TERRAMIN AUSTRALIA LIMITED

Focus on Zinc

ABN: 67 062 576 238

INTERIM FINANCIAL REPORT

30 JUNE 2007

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INTERIM FINANCIAL REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2007

DIRECTORS' REPORT

The directors present their report together with the consolidated interim financial report for the six months ended 30 June 2007 and the review report therein.

Board of Directors
The names of directors who held office during or since the end of the interim period are:

Dr Kevin C Moriarty
Mr David A Paterson
Mr Michael H Kennedy
Mr Steven A J Bonett
Mr James T Hazel (appointed 26 April 2007)

Review of Operations
Overview
Terramin ('the Company') focuses on investment in advanced mineral projects, with early cash flow potential and with a current preference for base metals, particularly zinc. To achieve this it seeks to identify and acquire projects with certain characteristics, in particular identified resources or targets, proximity to infrastructure, potential for high-grade reserves and the potential to grow resources or expand production to larger tonnages. It will undertake greenfields exploration if the tenements are located near infrastructure or existing operations.

The Company is actively advancing the following three main projects which are discussed in more detail below:

Oued Amizour	Exploration Permit 5225 PE
Angas Zinc Project	Mineral Lease 6229
Menninnie Dam	Exploration Licence 3640

The Angas Zinc Project is the most advanced with concentrate production expected in August 2008.

Highlights for the Half Year
The Company's activities have progressed significantly in the 6 months to 30 June 2007 with the following points warranting special note:

- approval and commencement of the construction of the Angas Zinc mine - 2 April 2007;
- announcement of 55 million tonne inferred resource (prepared in accordance with the JORC code) at the Tala Hamza deposit - 31 May 2007;
- completion of Share Purchase Plan raising $6.7 million - 24 April 2007;
- completion of $5.8 million capital raising via private share placement - 2 April 2007; and
- finalisation of $77 million project financing facility for Angas Zinc Project - 22 May 2007.

Highlights since 30 June 2007
Activity has continued at a fast pace since the period end with the following worthy of note :

- completion of $21.0 million capital raising via private share placement - 26 July 2007; and
- preliminary work on Tala Hamza Scoping and Pre-Feasibility studies commenced - 13 August 2007

A detailed update will be provided in the September 2007 Quarterly Activities Report to be lodged with the Australian Stock Exchange Ltd ('ASX') during the month of October 2007.

DIRECTORS' REPORT (continued)

Terramin Tenement Listing

Title Name and Location	Licence Number	Area (sq kms)	Expiry Date	Terramin Interest
Bremer * South Australia	EL 3641	457	26/10/08	100%
Currency Creek * South Australia	EL 3128	174	16/9/07	100%
Hartley * South Australia	EL 3792	126	30/06/08	100%
Langhorne Creek * South Australia	EL 3310	275	23/02/08	100%
Angas Zinc Project South Australia	ML 6229	87.97 ha	16/08/16	100%

*** - Annual expenditure amalgamated**

Western Mediterranean Zinc Spa Tenement Listing (65% Terramin)

Title Name and Location	Licence Number	Area (hectares)	Expiry Date	Terramin Interest
Oued Amizour Algeria	5225 PE	12,276	27/08/09	65%

Menninnie Metals Tenement Listing (80% Terramin, 20% Zinifex)

Title Name	Licence Number	Area (sq kms)	Expiry Date	Menninnie Interest
Menninnie Dam South Australia	EL 3640	101	26/10/08	51%

Menninnie Metals relinquished title on EL 2696 (Ingomar), EL 2987 (Phar Lap) and EL 3039 (National Trig) during the period.

Oued Amizour Zinc Project - Exploration Permit PE 5225 (65% Terramin)

Terramin's interest is held via a shareholding in an Algerian company Western Mediterranean Zinc SpA (WMZ). This company was formed following the signing of a joint venture agreement with ENOF (Entreprise Nationale des Produits Miniers Non Ferreux et des Substances Utiles – an Algerian Government company) to complete a feasibility study to mine the zinc-lead deposit of Tala Hamza, near Bejaia, Northern Algeria. The joint venture agreement also contemplates regional exploration.

