



TERRAMIN AUSTRALIA LIMITED

4th Quarter Report 2017

HIGHLIGHTS

- Tala Hamza Zinc Project
 - Delivery of Definitive Feasibility Study to Algerian Partners
 - Completion of all presentations to Algerian partners regarding Definitive Feasibility and Environmental Impact Studies
 - Drafting of mining lease application completed and ready to be submitted subject to joint resolution of the Tala Hamza partners
- Bird-in-Hand Gold Project
 - Draft Mining Lease application presented to South Australia mining regulator for feedback
 - Community consultation continued including with regular meetings of the Woodside Community Consultative Committee

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 6911 PEM is a 125km² tenement which contains several lead-zinc deposits including the Tala Hamza Zinc deposit.

Update

During the quarter, the Tala Hamza project team finalised the Definitive Feasibility Study (DFS). This process also included a series of presentations and meetings with the Algerian partners and members of the Algerian mining ministry regarding the revised DFS.

Specifically, the partners have had positive discussions regarding the mining and financial chapters of the DFS as well as the implementation of the development strategy. The coordinated efforts of the partners has allowed the parties to reach progressive agreement on all key chapters of the DFS. Terramin is now awaiting a formal approval from its partners for the lodgement of the mining lease.

The partners are now working together to provide all the required information to the Algerian regulator in the format that the regulator requires for the mining lease approval.

With the DFS phase largely complete, Terramin is restructuring its Board and senior management roles to ensure appropriate focus on the critical government permitting phase of the Tala Hamza Project (see Corporate).

During the quarter the cash expenditure on the project was \$555,300.

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 (Angas). 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 ore 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 completed the drafting of and provided the draft mining lease proposal (**MLP**) for the development of the Bird-in-Hand Gold Project to the regulator, the Department of the Premier and Cabinet (**DPC**). The purpose of lodging a draft of the MLP with the DPC is to seek their feedback on compliance against regulatory requirements under the Mining Act and against the Ministerial Determination prior to the submission of the formal MLP.

The Company completed and lodged an application under the Environment Protection and Biodiversity Conservation Act 1999 (Cth), after meeting with the Commonwealth Department of the Environment and Energy. The Company awaits the result of the application.

Consultation continues on the Project with various government and stakeholder agencies, including the Commonwealth Department of the Environment and Energy, and State government departments including DPC, the Department of Environment, Water and Natural Resources, the Department of Planning, Transport and Infrastructure, and the Environment Protection Authority.

The Company has also continued its ongoing community consultation in line with the Company's Community Engagement Plan. This included personal interactions with landholders, technical workshops and focus groups, community 'drop in' days and the formation of a community consultative committee for the project (the Woodside Community Consultative Committee or **WCCC**), which met monthly through the quarter to discuss various aspects of the project. The WCCC is involved in providing feedback on proposed mining lease outcomes, as well as ongoing consultation regarding the construction, operation and rehabilitation of the Project.

During the quarter the cash expenditure on the project was \$585,200.

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 seventeen Exploration Licences totalling 8321km² and one new Exploration Licence Application for 637km². 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, MMPL entered into a \$6.0 million earn-in and joint venture agreement (**Agreement**) with Evolution. 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 within the Gawler Range Volcanics (GRV) province 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.

Interpretation of data from a recent gravity survey that focused on several iron-rich vein and breccia systems in the central part South Gawler Project indicates a low probability for a large subsurface ironstone occurrence in the survey area. Further analysis of the gravity data and an integrated magnetic/gravity inversion model is currently being completed. This will be combined with results from a 1200 sample regional geochemical program to improve understanding of the geological setting of the veins and breccias and plan the next phase of IOCG targeting.

