Angas Zinc project [2]	–	10,775
Convertible notes [4]	9,630	29,667
	10,420	42,590
Financing facilities		
Bank loan facilities - available [2]	15,523	20,000
Bank loan facilities - undrawn	–	–
Bank loan facilities - drawn	15,523	20,000
Less: unamortised transaction costs	(195)	(647)
Carrying amount at 31 December	15,328	19,353
Guarantee facility - available [5]	5,600	5,600
Guarantee facility - undrawn	(285)	(285)
Guarantee facility - drawn	5,315	5,315

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

2 *At balance date, the Company had a Corporate revolving $15.5 million loan facility provided by Investec. Interest is payable quarterly on the facility, with $4.5 million variable at the bank bill swap reference rate for the period plus a margin and $11 million fixed at a base rate ranging from 4.92% to 4.97% plus a margin.*

Subsequent to balance date, the Group had agreed with Investec to the deferral of $2 million of the principal repayment due on 28 February 2013 to 30 September 2013. In addition, the balance of the facility ($8.5 million) due on 30 June 2013 has also been deferred until 30 September 2013 (subject to final documentation). On 28 February 2013, the Group repaid a further $5 million, reducing the balance of the facility to approximately $10.5 million.

13. LOANS AND BORROWINGS *(continued)*

3 *On 31 December 2012 Asipac acquired from JP Morgan US$ 15.05 million (AU$ 14.4 million) in five year unlisted convertible redeemable notes issued by the Group. Subsequent to balance date the maturity date has been extended from 16 September 2013 to 31 May 2014 (subject to final documentation). The notes are repayable in either cash or shares with reference to the volume weighted average price (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 Asipac. 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 Group. The USD balance owing has been translated to AUD equivalents using the spot currency rate at 31 December 2012, which has given rise to an unrealised foreign currency exchange gain of $0.3 million for the year. A total of 1,412,131 shares were issued during the period to JP Morgan in lieu of a cash interest payment of $0.2 million.

An institutional investor holds $5 million in five year unlisted convertible notes issued by the Group. In February 2013 the maturity date has been deferred from 17 September 2013 to 31 July 2014 (subject to final documentation). 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 Group.

4 *Transaminvest S.A. hold US$10 million (AU$ 9.6 million) in 5 year unlisted convertible redeemable notes issued by the Group with a maturity date of 23 September 2014. The notes are repayable in either cash or shares with reference to the volume weighted average price (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. 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 Group. The USD balance owing has been translated to AUD equivalents using the spot currency rate at 31 December 2012, which has given rise to an unrealised foreign exchange gain of $0.2 million for the year.

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

14. PROVISIONS

	2012 $'000	2011 $'000
Current:		
Employee benefits	**2,801**	1,152
	2,801	1,152
Non-current:		
Employee benefits	**214**	522
Mine rehabilitation	**5,197**	5,618
	5,411	6,140

	Employee benefits $'000	Mine rehabilitation $'000	Total $'000
At 1 January 2012	**1,674**	**5,618**	**7,292**
Increases in provisions	4,190	–	4,190
Unused amounts reversed	(788)	(636)	(1,424)
Paid during the period	(2,061)	–	(2,061)
Unwind	–	215	215
At 31 December 2012	**3,015**	**5,197**	**8,122**

The mine rehabilitation 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. The provision has been calculated using a risk free discount rate of 2.61% (2011: 3.13%). The rehabilitation is expected to occur in 2014.

In accordance with the Enterprise Agreement (EA) dated 29 July 2010 and all relevant statutory provisions, the Group will incur redundancy payments upon the closure date of the Angas Zinc Mine. The estimated life-of-mine based on remaining reserves at balance date was eight months. Accordingly, a provision of $1.85 million has been provided on the estimated redundancy costs payable and is included within employee benefits.

