TERRAMIN AUSTRALIA LIMITED

2016 ANNUAL REPORT

CONTENT

ABOUT TERRAMIN

Terramin Australia Limited engages in the exploration, evaluation and development of base and precious metal projects in Australia and overseas.

Terramin has a clear focus on growing a production pipeline of base and precious metal projects close to infrastructure and with low capital and operating costs. Consistent with this focus, the Group holds a number of highly prospective mineral deposits and exploration tenements across South Australian and Algerian locations.

Projects include the flagship Tala Hamza Zinc Project, which is located on the Mediterranean coast of Algeria and is a joint venture with an Algerian government-owned company, the Bird-in-Hand Gold Project, Angas Zinc Mine and the Adelaide Hills and Gawler Ranges exploration tenements in South Australia. In total, the Group has access to 3 billion pounds of zinc and 252,000 ounces of gold in situ.

Terramin has a highly capable team to take projects from exploration through feasibility to production. This team is supported by a Board which has extensive business and project development experience.

The safety of everyone involved in operations is at the core of the Company. The primary objective is to operate in a manner that builds long term, sustainable value for shareholders.

CORPORATE INFORMATION

DIRECTORS

Feng Sheng
Chairman

Michael Kennedy
Deputy-Chairman

Angelo Siciliano
Non-Executive Director

Kevin McGuinness
Non-Executive Director

Wang Xinyu
Non-Executive Director

CHIEF EXECUTIVE OFFICER

Martin Janes

COMPANY SECRETARY

Stephane Gauducheau

REGISTERED & BUSINESS OFFICE

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AUDITORS

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Level 3
170 Frome Street
Adelaide
South Australia, 5000

SHARE REGISTRY

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Services Pty Ltd
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MAJOR PROJECTS

TALA HAMZA ZINC PROJECT - ALGERIA (65%)

- Mineral Resource of 68.6 million tonnes @ 4.6% zinc and 1.1% lead.
- Recommendations from Definitive Feasibility Study agreed by joint venture partners with on-going programme agreed.
- Extensive infrastructure in place.
- Low power and fuel costs.
- Attractive regional exploration.

ADELAIDE HILLS - SOUTH AUSTRALIA (100%)

- 252,000 ounces at 13.3 g/t Resource at Bird-in-Hand Gold Project.
- Ore body remains open at depth with further exploration upside nearby.
- Scoping Study for Bird-in-Hand indicates strong economics.
- Existing 400,000 tpa Angas process plant and tailings dam with significant capacity.
- 3,750 square kms of exploration tenement which include over 300 historic gold, copper and base metal mines.

GAWLER RANGES PROJECT - SOUTH AUSTRALIA (100%)

- Existing Mineral Resource of 7.7 million tonnes @ 3.1% zinc and 2.6% lead.
- Exploration has identified extensive untested epithermal vein systems and show related zones.
- Prospective for IOCG deposit, epithermal Ag-Pb-Zn deposits and tin-tungsten and copper-gold skarns.

Dear Fellow Shareholders

The past year has proved to be a challenging year for the resource industry with volatile metal prices creating significant uncertainty for the equity markets. However, as we have moved into 2017, we have seen a substantial rally in prices across a range of mineral commodities and the "green shoots" of a recovery of the resources sector.

The price of zinc has been a particularly strong performer with the price of the metal increasing by 75% over the year to be at its highest price for approximately 10 years. This rally comes as no surprise to Terramin, as its price rally has been largely driven by the much heralded closure (due the exhaustion of resources) of some of the largest zinc mines in the world. There are a number of other factors that are in play which indicate that this may only be the beginning a long sustained increase in zinc prices. The price of zinc is recovering from a period of sustained low prices over the last decade where the zinc price has underperformed other metal prices. This has resulted in significant under investment in the exploration and development of zinc resources which means that there is only a small number of zinc projects which are position to satisfy the current (and widening) zinc market deficit. Terramin's Tala Hamza Zinc Project is one of those projects.

There is evidence that the zinc market deficit supply position is only going to widen as China, the world's largest producer of zinc concentrate responsible for approximately 30% of world supply, is in the process of implementing stricter environmental regulations which will result in the closure of zinc mines. We have already seen the impact of this type of regulatory change on the coal market.

Terramin has also maintained its exposure to the highly profitable Australia gold mining sector through the development of the Bird-in-Hand Gold Project. At current AUD gold prices of in excess of $1,600, this project offers the potential for significant returns on a modest capital investment.

Accordingly, the Directors of Terramin have maintained their focus of the development of the Tala Hamza Zinc Project and the Bird-in-Hand Gold Projects as a matter of priority.

Tala Hamza Zinc Project

Terramin has continued to work very closely with its Algerian partners to finalise the studies on the Tala Hamza project to enable the lodgment of the mining lease application. These studies have been focused on improving not only the economic outcomes of the project but also improving the economic and social outcomes for the project.

These studies have enabled to agree on a new project design which enable the Tala Hamza surface infrastructure including the processing plant, long term tailings storage and related mining infrastructure to in one valley system. The reduction in upfront capital costs is significant but the significantly improved environmental outcomes will facilitate an easier path to approval.

The partners are in agreement in all important aspects of the project and are working together to complete a final confirmatory geotechnical and hydrological drill campaign and the drafting of final reports to support the mining lease application.

Subject to a decision to mine of the joint venture partners the mining lease application will be lodged together with the environmental impact statement. Then will follow a period of review by the Algerian ministry of mine which, under current legislation, may take up to 5 months. 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 so as to facilitate the rapid approval of the project. Following recent discussions with ENOF and ANAM Terramin is confident that the Algerian party will undertake all efforts to get the project approved as soon as possible.

It is expected that WMZ will apply for a mining lease area largely similar to the current area of the exploration license. One of the significant upside of the Tala Hamza project is the very strong potential to add additional resource with satellite deposits in close proximity of the Tala Hamza deposit.

Bird-in-Hand Gold Project

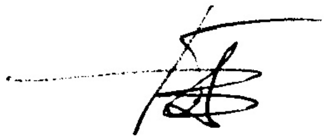
During the year, Terramin completed a drilling program which highlighted the potential for an increasing gold endowment at the Bird-in-Hand Gold Project. A modest drill program resulted an 8% increase to total resource to 252,000 gold ounces. This drilling was focussed on upgrading our understanding of the existing resource so the increase in grade bodes well for further increases in grade in the balance of resources. The potential of this orebody cannot be underestimated as the orebody remains open at depth and there a number of other historical mines with a couple of hundred metres of proposed underground mine infrastructure.

The design of the mine and the surface infrastructure is largely complete and the various reports that support the mining lease application are close to finalisation.

The Bird-in-Hand Gold Project offers almost an unique proposition offering one of the highest grade commercial gold mines in Australia with existing infrastructure with significant exploration potential.

Concluding Remarks

Terramin is in a very strong position with interests in a world class zinc asset and a high grade, low cost gold asset. The Directors are seeing the potential for significant value accretion as these assets move into development as well as significant growth through exploration within development footprint.



Feng Sheng

Chairman

TERRAMIN AUSTRALIA LIMITED

2016 FINANCIAL REPORT

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DIRECTORS' REPORT

for the Year Ended 31 December 2016

Your Directors submit their report on the consolidated entity being Terramin Australia Limited (the Company or Terramin) and its controlled entities (the Group), for the financial year ended 31 December 2016 and auditor's report thereon.

DIRECTORS

The following persons were Directors of the Company during the whole of the year and up to the date of the report unless stated otherwise:

Mr Feng Sheng
Non-Executive Chairman - Appointed 17 April 2013

Mr Sheng is Chairman of Melbourne based Asipac Group (including Asipac Capital Pty Ltd and Asipac Group Pty Ltd) (Asipac). He has owned and operated several businesses over the years predominantly focused in property investment and development. Asipac is an active investor in the resources sector and a significant shareholder in Terramin. Asipac is also an active member of the Australia China Business Council and sponsors the organisation at both a national and state level. He is also a Director of Western Mediterranean Zinc Spa (WMZ), the company which owns and operates the Oued Amizour Zinc Project in Algeria.

