



4th

Quarter Report 2008

OVERVIEW

CHAIRMAN'S REVIEW

- Angas production schedule advanced by six months
- Reduction in Angas life-of-mine C1 zinc cash costs to US36 cents/lb
- Zinc fundamentals – supply shortfall forecast; prices set to improve

ANGAS ZINC MINE

- Concentrate production tonnage up 6.2%
- Second zinc concentrate shipment (5,500 tonnes) made to Asia
- First stope ore produced
- Production optimisation plan in place

OUED AMIZOUR PROJECT

- Pre-feasibility study nearing completion - lower capital cost forecast
- Bulk concentrate loading berth identified at Bejaia Port
- Study report peer review and risk assessment scheduled

FINANCE

- Cash approximately \$14 million
- Debt refinanced and consolidated to one bank

FOCUS ON ZINC



NATURAL

Zinc is present naturally in rock, soil, air, water, and the biosphere



CHAIRMAN'S REVIEW

I am pleased to report that Terramin has continued to advance its projects despite turbulent global markets and is poised to benefit from the recovery in zinc and lead prices as metal consumers stock up again. We are already seeing a boost to prices and we expect them to improve further through 2009, but it will not be without volatility along the way. Our low level of debt, the extension of the loan term to 2013 and its consolidation to one bank provider proved timely.

Angas is performing better than reported in my last update. As stoping progresses, our miners are continually optimising the production schedules to make the mine perform in volatile financial circumstances. Whereas our December prognosis showed full production from June 2009, the mine is now expected to produce at full capacity from January 2009. Our estimates of site operating cash costs have



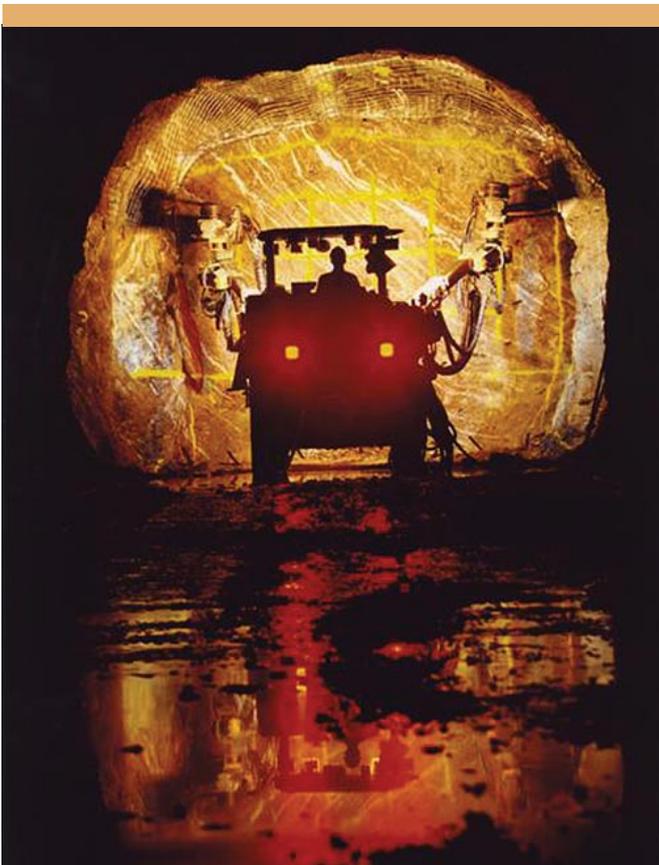
also been revised downwards. Despite some lower credits for other metals, our life-of-mine C1 cash costs are averaging US36 cents/lb of payable zinc using consensus prices.

Even allowing for ongoing investment on development, Angas provides remarkable leverage to recoveries in metal prices. As an example, a 10% lift in metal prices is estimated to increase net cash flow by \$5.3 million per year, whilst analysts are projecting a 20% lift for 2010 and 50% in 2011.

Clearly the Terramin share price over the past quarter has been well below the net present value of the Angas mine and has no component for our other advanced projects. This is a reflection of a depressed market in which fundamentals have been overwhelmed by leveraged selling and pessimism. Our performance is matched by many of our peers and suggests that any turn around in the market could show large gains as value is recognised.