15. ISSUED CAPITAL

(a) Ordinary shares

	2012 $'000	2011 $'000
Number of ordinary shares on issue at the end of the period 718,881,339 (2011: 210,800,124)		
Ordinary Shares	**147,695**	137,237
Share issue costs	**(3,996)**	(3,355)
	143,699	133,882

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

15. ISSUED CAPITAL *(continued)*

(b) Detailed table of capital issued during the year

Type of share issue	Number of ordinary shares on issue	Exercise price $	Share capital $'000	Employee, Consultant, or Other
Opening balance 1 January 2012	**210,800,124**		**133,882**	
Share placement	105,950	0.23	24	Consultant
Shares issued in lieu of interest	1,412,131	0.14	198	Other
Shares issued in lieu of interest	4,579,001	0.04	197	Other
Share placement	15,000,000	0.02	300	Other
Share placement	486,984,133	0.02	9,739	Other
Closing Balance 31 December 2012	**718,881,339**		**144,340**	
Share issue costs			(641)	
Transfer of option reserve to issued capital following option exercise			–	
Issued Capital			**143,699**	

Type of share issue	Number of ordinary shares on issue	Exercise price $	Share capital $'000	Employee, Consultant, or Other
Opening Balance 1 January 2011	**167,315,574**		**120,014**	
Share placement	10,000,000	0.62	6,200	Other
Share placement	167,522	0.36	60	Employee
Shares issued in lieu of interest	512,494	0.33	170	Other
Share placement	12,300,000	0.37	4,551	Other
Share placement	13,500,000	0.15	1,958	Other
Share placement	7,004,534	0.15	1,016	Other
Closing Balance 31 December 2011	**210,800,124**		**133,969**	
Share issue costs			(87)	
Transfer of option reserve to issued capital following option exercise			–	
Issued Capital			**133,882**	

16. RESERVES

	2012 $'000	2011 $'000
Foreign currency translation reserve [1]		
Balance at the beginning of the year	(5,272)	(5,032)
Adjustment arising on translation into presentation currency	(1,169)	(240)
Balance at the end of the year	(6,441)	(5,272)
Share option reserve [2]		
Balance at the beginning of the year	8,966	8,920
Options expensed during the period	–	46
Balance at the end of the year	8,966	8,966
Total reserves	2,525	3,694

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

17. NON-CONTROLLING INTEREST

	2012 $'000	2011 $'000
Balance at the beginning of the year	15,080	14,085
Share of movement in net assets	(65)	995
Balance at the end of the year	15,015	15,080

Movement in non-controlling interest in 2012 relates to the 35% minority interest (ENOF 32.5% and ORGM 2.5%) in exploration and evaluation costs for the Oued Amizour Project funded directly by the Group through its 65% shareholding in WMZ. During 2012, the Group funded approximately $1 million of exploration and evaluation costs in WMZ, of which ENOF and ORGM are entitled to $0.35 million (35%). The remainder of the movement is in relation to foreign exchange changes. 35% of all assets contributed to WMZ by the Group effectively accrue to ENOF and ORGM for nil consideration (other than forming part of the Group's 65% earn-in) and has therefore been included in movement in net assets attributable to the non-controlling interest.

18. INCOME TAX EXPENSE

	2012 $'000	2011 $'000
Prima facie tax benefit on loss before income tax at 30% (2011: 30%)	**(19,553)**	(5,892)
Decrease in income tax benefit due to:		
(Deductible)/non-deductible items	**136**	(508)
	(19,417)	(6,400)
Deferred tax asset not brought to account	**19,417**	6,400
Income tax expense	**–**	–

	2012 $'000	2011 $'000
Unused tax losses for which no deferred tax asset has been recognised	**110,962**	94,509
Potential tax benefit	**33,289**	28,353
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 $33.1 million (net of deferred tax liabilities in relation to mine development of $1 million (2011: $6.4 million) and exploration expenditure of $1.4 million (2011: $2.4 million) and deferred tax assets in relation to property, plant and equipment of $2.3 million (2011: deferred liability of $0.7 million) not shown above) (2011: $19.3 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. The benefit of these tax losses will be obtained if:

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

19. CASH FLOW INFORMATION

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

	2012 $'000	2011 $'000
Loss for the period	**(65,178)**	(19,640)
Adjustment for:		
Depreciation and amortisation	**26,776**	26,348
Unrealised (gain)/loss on foreign exchange	**(636)**	17
Unrealised derivative (gain)/loss	**2,704**	(629)
Realised derivative (gain)/loss	**(1,026)**	(1,488)
Non-cash inventory movements	**1,058**	(2,211)
Share options expense	**–**	46
Exploration expenditure written off	**37,746**	-
Shares issued in lieu of interest	**395**	170
Employee share scheme	**–**	60
(Profit)/Loss on sale of fixed assets	**69**	–
Realised foreign exchange (gain)/loss	**102**	96
Net financing costs	**1,934**	794
Other	**9**	(119)
Change in operating assets and liabilities:		
(Increase)/decrease in trade and other receivables	**339**	1,314
(Increase)/decrease in inventory	**(384)**	(3,004)
(Increase)/decrease in prepayments	**(259)**	220
(Decrease)/increase in trade payables and accruals	**(1,310)**	1,704
(Decrease)/increase in provisions	**1,340**	210
(Decrease)/increase in unearned income	**1,263**	597
Cashflow from operating activities	**4,942**	**4,485**

20. RELATED PARTIES

(a) Key management personnel – options and rights over equity instruments

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

	Shares balance 1/01/2012	Options balance 1/01/2012	Shares acquired during year	Options granted as incentive	Shares disposed of during year	Options exercised	Options cancelled	Options vested and exercisable 31/12/2012	Balance shares 31/12/2012
Parent Entity Directors									
RB Davis [1]	134,918	–	–	–	–	–	–	**–**	**–**
NM Clift	–	300,000	–	–	–	–	–	**300,000**	**–**
KC Moriarty [2]	9,026,313	–	–	–	–	–	–	**–**	**–**
SAJ Bonett [3]	250,000	–	–	–	–	–	–	**–**	**–**
MH Kennedy	403,448	–	847,241	–	–	–	–	**–**	**1,250,689**
P Zachert	123,448	–	376,552	–	–	–	–	**–**	**500,000**
Y Xie	–	–	–	–	–	–	–	**–**	**–**
Other Key Management Personnel									
RB Howie [4]	76,886	100,000	–	–	–	–	–	**–**	**–**
MJ Terry [5]	–	290,000	–	–	–	–	–	**–**	**–**
J Burgess	–	300,000	–	–	–	–	300,000	**–**	**–**
IJ Holman [6]	–	–	–	–	–	–	–	**–**	**–**
JF Ranford	–	–	–	–	–	–	–	**–**	**–**
SD Reincke	4,877	–	10,242	–	–	–	–	**–**	**15,119**
SD Gauducheau	16,886	40,000	63,961	–	–	–	–	**40,000**	**80,847**
Total	**10,036,776**	**1,030,000**	**1,297,996**	**–**	**–**	**–**	**300,000**	**340,000**	**1,846,655**

1. *As Mr Davis was not a director as at 31 December 2012, his shareholdings at that date have not been disclosed.*
2. *As Dr Moriarty was not a director as at 31 December 2012, his shareholdings at that date have not been disclosed.*
3. *As Mr Bonett was not a director as at 31 December 2012, his shareholdings at that date have not been disclosed.*
4. *As Mr Howie was no longer employed by the Company as at 31 December 2012, his shareholdings at that date have not been disclosed.*
5. *As Mr Terry was no longer employed by the Company as at 31 December 2012, his shareholdings at that date have not been disclosed.*
6. *As Mr Holman was no longer employed by the Company as at 31 December 2012, his shareholdings at that date have not been disclosed.*

	Shares balance 1/01/2011	Options balance 1/01/2011	Shares acquired during year	Options granted as incentive	Shares disposed of during year	Options exercised	Options cancelled	Options vested and exercisable 31/12/2011	Balance shares 31/12/2011
Parent Entity Directors									
RB Davis	31,470	–	103,448	–	–	–	–	**–**	**134,918**
NM Clift [1]	–	–	–	300,000	–	–	–	**300,000**	**–**
KC Moriarty	9,026,313	1,000,000	–	–	–	–	1,000,000	**–**	**9,026,313**
SAJ Bonett	250,000	250,000	–	–	–	–	250,000	**–**	**250,000**
MH Kennedy	300,000	–	103,448	–	–	–	–	**–**	**403,448**
RW Jones [2]	190,000	150,000	–	–	–	–	–	**–**	**–**
P Zachert	20,000	–	103,448	–	–	–	–	**–**	**123,448**
Y Xie	–	–	–	–	–	–	–	**–**	**–**
Other Key Management Personnel									
RB Howie	1,886	100,000	167,522	–	92,522	–	–	**100,000**	**76,866**
MJ Terry	–	290,000	–	–	–	–	–	**290,000**	**–**
RP Singer [3]	–	600,000	–	–	–	–	–	**–**	**–**
J Burgess	–	300,000	–	–	–	–	–	**300,000**	**–**
IJ Holman	–	–	–	–	–	–	–	**–**	**–**
JP Wilhelm [4]	–	200,000	–	–	–	–	–	**–**	**–**
Total	**9,819,669**	**2,890,000**	**477,866**	**–**	**92,522**	**–**	**1,250,000**	**690,000**	**10,015,013**