Mr Michael H Kennedy BComm (Economics)
Non-Executive Deputy Chairman - Appointed 15 June 2005

Mr Kennedy has enjoyed a 40 year career in the non-ferrous mining and smelting industry, and has held a number of senior marketing and logistics roles with the CRA/RTZ Group, managing raw material sales from the Bougainville, Broken Hill, Cobar and Woodlawn mines, managed raw material purchases and supply into the Port Pirie lead smelter, Budel zinc smelter (Netherlands), and the Avonmouth (UK) and Cockle Creek (Newcastle) zinc-lead smelters. He was the resident Director of the Korea Zinc group of companies in Australia from 1991 until 2005, which encompassed the construction and commissioning of the Sun Metals zinc refinery in Townsville. Mr Kennedy is Deputy-Chairman of the Board, and a member of the Audit, Risk and Compliance Committee, the Nominations and Remuneration Committee.

Mr Kevin McGuinness
Non-Executive Director - Appointed 17 April 2013

Mr McGuinness is a finance executive with more than 20 years of experience as a Director and in executive management with ASX listed and private companies in the mining, medical equipment industries and not-for-profit organisations. Mr McGuinness was previously the Chief Financial Officer of Exact Mining Services. He is the current Chairman of Zero Waste SA, a Director and former Chairman of the Royal Zoological Society of SA and a former Director of Ellex Medical Lasers Limited. Mr McGuinness is Chair of the Audit, Risk and Compliance Committee, the Nominations and Remuneration Committee and Independent Review Committee. Mr McGuinness is also a Director of WMZ.

Mr Angelo Siciliano FIPA, Registered Tax Agent, BBus
Non-Executive Director - Appointed 2 January 2013

Mr Siciliano has more than 20 years of experience as an accountant in property development and financial services. Mr Siciliano is the Chief Financial Officer of Asipac and for the last 16 years has owned and managed an accounting practice predominantly focussing a fellow of the Institute of Public Accountants and is a Director of ASX listed Resource Base Limited. He is a member of the Company's Audit, Risk and Compliance Committee, and of the Nominations and Remuneration

Mr Yaheng Xie MSc, Senior Engineer
Non-Executive Director - Appointed 18 September 2009 – Retired 2 March 2017

Mr Xie is Vice-President of China Nonferrous Metals Industry's Foreign Engineering and Construction Company Limited (NFC) and Chairman of Guangdong Zhujiang Rare Earth Co Limited, a company in which NFC holds a 72% interest. Mr Xie's first degree is in electrical engineering and he was a senior electrical engineer at the Design Institute. Mr Xie has further degrees in finance and business administration, and project management experience at zinc and copper mines in Mongolia, Zambia and Vietnam.

Mr Wang Xinyu
Non-executive director – appointed 2 March 2017

Mr Wang is a vice president of NFC and is currently a director of Industrial Construction Corporation LLC (Mongolia), China Nerin Engineering Co. Ltd and NFC India Pvt. Ltd. Mr Wang has project management experience in a number of smelting and mining operations in the Middle East and Central Asia, notably the Iran Yazd Zinc Mine and Smelter and the Arak Aluminium Smelter Project.

COMPANY SECRETARY

Mr Stéphane Gauducheau is the Group's Legal Counsel and Company Secretary. He is a lawyer with more than 15 years experience in commercial, corporate and financing transactions. Mr Gauducheau is admitted to legal practice in South Australia and in France.

MEETINGS OF DIRECTORS

The number of meetings of the Company's Board of Directors and of each Board committee held during the year ended 31 December 2016, and the number of meetings attended by each Director were:

	Directors' Meetings		Audit, Risk & Compliance Committee		Nominations & Remuneration Committee		Due Diligence Committee	
	E	A	E	A	E	A	E	A
MH Kennedy	4	4	4	4	-	-	1	1
K McGuinness	4	4	4	4	-	-	1	1
A Siciliano	4	4	4	4	-	-	-	-
F Sheng	4	4	-	-	-	-	-	-
Y Xie	4	1	-	-	-	-	-	-

E Number of meetings eligible to attend.

A Number of meetings attended.

PRINCIPAL ACTIVITIES

During the year there were no significant changes in the nature of the Group's principal activities which continued to focus on the development of and exploration for base and precious metals (in particular zinc, lead and gold) and other economic mineral deposits.

OPERATING RESULTS

The consolidated loss of the Group after providing for income tax was $3.7 million for the year ended 31 December 2016 (2015: $6.5 million).

The major contributors to the result were interest costs, expenditure in relation to the Tala Hamza Zinc Project prior to the grant of the exploration licence and exploration expenditure written off in relation to Australian projects.

The consolidated net asset position as at 31 December 2016 was $45.5 million, decreased from $49.6 million as at 31 December 2015.

DIVIDENDS PAID OR RECOMMENDED

No dividends were paid or declared during the year and no recommendation was made to pay a dividend.

REVIEW OF OPERATIONS

During the year, the Company continued to focus on the exploration and evaluation of base and precious metal projects in Australia and Algeria. In 2016, the Company continued the work to complete a revised Definitive Feasibility Study (DFS) for the development of the Tala Hamza zinc deposit in Algeria in collaboration with its Algerian joint venture partner. The Company also continued the studies as part of the Preliminary Feasibility Study for the Bird-in-Hand Gold Project in South Australia.

Highlights for each of the Company's major projects are reported below.

Tala Hamza Zinc Project

(Terramin 65%)

The Tala Hamza Zinc Project includes the Tala Hamza zinc deposit and is 100% owned by WMZ. Terramin has a 65% shareholding in WMZ, the remaining 35% is held by two Algerian government owned companies: Enterprise National des Produits Miniers Non-Ferreux et des Substances Utiles Spa (ENOF) (32.5%) and Office National de Recherche Géologique et Minière (ORGM) (2.5%). WMZ was formed following a resolution of the State Participation Council to create a joint venture between ENOF and Terramin for the development and mining of the Tala Hamza zinc-lead deposit.

During the year, the Company made progress towards the completion of the revised feasibility study for the development of the Tala Hamza project.

The Algerian mining regulator, Agence Nationale des Activitiés Minières (ANAM), re-issued the Oued Amizour exploration license which incorporates the Tala Hamza Zinc Project (Exploration Licence) in February 2016. The re-issue of the Exploration Licence follows the general agreement between Terramin and its Algerian joint venture partners on the new mining method, the scope and parameters of the revised scoping study and will allow the completion of a geotechnical and hydrogeological program. The partners met in June 2016 for a formal WMZ board meeting during which, the partners confirmed their agreement on the steps to be taken towards the development of the project.

Terramin, in agreement with its joint venture partners, have progressed a number of matters that have significant implications for the footprint and economics of the project. This includes the choice of a new site for the processing facility which will now be closer to the Tala Hamza zinc deposit. The partners have continued to work on finalising the subsidence model on the basis of geotechnical studies. The project partners are satisfied that the surface infrastructure including the processing facility can be located in one valley (instead of two) following normal engineering design parameters.

The partners have also completed significant work regarding the management of tailings. This aspect is important for the partners from an environmental and social aspect. Tailings specialist, ATC Williams, have delivered a report which confirmed the feasibility of dry stacking of tailings rather than construction of a tailings dam. This option eliminates social and environmental concerns, reduces the upfront capital costs, significantly reduces the footprint of land used (and associated land acquisition costs) as well as long term site rehabilitation liability. The partners agreed that the dry stacking of tailings is a viable option for the Tala Hamza Zinc Project. This study will be incorporated in the revised feasibility study and environmental impact statement (EIS) for the project.

For the upcoming months, Terramin plans to complete the geotechnical and hydrogeological drilling program which was delayed by heavy rain. The partners will also focus on completing the revised feasibility study by including the results of the geotechnical drilling, the hydrological and tailings dry stacking studies. The drafting of the EIS and the completion of the mining lease application is also a priority in 2017.

Bird-in-Hand Gold Project

(Terramin Exploration Pty Ltd 100%)

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 252,000 ounces of gold which is amenable to underground mining.

During the year the Company completed a diamond drilling program which was principally designed to provide hydrological, geotechnical and metallurgical data about the Bird-in-Hand deposit to enable Terramin to progress the underground mine design and commence layouts of surface facilities. As part of that program, six holes were drilled to obtain fresh samples for metallurgical and mineralogical analyses of the gold mineralisation. The assays returned very high grade gold results which confirmed the exceptionally high grade gold mineralisation of the Bird-in-Hand deposit.

These results along with earlier high grade gold results allowed the Company to upgrade the mineral resource classification for the upper part of the deposit from Inferred to Indicated. The new resource was estimated at 588,000 tonnes at 13.3g/t gold for 252,000 ounces of gold, resulting in an increase of 8% to the previous estimate. Over a third of the 2016 Resource Estimate tonnes has been classified as Indicated.