Exploration Permit PE 5225 was granted to WMZ on 27 August 2006 for a term of 3 years. The permit covers 122.76 square kilometres and may be renewed at the end of the initial term.

Terramin will spend a minimum of US$6.6m up to decision to mine expected in late 2008 and has pre-emptive rights over the remaining 35% of the project which is held by two Algerian government companies. US$3.2 million has been spent at 30 June 2007.

Significant progress has been made on the project, including:

- the identification of an inferred resource (as prepared in accordance with the JORC code) at the Tala Hamza deposit at 55 million tonnes at 5.0% zinc and 1.2% lead;
- the identification of a strong potential to add additional resources to the south and south east; and
- the execution of a Letter of Intent authorising WorleyParsons to undertake preliminary work on the Tala Hamza Scoping and Pre-Feasibility studies.

DIRECTORS' REPORT (continued)

Angas Zinc Project – Mining Lease 6229 (100% Terramin)

The Angas Zinc Project is located 2 km outside the town of Strathalbyn, 60 km from Adelaide. Project development for the 400,000 tpa mine commenced in early 2007. First concentrate shipments are programmed to commence in August 2008. The following milestones for the Angas Zinc Project were achieved during the reporting period:

- approval for construction obtained in early April 2007;
- boxcut completed ahead of schedule in June 2007;
- tailings storage facility substantially complete;
- refurbishment of SAG mill commenced;
- site offices near completion; and
- project financing arrangements complete and first draw down made.

Menninnie Dam EL 3640 (51% Menninnie Metals Limited, 49% Zinifex) - Zinifex earning up to 70%

The Menninnie Dam Exploration Joint Venture comprises a 101 sq km tenement located on northern Eyre Peninsula, South Australia. The project encompasses a large Pb-Zn-Ag system, extensive copper-gold targets and significant iron occurences. Zinifex is entitled to earn up to a 70% interest in the project through expenditure of $8 million. As at 30 June 2007, Zinifex had spent $7.1 million to earn a 49% interest.

The project has:

- two infill diamond holes at Menninnie Central have confirmed continuity of intersection at southern end. A resource estimate is expected during the next quarter; and
- drilling on IP anomalies intersected Pb/Zn mineralisation.

Financial
The group made a loss for the half year ended 30 June 2007 of $2,360,783 (half year to 30 June 2006 loss $1,294,867). A total of $5.1 million was incurred during the period on exploration and evaluation of the Company's tenements and has been carried forward as an asset in the group's balance sheet and a total of $13.2 million was incurred on development of the Angas Zinc Project. $216,580 of exploration and evaluation expenditure was written off at period end.

During the period the Company raised $12.5 million from the issue of 7,592,566 new shares at $1.65 each. In addition another 1,250,000 shares were issued pursuant to the exercise of unlisted options raising $1,157,500. (refer note 6.)

During the period the Company entered into finance facility agreements to fund the Angas Zinc Project raising $77 million and had drawn down $10 million of this finance facility at 30 June 2007.

No dividends were paid and the directors have not recommended the payment of a dividend.

Subsequent Events
Other than those referred to in the Director's Report and note 12, there are no significant events subsequent to the half year ended 30 June 2007.

Auditor's Declaration
The auditor's independence declaration under section 307C of the *Corporations Act 2001* is set out on page 5 and forms part of the director's report for the six months ending 30 June 2007.

DIRECTORS' REPORT (continued)

This report is signed in accordance with a resolution of the Board of Directors.

Director..

Kevin C Moriarty

Dated this 5th day of September 2007

Director..

James T Hazel

Dated this 5th day of September 2007

KPMG

TERRAMIN AUSTRALIA LIMITED ABN 67 062 576 238
AND CONTROLLED ENTITIES

AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

To: the Directors of Terramin Australia Limited

I declare that, to the best of my knowledge and belief, during the half-year ended 30 June 2007 there have been:

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

(b) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Jason Anglin

Jason Anglin

Partner

Melbourne

5 September 2007

CONSOLIDATED INTERIM INCOME STATEMENT FOR THE HALF-YEAR ENDED 30 JUNE 2007

	Note	Consolidated Half year ended 30 Jun 2007 $	Consolidated Half year ended 30 Jun 2006 $
Revenue		212,270	456,530
Depreciation expense		(40,570)	(26,593)
Employee benefits expense		(557,212)	(140,863)
Tenement expenditure written off		(216,580)	(33,540)
Administration expenses	2	(1,515,897)	(738,688)
Share option expense	7	(573,235)	(546,616)
Foreign exchange gain/(loss)		454,383	(364)
Financial income		242,591	180,530
Financial expenses		(366,533)	(445,263)
Profit/(Loss) before income tax		(2,360,783)	(1,294,867)
Income tax expense		-	-
Profit/(Loss) for the period		(2,360,783)	(1,294,867)
Profit/(Loss) attributable to minority equity interest		909,532	(7,949)
Loss attributable to members of the company		(3,270,315)	(1,286,918)
Overall Operations:		*Cents*	*Cents*
Basic earnings per share		(3.74)	(1.80)
Diluted earnings per share		(3.74)	(1.80)

The accompanying notes form part of these financial statements

**CONSOLIDATED INTERIM BALANCE SHEET
AS AT
30 JUNE 2007**

		Consolidated	
	Note	30 June 2007 $	31 December 2006 $
CURRENT ASSETS			
Cash and Cash Equivalents		14,134,333	9,552,882
Trade and Other Receivables		2,631,740	914,584
Other Current Assets		251,201	10,246
TOTAL CURRENT ASSETS		17,017,274	10,477,712
NON-CURRENT ASSETS			
Property, Plant and Equipment		3,236,205	3,321,156
Exploration and Evaluation Assets	3	5,395,355	16,090,586
Mine Development Assets	4	27,772,155	-
TOTAL NON-CURRENT ASSETS		36,403,715	19,411,742
TOTAL ASSETS		53,420,989	29,889,454
CURRENT LIABILITIES			
Trade and Other Payables		6,913,838	3,758,153
Loans and Borrowings	5	75,071	-
Provisions		103,438	55,433
TOTAL CURRENT LIABILITIES		7,092,347	3,813,586
NON-CURRENT LIABILITIES			
Trade and Other Payables		-	800,000
Loans and Borrowings	5	16,134,666	6,405,703
TOTAL NON-CURRENT LIABILITIES		16,134,666	7,205,703
TOTAL LIABILITIES		23,227,013	11,019,289
NET ASSETS		30,193,976	18,870,165
EQUITY			
Share Capital	6	36,003,889	22,758,970
Share Option Reserve		1,237,545	772,487
Foreign Currency Reserve		(23,389)	1,994
Accumulated Losses		(8,926,046)	(5,655,731)
Total equity attributable to equity holders of the company		28,291,999	17,877,720
Minority interest		1,901,977	992,445
TOTAL EQUITY		30,193,976	18,870,165

The accompanying notes form part of these financial statements

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 30 JUNE 2007

	Ordinary Share Capital	Share Option Reserve	Foreign Currency Reserve	Accumulated Losses	Total
	$	$	$	$	$
Balance at 1 January 2007	22,758,970	772,487	1,994	(5,655,731)	17,877,720
Loss for the year				(2,360,783)	(2,360,783)
Shares issued during the period	13,685,234				13,685,234
Share issue costs	(548,492)				(548,492)
Transfer to share capital on option exercise	108,177	(108,177)			-
Movement in share option reserve		573,235			573,235
Foreign currency reserve			(25,383)		(25,383)
Profit/(loss) attributable to minority shareholders				(909,532)	(909,532)
Sub-total	13,244,919	465,058	(25,383)	(3,270,315)	10,414,279
Balance at 30 June 2007	**36,003,889**	**1,237,545**	**(23,389)**	**(8,926,046)**	**28,291,999**

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 30 JUNE 2006

	Ordinary Share Capital	Share Option Reserve	Foreign Currency Reserve	Accumulated Losses	Total
	$	$	$	$	$
Balance at 1 January 2006	9,035,045	106,302	-	(2,467,280)	6,674,067
Loss for the year				(1,294,867)	(1,294,867)
Shares issued during the period	2,967,125				2,967,125
Share issue costs	(1,500)				(1,500)
Movement in share option reserve		545,691			545,691
Foreign currency reserve			(6,162)		(6,162)
Profit/(loss) attributable to minority shareholders				7,949	7,949
Share issue attributable to minority					-
Sub-total	2,965,625	545,691	(6,162)	(1,286,918)	8,892,303
Balance at 30 June 2006	**12,000,670**	**651,993**	**(6,162)**	**(3,754,198)**	**9,096,451**

