



TERRAMIN AUSTRALIA LIMITED

# 2<sup>nd</sup> Quarter Report 2017

## HIGHLIGHTS

- Tala Hamza Zinc Project
  - Successful completion of all on-the ground study work programme
  - Commencement of approval process by joint venture partners and Algerian mines regulator
- Bird-in-Hand Gold Project
  - Ministerial Determination for Bird-in-Hand Gold Project
  - Submission of studies to the South Australia regulator has commenced
  - Creation of Woodside Community Consultative Committee
- South Gawler Project
  - \$6.0 million South Gawler Joint Venture with Evolution Mining Limited to kick start exploration for IOCG deposits

## TALA HAMZA ZINC PROJECT

*100% owned by Western Mediterranean Zinc Spa (WMZ)*

*Terramin holds a 65% shareholding in WMZ. The remaining 35% is held by two Algerian government-owned companies: Enterprise Nationale des Produits Miniers Non-Ferreux et des Substances Utiles Spa (ENOF) (32.5%) and Office National de Recherche Géologique et Minière (ORGM) (2.5%). The Oued Amizour Exploration Permit 5225PE is a 125km<sup>2</sup> tenement which contains several lead-zinc deposits including the Tala Hamza Zinc deposit.*

### Update

During the quarter, Terramin completed the hydrological and geotechnical test campaigns and it has commenced the approval process with the cooperation of its partners and the Algerian regulator.

The hydrological drilling and water pump testing has now been completed. The purpose of this programme was to confirm the hydrogeological conditions in preparation for the final design of the mine and to further determine any environmental impact. The results from this hydrological drilling programme are very positive to the extent that they show that water levels in and around the ore body will be substantially less than previously modelled. This will reduce the costs associated with water management. The geotechnical drilling conducted by ORGM has been completed and these results were as expected.

Following the completion of the hydrological test campaign, the favourable results of the pumping tests and water analysis have now been incorporated in the hydrological studies which have been presented to our joint venture partners and the Algerian regulator, Agence Nationale des Activités Minières (**ANAM**). The receipt of these results will allow Terramin to finalise the mine design and environmental impact management plans.

This means that all on the ground work, drilling and testing programmes are now complete.

The Algerian government approval process for the Tala Hamza project is underway. Terramin has started the delivery of the first chapters of the revised Definitive Feasibility Study (**DFS**) to our joint venture partners, ENOF and ORGM and to the regulator, ANAM. The Tala Hamza joint venture partners, ANAM and Terramin have agreed earlier in the year that Terramin would deliver the revised DFS and the Environmental Impact Statement (**EIS**) as they are progressively prepared instead of lodging the application after a decision to mine has been taken by the WMZ shareholders. The Algerian regulator, ANAM and the Ministry of Mines have recently agreed to establish a working group which will review portions of the mining lease application as they are completed to facilitate the rapid approval of the project. The preparation of the revised DFS is the result of the coordinated efforts of the project partners to reach progressive agreement on all key technical aspects of the project.

Terramin is targeting to complete the EIS and all chapters of the DFS by the end of September 2017 quarter.

During the quarter the cash expenditure on the project was \$1,571,971.

## BIRD-IN-HAND GOLD PROJECT

*100% owned by Terramin subsidiary Terramin Exploration Pty Ltd*

***The Bird-in-Hand Gold Project is located approximately 30km north of Terramin's existing mining and processing facilities at the Angas Zinc Mine. The project has a high grade Resource of 588,000 tonnes at 13.3g/t for 252,000 ounces of gold.***

***It is anticipated that, subject to required regulatory approvals, the Bird-in-Hand material will be processed utilising the facilities at Angas which can be modified to process gold-bearing material. The existing tailings dam at Angas has the capacity to hold all the Bird-in-Hand tailings.***

### Update

During the quarter the Company has shifted its focus towards working with the South Australian mining regulator, Department of the Premier and Cabinet (DPC) to ensure that all the works and studies are in a satisfactory form to be able to be incorporated into the forthcoming mining lease application. These studies cover ground water, surface water, noise, vibration, flora and fauna, and heritage. Additional studies will be discussed in the coming months.

In early April, the DPC released a bespoke Ministerial Determination that outlines the information they expect from Terramin in the mining proposal for Bird-in-Hand Gold Project. This determination for a mining proposal for the Bird-in-Hand Gold Project was gazetted in the SA Government Gazette on 5th April 2017.