A number of studies have been undertaken to pre-feasibility standard in respect of ventilation systems, mining equipment requirements, material handling, backfill, traffic and storm water. These studies will be used to prepare the mining lease application for the development of the project.

Initial groundwater modelling has been undertaken as part of the mine design to determine likely inflows over the life of the project. The groundwater management program is focussed on protecting the existing groundwater users' access and groundwater quality.

Grouting is utilised to restrict the inflow of groundwater when mining, the Company has worked with grouting and water specialist consultants for the mine design.

The Company continues to work on its community engagement program which included meeting with stakeholders in the area of the project, providing information and receiving feedback about the project as studies progress. A number of workshops were held during the year with neighbours and other interested parties to address key aspects of the project, including the understanding and protection of groundwater, geotechnical conditions and design. As part of the community consultation process, the Company has commissioned the CSIRO to undertake a survey to ascertain community concerns and sentiments towards the proposed mine development. The results of the study will help understand community issues and guide the establishment of management systems to mitigate perceived impacts.

Terramin also undertook environmental rehabilitation of the land it owns at Woodside during the year. The revegetation program has been designed to re-establish native vegetation habitat for the threatened flora and fauna species indigenous to the area. Approximately 23,000 native plants were planted along farm boundaries, fence and creek lines to provide habitat corridors, improve resilience of existing woodland and provide screening along boundaries. The mine plan is to be integrated with the revegetation areas and will be designed to have a minimal surface exposure. All infrastructure is designed to avoid native vegetation growth areas.

Angas Zinc Mine

(Terramin 100%)

The Angas Zinc Mine is located 2km outside the town of Strathalbyn, 60km from Adelaide. The mine is currently in care and maintenance pending the resumption of exploration at depth and near mine, in addition to evaluation of the development of the Bird-in-Hand Gold Project. The site remains in compliance with all lease conditions.

During the year the Company completed the elaboration of the Angas Zinc Mine closure plan (Closure Plan) with the feedback of the Department of State Development (DSD) to satisfy DSD's requirements. The key aspects of the Closure Plan discussed with DSD related to the mine entrance and the tailings dam. The approved Closure Plan is integrated into the updated Program for Environmental Protection and Rehabilitation (PEPR) for final sign off. The conceptual Closure Plan design incorporates an engineered soil cover (also known as a Phytocap or an AACap) to close the TSF and develop a long term stable landform.

The Company continues to engage regularly with the Strathalbyn Community Consultation Committee and has discussed this proposal with the Committee. The Company continues to update the Committee as plans progress.

Adelaide Hills Project

(Terramin / Terramin Exploration Pty Ltd 100%)

The Adelaide Hills Project consists of twelve contiguous exploration tenements that cover 3,493km² stretching 120km between Victor Harbor and Kapunda. This project area is considered prospective for gold, copper, lead, zinc and rare earth elements. In addition to Bird-in-Hand, current active project areas include: Kapunda, Wheal Barton and Cambrai.

During the year, Terramin was awarded a drilling grant of $85,000 by the SA Government backed PACE programme to explore the Brind gold deposit. Work was undertaken around several old mines in the Adelaide Hills including at the Kapunda (EL 5262) copper mine and Cambrai prospect. Data collected included ground magnetics, ground EM and soil geochemistry.

During the reporting period, Terramin was granted tenement EL 5846 (Wild Horse) for a 2 year term. The Wild Horse tenement is located on the East of Murray Bridge which is prospective for Copper-Gold. Work included reprocessing of geophysical datasets and petrological analyses of historic core samples.

Early in 2017, Terramin reliniquished two of its Adelaide Hills Project tenements.

Gawler Ranges Project

(Terramin 100% through its wholly owned subsidiary Menninnie Metals Pty Ltd)

During the year, the work undertaken was limited to the compilation of field data, field mapping and sampling of vein systems and IOCG-style breccias and interaction with potential joint venture partners.

Corporate

During the year the Company implemented a number of corporate cost reduction strategies. The Company moved offices to 202-208 Glen Osmond Road, Fullarton thereby reducing corporate overheads to use towards advancing the Company's projects.

The Company and its major shareholder, Asipac Group Pty Ltd (Asipac), agreed to increase the Bird-in-Hand loan facility by $1.0 million to $6.0 million. This additional amount was used to continue advancing the work on the Tala Hamza Zinc Project and the Bird-in-Hand Gold Project. The additional $1 million is secured by the securities granted by Terramin Exploration Pty Ltd to Asipac.

In the latter part of the year, the Board reviewed the Company's portfolio in light of recent market developments in the zinc and gold markets. Terramin received a number of unsolicited approaches for the Bird-in-Hand Gold Project due to its exceptional grade and low start-up costs. The Company appointed Investec Australia Limited as corporate adviser to evaluate third party interest in the Bird-in-Hand Gold Project and a data room has been established, enabling interested parties to review information about the project. The Due Diligence Committee of the board supervises this process with management.

Terramin has also continued to discuss potential transactions in respect of its Gawler Ranges Project with third parties.

During the year, the Company received a Research & Development tax refund of $1.12 million.

The Company issued 953,803 shares in lieu of directors fees as approved by shareholders at the general meeting held on 27 May 2016.

Business Development Activities

Throughout 2016, the Company continued to identify, assess and, where appropriate, pursue the acquisition of interests in advanced mining projects.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

No significant change in the state of affairs of the Group occurred during the financial year, other than as already referred to in this report.

SUBSEQUENT EVENTS

On 2 February 2017, the Company raised $4 million via a share placement with a new sophisticated investor based in Australia. Under the subscription agreement, 25,000,000 shares were issued at a price of $0.16 per share.

In the Directors' opinion, no other events or circumstances have arisen since the end of the financial year that have significantly affected, or may significantly affect the operations of the Company or the Group, the results of those operations, or the state of affairs of the Group in future years that have not been otherwise disclosed in this report.

FUTURE DEVELOPMENTS

The Group will continue to work with its Algerian partners to complete the revised definitive feasibility study to progress a decision to mine and proceed with the development of the Tala Hamza Zinc Project. The Group also intends to continue to progress the Bird-in-Hand Gold Project through a feasibility study and the lodgement of a mining proposal plan. The Group intends to continue to undertake appropriate exploration and evaluation expenditure, thereby enabling it to maintain good title to all its prospective mineral properties until decisions can be made to successfully develop and exploit, sell or abandon such properties. New projects will continue to be sought and evaluated.

ENVIRONMENTAL MANAGEMENT

The Group (in particular the Company's Angas Zinc Mine) is subject to significant environmental regulation under both Commonwealth and South Australian legislation in relation to its exploration, development and mining activities. Exploration licences and mining leases are issued subject to various obligations as to environmental monitoring and rehabilitation, and ongoing compliance with all relevant legislative obligations. The Group's Directors, employees and consultants are committed to achieving a high standard of environmental performance, which is monitored by the Audit, Risk and Compliance Committee.

Environmental monitoring at Angas is continuing whilst in the care and maintenance phase. Terramin remains compliant with the terms of the Angas Mining Lease.

To the best of the Directors' knowledge there have been no material breaches or other material instances of non-compliance, nor any recorded known areas of outstanding non-compliance, with any applicable environmental legislation or other regulations.

COMPETENT PERSON STATEMENT

The information in this report that relates to Exploration Results and Mineral Resources is based on information compiled and reviewed by Mr Eric Whittaker. The information that relates to Ore Reserves is based on information reviewed by Mr Joe Ranford. Mr Whittaker and Mr Ranford are Members of the Australasian Institute of Mining and Metallurgy (AusIMM). Mr Whittaker is the Principal Resource Geologist and Mr Ranford is Chief Technical Officer and Operations Manager and both are full time employees of Terramin Australia Limited. Both have sufficient experience that is relevant to the style of mineralisation and type of deposits under consideration and to the activity being undertaken to qualify as a Competent Person as defined by the relevant 2004 or 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Whittaker and Mr Ranford consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.

CORPORATE GOVERNANCE

The Board has adopted the ASX Corporate Governance Council's "Corporate Governance Principles and Recommendations – 3rd Edition" (ASX Recommendations). The Board regularly monitors and reviews its existing and required policies, charters and procedures with a view to ensuring its compliance with the ASX Recommendations to the extent deemed appropriate for the size of the Company and its development status.

A summary of the Company's ongoing corporate governance practices is set out annually in the Company's annual report.

