



TERRAMIN AUSTRALIA LIMITED

3rd Quarter Report 2017

HIGHLIGHTS

- Corporate
 - \$8 million placement to new sophisticated investors to provide funding for Tala Hamza and Bird-in-Hand projects
 - Reduction of overall company debt by \$3 million – Standby Facility available for redraw as needed
- Tala Hamza Zinc Project
 - Continued work on DFS chapters and EIS with JV partners
 - Extension of exploration licence
 - Terramin on target for delivery of DFS and EIS and lodgement of mining lease application before year end
- Bird-in-Hand Gold Project
 - Mineral Claim approved and received from SA government
 - Community consultation continued
 - Draft Mining Lease application on track to be lodged before year end
- South Gawler Project
 - On-ground exploration underway with new joint venture partner
- Adelaide Hills
 - Creation of a joint venture to target copper in-situ recovery at Kapunda

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 125km² tenement which contains several lead-zinc deposits including the Tala Hamza Zinc deposit.

Update

During the quarter, Terramin completed the hydrological test campaign which has allowed the finalisation of the mine design and environmental impact study.

The Algerian government approval process for the Tala Hamza project continued during the quarter. Terramin continues to deliver a number of chapters of the revised Definitive Feasibility Study (**DFS**) to the joint venture partners, ENOF and ORGM. A number of critical chapters covering tailings disposal and processing have been accepted by the joint venture partners. In addition, a revised mine design has been completed and the preparation of the final financial model is underway.

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.

The Environmental Impact Statement (**EIS**) is substantially completed and is in a form that is included in the Mining Lease application.

To facilitate the completion of the DFS, the EIS and the mining lease application, the Algerian mining regulator, Agence Nationale des Activités Minières, has renewed the Oued Amizour exploration license which incorporates the Tala Hamza Zinc Project (**Exploration Licence**) by an additional 6 months until February 2018.

Terramin expects that the mining lease application will be lodged before the end of the year. Prior to lodging the mining lease application, the partners will meet to take a decision to mine in accordance with the terms of the Tala Hamza Joint Venture Agreement.

During the quarter the cash expenditure on the project was \$248,002.

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 Terramin Exploration Pty Ltd was granted a mineral claim regarding the Bird-in-Hand Gold project. Under the Mining Act, a mineral claim is a necessary step before the lodgement of the mining lease application.

During the reporting period, the Company has continued working with the 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, visual amenity and heritage. This work anticipates the lodgement of the draft mining lease proposal to the regulator before the end of the year.

The Company has also continued its ongoing community engagement programme. One significant aspect of the community engagement programme is the engagement with a community consultative committee for the project, the Woodside Community Consultative Committee, (**WCCC**) formed in April 2017. 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 outcomes and the development of the Program for Environmental Protection and Rehabilitation as well as ongoing consultation regarding the construction, operation and rehabilitation of the project.

After the formation of the Committee, Mr Ian Dixon was appointed as new chair. Mr Dixon is an internationally recognised partnering and change specialist. During the reporting period, a number of meetings of the WCCC were held in which membership, structure, and terms of reference of the WCCC were established. Consistent with the objectives of the WCCC Terramin updated the committee on the different aspects of its proposal to mine the Bird-in-Hand deposit and responded to queries the members had.

Other community events have been held during the quarter in order to receive community feedback including community drop-in and focus groups. The focus groups received community feedback regarding economic development, traffic, local business, noise and vibration relating to proposed mining activity.

During the period, the Company completed the risk assessment for the project in relation to the environmental, community and economic impacts. A number of important studies were completed including groundwater model, surface and storm water studies, strategic visual amenity plan, traffic, backfill, ventilation systems, mining equipment requirement and material handling.

During the quarter the cash expenditure on the project was \$295,446.

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 3887km², one Subsequent Exploration Licence Application covering 493km², and four new Exploration Licence Applications totalling 2846km². 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. Menninnie Metals Pty Ltd (MMPL) entered into an Earn-in and joint venture agreement with Evolution Mining Limited (Evolution)(ASX: EVN) in June 2017 to explore the tenements.