The accompanying notes form part of these financial statements

CONSOLIDATED INTERIM CASH FLOW STATEMENT FOR THE HALF-YEAR ENDED 30 JUNE 2007

	Consolidated	
	Half year ended 30 June 2007 $	Half year ended 30 June 2006 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received	242,591	178,067
Interest paid	(260,655)	(242,600)
Receipts from customers	292,578	276,000
Payments to suppliers and employees	(1,850,513)	(1,090,722)
Net cash provided by (used in) operating activities	(1,575,999)	(879,255)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of non-current assets	(1,108,896)	(497,105)
Joint Venture contributions recevied	752,647	1,677,613
Exploration expenditure payments	(5,016,437)	(5,245,260)
Mine development payments	(11,865,364)	-
Net cash provided by (used in) investing activities	(17,238,050)	(4,064,752)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from issue of share capital	13,136,742	2,966,200
Net proceeds from borrowings	10,258,760	-
Net cash provided by (used in) financing activities	23,395,502	2,966,200
Net increase/(decrease) in cash held	4,581,452	(1,977,807)
Cash at 1 January 2007	9,552,882	7,576,437
Cash at 30 June 2007	14,134,334	5,598,630

The accompanying notes form part of these financial statements

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2007

Note 1: Basis of Preparation

Terramin Australia Limited (the "Company") is a company domiciled in Australia. The notes to the consolidated interim financial report of the Company as at and for the six months ended 30 June 2007 comprises the Company and its subsidiaries (together referred to as the "Group") and the group's interests in associates and jointly controlled entities.

The consolidated interim financial report is a general purpose financial report prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the requirements of the Corporations Act 2001. The half-year financial report does not include full disclosures of the type normally included in an annual financial report, and therefore it is recommended that this financial report be read in conjunction with the annual financial report for the year ended 31 December 2006, and any public announcements made by Terramin Australia Limited and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001.*

This report has been prepared in Australian dollars on the basis of historical costs and does not take into account changing money values or fair values of assets. These accounting policies have been consistently applied by the Group and are consistent with those of the previous reporting period.

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

Except as described below, in preparing this consolidated interim financial report, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 31 December 2006.

Change in Accounting Policy
During the half-year the Group early adopted AASB 2007-04 *Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments* which was otherwise effective for financial years beginning 1 July 2007. The adoption of this standard has resulted in a change in the Group's accounting for government grants under AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance*, in that the Group now has taken the option now available to present exploration and evaluation assets net of the government grant received. This presentation is considered to better reflect the purpose of the government funding and shows the impact of the receipt of the grant in the appropriate financial year. Under AASB 108 *Accounting Policies, Changes in Accounting Estimates, and Errors* the change has been accounted for with effect from 1 January 2006, and resulted in the following impact on the comparative financial statements:

	Balance Sheet 31 December 2006 (pre adoption of AASB 2007-4)	Change	Balance Sheet 31 December 2006 (post adoption of AASB 2007-4)
	$	$	$
Exploration & Evaluation Asset	16,181,057	(90,471)	16,090,586
Deferred Income	90,471	(90,471)	-

There was no impact on the income statement for the comparative half year ended 30 June 2006 as a result of this change in accounting policy.

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2007

Note 2: Administration Expenses – Significant Items

Significant items included in administration expenses for the half year are;

	2007	2006
Accounting and secretarial fees	$225,694	$104,452
Audit fees	$60,060	$12,500
Computer expense	$44,703	$49,883
Consulting fees	$287,491	$213,911
Payroll Tax	$87,318	$34,066
Rent and office services	$95,828	$44,041
Share registry costs	$53,665	$23,875
Staff recruitment	$184,987	$18,362
Travel & accommodation	$173,208	$12,665

Note 3: Exploration & Evaluation

	Half year to 30-Jun-07 $	Half year to 30-Jun-06 $
Balance at the beginning of the period	**16,181,057**	6,122,446
Expenditure for the half year	**5,116,494**	5,208,801
Impact of change in accounting policy (refer note 1)	**(90,471)**	(90,471)
Less: Amount recovered from JV partner	**(1,090,598)**	(1,839,998)
Less: Amount transferred to development	**(14,504,547)**	-
Less: Amount written off	**(216,580)**	(33,540)
Balance at the end of the period	**5,395,355**	9,367,238

The exploration & evaluation assets are intangible.