The low value ascribed to new projects is a response to the assumption that they will not be able to attract finance during the global credit crisis. My recent briefings in the Middle East and North Africa showed a demand for base-metal project financing options indicating that if the project is good it will attract finance. In any case, debt finance for our Tala Hamza development is not required until 2010, when it is likely that the extraordinarily tight credit conditions will have subsided, even in western financial centres.

The Tala Hamza pre-feasibility study report is being collated and a draft is expected in mid-January, with the final report due later in the quarter. This study is quite complex but incorporates a high level of certainty in critical areas. We expect some optimisation revisions before it is concluded. In the meantime, the feasibility stage programme is being prepared and expenditures will be low until feasibility commences. As reported earlier, our view is that the next study phase would benefit from drilling and investigation of the entire deposit, as we don't know the full extent of ore grade mineralisation. We are assessing various financing options to ensure that the project proceeds along the optimum path.



Jumbo rig drilling blast charge holes on a drive facing underground at the Angas Zinc Mine.



Planting of 2000 indigenous tree seedlings along the fence line at Angas to achieve visual and noise attenuation.

Looking ahead to zinc fundamentals, it is worth considering the fate of projects that were slated for production and which were to contribute to zinc production in 2009 and onwards. Our commercial team has reviewed twelve projects tabled by the International Lead and Zinc Study Group in May 2008 (see figure). It is interesting that only three of these have the cost profile to be successful in the current conditions, leading to a shortfall of 1.5 million tonnes of zinc in concentrates from previous estimates. In addition, there have been a large number of closures of higher cost operations, many of which will not reopen even when prices recover.

Analysts agree that there is a looming shortfall in zinc supply over the next decade. Demand from developing economies will slow for a period but remain positive and then grow strongly again. The present credit induced crisis will only magnify the shortage since mining projects have long development times and many tabled for development have high operating and/or capital costs. The weight of evidence therefore points to continuing with studies and development of our Tala Hamza project so it can produce from 2011 into what is likely to be an undersupplied market.

Possible Zinc Mine Openings 2009 Onwards

Mine	Annual Capacity	Comments by Terramin
*Oued-Amizour, Algeria	120,000t	FS to be completed in 2009, production 2011, second stage expected to be >200,000 tonnes.
Dugald River, Australia	200,000t	Project suspended – complex metallurgy
Lady Loretta, Australia	125,000t	FS due late 2008, JV partner recently declared bankrupt. High capital
Howards Pass, Canada	280,000t	Undergoing PFS – environmental difficulties.
Izok Lake, Canada	150,000t	Project suspended
Dairi, Indonesia	120,000t	FS complete – still awaiting approvals
Mehdiabad, Iran	400,000t	High capital (USD 1.2 billion)
*Penasquito, Mexico	190,000t	In production late 2009 on silver credits
*San Gregorio, Peru	105,000t	Expected to proceed on silver credits
Gamsberg, South Africa	300,000t	FS completed 2000. Subject to 18 month optimisation study. Difficult metallurgy.

ILZSG (May 2008): Comments are Terramin's, (P)FS = (Pre-) Feasibility study.

With low debt levels and low-cost projects Terramin is well positioned to benefit from recovery of the world economy. The absence of significant stockpiles compared to previous downturns, combined with the lack of low cost project developments, point to a quick turn around for zinc and lead prices compared to other base metals.

I expect to report substantial advances for your Company through 2009.

Kevin Moriarty
Executive Chairman



The Angas Zinc Mine is 100% owned by Terramin. ML6229 is located 2km outside the town of Strathalbyn, 60 km from Adelaide, South Australia.

Probable Reserves of 2.41 million tonnes at 9.7% Pb+Zn are sufficient for an initial seven year operation. Situated in prospective ground in an historical mining belt, previous workings on the Company's tenements could potentially lead to an increase in production and an extension of mine life.

Exploration

The resource extension drilling programme was completed during the quarter with the rigs stood down in October. All logging and processing of core is complete and final analyses were received in December 2008. Results are being compiled and interpreted and will be incorporated into an updated geological model.

Mine development

The decline advanced to 564 metres from the portal during the quarter providing access to development drives on the 75, 95, and 120 Levels and the establishment of the 140 Level intersection. Development on the 95 Level was completed to the northern lease boundary. Development of the 120 Level of the Rankine orebody was completed and production drilling for stoping is underway.

The introduction of a refurbished jumbo late in the quarter contributed to a total of 630 metres of development, the best performance to date. The establishment of the 140 Level has provided additional faces to replace the completed 95 Level and allow continued improvement in the development rate.