Good corporate governance practices are also supported by the ongoing activities of the following Board committees:

- Audit, Risk and Compliance Committee;
- Nominations and Remuneration Committee; and
- Due Dilligence Committee

SHARE CAPITAL

(a) Ordinary Shares

As at 31 December 2016, there were 1,795,996,987 fully paid ordinary shares in the capital of the Company on issue. Since 31 December 2016, 25,000,000 shares were issued under a subscription agreement with a new sophisticated investor.

(b) Unlisted options outstanding at the date of this report

At the date of this report there were 3,500,000 unlisted options over fully paid ordinary shares in the capital of the Company on issue.

Expiry Date	Exercise Price $	Number of Options on Issue
19-Dec-17	0.135	1,750,000
19-Dec-18	0.135	1,750,000
TOTAL		**3,500,000**

No person entitled to exercise an option had or has any right by virtue of the option to participate in any share issue of the Company or any other body corporate.

(c) Unlisted options exercised/cancelled during the year

There were no unlisted options over fully paid ordinary shares in the capital of the Company exercised during the period. During the year 300,000 options lapsed and were cancelled.

(d) Unlisted options exercised/cancelled since 31 December 2016

No unlisted options over fully paid shares in the Company have been exercised or cancelled since 31 December 2016.

(e) Share rights issued/converted during the year

There were 330,563 share rights issued during the year, none were converted into shares.

(f) Share rights issued/converted since 31 December 2016

393,560 share rights have been issued since 31 December 2016.

REMUNERATION REPORT - AUDITED

This remuneration report for the year ended 31 December 2016 outlines the remuneration arrangements of the Company in accordance with requirements of the Corporations Act 2001 (Act) and its regulations. This information has been audited as required by section 308 of the Act.

The remuneration report details the remuneration arrangements for Key Management Personnel (KMP). Under the Accounting Standards, KMPs are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company including any Director (whether executive or otherwise). The information regarding remuneration and entitlements of the Company's Board and KMP required for the purposes of section 300A of the Act is provided below.

(a) Directors and Other Key Management Personnel Information

The following persons were Directors of the Company during the financial year and up until the date of this report unless stated otherwise:

I. Non-Executive Directors

Mr F Sheng (Chairman - Non-Independent)

Mr MH Kennedy (Deputy Chairman - Independent)
Mr A Siciliano (Non-Independent)

Mr Y Xie (Non-Independent) – Retired 2 March 2017

Mr X Wang (non-independent)

The following persons are also KMP of the Group:

II. Other Key Management Personnel

Mr MS Janes (Chief Executive Officer)

Mr JF Ranford (Chief Technical Officer and Operations Manager)

Mr SD Gauducheau (Legal Counsel and Company Secretary)

There have been no changes to KMP since the reporting date and before the date the Financial Report was authorised for issue.

(b) Nominations and Remuneration Committee

The Nominations and Remuneration Committee is a committee of the Board. The current members of the committee are Mr K McGuinness (Chair), Mr MH Kennedy and Mr A Siciliano.

The Committee is responsible to assist the Board to:

- ensure it is of an effective composition, size and commitment to adequately discharge its responsibilities and duties; and
- independently ensure that the Company adopts and complies with remuneration policies that:
  - attract, retain and motivate high calibre Directors and Executives so as to enhance performance by the Company;
  - are consistent with the human resource needs of the Company; and
  - motivate Directors and management to pursue the long-term growth and success of the Company within an appropriate control framework and ensure that shareholder and employee interests are aligned.

The Nomination and Remuneration Committee was not required to meet during the reporting period as all reviews and deliberations relating to compensation and incentives of directors and management were taken by the full board.

(c) Remuneration Policy and Practices

This report outlines the remuneration arrangements for KMP of the Company. It is recognised that the performance of the Company depends on the quality and skills of its Directors and Executives. The Board is mindful of the need to attract, motivate and retain highly skilled Directors and Executives.

Compensation of KMPs of the Group is competitively set to attract and retain appropriately qualified and experienced Directors and Executives in accordance with the following principles:

- Provide competitive rewards in accordance with market standards to attract and retain high calibre Directors and other KMP; and
- Link rewards with the strategic goals and performance of the Group and the creation of shareholder value (by the granting of share options where appropriate).

The policy for determining the nature and amount of remuneration of the KMP includes consideration of individual performance in addition to the overall performance of the Group. Historically, the Group's performance was measured by a range of financial and production indicators. Since the Angas Zinc Mine was placed in care and maintenance, the remuneration of KMPs is dependent upon achievement of progress towards a number of company objectives: (1) restructure of the company's financial position (including debt and on-going funding); (2) progress towards the development of the Tala Hamza Zinc Project (including delivery of revised DFS, decision to mine by the partners, approvals, funding and transition towards development); (3) progress towards the development of the Bird-in-Hand Gold Project (including approvals, financing, firming and expanding the existing resource); and (4) growing the Company's assets.

(d) Use of Remuneration Consultants

From time to time the Nominations and Remuneration Committee may seek external remuneration advice as required. No such advice was obtained during the reporting period.

(e) Remuneration Report Approval

Terramin Australia Limited received more than 90% of 'yes' votes on its Remuneration Report for the financial year ending 31 December 2015. The Company received no specific feedback on its Remuneration Report at the 2015 Annual General Meeting.

(f) Executive Remuneration and Incentives

I. Fixed Remuneration

The fixed portion of Executive remuneration packages comprise a base salary, statutory superannuation payment and FBT charges related to employee benefits, such as car parking.

Executive performance and remuneration packages are reviewed, where possible, annually by the Nominations and Remuneration Committee. The review process includes consideration of both individual performance and the overall performance of the Group.

II. Share Rights

In November 2015, the board approved the creation of an employee share right scheme. Share rights are issued under the Terramin employee share rights plan – Tax Deferred Scheme (disposal restrictions) (Plan) for nil consideration to eligible employees as part of their salary package.

Each Share Right issued under the Plan is an unlisted right to be allocated one ordinary share in the Company under the Plan upon the expiry of a restrictive period determined by the board from the date of entitlement of such Share Right. The Share Rights are subject to a Restrictive period of one year from the date of entitlement (Restrictive Period).

The Shares Rights are not tradeable or transferrable during the Restrictive Period. After the end of the Restrictive period, each Share Right entitles the holder to one fully paid ordinary share to be issued.

An issue of Share Rights under the Plan is calculated by dividing the eligible employee salary equivalent entitlement with the volume weighted average share price for the 5 days preceding the day of entitlement after a 5% discount is applied.

III. Incentives

Performance based remuneration may include both short-term and long-term incentives, and is designed to reward KMP for meeting or exceeding key performance indicators (KPI's). KPI's may include financial metrics and completion of key group objectives. The Board may from time to time approve the award of such incentives subject to satisfaction of KPI's. The short-term incentive (STI) is an "at risk" bonus which may be provided in the form of cash and/or equity securities. There are no current fixed STI's in place with current KMP.

Long-term incentives may be provided under the Terramin Australia Employee Option Plan (EOP). The plan was approved by shareholders at the 2013 Annual General Meeting and is valid for 3 years. The Directors may grant options to employees to acquire shares at an exercise price set by the Board. Each share option converts into one ordinary share of the Company when exercised.

The grant of options is linked to the achievement of the Company's objectives (refer item (c) of the remuneration report) and the creation of shareholder value.

There was no issue made under the EOP during the year.

IV. Employment Contracts

Mr Janes, the Company's Chief Executive Officer, entered into an employment contract in June 2013 with no fixed term. Either party may terminate the employment contract without cause by providing 2 months written notice or (in the case of the Company) by making payment in lieu. During the reporting period Mr Janes received a salary of $262,500, including 330,563 Share Rights (excluding superannuation).

Mr Ranford, the Company's Chief Technical Officer and Operations Manager, entered into an employment contract with the Company in June 2012. Under this contract, Mr Ranford receives a salary of $293,550 per annum (excluding superannuation). Either party may terminate the employment contract without cause by providing 6 months written notice or (in the case of the Company) by making a payment in lieu.

Mr Gauducheau, the Group's Legal Counsel and Company Secretary, signed an employment contract in November 2009 which was subsequently amended. Under this contact, Mr Gauducheau receives a salary of $200,000 per annum (excluding superannuation). Either party may terminate the employment contract without cause by providing 2 months written notice or (in the case of the Company) by making a payment in lieu.