Note 4: Mine Development

	Half year to 30-Jun-07 $	Half year to 30-Jun-06 $
Balance at the beginning of the period	**-**	-
Transfer from exploration and evaluation	**14,504,547**	-
Expenditure for the half year	**13,267,608**	-
Balance at the end of the period	**27,772,155**	-

**CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2007**

Note 5: Loans and Borrowings

	Currency	Interest rate	Carrying amount **Half year to 30-Jun-07**	Year of maturity
Balance at the beginning of the period			**6,405,703**	2010
New borrowings				
Loan - Angas financing facility	AUD	8.98%	**9,924,893**	2011
Finance lease liabilities	AUD	8.60%	**333,865**	2011
Foreign exchange gain			**(454,724)**	
Balance at 30 June 2007			**16,209,737**	
Current			**75,071**	
Non-current			**16,134,666**	
			16,209,737	

Finance facility

Proceeds from the loan	**10,000,000**
Transaction costs	**(75,107)**
Carrying amount at 30 June 2007	**9,924,893**

The finance facility is to provide funding the Angas Zinc project and is repayable in March 2011.

Finance lease liabilities

Proceeds from the finance lease	**333,865**
Carrying amount at 30 June 2007	**333,865**

The finance lease is for the purchase of plant and equipment at the Angas mine.

Note 6: Issued Capital

Table of issued capital for the half year ended 30 June 2007

Type of Share Issue	**Number of Ordinary Shares on issue**	**Issue Price $**	**Share Capital $**	**Director, Employee, Consultant or Other**
Opening Balance	83,927,008		22,758,970	
Exercise of options	100,000	0.25	25,000	Consultant
Exercise of options	400,000	0.20	80,000	Other
Share placement	3,525,600	1.65	5,817,240	Other
Exercise of options	500,000	1.88	940,000	Director
Share purchase plan	4,066,966	1.65	6,710,494	Other
Exercise of options	250,000	0.45	112,500	Consultant
Closing Balance	92,769,574		36,444,204	
Share issue costs			(548,492)	
Transfer of option reserve to issued capital following option exercise			108,177	
Issued Capital			**36,003,889**	

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2007

Note 6: Issued Capital (continued)

Table of issued capital for the half year ended 30 June 2006

Type of Share Issue	Number of Ordinary Shares on issue	Issue Price $	Share Capital $	Director, Employee, Consultant or Other
Opening Balance	**68,949,691**		**9,035,045**	
Share placement	1,820,000	0.55	1,001,000	Other
Exercise of options	10,000	0.52	5,200	Consultant
Exercise of options	4,000,000	0.40	1,600,000	Other
Exercise of options	1,800,000	0.20	360,000	Other
Closing Balance	**76,579,691**		**12,001,245**	
Share issue costs			-1,500	
Transfer of option reserve to issued capital following option exercise			925	
Issued Capital			**12,000,670**	

Note 7: Options Issued

Table of options issued for the period ending 30 June 2007

Issue Date	Exercise Price $	Classification	Vesting or hurdle terms met	Number of options	Options expense this period $	Total option value $	Expiry Date
Opening Balance				**7,085,000**	**133,537**		
23 February 2007	1.97	Employees	Yes	275,000	24,330	87,393	22 February 2012
23 February 2007	1.97	Consultants	Yes	450,000	37,892	132,421	22 February 2012
9 May 2007	2.43	Employees	Yes	1,075,000	76,256	649,431	8 May 2012
9 May 2007	2.76	Directors	No	550,000	298,201	298,201	8 May 2010
18 June 2007	3.32	Employees	Yes	150,000	3,019	120,596	17 June 2012
Total				9,585,000	573,235	1,288,042	
Options Exercised or lapsed during the period				(1,250,000)			
Closing Balance at 30 June 2007				**8,335,000**			