Stope firing commenced early November with the first two stopes in the Rankine Shoot. Examination of the stope walls after extraction confirmed dilution assumptions used in the Reserve modelling. Remote stope bogging was implemented and the new Cat R2900 underground loader successfully commissioned into the fleet.

Production for the quarter was 48,869 tonnes of which 35,904 tonnes were from development and 12,965 tonnes from stoping. The ROM stockpile of predominantly development ore was near depleted at year end.

Process plant operations

The process plant continues to perform with above-forecast mill availability and above-plan metallurgical output of both circuits, notwithstanding lower than planned mill utilisation.

Grades and recovery levels of the lead-copper-precious metals concentrate were above plan. Although zinc recovery and concentrate grade improved quarter-on-quarter, circuit stability was variable, possibly influenced by degrees of oxidation on the ROM pad.

2,835 dry metric tonnes of lead-copper precious metals concentrate was trucked to the Port Pirie smelter. The second zinc shipment (5,500 tonnes) departed for Korea in mid November.

The 2009 forecast is for 49,000 tonnes of zinc concentrate to be shipped to Asian markets and 16,000 tonnes of lead-copper precious metals concentrate to be trucked to Port Pirie.

Transport costs have fallen significantly reflecting lower oil prices - diesel is a variable in the contracted haulage rate, and a dramatic change in the shipping market with the ocean freight rate down by 56% compared to the first shipment.

Consumable costs, such as copper sulphate and grinding media are also declining.



Thickener tank at Angas Zinc Mine.



Finance and production

Production at the Angas Zinc mine continues to be optimised with mining rates now forecast to reach plan levels in the March quarter with above plan ore grades expected. Sufficient development was achieved through 2008 to provide for a higher volume and grade of stope ore from January onwards.

Forecast production levels for 2009 are as follows:

2009	Ore Milled	Lead-copper-precious metals concentrate	Zinc concentrate
Q1	87,000	3,200	10,000
Calendar year	371,500	15,800	45,700

Cost control has been a focus over the recent quarter and an intensive budgeting and cost review process is now complete. This has resulted in a further reduction in forecast C1 cash costs to approximately US40 cents/lb in 2009 and US36 cents/lb over the life-of-mine¹.

The start up capital programme is near completion and future expenditure will focus on discretionary and value added targets.

The net impact of the mine schedule optimisation and cost review processes is that Angas is expected to provide more than sufficient cashflows to service debt requirements in 2009, even at conservative commodity prices.

Significant surplus cashflows forecast beyond 2009 mean that the mine provides full leverage to forecast near term recovery in lead and zinc prices.

¹ Total operating costs including forecast zinc treatment charges net of estimated lead, silver, gold and copper bi-product credits calculated using the December 2008 Bloomberg consensus commodity price forecast.

Production statistics

	December Quarter 2008	12 Months 2008
Total ore mined (tonnes)	48,869	112,417
Total ore treated (tonnes)	65,368	122,016
Ore grade:		
– Pb%	2.63	2.69
– Zn%	6.90	7.27
– Cu%	0.26	0.25
– Ag g/t	27.1	27.3
Lead concentrate (tonnes)	2,896	5,550
Grade:		
– Pb%	49.2	49.3
– Cu%	4.6	4.3
– Ag g/t	471	464
– Au g/t	6.8	7.0
Recoveries:		
– Pb%	82.9	83.3
– Cu%	78.4	77.0
– Ag%	76.9	77.4
Zinc concentrate (tonnes)	7,573	14,779
Grade:		
– Zn%	50.9	50.6
Recovery:		
– Zn%	85.6	84.2
Payable metal		
– Zn '000 lbs	7,170	13,872
– Pb '000 lbs	2,950	2,715
– Cu '000 lbs	62	115
– Ag ounces	39,195	73,947
– Au ounces	484	965

Notes: The 12 month payable metal figures include adjustments based on final invoice numbers where available. The ore mined figures are estimated based on tonnes trucked to the surface whilst the ore treated figures are calculated from a weightometer. Reconciliation between the mine and the mill continues.



Processing plant at Angas Zinc Mine with process water ponds in foreground.



OUED AMIZOUR ZINC PROJECT

The Oued Amizour Zinc Project is 100% owned by Western Mediterranean Zinc Spa (WMZ). Terramin has a 65% shareholding in WMZ. The other 35% is held by two Algerian government owned companies.