1. *Mr Clift was granted options as an incentive in his role as General Manager – Algeria, prior to appointment as Managing Director and CEO.*
2. *As Mr Jones was not a Director of the Company as at 31 December 2011, his shareholdings at that date have not been disclosed.*
3. *As Mr Singer was no longer employed by the Company as at 31 December 2011, his shareholdings at that date have not been disclosed.*
4. *As Mr Wilhelm was no longer employed by the Company as at 31 December 2011, his shareholdings at that date have not been disclosed.*

20. RELATED PARTIES *(continued)*

(b) Key management personnel compensation

Summary of KMP compensation:

	2012	2011
Short-term employee benefits	**1,687,726**	2,144,677
Post-employment benefits	**378,620**	103,547
Termination benefits	**245,562**	–
Other long-term benefits	**9,582**	532
Share-based payments	**–**	96,078
	2,321,490	2,344,834

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

(c) Other director and key management personnel transactions

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

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

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

	Transaction	Transaction value 2012 $'000	Transaction value 2011 $'000	Balance outstanding as at 31 December 2012 $'000	Balance outstanding as at 31 December 2011 $'000
NM Clift [1]	Consultant Fees	**–**	120,796	**–**	16,658
P Zachert [2]	Consultant Fees	**90,000**	65,000	**–**	16,250
Y Xie [3]	Consultant Fees	**40,000**	43,333	**3,333**	6,666
J Burgess [4]	Consultant Fees	**72,150**	207,000	**–**	26,500
KC Moriarty [5]	Consultant Fees	**80,000**	533,266	**–**	20,833
R Jones [6]	Consultant Fees	**–**	40,000	**–**	–
JP Wilhelm [7]	Consultant Fees	**–**	19,027	**–**	–
		282,150	1,028,422	**3,333**	86,907

1 *Mr Clift provided consultancy services to the Group as General Manager – Algeria, prior to his appointment as Managing Director and CEO on 26 September 2011.*
2. *Mr Zachert is a Non-Executive Director of the Company.*
3. *Mr Xie is a Non-Executive Director of the Company.*
4. *Mr Burgess provides services relating to the Tala Hamza project.*
5. *Dr Moriarty was engaged by the Group as a consultant until his retirement on 30 April 2012. He received $70,000 under this engagement. Dr Moriarty remained a Non-Executive Director of the Company until 30 April 2012 and received $10,000 in Directors' fees.*
6. *Mr Jones was a Non-Executive Director of the Company prior to his retirement on 30 June 2011.*
7. *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.*

There are no other related party transactions.

21. FINANCIAL INSTRUMENTS

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

	Note	2012 $'000	2011 $'000
Current:			
Cash and cash equivalents	*7*	**10,865**	7,502
Receivables	*9*	**6,233**	6,478
Payables and accruals	*12*	**(11,697)**	(12,031)
Financial liabilities at amortised cost	*13*	**(46,794)**	(53,098)
Financial assets at fair value through profit and loss	*22.1(a)&(b)*	**–**	892
Financial liabilities at fair value through profit and loss	*22.1(a)&(b)*	**(1,687)**	(20)
Non Current:			
Financial assets at fair value through profit and loss	*22.1(a)&(b)*	**–**	156
Financial liabilities at fair value through profit and loss	*22.1(a)&(b)*	**–**	(10)
		(43,080)	(50,131)

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).