The Company has also continued its ongoing community engagement programme which included the formation of a community consultative committee for the project (the Woodside Community Consultative Committee or WCCC). This process involved a public meeting followed by a 2 day "open house" where the local community were able to view displays on the project and talk to staff and experts involved in the project prior to final nominations for committee members. The purpose of the WCCC is for Terramin to understand and respond to the views of the community in order to meet the expectations of local residents, land users close to Woodside and other local communities. The WCCC will be involved in providing feedback on mining lease conditions and the development of the Program for Environmental Protection and Rehabilitation as well as ongoing consultation the construction, operation and rehabilitation of the project.

During the quarter the cash expenditure on the project was \$432,522.

### Competent Person Statement

*The information in this report that relates to Exploration Results and Mineral Resources is based on information compiled by Mr Eric Whittaker, a Competent Person who is a Member of the Australasian Institute of Mining and Metallurgy (AusIMM). Mr Whittaker is a full time employee of Terramin Australia Limited. Mr Whittaker has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Whittaker consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.*

## SOUTH GAWLER PROJECT

100% owned by Terramin subsidiary Menninnie Metals Pty Ltd in joint venture with Evolution Mining Limited which retains earn-in rights

**Terramin's South Gawler Project is located along the southern margin of the Gawler Ranges, northern Eyre Peninsula, South Australia. The project comprises a group of ten Exploration Licences totalling 3887km<sup>2</sup>, one Subsequent Exploration Licence Application covering 493km<sup>2</sup>, and four new Exploration Licence Applications totalling 2846km<sup>2</sup>. The Project area is prospective for a range of deposit styles that host combinations of gold, silver, copper, molybdenum, lead, zinc, rare earth elements, graphite, and tin ± tungsten.**

### Update

During the quarter, Menninnie Metals Pty Ltd (**MMPL**) entered into an A\$6.0 million Earn-in and joint venture agreement (**Agreement**) with Evolution Mining Limited (**Evolution**)(ASX: EVN).

Exploration under this new joint venture will primarily target Iron Oxide Copper Gold (**IOCG**) deposits in areas that have seen limited exploration thus far. There is growing evidence that hydrothermal systems comparable to those that formed major breccia-hosted IOCG deposits (such as the Olympic Dam, Prominent Hill and Carrapateena deposits) elsewhere in the Gawler Craton about 1590 million years ago were also active at that time in the South Gawler Project area. The new joint venture's exploration model has already led to the discovery of IOCG-style multi-stage hematite-rich breccias in outcrop on its tenements and the model provides a straightforward strategy for targeting copper-gold deposits within or associated with these breccias.

Evolution is a well-funded company that shares Terramin's views on the exploration potential of the area.

The key terms of the Agreement are:

- Evolution can earn a 70% interest in the project after spending A\$4 million on exploration over four years, MMPL will continue to hold the tenements until then;
- Terramin to be the manager during the first earn-in phase;
- At its election, Terramin may contribute pro-rata and retain 30% of the project, otherwise Evolution may elect to earn an additional 10% interest in the project (total 80%) by spending a further A\$2 million over two years, after which a pro-rata period will operate;
- Evolution can withdraw from the project after a minimum spend of A\$500,000 within the first year.

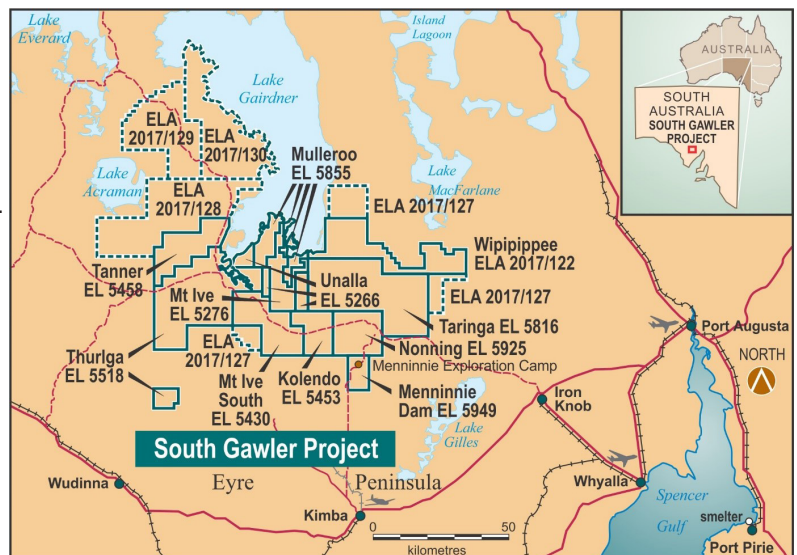


Figure 1 – South Gawler Project - Tenements

Exploration activity has commenced with the joint venture partners already agreeing to expand the footprint of the project by applying for four new exploration licences.