Unless agreed otherwise by the board, termination payments of any Executives or employees are not payable in the instance of resignation or dismissal for serious misconduct.

(g) Directors Remuneration

I. Remuneration

The maximum aggregate fees payable to Non-Executive Directors is subject to approval by shareholders at a general meeting. All securities issued to Directors and related parties must be approved by shareholders at a general meeting.

Non-Executive Directors are either paid a base fee plus superannuation, or remunerated via contractual arrangements approved by the Board and negotiated in consultation with the Nominations and Remuneration Committee. The current Non-Executive base fees (other than fees for the Chairman and Deputy Chairman) are $40,000 per annum. The Chairman and Deputy Chairman receive $100,000 and 60,000 per annum respectively. The non-directors fees paid are consistent with fees paid to non-executive directors of comparable companies. Company policy supports the issue, where appropriate, of equity securities to Directors (whether Executive or Non-Executive) to help ensure Directors' interests are aligned with those of shareholders.

In April 2016, the Company announced that directors (other than Mr Xie) have agreed to receive half of their directors fees in cash for the year 2016. The other half will be paid in shares subject to shareholder approval at the next general meeting.

The aggregate fees paid to Non-Executive Directors during 2016 was $99,625 (with a further $327,255 remaining unpaid at reporting date) compared to the maximum limit approved by shareholders at the 2010 Annual General Meeting of $700,000.

The Board recognises that from time to time, Non-Executive Directors are called upon to provide services in addition to their usual Director's duties. Accordingly, Directors may be compensated for additional duties undertaken at the request of the Board, for instance extensive travels to Algeria or meetings with overseas investors. In accordance with Company policy additional compensation of up to $1,000 per day may be provided to Directors for work additional to standard Board duties. This form of Non-Executive compensation is only provided in circumstances where Directors are required to commit time beyond that expected of a Non-Executive Director role and requires a continuous commitment of 2 or more days. Additional remuneration may be paid in shares in lieu of cash subject to shareholder approval.

During 2016 no additional fees were paid to Non-Executive Directors in relation to work outside of standard Board duties.

II. Director Options

Other than noted above, there were no options or other equity securities issued to Directors during the year as remuneration.

III. Retirement or other Post-Employment Benefits

The Company has no policy to provide benefits to its Directors or Executives upon their retirement or otherwise upon cessation of employment, other than by making the statutory superannuation guarantee contributions as required by law.

IV. Board and Committees – Membership and Remuneration

The following table sets out the Chair and members of each committee and the annual fees allocated for each position.

Committee	Chairman Fee $	Vice Chairman Fee $	Member Fee $
Each Non-Executive Director	100,000	60,000	40,000
Additional work to standard Board duties [1]	1,000/day	1,000/day	1,000/day
Audit, Risk & Compliance			
K McGuinness (Chair), MH Kennedy, A Siciliano	7,500	-	5,000
Nominations & Remuneration			
K McGuinness (Chair), MH Kennedy, A Siciliano	7,500	-	5,000
Due Diligence			
K McGuinness (Chair), MH Kennedy	-	-	-

1. Subject to Board approval to compensate for work undertaken in addition to standard Director's duties and requires a commitment of 2 or more days.

(h) Parent Entity Directors' and Executives' Remuneration and Entitlements

During the year, the following cash and non-cash payments were made to the KMP:

		Short Term			Post Employment		Share-based payments			Total
		Salary & Fees	Contract Payments	Cash Bonus	Super-annuation Benefits	Termination Benefits	Share Rights	Shares	% of Total	
Non-Executive Directors[1/2]										
MH Kennedy	2016	63,927	-	-	6,073	-	-	-	0.0%	70,000
	2015	79,684	-	-	5,907	-	-	-	0.0%	85,591
A Siciliano	2016	-	50,000	-	-	-	-	-	0.0%	50,000
	2015	-	50,000	-	-	-	-	-	0.0%	50,000
F Sheng	2016	-	100,000	-	-	-	-	-	0.0%	100,000
	2015	-	76,613	-	-	-	-	-	0.0%	76,613
K McGuinness	2016	-	55,000	-	-	-	-	-	0.0%	55,000
	2015	-	59,000	-	-	-	-	-	0.0%	59,000
Y Xie	2016	-	40,000	-	-	-	-	-	-	40,000
	2015	-	40,000	-	-	-	-	-	-	40,000
Key Management Personnel										
MS Janes	2016	175,000	-	-	24,938	-	87,500[3]	-	30.4%	287,438
	2015	350,000	-	-	33,250	-	-	-	0.0%	383,250
JF Ranford	2016	293,550	-	-	27,887	-	-	-	0.0%	321,437
	2015	293,550	-	-	27,887	-	-	-	0.0%	321,437
SD Gauducheau	2016	200,000	-	-	19,000	-	-	-	0.0%	219,000
	2015	200,000	-	-	19,000	-	-	-	0.0%	219,000
TOTAL	**2016**	**732,477**	**245,000**	**-**	**77,898**	**-**	**87,500**	**-**	**-**	**1,142,875**
	2015	**923,234**	**225,613**	**-**	**86,044**	**-**	**-**	**-**	**-**	**1,234,891**

1. *Refer to page 15 of the Directors' Report for details of Non-Executive Directors' fees allocated by role.*
2. *From 1 July 2015 director remuneration for all Non-executive Directors (other than Mr Xie) is split as 50% to be paid in cash and 50% to be issued in shares pending shareholder approval at the next Annual General Meeting. Total amount to be issued in shares to the Directors (other than Mr Xie) is $103,125, which is included within Trade and Other Payables within the financial statements.*
3. *Represents 100% of the Group's CEO share rights entitlement for 2016. As at 31 December 2016, a total value of Share Rights ($43,750) were not yet issued. The outstanding rights were issued in early 2017.*

(i) Key management personnel – shares and options over equity instruments

The movement during the reporting period in the number of ordinary shares or options over ordinary shares in Terramin Australia Limited by each KMP is as follows:

	Shares Balance 1 Jan 16	Shares Acquired during Year	Shares Granted as Remuneration[1]	Shares Disposed of during Year	Balance Shares 31 Dec 16
Parent Entity Directors					
MH Kennedy	3,771,404	-	163,176	-	3,934,580
A Siciliano	9,181,084	526,323	215,761	-	9,923,168
K McGuinness	1,895,370	-	128,210	-	2,023,580
F Sheng	620,267,260	-	446,656	-	620,713,916
Y Xie	-	-	-	-	-
Other Key Management Personnel					
MS Janes	760,000	-	-	-	760,000
JF Ranford	500,000	-	-	-	500,000
SD Gauducheau	683,771	-	-	-	683,771
Total	**637,058,889**	**526,323**	**953,803**	**-**	**638,539,015**

	Options Balance 1 Jan 16	Options Granted as Incentive[1]	Options Exercised	Options Lapsed	Balance Options 31 Dec 16
Parent Entity Directors					
MH Kennedy	-	-	-	-	-
A Siciliano	-	-	-	-	-
K McGuinness	-	-	-	-	-
F Sheng	-	-	-	-	-
Y Xie	-	-	-	-	-
Other Key Management Personnel					
MS Janes	1,500,000	-	-	-	1,500,000
JF Ranford	1,000,000	-	-	-	1,000,000
SD Gauducheau	1,000,000	-	-	-	1,000,000
Total	**3,500,000**	**-**	**-**	**-**	**3,500,000**

	Share Rights Balance 1 Jan 16	Share Rights Issued in Lieu of Cash Payments[1]	Share Rights Converted into Shares	Balance Share Rights 31 Dec 2016
Parent Entity Directors				
MH Kennedy	-	-	-	-
A Siciliano	-	-	-	-
K McGuinness	-	-	-	-
F Sheng	-	-	-	-
Y Xie	-	-	-	-
Other Key Management Personnel				
MS Janes	-	330,563	-	330,563
JF Ranford	-	-	-	-
SD Gauducheau	-	-	-	-
Total	**-**	**330,563**	**-**	**330,563**

1. *Shares issued in lieu of Director fees, as approved at the 2015 Annual General Meeting. Further details of Shares, Share Rights and Options, including terms and exercise price are included at item (j) of the Remuneration Report.*

The KMP of the Company had the following direct or indirect interests in the equity of the Company as at the date of this report:

	Fully paid ordinary shares	Options	Share Rights
Parent Entity Directors			
MH Kennedy	3,934,580	-	-
A Siciliano	9,923,168	-	-
K McGuinness	2,023,580	-	-
F Sheng	620,713,916	-	-
Y Xie	-	-	-
Other Key Management Personnel			
MS Janes	760,000	1,500,000	330,563
JF Ranford	500,000	1,000,000	-
SD Gauducheau	683,771	1,000,000	-
Total	**638,539,015**	**3,500,000**	**330,563**

(j) Shares and Options Issued or Lapsed during the Year

No shares or options were granted to Non-executive Directors as remuneration during the year. No shares or options were granted to other KMPs as remuneration during the year. In April 2016, 300,000 unlisted options lapsed and were accordingly cancelled. None of these options belonged to current KMP.