21. FINANCIAL INSTRUMENTS *(continued)*

	2012 $'000	2011 $'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	–	1,048
Financial liabilities at fair value through profit and loss	(1,687)	(30)
	(1,687)	1,018
Level 3		
Financial assets at fair value through profit and loss	–	–
Financial liabilities at fair value through profit and loss	–	–
	–	–
Total	(1,687)	1,018

22. FINANCIAL RISK MANAGEMENT

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

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

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

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

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

1. Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: commodity price risk, interest rate risk and currency risk. Financial instruments affected by market risk include loans and borrowings, deposits, accounts receivable, accounts payable, accrued liabilities and derivative financial instruments.

(a) Commodity price risk

The Group 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.

	2012 $'000	2011 $'000
Current assets [1]	–	892
Non-current assets [1]	–	156
Current liabilities [1]	(1,564)	–
Non-current liabilities	–	–
Total	(1,564)	1,048
Net amount recognised in income statement	(2,612)	1,165

1. *Relates to hedging positions held at the end of the year in relation to 4,812 tonnes of lead, 3,230 tonnes of zinc and 760 ounces of gold (2011: 2,030 tonnes of lead, 208,000 ounces of silver and 3,040 ounces of gold) measured at fair value.*

Sensitivity Analysis

Sensitivity to fluctuations in commodity prices in the below tables 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 2012 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.

22. FINANCIAL RISK MANAGEMENT *(continued)*

Effect in AUD thousands - 10% increase in commodity prices

31 December 2012	Equity	Profit or (loss)
Zinc [1]	–	–
Lead	854	854
Total	**854**	**854**

Effect in AUD thousands - 10% decrease in commodity prices

31 December 2012	Equity	Profit or (loss)
Zinc [1]	–	–
Lead	(854)	(854)
Total	**(854)**	**(854)**

1. *There were no outstanding Zinc price exposures in respect of Zinc sales that occurred in the reporting period*

Effect in AUD thousands - 10% increase in commodity prices

31 December 2011	Equity	Profit or (loss)
Zinc [1]	–	–
Lead	507	507
Total	**507**	**507**

Effect in AUD thousands - 10% decrease in commodity prices

31 December 2011	Equity	Profit or (loss)
Zinc [1]	–	–
Lead	(507)	(507)
Total	**(507)**	**(507)**

1. *There were no outstanding Zinc price exposures in respect of Zinc 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.

	2012 $'000	2011 $'000
Current assets	–	–
Non-current assets	–	–
Current liabilities [1]	(123)	(20)
Non-current liabilities [1]	–	(10)
Total	**(123)**	(30)
Net amount recognised in income statement	**(93)**	(533)

1. *Relates to US$ 11.2 million of currency hedging positions against AUD (2011: US$ 20.7 million) measured at fair value.*

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

	31 December 2012		31 December 2011	
In AUD thousand equivalent	USD	DZD	USD	DZD
Cash at bank	93	44	1,545	49
Trade receivables	5,716	4	5,492	13
Trade payables	–	(57)	–	(83)
Convertible note	(24,124)	–	(24,665)	–
Gross balance sheet exposure	**(18,315)**	**(9)**	(17,628)	(21)

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

	Currency	2012	2011
Year end rates used for the consolidated balance sheets, to translate the following currencies into AUD, are:			
	USD	1.04	1.02
	DZD	82.83	77.61

Sensitivity Analysis

Sensitivity to fluctuations in foreign currency rates is based on outstanding monetary items at 31 December 2012 which are denominated in a foreign currency. A 10% strengthening of the AUD against the following currencies at the end of the reporting period would have decreased losses by the amounts shown below. The impact relates to commodity sales and fixed forward commodity contracts in place at 31 December 2012. This analysis assumes that all other variables remain constant, in particular interest rates.