Update

In June 2017, Menninnie Metals Pty Ltd entered into a \$6.0 million earn-in and joint venture agreement (**Agreement**) with Evolution Mining Limited (**Evolution**) (ASX: EVN). Evolution is one of Australia's largest gold mining companies and shares Terramin's views on the exploration potential of the area.

Exploration under this new joint venture is primarily targeting 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.

During the September quarter, joint venture geologists significantly progressed the textural and mineralogical categorisation of nearly a thousand samples from epithermal quartz ± hematite veins and hematite-rich breccia collected from localities throughout the project area. Many of these samples will be submitted for geochemical and/or petrological analysis during the December quarter.

Towards the end of the September quarter gravity measurements were acquired at a total of 2,476 new stations within the project area. Field mapping of IOCG-style breccia occurrences and collection of samples for analysis will continue throughout the December quarter while the gravity and geochemical data are being processed and interpreted.

The joint venture partners agreed to a second expansion of the project's footprint, lodging one new exploration licence application in mid-August and two more in mid-September. These are: ELA 2017/174 (**Peltabinna**), ELA 2017/188 (**Reid**) and ELA 2017/189 (**Siam**), shown in Figure 1.

All expenses on the project are made by Evolution under the terms of the Joint Venture Agreement.

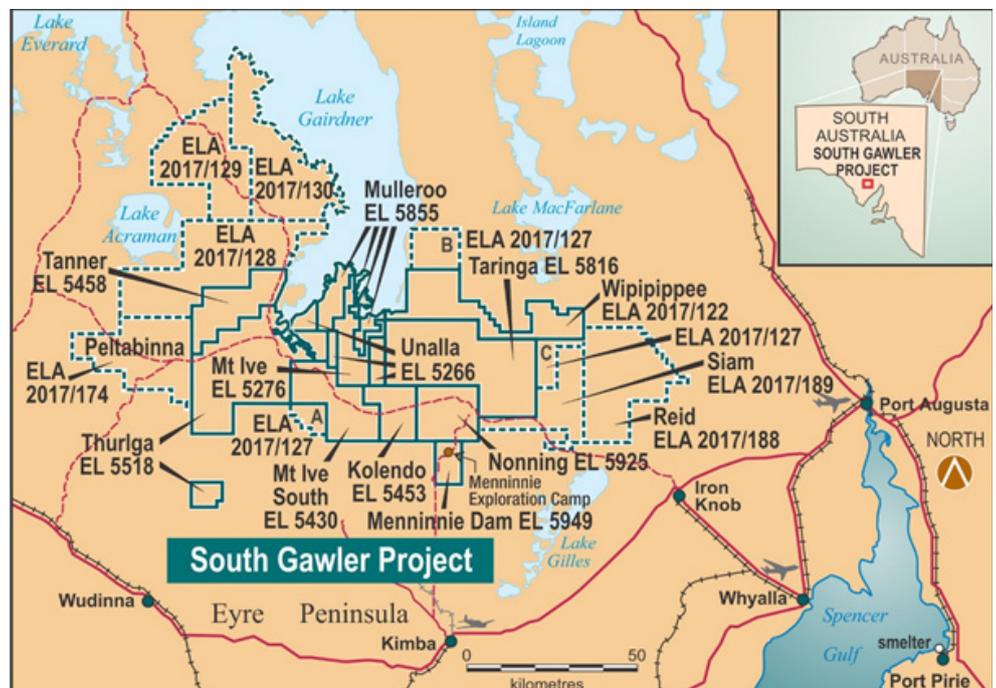


Figure 1 – South Gawler Project - Tenements

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.

During the quarter, the final Mine Closure Plan (**MCP**) (a component of the mine's updated Program for Environmental Protection and Rehabilitation (**PEPR**)) lodged earlier in the year was approved by the Department of Premier and Cabinet.

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

The Company is preparing a Miscellaneous Purposes Licence (**MPL**) required to utilise the processing facility and TSF at Angas for the Bird-in-Hand Gold Project. An updated impact assessment, as required by the DPC is underway.