(k) Share Rights Issued or Converted during the Year

During the year, 330,563 share rights were issued in lieu of cash salary to the Company's CEO. No share rights were converted during the Year.

(l) Other Director and Key Management Personnel transactions

Some KMP, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

These entities transacted with the Group in the reporting period. The terms and conditions of the transactions were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-Director related entities on an arm's length basis.

At 31 December 2016, Asipac owned 34.54% of the ordinary shares in Terramin (2015: 34.55%) and is controlled by Mr Sheng who is the Non-Executive Chairman of the Company. Mr Siciliano is the Chief Financial Officer of Asipac.

The value of transactions relating to KMP and entities over which they have control or significant influence were as follows:

Directors fees outstanding as at 31 December 2016:

	2016	2015
M Kennedy[1]	26,250	17,500
A Siciliano[1]	66,179	12,500
K McGuinness[1]	27,271	15,125
F Sheng[1]	137,555	41,998
Y Xie[1]	70,000	29,998
	327,255	117,121

1. Mr Kennedy, Mr Siciliano, Mr McGuinness, Mr Sheng and Mr Xie are Non- Executive Directors of the Company.

Other transactions with related parties are disclosed at note 19(b).

(m) Share Trading Policies

All Company employees and contractors, Directors and Executives are subject to the Company's Share Trading Policy (available on the Company's website)

with respect to limiting their exposure to risk in relation to

the Company's securities, including securities issued as an element of Executive remuneration. The Company's Share Trading Policy requires all officers, employees and consultants to the Company to notify the Chairman and Company Secretary of any intention to deal in the Company's securities, whether by sale or purchase of shares on market, or the exercise of options. The notified dealing is subject to the approval of the Chairman. In addition, and in accordance with ASX Listing Rule 12, the Company's trading policy provides that all Directors, officers and consultants are prohibited from trading in the Company's securities during specific periods. The Board considers that, in light of the size and structure of the Company and the absence of a secondary market for the Company's securities, this policy provides adequate protection against unauthorised dealings by Directors and specified Executives, in particular in relation to risk mitigation. The current Share trading policy has been approved by the board on 9 April 2015.

END OF REMUNERATION REPORT

INDEMNIFICATION OF DIRECTORS AND OFFICERS

Directors’ and Officers’ Liability Insurance has been subscribed to. The officers of the Company and the Group covered by the insurance policy includes any person acting in the course of duties for the Company or the Group who is or was a Director, secretary or senior Executive. The contract of insurance prohibits the disclosure of the nature of the liability covered and the amount of the premium. The Group has not otherwise, during or since the end of the period, indemnified or agreed to indemnify an officer or auditor of the Group or any related body corporate against a liability incurred as such an officer or auditor.

NON-AUDIT SERVICES

Additional services provided during the year by a related practice of the Company’s auditor’s, Grant Thornton Audit Pty Ltd included investigation into the timing of Algerian VAT recovery. Fees paid for these services totalled $1,500 and have been accounted for as administrative expenses. In accordance with advice from the Company’s Audit Committee, the Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001 and that auditor independence was not compromised.

AUDITOR’S INDEPENDENCE DECLARATION

The Auditor’s Independence Declaration for the year ended 31 December 2016 can be found on page 20 and forms part of the Directors’ Report.

LITIGATION

As at the date of this report, no person has applied to the Court under section 237 of the Act for leave to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company of all or any part of those proceedings. No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Act.

ROUNDING

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors’ Reports) Instrument 2016/191 and in accordance with the instrument, amounts in the financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

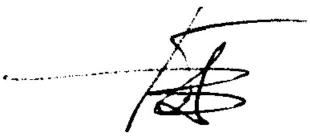
Signed in Adelaide this 21st day of March 2017 in accordance with a resolution of the Board of Directors.

Feng Sheng	**Kevin McGuinness**
Chairman	*Director*

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. the financial statements and notes, as set out on pages 26 to 50, and the remuneration disclosures contained in pages 12 to 17 of the Directors' Report, are in accordance with the Corporations Act 2001, and:
   a. comply with Accounting Standards and the Corporations Regulations 2001; and
   b. give a true and fair view of the financial position as at 31 December 2016 and of the performance for the year ended on that date of the consolidated entity;
2. the Chief Executive Officer and Commercial Manager have each declared that:
   a. the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
   b. the financial statements and notes for the financial year comply with the Accounting Standards;
   c. the declaration is provided in accordance with section 295A of the Corporations Act 2001 and is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks; and
   d. the financial statements and notes for the financial year give a true and fair view;
3. 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;
4. the consolidated financial statements comply with International Financial Reporting Standards as disclosed in note 2(a). This declaration is made in accordance with a resolution of the Board of Directors.



Feng Sheng
Chairman
21 March 2017

Kevin McGuinness
Director
21 March 2017

Grant Thornton

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AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF TERRAMIN AUSTRALIA LIMITED

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Terramin Australia Limited for the year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

J L Humphrey
Partner – Audit & Assurance

Adelaide, 21 March 2017

Grant Thornton Audit Pty Ltd ACN 130 913 594
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INDEPENDENT AUDITOR'S REPORT
TO THE DIRECTORS OF TERRAMIN AUSTRALIA LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of Terramin Australia Limited (the Company), and its subsidiaries (the Group) which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated statement statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying consolidated statement report of Terramin Australia Limited, is in accordance with the *Corporations Act 2001*, including:

a Giving a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the year ended on that date; and

b Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Grant Thornton

Material Uncertainty Related to Going Concern

We draw attention to Note 2(c) in the annual financial statements, which indicate that the consolidated entity incurred a net loss of $3.7 million for the year ended 31 December 2016 bringing accumulated losses to $175.9 million. In addition, the Group incurred a net cash outflow of $4.9 million from operating and investing activities. The consolidated entity continues to be reliant upon completion of capital raising or the raising of additional debt for continued operations and the provision of working capital. As stated in Note 2(c), these events or conditions, along with other matters as set forth in Note 2(c), indicate that a material uncertainty exists that may cast doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated statement report of the current period. These matters were addressed in the context of our audit of the consolidated statement report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Exploration and Evaluation Assets – valuation Note 3(i) and 10	
The company has $56.3 million of capitalised exploration and evaluation expenditure at 31 December 2016 consisting of $14.5 million on Australian and $41.8 million on North African assets. During the year, the company recorded an impairment of $0.5 million associated with its Australian-based assets that were relinquished subsequent to year end. In accordance with AASB 6 *Exploration for and Evaluation of Mineral Resources*, the company is required to assess at each reporting date if there are any triggers for impairment. The process undertaken by management to assess whether there are any impairment triggers in each area of interest involves an element of management judgement. This area is a key audit matter due to exploration and evaluation assets being a significant risk.	Our procedures included, amongst others: • Obtaining management's reconciliation of capitalised exploration and evaluation expenditure and tying against the general ledger; • Tracing material projects to statutory registers, exploration licenses and third party confirmations to determine whether a right of tenure existed; • Conducting a detailed review of management's assessment of trigger events prepared in accordance with AASB 6; • Assessing the accuracy of impairment recorded for the year as it pertained to exploration interests that are to be relinquished; • Reviewing management's area of interest considerations against AASB 6; and • Reviewing the appropriateness of the related disclosures within the financial statements.

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<table>
<tr><td>Property, Plant and Equipment – valuation
Note 3(d) and 9</td><td></td></tr>
<tr><td>The company carries property, plant and equipment with a net written down value of $8.5 million, with the majority of this value being attributed to freehold land associated with Bird-in-Hand and Angas Zinc Mine sites and plant and equipment held at scrap value at its Angas Zinc Mine site.