Table of options issued for the period ending 30 June 2006

Issue Date	Exercise Price $	Classification	Vesting or hurdle terms met	Number of options	Options expense this period $	Total option value $	Expiry Date
Opening Balance				**8,030,000**			
17 March 2006	0.25	Consultants	No	200,000	92,000	92,000	16 March 2009
8 June 2006	1.57	Directors	Yes	1,500,000	198,257	198,257	7 June 2009
8 June 2006	1.88	Directors	Yes	1,500,000	121,496	121,496	7 June 2009
17 February 2006	0.60	Employees	Yes	1,480,000	55,410	270,228	16 February 2011
4 May 2006	1.44	Officer	No	100,000	47,613	47,613	3 May 2011
4 May 2006	1.44	Consultants	No	50,000	23,807	23,807	3 May 2011
8 June 2006	1.26	Employees	Yes	450,000	5,302	52,768	7 June 2011
8 June 2006	1.26	Consultants	Yes	295,000	2,731	106,364	7 June 2011
Total					546,616	912,533	
Options exercised or lapsed during the period				-5,810,000			
Closing Balance at 30 June 2006				**7,795,000**			

**CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2007**

Note 7: Options Issued (continued)

Option value was calculated at the date of issue using an independently generated trinomial model that accounted for option terms including vesting and hurdle events.

Note 8: Segment Reporting

The consolidated entity comprises the following main geographic segments:

- Australia
- Northern Africa

Primary reporting format – geographic segments

	Australia		Northern Africa		Eliminations		Economic Entity	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	$	$	**$**	$	**$**	$	**$**	$
Segment Revenue	**212,270**	456,530	**-**	-	**-**	-	**212,270**	456,530
Segment Result	**(2,360,783)**	(1,294,652)	**-**	(215)	**-**	-	**(2,360,783)**	(1,294,867)
Loss before income tax	**(2,360,783)**	(1,294,652)	**-**	(215)	**-**	-	**(2,360,783)**	(1,294,867)
Income tax expense	**-**	-	**-**	-	**-**	-	**-**	-
Loss after income tax	**(2,360,783)**	(1,294,652)	**-**	(215)	**-**	-	**(2,360,783)**	(1,294,867)

Note 9: Contingencies & Commitments

Other than the following there are no material contractual commitments or liabilities at the reporting date.

i. Minimum expenditure on exploration tenements on which the group has title are as follows:

	Consolidated	
	2007	**2006**
	$	**$**
Within one year	425,000	925,000
Total	425,000	925,000

ii. 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:

	Consolidated	
	2007	**2006**
	$	**$**
Within one year	195,500	206,500
One to five years	322,441	115,000
Total	517,941	321,500

iii. Employee 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:

	Consolidated	
	2007	**2006**
	$	**$**
Within one year	525,436	459,201
One to five years	299,342	287,001
Total	824,778	746,202

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2007

Note 9: Contingencies & Commitments (continued)

iv. Oued Amizour Project

In February 2006, the Company signed a joint venture agreement in respect of the Oued Amizour Project with Entreprise Nationale Des Produits Miniers Non-Ferreux et Des Substances Utiles (ENOF) an Algerian Government company involved in exploration and mining activities. The Company agreed to manage and finance the joint venture until a decision to mine. It has committed to expend up to US$6.6 million to a decision to mine. The minimum expenditure of US$0.5 million has been satisfied. At 30 June 2007 the Company had incurred expenditure of US$3.2 million.

v. Finders Fee

A second tranche of a finders 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 ENOF Algerian joint venture. 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 over fully paid ordinary shares in the capital of the Company, exercisable at 25 cents each within 3 years of date of issue.

vi. Adelaide Hills Property Pty Ltd - Property

On 31 August 2006, the Company entered into an agreement with Adelaide Hills Property Pty Ltd for the purchase of 15.7 hectares of land, which is adjacent to the Company's Mineral Lease ML6229. The consideration payable by the Company under the agreement is $374,500. The settlement will occur at the earlier of March 2009 or on the grant of the appropriate land title.