22. FINANCIAL RISK MANAGEMENT *(continued)*

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

31 December 2012	Equity	Profit or (loss)
USD	(2,035)	(2,035)
Total	**(2,035)**	**(2,035)**

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

31 December 2012	Equity	Profit or (loss)
USD	1,665	1,665
Total	**1,665**	**1,665**

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

31 December 2011	Equity	Profit or (loss)
USD	2,936	2,936
Total	**2,936**	**2,936**

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

31 December 2011	Equity	Profit or (loss)
USD	(2,867)	(2,867)
Total	**(2,867)**	**(2,867)**

(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:

2012	Effective interest rate	Total $'000	Floating interest rate $'000	Fixed interest rate $'000
Cash [1]	0.01%	7,076	7,076	–
Short-term deposits [1]	3.07%	3,789	3,789	–
Finance lease liabilities	8.62%	(2,340)	–	(2,340)
Bank loans - secured	10.43%	(15,328)	(4,328)	(11,000)
Convertible notes [1]	3.52%	(29,126)	(24,124)	(5,002)
Net Financial Assets		**(35,929)**	**(17,587)**	**(18,342)**

2011	Effective interest rate	Total $'000	Floating interest rate $'000	Fixed interest rate $'000
Cash [1]	1.01%	1,957	1,957	-
Short-term deposits [1]	4.11%	5,545	5,545	-
Finance lease liabilities	8.62%	(4,078)	-	(4,078)
Bank loans - secured	7.81%	(20,000)	(9,000)	(11,000)
Convertible notes [1]	3.52%	(29,667)	(24,665)	(5,002)
Net Financial Assets		**(46,243)**	**(26,163)**	**(20,080)**

1. Includes AUD and USD denominated balances.

Sensitivity analysis

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

For the 2012 financial year however, a 1% increase in the effective interest rate would have resulted in an increase in losses of $0.2 million (2011: $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	**2012 $'000**	2011 $'000
Financial assets at fair value through profit and loss	*21*	**–**	1,048
Receivables	*9*	**6,233**	6,478
Cash assets	*7*	**10,865**	7,502
		17,098	15,028

The Group does however have 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 9).

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

	2012 $'000	2011 $'000
Australia	**4,980**	4,686
USA	**1,249**	1,779
Other	**4**	13
	6,233	6,478

22. FINANCIAL RISK MANAGEMENT *(continued)*

3. Liquidity risk

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

2012	Carrying amount $'000	Contractual cash flows $'000	6 mths or less $'000	6-12 mths $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000
Non-derivative financial liabilities							
Trade and other payables	11,697	(11,697)	(11,697)	–	–	–	–
Bank loans - secured	15,328	(16,077)	(16,077)	–	–	–	–
Convertible notes	29,126	(30,155)	(513)	(19,817)	(9,825)	–	–
Finance lease liabilities	2,340	(2,486)	(886)	(792)	(803)	(5)	–
	58,491	**(60,415)**	**(29,173)**	**(20,609)**	**(10,628)**	**(5)**	**–**

Refer table in note 22.1(a) and (b) for maturity profile of derivative financial instruments.

2011	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	12,031	(12,031)	(12,031)	–	–	–	–
Bank loans - secured	20,000	(21,796)	(3,781)	(6,605)	(11,410)	–	–
Convertible notes	29,667	(32,330)	(523)	(523)	(21,314)	(9,970)	–
Finance lease liabilities	4,078	(4,473)	(1,139)	(1,039)	(2,295)	–	–
	65,776	**(70,630)**	**(17,474)**	**(8,167)**	**(35,019)**	**(9,970)**	**–**

Refer table in note 22.1(a) and (b) for maturity profile of derivative financial instruments.

23. CONTROLLED ENTITIES

Name	Country of incorporation	Percentage 2012	2011
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%

24. SEGMENT REPORTING

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

- **Australia** – Explores, develops and mines zinc and lead deposits
- **Northern Africa** – Developing a zinc deposit

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

	Australia		Northern Africa		Consolidated	
	2012 $'000	2011 $'000	**2012 $'000**	2011 $'000	**2012 $'000**	2011 $'000
Revenue						
External customers	**71,412**	58,167	**–**	–	**71,412**	58,167
Total Revenue	**71,412**	58,167	**–**	–	**71,412**	58,167
Results						
Depreciation and amortisation	**(26,776)**	(26,348)	**–**	–	**(26,776)**	(26,348)
Exploration and evaluation writedown	**(4,214)**	–	**–**	–	**(4,214)**	–
Impairment of non-current assets	**(33,532)**	–	**–**	–	**(33,532)**	–
Interest income	**–**	–	**–**	–	**77**	291
Interest expense	**–**	–	**–**	–	**(3,408)**	(3,288)
Profit/(Loss) before income tax	**(65,177)**	(19,640)	**–**	–	**(65,177)**	(19,640)
Income tax expense	–	–	–	–	**–**	–
Loss for the period attributable equity holders of the Company	**(65,177)**	(19,640)	–	–	**(65,177)**	(19,640)
Non-current assets other than financial intruments	**15,500**	77,598	**42,818**	42,967	**58,317**	120,565
Operating assets	**40,051**	100,470	**42,957**	43,129	**83,008**	143,599
Operating liabilities	**68,332**	72,368	**57**	83	**68,389**	72,451
Other disclosures						
Capital expenditure [1]	**3,185**	18,1614	**960**	2,727	**4,145**	20,888