Exploration Permit 5225PE is a 123 square km tenement with the current tenure renewable in August 2009. The project is situated in northern Algeria on the coast of the Mediterranean Sea, 15 km from the deep water port of Bejaia. In addition to its infrastructure advantages - roads, power, water, and labour force - the project is well positioned to supply feedstock to European smelters.

The most recent resource estimate (October 2008) at Tala Hamza gave an Indicated Resource of 24.8 million tonnes at 8.3% Pb+Zn, within a global Indicated and Inferred Resource of 58.6 million tonnes at 6.5% Pb+Zn.

The scoping study showed at the first stage of production, a 2 million tpa mine will produce 209,000 tpa of zinc concentrate and 43,000 tpa of lead concentrate, but recommended ramping up to mining 4-5 million tpa.

RBS Sempra has entered into a contract with Terramin to market the first 100,000 tonnes of concentrate produced by the mine.

Drilling

Three drill rigs were engaged exclusively in geotechnical and hydrogeological drilling at the Tala Hamza deposit as well as at the proposed decline portal, process plant and tailings storage facility locations. Sufficient data was generated for the pre-feasibility study and the rigs were stood down in December.

Results were received for five exploration holes completed in the previous quarter. Hole TH047 was within the Indicated Resource. Hole TH045 was 30 metres outside the Indicated Resource boundary and recorded two higher grade intervals aggregating 66 metres at 8.7% combined lead plus zinc. Holes TH041, TH042 and TH046 tested the western and south western limits of the Inferred Resource.

The sample preparation facility was commissioned at WMZ's headquarters at Iryahene near Bejaia. This will result in reduced sample shipping costs to the OMAC (ISO 17025 accredited) analytical laboratory in Ireland. Sampling of the remaining nine exploration holes is proceeding.

The future drilling strategy is being reassessed and will be finalised upon completion and review of the pre-feasibility study.

Pre-feasibility study

Activities by the pre-feasibility study team of Bateman Engineering, Golder Associates and Terramin continued on schedule with most elements complete at the period end.

The mine design selected sublevel caving as the base case with block caving as the alternate.

Design parameters for both options include ventilation, dewatering specifications and equipment selection to match all geotechnical aspects.

The metallurgical process circuit identified in the scoping stage was confirmed and detailed engineering design and costings developed.

A European engineering company with current construction experience in Algeria was selected to provide detailed costs for all construction works.

A preferred site for the process plant and other surface infrastructure was confirmed and detailed costings of all surface buildings and associated civil works completed.

Discussions with the Bejaia Port Authority led to the offer of an ideally suited berth for the bulk loading of concentrates in Handysize vessels for shipment to the European smelter market.

Infrastructure cost estimates are expected to be lower than forecast in the scoping study.

Environmental and social impact studies are well advanced with input from Golder Associates (ground-water surveys), Envi-Consult (cultural heritage survey) and the University of Bejaia.

The remaining study components include a peer review of all project sections and a team based risk assessment to ensure that all risks and opportunities are identified, costed and carried through to the feasibility study stage. This phase is expected to be complete early March 2009.

Project expenditure for the December 2008 quarter and for the project to date are US\$2.2 million and US\$22.6 million respectively.



Summary drill results

Drill hole	Total mineralised interval					Significant included intervals				
	From	m	Pb %	Zn %	Pb+Zn%	From	m	Pb %	Zn %	Pb+Zn%
TH041	477.0	99.0	0.80	1.51	2.31					
TH042	483.0	68.2	0.78	1.26	2.04					
TH045	311.0	203.0	0.45	4.12	4.57	359.7	20.4	1.16	8.39	9.55
						468.0	46.0	0.79	7.52	8.30
TH046	502.0	20.3	0.64	3.51	4.15					
TH047	445.0	110.0	4.54	8.36	12.89	454.2	91.8	5.35	9.60	14.94

*Note: Total mineralised interval is quoted at 1% Pb+Zn cut-off.
Included intervals are minimum width of 20m at 5% Pb+Zn cut off; intercepts are down hole.*

Hole ID	Easting	Northing	RL	Azimuth	Dip	Total Depth (m)
TH041	703778	376764	211	180	-68	622.2
TH042	703682	376748	236	180	-80	610.0
TH045	703780	376760	211	34	-82	548.8
TH046	703598	376765	234	162	-82	632.7
TH047	704012	376681	237	0	-90	803.4



Ancillary core logging facility at WMZ Headquarters at Iryahene.



