



TERRAMIN AUSTRALIA LIMITED

2nd Quarter Report 2018

HIGHLIGHTS

Corporate & Environmental Performance

- Corporate
 - New management team appointed to key roles, including CEO and CFO
 - Strategic review of Terramin development and exploration assets commenced, including possible demerger of gold exploration assets
 - Cost review commenced at all sites
- Environmental Performance
 - Zero harm at all sites and no environmental exceedances
 - Agreement signed with Hydrostor (Canada) to look at converting the Angas underground workings into a Compressed Air Energy Storage facility

Terramin Base Metals

- Tala Hamza Zinc Project
 - High level discussions with Algerian authorities regarding the submission of the application for the mining lease
 - Technical discussions have progressed regarding changes made to the mining method in order to accommodate requirements from the regulator
 - Optimisation studies commenced to capture opportunities and improve outcomes from components of the project
- Menninnie Dam Zinc Project
 - Actively seeking a joint venture partner to progress the Zinc-Lead project

Terramin South Australia Gold

- Gold Exploration & Bird-in-Hand Gold Project
 - New gold strategy with aspirational target of 1moz within South Australia
 - Permitting for a revised drill program targeting additional feed for processing
 - Third party review of the Bird-in-Hand Resource and reprocessing of geological data
 - Managed Aquifer Recharge (MAR) drilling scheduled
 - Community consultation continued including regular meetings with the Woodside Community Consultative Committee

Exploration

- Adelaide Hills Exploration
 - Activities on the Kapunda Joint Venture with Environmental Copper Recovery (ECR) continued with ECR currently undertaking mineral characterisations and lixiviant suitability testing on Kapunda samples

TERRAMIN BASE METALS

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

Terramin's strategic review is considering the demerger of the Company's base and precious metals businesses. The demerger is expected to provide strategic clarity in Company direction and provide an opportunity for investors to pursue commodity strategies more aligned to individual investor interests. The structure of the WMZ joint venture will not be affected by the proposed demerger. Terramin's base metals business will focus on developing the core Tala Hamza zinc and lead project, together with its joint venture partners in WMZ, and look to expand its activities in North Africa and further afield.

During the quarter, the joint venture partners have continued working together to ensure that all aspects of the completed revised Definitive Feasibility Study (DFS) is accepted by the relevant decision makers within the Algerian regulator. The partners have continued to provide all the required information to the Algerian regulator in the format that the regulator requires for the mining lease approval. Terramin is awaiting a formal approval from its partners for the lodgement of the mining lease. Terramin expects to be in a position to update the market on the outcome in Q3 or at the latest Q4.

The revised DFS envisages a long life (21 years) project at lower processing rates and higher grades than the original DFS in 2010. Importantly, the DFS 2018 moves away from the larger scale, higher capex, block cave mining method and utilises a selective mining method, Underhand Drift and Fill (UDF) that removes the surface expression of the mine and allows for underground storage of the majority of the tailings generated by the project. The change in mining method will remove the need for a tailings dam and significantly reduce the pre-production capital expenditure envisaged in the DFS 2010.

Terramin commenced optimisation activities during the quarter, aimed at developing expansion cases that could add additional value to the project. The Tala Hamza deposit remains open to the south and east and early site activities will look at unlocking the potential for greater production rates in earlier years. Upon approval of the Mining Lease works will also commence on known near mine deposits to review potential for centralised processing at Tala Hamza, based on a hub and spoke model. All optimisation and expansion cases will require approval from Algerian regulators, supported by robust feasibility level studies. Terramin commenced long lead time planning for the expansion cases while awaiting approval for the initial Tala Hamza development works.

Expenditure on the Tala Hamza project during the quarter was \$0.25 million.

TERRAMIN SOUTH AUSTRALIA GOLD

BIRD-IN-HAND GOLD PROJECT & ANGAS PROCESSING PLANT

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) which was mined until late 2013. 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 Bird-in-Hand tailings.

Update

Terramin's South Australia focussed gold strategy was developed and further refined during the quarter. The central aim will be to develop the Angas facility as a central processing plant for feed from Bird-in-Hand and utilising spare capacity to treat ore from other potential targets either currently held by the Company or available for acquisition.

During the reporting period, the Company continued to engage with the Department for Energy and Mining (**DEM**) in respect of the draft Mining Lease Proposal (**MLP**) for the development of the Bird-in-Hand Gold Project. Feedback was received from the mining regulators, the Environment Protection Agency (**EPA**) and Department for Environment and Water (**DEW**) which the Company is reviewing and incorporating into the MLP.

The Company continues to prepare for a Managed Aquifer Recharge (**MAR**) drilling program to further calibrate the groundwater modelling and subsequently confirm the best locations for the water reinjection bores for the mining operation, as required by the DEM and DEW. This program consists of drilling water bores, obtaining DEW drainage permits and installing monitoring piezometers. This program will allow the Company to ascertain the suitability, via calibrated numerical modelling, of the aquifer for a MAR scheme. MAR schemes are a proven and effective water management and preservation technique used in many industries, including mining. An Exploration Program for Environmental Protection and Rehabilitation (**EPEPR**) was submitted to the mining regulators for the MAR drilling, which was subsequently approved.