In December 2016 the company announced through its filings with the Australian Securities Exchange that it is seeking expressions of interest to divest of:

- the Bird in Hand exploration and evaluation project incorporating the property, plant and equipment at the Angas Zinc Mine site;
- inventory of spare parts for the Angas Zinc plant; and
- the restoration obligations associated with the Angas Zinc Mine site.

Whilst all of the assets that fall within this potential divestment plan have been considered, the property, plant and equipment, which related to a previously operated mine, is a key audit matter due to the considerations associated with AASB 5 Non-current Assets Held for Sale and Discontinued Operations and AASB 136 Impairment of Assets.</td><td>Our procedures included, amongst others:

• Obtaining management's reconciliation of capital assets and agreeing to the general ledger;
• Analysing management's plans for the assets in the future and the associated considerations of AASB 5;
• Reviewing management's impairment consideration documentation relating to the carrying value of freehold land and plant and equipment in relation to the former Angas Zinc Mine operation; and
• Reviewing the appropriateness of the related disclosures within the financial statements.</td></tr>
<tr><td>Provision for Restoration – completeness
Note 3(k) and 13</td><td></td></tr>
<tr><td>As at 31 December 2016, the company has a liability of $5.8 million relating to the estimated cost of rehabilitation, decommissioning and restoration relating to areas disturbed during operation of the Angas Zinc Mine but not yet rehabilitated.

The provision is based upon current cost estimates and has been determined on a discounted basis with reference to current legal requirements and technology. At each reporting date the rehabilitation liability is reviewed and re-measured in line with changes in observable assumptions, timing and the latest estimates of the costs to be incurred based on area of disturbance at reporting date.

This area is a key audit matter as the determination of the restoration liability involves a level of complex calculations and significant management judgement.</td><td>Our procedures included, amongst others:

• Obtaining the restoration provision calculation prepared by management and agreeing to the general ledger;
• Reviewing managements considerations regarding the restoration provision for appropriateness against the requirements of AASB 137 Provisions, Contingent Liabilities and Contingent Assets;
• Reviewing the unwind of interest as well as understanding if any restoration was undertaken during the year; and
• Considering the inputs into the calculation including the discount and inflation rates for comparison to external sources as well as the expected timing of cash flows; and
• Reviewing the appropriateness of the related disclosures within the financial statements.</td></tr>
</table>

Information Other than the Financial Report and Auditor's Report Thereon

The Directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 31 December 2016, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

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In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors' for the Financial Report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_files/ar2.pdf. This description forms part of our auditor's report.

GrantThornton

REPORT ON THE REMUNERATION REPORT

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 31 December 2016.

In our opinion, the Remuneration Report of Terramin Australia Limited, for the year ended 31 December 2016, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Grant Thornton.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

J L Humphrey
Partner – Audit & Assurance

Adelaide, 21 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the Year Ended 31 December 2016

	Note	**2016 $'000**	2015 $'000
Consumables and other direct costs		**(801)**	(571)
Employee expenses		**(1,122)**	(1,132)
Depreciation and amortisation	9	**(43)**	(37)
Exploration and evaluation expensed (Oued Amizour Project)		**(238)**	(987)
Exploration and evaluation write-down		**(498)**	-
Write down of consumable and spare part inventories		**-**	(563)
Mine rehabilitation liability - reassessment	13	**(77)**	219
Other expenses		**(684)**	(530)
Loss before net financing costs and income tax		**(3,463)**	(3,601)
Finance income	5	**6**	13
Finance costs	5	**(1,402)**	(3,978)
Net finance costs		**(1,396)**	(3,965)
Loss before income tax		**(4,859)**	(7,566)
Income tax benefit	17	**1,116**	1,120
Loss for the year		**(3,743)**	(6,446)
Attributable to:			
Owners of the Company		**(3,587)**	(6,091)
Non-controlling interest	16	**(156)**	(355)
Loss for the year		**(3,743)**	(6,446)
Other comprehensive (loss)/income Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations		**(462)**	(1,397)
Other comprehensive (loss)/income for the year, net of income tax (tax: nil)		**(462)**	(1,397)
Total comprehensive loss for the year attributable to equity holders of the Company		**(4,205)**	(7,843)
Attributable to:			
Owners of the Company		**(4,049)**	(7,467)
Non-controlling interest		**(156)**	(376)
Total comprehensive loss for the year		**(4,205)**	(7,843)

Earnings per share attributable to the ordinary equity holders of the Company:

	Note	**2016**	2015
Basic earnings/(loss) per share - (cents per share)	26(a)	**(0.20)**	(0.37)
Diluted earnings/(loss) per share - (cents per share)	26(b)	**(0.20)**	(0.37)

The Consolidated Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

for the Year Ended 31 December 2016

	Note	**2016 $'000**	2015 $'000
Assets			
Cash and cash equivalents	*6*	**1,037**	2,601
Trade and other receivables	*8*	**106**	38
Other assets		**75**	78
Total current assets		**1,218**	2,717
Non-current assets			
Inventories	*7*	**661**	663
Property, plant and equipment	*9*	**8,531**	8,557
Exploration and evaluation	*10*	**56,278**	53,521
Total non-current assets		**65,470**	62,741
TOTAL ASSETS		**66,688**	65,458
Liabilities			
Current liabilities			
Trade and other payables	*11*	**3,529**	2,091
Short term borrowings	*12*	**11,457**	31
Provisions	*13*	**314**	259
Total current liabilities		**15,300**	2,381
Non-current liabilities			
Long term borrowings	*12*	**9**	7,917
Provisions	*13*	**5,849**	5,610
Total non-current liabilities		**5,858**	13,527
TOTAL LIABILITIES		**21,158**	15,908
NET ASSETS		**45,530**	49,550
Equity			
Share capital	*14*	**204,054**	203,913
Reserves	*15*	**3,199**	3,617
Accumulated losses		**(175,859)**	(172,272)
Total equity attributable to equity holders of the Company		**31,394**	35,258
Non-controlling interest	*16*	**14,136**	14,292
TOTAL EQUITY		**45,530**	49,550

The Consolidated Statement of Financial Position is to be read in conjunction with the notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the Year Ended 31 December 2016

2016	Share capital $'000	Share based payments reserve $'000	Translation reserve $'000	Other components of equity $'000	Accumulated losses $'000	**Total $'000**	Non-controlling interest $'000 *(note 16)*	**Total equity $'000**
Balance at 1 January 2016	**203,913**	**8,970**	**(5,353)**	**-**	**(172,272)**	**35,258**	**14,292**	**49,550**
Loss for the year	-	-	-	-	(3,587)	**(3,587)**	(156)	**(3,743)**
Other comprehensive income								
Foreign currency translation differences	-	-	(462)	-	-	**(462)**	-	**(462)**
Total other comprehensive income	-	-	(462)	-	-	**(462)**	-	**(462)**
Total comprehensive income for the year	-	-	(462)	-	(3,587)	**(4,049)**	(156)	**(4,205)**
Transactions with owners, recorded directly in equity								
Contributions by and distributions to owners								
Issue of ordinary shares *(note 24(e))*	141	-	-	-	-	**141**	-	**141**
Share rights issued *(note 24(f))*	-	44	-	-	-	**44**	-	**44**
Total contributions by and distributions to owners	141	44	-	-	-	**185**	-	**185**
Balance at 31 December 2016	**204,054**	**9,014**	**(5,815)**	**-**	**(175,859)**	**31,394**	**14,136**	**45,530**

2015	Share capital $'000	Share based paymnents reserve $'000	Translation reserve $'000	Other components of equity $'000	Accumulated losses $'000	**Total $'000**	Non-controlling interest $'000	**Total equity $'000**
Balance at 1 January 2015	**168,828**	**8,970**	**(3,977)**	**1,593**	**(166,181)**	**9,233**	**14,668**	**23,901**
Loss for the year	-	-	-	-	(6,091)	**(6,091)**	(355)	**(6,446)**
Other comprehensive income								
Foreign currency translation differences	-	-	(1,376)	-	-	**(1,376)**	(21)	**(1,397)**
Total other comprehensive income	-	-	(1,376)	-	-	**(1,376)**	(21)	**(1,397)**
Total comprehensive income for the year	-	-	(1,376)	-	(6,091)	**(7,467)**	(376)	**(7,843)**
Transactions with owners, recorded directly in equity								
Contributions by and distributions to owners								
Issue of ordinary shares	33,492	-	-	-	-	**33,492**	-	**33,492**
Conversion of convertible notess	1,593	-	-	(1,593)	-	**-**	-	**-**
Total contributions by and distributions to owners	35,085	-	-	(1,593)	-	**33,492**	-	**33,492**
Balance at 31 December 2015	**203,913**	**8,970**	**(5,353)**	**-**	**(172,272)**	**35,258**	**14,292**	**49,550**