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 preliminary final report. However, the Group's 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.

Major customer

The Group's revenue is derived from two customers.

25. SHARE BASED ENTITLEMENTS AND PAYMENTS

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

No options were granted in 2012.

Options granted during 2011 had a range of vesting dates from immediately to 6 months and were all issued under the EOP. The options have contractual lives of between 3 and 5 years and a weighted average price of $0.52. Exercise prices range from $0.53 to $3.74 in respect of options outstanding at 31 December 2011. The weighted average fair value of the options granted during 2011 was $0.11.

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

The value attributed to each option was calculated by using a Trinomial option pricing model applying the following inputs: exercise price, life 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.

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

	Weighted average exercise price 2012	Number of Options 2012	Weighted average exercise price 2011	Number of Options 2011
Outstanding at 1 January	**$1.77**	**6,595,000**	$2.28	16,201,630
Cancelled during the period	**$2.54**	**(2,425,000)**	$2.50	(10,206,630)
Exercised during the period	**$0.00**	**–**	$0.00	–
Granted during the period	**$0.00**	**–**	$0.52	600,000
Outstanding at 31 December	**$1.51**	**4,170,000**	$1.77	6,595,000
Exercisable at 31 December	**$1.51**	**4,170,000**	$1.77	6,595,000

The options outstanding at 31 December 2012 have a weighted average contractual life of 1.1 years (2011:1.77 years). All options outstanding for the Group at 31 December 2012 were fully vested and exercisable.

(b) Options exercised during the year

During the year ended 31 December 2012 there were no options exercised (2011: Nil).

(c) Table of share options movement for the Group at 31 December 2012

Expiry Date	Number of options	Options expense this period $'000	Total option value $'000
Opening Balance 1 January 2012	**6,595,000**		
Options exercised during the period	–	–	–
Options lapsed during the period	(2,425,000)	–	–
Closing Balance 31 December 2012	**4,170,000**	**–**	**–**

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

(d) Table of share options movement for the Group at 31 December 2011

Expiry Date	Exercise Price $	Classification	Vesting or hurdle terms Yes/No	Number of options	Options expense this period $'000	Total option value $'000
Opening balance 1 January 2011				**16,201,630**		
8 Apr 2011	0.53	Employee	No	300,000	36	36
16 Jun 2014	0.50	Employee	No	100,000	10	10
16 Jun 2014	0.50	Employee	No	200,000	2	2
Total	**–**	**–**	**–**	**16,801,630**	**48**	**48**
Options exercised during the period	–	–	–	–	–	–
Options lapsed during the period	–	–	–	(10,206,630)	(2)	(2)
Closing balance 31 December 2011				**6,595,000**	**46**	**46**

26. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share at 31 December 2012 was based on the net loss attributable to equity holders of the Company of $65.2m (2011: $19.6m) and a weighted average number of ordinary shares outstanding during the year ended 31 December 2012 of 216,238,666 (2011: 184,020,341), calculated as follows:

	2012 $'000	2011 $'000
Net loss for the year attributable to the equity holders of the Company	**(65,177)**	(19,640)
Issued ordinary shares	**718,881,339**	210,800,124
Weighted average number of ordinary shares	**216,238,666**	184,020,341
Basic earnings per share (cents)	**(30.14)**	(10.67)
Diluted earnings per share (cents)	**(30.14)**	(10.67)

(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.