The cash expenditure on the project during the quarter was \$86,813. Going forward, the project will be funded by Evolution.

## ANGAS ZINC MINE

*100% owned and operated by Terramin*

***A 400,000 tpa operation that produced zinc and lead-copper-silver-gold concentrates currently in care and maintenance. The Angas deposit was mined until late 2013 and shut down due to the devaluation of zinc metal at the time. 1.3m tonnes of zinc and lead mineralisation at a combined grade of 5.4% remain within the mining lease. Processing operations are expected to resume upon the start of mining of the Bird-in-Hand deposit.***

### Update

The Angas Zinc Mine continues to be maintained with the intention of restarting processing in the near future. The Company submitted the final revised Mine Closure Plan (**MCP**) in January, a component of the mine's updated Program for Environmental Protection and Rehabilitation.

The Angas site continues to be maintained in accordance with the approved Mine Care and Maintenance Plan and is operating in compliance with its lease conditions.

As part of the Bird-in-Hand Gold Project, the DPC have advised that a Miscellaneous Purposes Lease will be required in order to re-establish the processing facility and TSF at Angas. An updated impact assessment, as required by the DPC is underway.

The Strathalbyn Community Consultation Committee and the Company continue to meet quarterly with the Company providing progress updates in respect of the MCP and the Company's intentions to utilise the Angas processing facility for the processing of Bird-in-Hand gold ore.

During the quarter the cash expenditure on the project was \$183,032.

## ADELAIDE HILLS EXPLORATION

*100% owned by Terramin and Terramin subsidiary Terramin Exploration Pty Ltd*

***The Adelaide Hills project consists of twelve contiguous exploration tenements that cover 3702 km<sup>2</sup> and stretch from Lake Alexandrina to Kapunda. This project area is considered highly prospective for gold, copper, lead, zinc and rare earth elements.***

### Update

The Adelaide Hills has a long history of mining and was the site of Australia's first base metals mine (Glen Osmond, 1841) and first gold mine (Victoria Mine, 1846). From 1841 to 1851 virtually all of Australia's metalliferous mines were located in South Australia. Over 250 historic gold and copper mines and prospects are located on Terramin's Adelaide Hills tenements.

During the quarter, due to priority work on other projects no substantive work was undertaken on these tenements. The cash expenditure on the project was \$27,157.

## CORPORATE

On 31 July 2017, the Company and Asipac have finalised the terms of a short term unsecured facility whereby Terramin can borrow up to \$2.4m to finance the on-going working capital and project commitments of the Company (**Short Term Facility**) to be drawn down on a needs basis. As at the date of the Short Term Facility, \$1.9 million have been drawn. The key terms of the Short Term Facility are:

- Maturity date is 31 October 2017 however \$1.0 million is repayable on 30 August 2017;
- Consistent with the other facilities advanced by the Asipac Group, interest is payable at maturity at a rate of 7% per annum.

As at 30 June 2017, the Company cash position was \$97,320.

## CORPORATE INFORMATION

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## DIRECTORS AND MANAGEMENT

**Feng (Bruce) Sheng**  
**Michael H Kennedy**  
**Kevin McGuinness**  
**Angelo Siciliano**  
**Wang Xinyu**

*Non-Executive Chairman*  
*Non-Executive Deputy Chairman*  
*Non-Executive Director*  
*Non-Executive Director*  
*Non-Executive Director*

**Martin Janes**  
**Joe Ranford**  
**Stéphane Gauducheau**

*Chief Executive Officer*  
*General Manager - Chief Technical Officer*  
*Legal Counsel and Company Secretary*

## CAPITAL STRUCTURE

as at 31 July 2017

Shares on issue	1,821,327,550
Unlisted Options	3,500,000
Unlisted Share Rights	654,773