MENNINNIE ZINC PROJECT

The Menninnie Zinc project comprises a joint venture between OZ Minerals Australia Limited (76%) and Terramin wholly owned subsidiary, Menninnie Metals Limited (24%) on EL3640 (Menninnie Dam) and a Menninnie Metals earn-in of up to 70% from Minotaur Operations P/L on EL3535 (Nonning).

Menninnie Dam

As previously advised, OZ Minerals, operator of the Menninnie Dam JV (160 km WNW of the Port Pirie lead smelter in South Australia), has decided to withdraw from the joint venture.

The project camp is on care and maintenance at the sole cost of the operator. A sale Information Memorandum is being prepared.

Terramin (24% interest) holds a pre-emptive right to acquire the OZ Minerals share. Terramin made an offer to purchase but it has expired. The tenement includes an Inferred Resource of 3.8 million tonnes at 3.2% Pb, 4.0% Zn and 34g/t silver at a 3.5% Pb+Zn cut-off, declared at the end of the 2007 season over approximately half the Menninnie Central lode strike length.

All drilling in 2008 was confined to the 1993 Aboriginal Heritage Clearance area encompassing Menninnie Central and Cracker with a total 10,717 metres completed. An IP programme totaling 201 line km was completed else-where in the tenement. The overall results have generally upgraded the tenement's potential.

Menninnie Central has been extended about 500m north to include new Kimba Lode mineralisation intersected in the Cracker West area, and appears also to extend south of the lode limit used for the January 2008 resource estimate. The extremities

Drill Hole ID	From	m	Pb %	Zn %	Pb+Zn %	Ag g/t
MD091	290.4	3.6	6.94	15.29	22.10	100
MD103	108.8	1.2	12.90	17.60	30.50	324
MD113	176.2	4.8	13.40	3.10	16.50	106

Drill Hole ID	Easting	Northing	Azimuth	Dip	Total Depth (m)
MD091	633100	6387500	270	-70	399.9
MD103	633588	6387745	90	-60	198.1
MD113	633000	6387420	270	-70	219.6

Note: MD091 and MD103 are North Menninnie Central and MD113 is Cracker

(Northern Menninnie Central & Southern Menninnie Central) are, however, poorly tested. Clearances to drill new prospects such as Phone Hill, Mannequin, and Tank Hill are expected early in 2009.

Nonning

Minor work was conducted on the tenement during the quarter with interpretations of the IP and Gravity surveys received late in the quarter. Total expenditure by Menninnie Metals to end of December 2008 is A\$338,000 which meets the first of Menninnie's obligations under the Joint Venture with Minotaur.

CORPORATE INFORMATION

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CAPITAL STRUCTURE

at 30 September 2008

Shares on issue 110,625,605

Unlisted Options 16,636,630

Unlisted convertible/redeemable notes US\$20,050,000

and 2,263,529 notes at \$2.21 per share conversion. \$5,002,400

SUBSTANTIAL SHAREHOLDERS

DA Paterson8.28%

KC Moriarty8.16%

JP Morgan Chase & Co7.93%

Deephaven Capital Management LLC6.53%

DIRECTORS

Kevin C Moriarty

Executive Chairman

BSc (Hons), PhD, MAusIMM

David A Paterson

Director

BAppSc, GradDip Bus Admin., MAusIMM

Michael H Kennedy

Director BCom (Economics)

Steve A Bonett

Director BCom, LLB (Hons), AICD, SIA

James T Hazel

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MANAGEMENT

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Chief Geologist

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General Manager – Operations

BEng (Min), MAusIMM

Kate E Bitter

Company Secretary

BA, BCom, LLB (Hons), GDLP, ACLA

The information in this report that relates to Exploration Results and Mineral Resources is based on information compiled by Mr Robert Singer. The information that relates to Ore Reserves is based on information compiled by Mr Andrew Robertson. Both are Members of The Australasian Institute of Mining and Metallurgy. Mr Singer is Chief Geologist and Mr Robertson is General Manager Operations, both are full time employees of Terramin Australia Limited. Both have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting Exploration Results, Mineral Resources or Ore Reserves'. Mr Singer and Mr Robertson consent to the inclusion in the report of the matters based on his information in the form and context in which it appears.