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

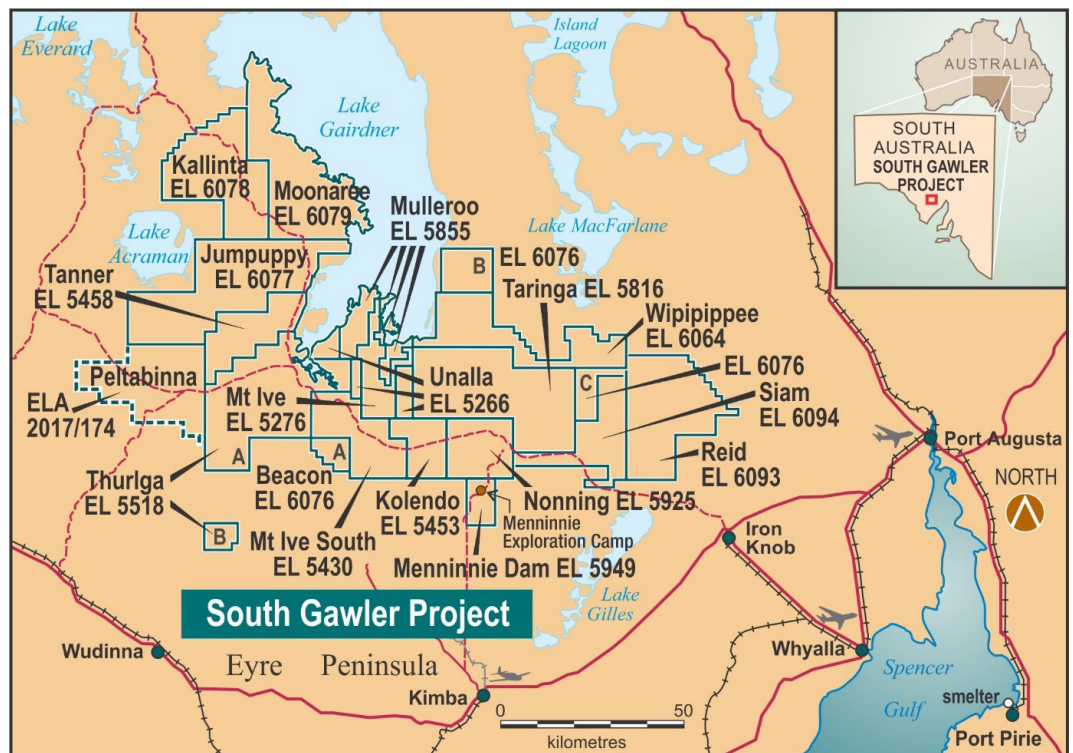


Figure 1 – South Gawler Project EL and ELA status at 29 January 2018

ANGAS ZINC MINE

100% owned and operated by Terramin

A 400,000 tpa operation that produced zinc and lead-copper-silver-gold concentrates is 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 (**AZM**) site continues to be maintained in accordance with the approved Mine Care and Maintenance Plan and is operating in compliance with its lease conditions.

The Company continues to prepare a Miscellaneous Purposes Licence (**MPL**) required in order to utilise the processing facility at Angas for the processing of ore from the Bird-in-Hand Gold Project. The MPL proposal continues to be drafted, as impact assessments are updated to reflect the proposed changes.

The Strathalbyn Community Consultation Committee 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. A Community "Drop In" Day was held in Strathalbyn in October to provide information to the community on the proposed changes to AZM and also present the recently approved Mine Closure Plan.

Terramin continues to engage with third parties to utilise the existing infrastructure at AZM in order to maximise the site's potential.

During the quarter the cash expenditure on the project was \$192,400.

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.

Exploration activities have been limited during the quarter as the company focuses its resources on progressing the Bird-in-Hand Gold Project and the Tala Hamza Zinc Project.

Kapunda Project joint venture partner and in-situ recovery (**ISR**) specialist Environmental Copper Recovery SA Pty Ltd (**ECR**) collected background environmental samples from the project area. ECR also collected density measurements and re-logged specific to ISR requirements the Kapunda drill core stored at South Australia Drill Core Reference Library. This data was utilised in a baseline hydrological assessment undertaken by Groundwater Science Pty Ltd.

The Company used all historic Kapunda geological logs in conjunction with Hylogger results from 14 drill holes to model the extents of various copper mineral species. Aerial photography and scanned images were used to georeference the historic Kapunda Mine plans that were then used to generate a 3D model of the existing underground workings

An updated Kapunda Resource, specifically calculated for ISR is currently being advanced and will be released in the near term.

The cash expenditure relating to the Adelaide Hills tenements was \$27,200.

CORPORATE

During the reporting period the Company completed the second part of the share placement announced on 27 September 2017. The Company agreed to place shares to a number of sophisticated investors to raise \$8 million (**Placement**) in 2 tranches. The second and final tranche of the Placement completed with the issue of 10,119,047 shares at the same price as the previous tranche (\$0.168 per share).

After the reporting period, the Board has resolved to restructure the Board and senior management roles to ensure appropriate focus on the critical government permitting phase of the Tala Hamza Zinc Project.

Mr Bruce Sheng has assumed the role of Executive Chairman taking a greater role in the permitting phase to develop the project. In addition, Mr Xinyu Wang, a Non-Executive Director of Terramin and Vice President of NFC (China Nonferrous Metal Industry's Foreign Engineering and Construction Co Ltd), has moved into an executive director role. Along with current Board member, Mr Kevin McGuinness, Mr Sheng and Mr Wang form a dedicated committee of the Board to work with senior management focused on finalising project approvals from the various Algerian regulatory, and the grant of the formal mining lease.

Mr Martin Janes has transitioned from the role of CEO into an executive corporate role. He has overall management responsibility for Terramin's corporate and finance functions as well as the Australian projects and exploration activities including the key Bird-in-Hand Gold Project.

As key approval milestones are achieved for the Tala Hamza Zinc Project over coming months Terramin will continue to review its organisational requirements.

As at 31 December 2017, the Company's cash balance was \$2.7 million.

CORPORATE INFORMATION

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DIRECTORS AND MANAGEMENT

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Michael H Kennedy
Kevin McGuinness
Angelo Siciliano
Wang Xinyu

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

Martin Janes
Joe Ranford
Stéphane Gauducheau

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

CAPITAL STRUCTURE

as at 30 January 2018

Shares on issue	1,869,340,158
Unlisted Options	1,750,000
Unlisted Share Rights	261,213