In addition to consultation with government bodies, the Company has also continued its ongoing community consultation in line with the Company's Community Engagement Plan. This included personal interactions with landholders and meetings of the community consultative committee for the project (the Woodside Community Consultative Committee or **WCCC**). The WCCC met monthly during the quarter to discuss and provide input regarding various aspects of the project. The WCCC is providing key information to refine the outcomes that will be used to develop the detailed regulatory triggers for every environmental aspect of the project, as well as ongoing consultation regarding the construction, operation and rehabilitation of the area after mine closure.

The Angas Zinc Mine (**AZM**) site continued to be maintained in accordance with the approved Mine Care and Maintenance Plan and is operating in compliance with its lease conditions. The Strathalbyn Community Consultation Committee and the Company met during the quarter, with the Company providing updates on the plan to use the Angas facility for the processing of Bird-in-Hand gold ore and also engagement with Canadian company Hydrostor regarding the Compressed Air Energy Storage project.

Expenditure on the Bird-in-Hand project and Angas Zinc Mine site was \$0.63 million.

EXPLORATION

100% owned by Terramin and Terramin subsidiaries Terramin Exploration Pty Ltd or Menninnie Metals Pty Ltd

The Adelaide Hills Project consists of twelve contiguous exploration tenements that cover 3702km² and stretch from Lake Alexandrina to Kapunda. This project area is considered highly prospective for gold, copper, lead, zinc and rare earth elements.

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 Exploration Licence Application for 637km².

Update

A strategic review is currently being undertaken in order to deliver against Terramin's long term goal of identifying 1 million ounces of gold within Terramin's South Australian exploration tenement holding of more than 12,000 square kilometres. Non-core projects will be reviewed for their potential to generate joint-venture / farm-out value.

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's Kapunda Project joint venture partner and in-situ recovery (**ISR**) specialist Environmental Copper Recovery SA Pty Ltd (**ECR**) submitted samples to CSIRO for mineral characterisation and lixiviant suitability testing.

The joint venture is investigating the potential to extract copper through ISR from the shallow mineralised halo around the historic Kapunda Mine workings. Following an extensive review of historical drill data, historical mining records along with additional test work, Terramin Exploration Pty Ltd and ECR have estimated a combined Resource of 47.4Mt at 0.25% copper using a 0.05% copper cut off (Table A). Please refer the Company's announcement released on 12 February 2018.

Type	Mt	Copper (%)	Copper tonnes
Copper oxide	30.3	0.24	73,000
Secondary copper sulphide	17.1	0.27	46,000
Total	47.4	0.25	119,000

Table A: Kapunda 2018 Resource estimates reported at a 0.05% cut off.

The Company confirms that it is not aware of any new information or data that materially affects the resource figures included in the above table and that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed.

Expenditure on the Adelaide Hills and Gawler Ranges tenements was \$0.27 million and \$0.06 million respectively.

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.

CORPORATE & ENVIRONMENTAL PERFORMANCE

During the reporting period the board restructured the executive team with the appointments of Mr Richard Taylor as Chief Executive Officer and Mr Simon Iacopetta as Chief Financial Officer and Company Secretary.

Terramin has embarked on a strategic review of its pre-production assets, exploration activities and cost structure in order to optimise Terramin's ability to deliver against its 2018 and long term goals. The review is likely to be completed in the September 2018 quarter.

Terramin continued to pursue its safety and environmental goals during the quarter. There were no recorded safety incidents and no instances of non-compliance with relevant safety or environmental regulation or lease conditions at Terramin controlled sites.

Terramin's environmental team continued discussions with Global Aquatica for a tailings dam water treatment trial. Global Aquatica is a company that specialises in the treatment of water and tailings by removal of metals. This trial is undertaken at no cost to Terramin and, if successful, may reduce Terramin's liability regarding rehabilitation of the area and provide long term site remediation benefits.

Terramin also signed a long term agreement with the Canadian renewable energy company Hydrostor to develop and convert the underground workings into a compressed air storage facility that can utilise off-peak energy to store air and produce in the order of 10MW of power at peak times to ensure grid stability and power availability. Hydrostor's solution delivers low-cost, long duration bulk energy storage that is synchronous, emission-free and flexible to locate, including the ability to repurpose mine workings and leverage existing mining infrastructure.

As at 30 June 2018, the Company's cash balance was \$0.76 million.

CORPORATE INFORMATION

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DIRECTORS AND MANAGEMENT

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Non-Executive Director

Non-Executive Director

Executive Director

Richard Taylor

Simon Iacopetta

Chief Executive Officer

Chief Financial Officer and Company Secretary

CAPITAL STRUCTURE

as at 30 June 2018

Shares on issue

1,869,478,040

Unlisted Options

1,750,000

Unlisted Share Rights

123,331