The Strathalbyn Community Consultation Committee (**SCCC**) and the Company continue to meet quarterly with the Company providing progress updates on the Company's intentions to utilise the Angas processing facility for the processing of Bird-in-Hand gold ore. Recently a workshop was organised with the SCCC and neighbours of the site to provide an update on the processing of gold ore at the Angas site and the regulatory process to achieve this. Attendees were informed of Company progress in preparing a MPL and feedback recorded for consideration and inclusion in the MPL Angas risk assessment. A workshop was also held with the Alexandrina Council regarding the proposed site changes.

During the quarter the cash expenditure on the project was \$154,371.

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.*

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 km² 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, Terramin Exploration entered into a binding term sheet agreement with Environmental Copper Recovery Pty Ltd (**ECR**) in respect of the potential development of a low cost in situ recovery (**ISR**) copper project near Kapunda, South Australia, approximately 90 km north of Adelaide. The joint venture will be investigating the potential to extract through ISR the copper from shallow oxide ores in and around the historic Kapunda Mine workings. If field leaching tests are successful, then a feasibility study of the project to produce copper (and possibly gold) at low capital and operating costs will be commissioned.

The principals of ECR are senior mining professionals with extensive experience in mine development and operations, including a background in ISR production in South Australia. ECR has relationships with the several research organisations including the Commonwealth Scientific and Industrial Research Organisation (**CSIRO**) that is developing new suites of environmentally benign "lixiviants" for use in low impact ISR operations. ECR are working in partnership with ASX/AIM listed Thor Mining Plc (ASX:THR).

Under the terms of the Agreement ECR can earn a 50% interest in the project after spending \$2 million on field trials and associated studies and an additional 25% interest in the project by spending a further \$4 million. Subject to the completion of the expenditure by ECR, Terramin Exploration will retain a minimum 25% contributing interest and will retain a 1.5% net smelter royalty in respect of all metals extracted from the joint venture area. ECR will have minimum spend commitment of \$300,000 within the first year and each subsequent year of the joint venture.

ECR are in the process of re-logging and undertaking measurements specific to ISR requirements of the Kapunda drill core. Once the re-logging is complete the data will be used in the estimation of a resource.

The cash expenditure relating to the Adelaide Hills tenements was \$47,735.

CORPORATE

During the reporting period the Company undertook a share placement to raise approximately \$8 million with new sophisticated investors (**Placement**). The Placement was completed in two tranches and resulted in the issue of 47,619,048 shares at an agreed price of \$0.168 per share with \$6.3 million raised in September with a further \$1.7 million raised in October.

The funds raised by the Placement (net of transaction fees) will be used to complete the final steps towards a decision to mine by the Tala Hamza Zinc Project partners and the lodgement of the mining lease application, complete the work required for the lodgement of the mining lease application for the Bird-in-Hand Gold Project and for general working capital.

Following the feedback received from some shareholders at the Company's AGM in May 2017, the Board has decided to pay owing and all future directors' fees in cash. In addition, the Board and the CEO have agreed to vary the CEO's remuneration by paying his full salary in cash thereby removing the share rights component of his remuneration. This agreement became effective from July 2017. All outstanding share rights will convert to shares in accordance with the terms of the Terramin Employee Share Right Plan. During the period, 230,945 share rights converted into shares.

Subsequent to the reporting period, the Company and its major shareholder, the Asipac Group, have agreed to extend the \$5 million Corporate Facility, \$6 million Bird-in-Hand Facility and \$3.25 million Stand-by Facility. These facilities will mature on 31 October 2018. All other material terms of each facility remain unchanged. Terramin and Asipac have agreed that Terramin will repay \$3 million under the Stand-by Facility. Terramin will be able to redraw up to \$3.25 million under this facility, as the need arises. As consideration for the extension of the facilities, Terramin will pay an extension fee in respect of the Corporate and Bird-in-Hand facilities.

The Company and Investec Bank Plc are finalising the renewal of the \$5.3 million guarantee facility for another 12 months on similar terms as the existing guarantee facility.

As at 30 September 2017, the Company's cash balance was \$5,042,843.

CORPORATE INFORMATION

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DIRECTORS AND MANAGEMENT

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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 October 2017

Shares on issue	1,869,177,543
Unlisted Options	3,500,000
Unlisted Share Rights	423,828