	2012	2011
Diluted earnings per share (cents)	**(30.14)**	(10.67)

27. COMMITMENTS AND CONTINGENCIES

There are contractual commitments at the reporting date as follows:

	2012 $'000	2011 $'000
(a) Operating lease		
Non-cancellable operating leases contracted but not capitalised in the preliminary final report payable:		
Within 1 year	**711**	818
One to five years	**650**	1,306
Total	**1,361**	2,124
(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	**–**	18
One to five years	**–**	–
Total	**–**	18

	2012 $'000	2011 $'000
(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	**–**	214
Total	**–**	214

(d) Minimum expenditure on exploration tenements on which the Group has title are as follows:

As at 31 December 2012, there were minimum exploration expenditure commitments on tenements with local Government authorities. Bremer and Menninnie Dam tenements of $290,000 and $160,000 per annum respectively. Nonning, Taringa , Kolendo, Wipippipee, and Pfeiffer tenements of $240,000 and $250,000, $100,000, $230,000, and $90,000 over 2 years respectively.

As as 31 December 2011, there were minimum exploration expenditure commitments on tenements with local Government authorities. Bremer and Menninnie Dam tenements of $390,000, and $80,000 per annum respectively. Nonning and Taringa tenements of $240,000 and $250,000 over 2 years respectively. The Kolendo tenement had commitment of $150,000 over 3 years.

	2012 $'000	2011 $'000
(e) Capital expenditure commitments		
Capital expenditure commitments contracted for:		
Within 1 year	**17**	263
Total	**17**	263
(f) Finance leases		
Commitments in relation to finance leases for the purchases of mining equipment are as follows:		
Within 1 year	**1,678**	2,193
Longer than 1 year and not longer than 5 years	**808**	2,280
Minimum lease payments	**2,486**	4,473
Less: Future Finance Charges	**146**	395
Total lease liabilities	**2,340**	4,078
Representing:		
Current	**1,550**	1,930
Non-current	**790**	2,148
	2,340	4,078

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

27. COMMITMENTS AND CONTINGENCIES *(continued)*

(g) Other commitments

Oued Amizour Zinc Project

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

Finder's Fee

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

Bank Guarantees – Angas Zinc Mine

As at 31 December 2012, the Company had lodged bank guarantees having a face value of $5.3 million with DMITRE.

Litigation

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

28. EVENTS AFTER THE BALANCE SHEET DATE

The Group has agreed with Investec to the deferral of $2 million of the principal repayment due on 28 February 2013 to 30 September 2013. In addition, the balance of the facility ($8.5 million) due on 30 June 2013 has also been deferred until 30 September 2013 (subject to final documentation). On 28 February 2013, the Group repaid a further $5 million reducing the balance of the facility to approximately $10.5 million.

In addition, subject to final documentation, the Group has agreed a restructure of convertible notes maturing in 2013. The maturity date of the US$15 million unlisted convertible notes held by Asipac will be deferred from 16 September 2013 to 31 May 2014. The maturity date of the $5 million unlisted convertible notes held by an institutional investor will be deferred from 17 September 2013 to 31 July 2014.

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 years that have not been otherwise disclosed in this report.

29. PARENT ENTITY DISCLOSURES

As at, and throughout, the financial year ending 31 December 2012 the parent Company of the Group was Terramin Australia Limited.

	Parent	
	2012	2011
	$'000	$'000
Result of the parent entity		
Loss for the period	**(65,191)**	(19,660)
Other comprehensive income	**–**	–
Total comprehensive income for the period	**(65,191)**	(19,660)
Financial position of parent entity		
Current assets	**24,524**	22,659
Total assets	**89,495**	146,223
Current liabilities	**46,156**	20,945
Total liabilities	**68,331**	69,685
Total equity of the parent entity comprising of:		
Share capital	**143,699**	133,882
Reserves	**8,966**	8,966
Accumulated losses	**(131,501)**	(66,310)
Total equity	**21,164**	76,538

Parent entity contingencies

	Parent	
	2012	2011
	$'000	$'000
Contingent liabilities not considered remote		
Litigation	**Nil**	Nil
Performance guarantees	**Nil**	Nil

Parent entity capital commitments for acquisition of property plant and equipment

	Parent	
	2012	2011
	$'000	$'000
Capital expenditure commitments contracted for:		
Within 1 year	**17**	263

Parent entity guarantees in respect of debts of its subsidiaries

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

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