vii. Spektra Jeotek AS

On 19 September 2006, the Company entered into a contract with Spektra Jeotek AS (a Turkish drilling company) for the provision of 10,000 metres of diamond core drilling at the Oued Amizour project. The value of the contract is approximately US$2,200,000.

viii. Angas Zinc Project contractual obligations

The Company has entered into a number of contracts relating to the construction of the Angas Zinc Mine. The total value of these commitments at 30 June 2007 is $34.4 million.

ix. Bank Guarantee - Angas Zinc Project

As at 30 June 2007, the Company had lodged with PIRSA in respect to Mineral Lease ML6229, a bank guarantee with a face value of $1.0 million. Further bank guarantees having a face value of $2.0 million have been lodged with PIRSA subsequent to the balance date. The Company is required to lodge further bank guarantees with a face value of $2.0 million in 2008.

x. Office Accommodation - Adelaide

On 25 June 2007, the Company entered into a 5 year lease on office accommodation at 91 King William Street, Adelaide. The commitment is for $259,475 p.a. (plus usual commercial adjustments).

xi. Leases - IT Equipment

The Company has entered into various operating leases in respect of IT equipment. The leases have a 2 year term and have a total commitment of $208,240.

xii. Litigation

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

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2007

Note 10: Controlled Entities

Detailed Table

Name	Country of incorporation	Percentage Owned 2007	Percentage Owned 2006
Parent Entity:			
Terramin Australia Limited	Australia		
Subsidiary of parent entity:			
Menninnie Metals Limited	Australia	**80%**	80%
Western Mediterranean Zinc Spa	Algeria	**65%**	65%
Terramin Spain S.L.	Spain	**100%**	100%
Terramin Exploration Pty Ltd *	Australia	**100%**	0%

- Incorporated 20 November 2006

Note 11: Related Party Transactions

Arrangements with related parties continue to be in place. For details on these arrangements, refer to the 31 December 2006 annual financial report.

Note 12: Subsequent Events

Various events are disclosed in the Director's Report and in addition the following are considered material.

i. On 24 August 2007, the Company's Algerian subsidiary, Western Mediterranean Zinc Spa entered into a contract with Spektra Jeotek AS (a Turkish drilling company) for the provision of up to 20,000 metres of diamond core drilling at the Oued Amizour Project. The value of the contract is approximately Algerian Dinar 350 million ($6.4 million).

ii. On 13 August, the Company signed a Letter of Intent with WorleyParsons for the provision of services relating to the Tala Hamza Scoping and Pre-Feasibility studies.

iii. On 3 August, the Company issued 6,555,000 fully paid shares at $3.20 to raise $20,976,000.

iv. On 27 July, the Company issued 4,629,630 options with an exercise price of $2.16 to Investec Bank (Australia) Limited as a condition precedent to draw down on a $10 million convertible loan facility.

v. On 27 July the Company drew down $10 million from the Investec convertible loan facility (being the full facility limit) and $3 million from the Investec guarantee facility.

vi. On 2 July 2007, the Company took delivery of a $1.4 million item of mobile equipment. This item has been funded by finance lease having a 4 year term.

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 6 to 14:

    (a) comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations; and

    (b) give a true and fair view of the economic entity's financial position as at 30 June 2006 and of its performance for the half-year ended on that date.

2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Director..

Kevin C Moriarty

Dated this 5th day of September 2007

Director..

James T Hazel

Dated this 5th day of September 2007

KPMG

Independent auditor's review report to the members of Terramin Australia Limited

Report on the financial report

We have reviewed the accompanying interim financial report of Terramin Australia Limited, which comprises the consolidated interim balance sheet as at 30 June 2007, income statement, statement of changes in equity and cash flow statement for the interim period ended on that date, a description of accounting policies and other explanatory notes 1 to 12 and the directors' declaration set out on pages 6 to 17 of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the interim period.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the interim financial report in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the interim financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity,* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 30 June 2007 and its performance for the interim period ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Terramin Australia Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Conclusion

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

(a) giving a true and fair view of the Group's financial position as at 30 June 2007 and of its performance for the interim period ended on that date; and

(b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001.

KPMG

KPMG

Jason Anglin

Jason Anglin
Partner

Melbourne

5 September 2007