The Consolidated Statement of Change in Equity is to be read in conjunction with the notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the Year Ended 31 December 2016

	Note	2016 $'000	2015 $'000
Cash from operating activities:			
Payments to suppliers and employees		**(1,933)**	(1,791)
Financing costs and interest paid		**(369)**	(281)
Interest received		**6**	11
Research and development tax concession received		**1,116**	-
Total cash (used in) operating activities	*18*	**(1,180)**	(2,061)
Cash flows from investing activities:			
Payments for property, plant and equipment		**(22)**	(29)
Payments for exploration and evaluation expenditure		**(3,712)**	(2,912)
Net cash (used in) investing activities		**(3,734)**	(2,941)
Cash flows from financing activities:			
Proceeds from the issue of share capital		**-**	3,000
Payment of transaction costs on debt and/or equity		**-**	(450)
Proceeds from borrowings		**3,555**	4,272
Repayment of borrowings		**(205)**	(164)
Net cash from financing activities		**3,350**	6,658
Other activities:			
Net (decrease)/increase in cash and cash equivalents		**(1,564)**	1,656
Net foreign exchange differences		**-**	2
Cash and cash equivalents at beginning of the year		**2,601**	943
Cash and cash equivalents at end of the year	*6*	**1,037**	2,601

The Consolidated Statement of Cash Flows is to be read in conjunction with the notes to the consolidated financial statements.

NOTES

to the Consolidated Financial Statements for the Year Ended 31 December 2016

1. REPORTING ENTITY

The consolidated financial statements cover the consolidated entity of Terramin Australia Limited and its controlled entities (the Group). Terramin Australia Limited is a listed public company, incorporated and domiciled in Adelaide, Australia. The Group is primarily involved in the development of, and exploration for, precious and base metals (in particular gold, zinc and lead) and other economic mineral deposits.

2. BASIS OF PREPARATION

(a) Statement of Compliance

The consolidated financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards (including Australian interpretations) issued by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial statements comply with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board (IASB). Terramin Australia Limited is a for-profit entity for the purpose of preparing the financial statements.

Terramin Australia Limited is a public company incorporated and domiciled in Australia. The address of its registered office is Unit 7, 202-208 Glen Osmond Road, Fullarton, SA, 5063.

The Financial Report was authorised for issue by the Directors on 21 March 2017.

(b) Basis of Measurement

The financial statements are presented in Australian dollars (AUD), have been prepared on an accruals basis and are based on historical costs, except for plant and equipment and derivative financial instruments measured at fair value and the provision for mine rehabilitation measured at the present value of future cash flows.

The Group is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with the Instrument, amounts in the financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

(c) Going Concern

The financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

During 2016, the Group incurred a loss of $3.7 million, bringing accumulated losses to $175.9 million. As at 31 December 2016 the Group's current liabilities exceeded its current assets by $14.1 million. The Group had net assets of $45.5 million.

The financial report has been prepared on a going concern basis on the expectation that the Group can raise additional debt or equity as required. The Directors are aware that additional debt or equity will be required within 12 months, in order to continue as a going concern. The Group's ability to raise equity will rely on investor confidence in the development or sale of the Bird-in-Hand Gold project or that the $41.9 million investment in the Tala Hamza Zinc Project can be realised through mining or sale.

The Directors note that the matters outlined above indicate material uncertainty, which may cast significant doubt on the ability of the Group to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business. At the date of this report, the Directors believe that the Group as adequate resources to continue to explore, evaluate and develop the Group's areas of interest and will ensure the Company has sufficient funds to meet its obligations. Subject to market conditions the Directors believe there are reasonable grounds to conclude that the Company will be able to raise funds by way of equity to fund anticipated activities and meet financial obligations. For the reasons outlined above the Board has prepared the Financial Report on a going concern basis.

Since 31 December 2016, the Company raised $4 million via a share placement with a new sophisticated investor based in Australia. Under the subscription agreement 25,000,000 shares were issued at a price of $0.16 per share.

(d) Use of Estimates and Judgements

The preparation of the financial statements in accordance with AASB requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the following notes:

- *Note 3(i) - Exploration and Evaluation Expenditure: recoverable amount and ore reserve estimates.*
- *Note 3(k) - Provisions: estimated cost of rehabilitation, decommissioning and restoration.*
- *Note 3(l) - Share Based Entitlements and Payments: assumptions are required to be made in respect to measuring share price volatility, dividend yield, future option holding period and other inputs to the Black-Scholes option pricing model fair value calculations.*
- *Note 3(r) - Recognition of tax losses: assessment of the point in time at which it is deemed probable that future taxable income will be derived.*

2. BASIS OF PREPARATION *(continued)*

(e) Assets Held for Sale

In December 2016 the company announced to the ASX that it had engaged Investec Australia Pty Ltd as a corporate advisor to evaluate third party interest in the Bird in Hand (BIH) Gold project. The BIH project includes:

- Exploration and evaluation assets;
- Property, plant and equipment relating to the Angas Zinc Mine;
- Inventory; and
- Rehabilitation liability relating to the Angas Zinc Mine.

In accordance with AASB 5 – Non-current Assets Held for Sale and Discontinued Operations an entity shall classify a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use, and the sale is highly probable.

In assessing the BIH project the directors continue to consider their various options which include the continued development through to mine, farm in arrangements and/or sale. As such, the directors have concluded that the BIH project was not held for sale at 31 December 2016.

(f) New and Amended Standards Adopted by the Group

I. Changes in accounting policies

The accounting policies adopted in the preparation of this Annual Report are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2016.

II. Accounting Standards and Interpretations issued but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended that potentially impact the Group but are not yet effective and have not been adopted by the Group for the annual reporting period ended 31 December 2016 are outlined below:

AASB 9 Financial Instruments

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities and includes a forward-looking 'expected loss' impairment model and a substantially-changed approach to hedge accounting.

These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are:

a. Financial assets that are debt instruments will be classified based on: (i) the objective of the entity's business model for managing the financial assets; and (ii) the characteristics of the contractual cash flows.

b. Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.

c. Introduces a 'fair value through other comprehensive income' measurement category for particular simple debt instruments.

d. Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.

e. Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:

- the change attributable to changes in credit risk are presented in Other Comprehensive Income ('OCI')
- the remaining change is presented in profit or loss If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.

Otherwise, the following requirements have generally been carried forward unchanged from AASB 139 into AASB 9:

- classification and measurement of financial liabilities; and
- derecognition requirements for financial assets and liabilities.

AASB 9 requirements regarding hedge accounting represent a substantial overhaul of hedge accounting that enable entities to better reflect their risk management activities in the financial statements.

Furthermore, AASB 9 introduces a new impairment model based on expected credit losses. This model makes use of more forward-looking information and applies to all financial instruments that are subject to impairment accounting.

The entity is yet to undertake a detailed assessment of the impact of AASB 9. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 31 December 2018.

AASB 15 Revenue from Contracts with Customers

Replaces AASB 118 Revenue, AASB 111 Construction Contracts and some revenue-related Interpretations:

- establishes a new revenue recognition model

2. BASIS OF PREPARATION *(continued)*

- changes the basis for deciding whether revenue is to be recognised over time or at a point in time
- provides new and more detailed guidance on specific topics (e.g. multiple element arrangements, variable pricing, rights of return, warranties and licensing)
- expands and improves disclosures about revenue

The entity is yet to undertake a detailed assessment of the impact of AASB 15. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 31 December 2018.

AASB 16 – Leases

AASB 16 will replace IAS 17 Leases for financial reporting periods beginning on or after 1 January 2019. Early adoption is permitted for companies that also apply AASB 15 Revenue from Contracts with Customers.

The key features of the new standard are:

- elimination of classification of leases as either operating leases or finance leases for a lessee
- the recognition of lease assets and liabilities on the balance sheet, initially measured at present value of unavoidable future lease payments
- recognise depreciation of lease assets and interest on lease liabilities on the statement of profit or loss and other comprehensive income over the lease term
- separation of the total amount of cash paid into a principal portion and interest in the statement of cashflows
- short-term leases (less than twelve months) and leases of low-value assets (such as personal computers) are exempt from the requirements

The Group does not currently have significant operating leases, therefore no material impact on the financial statements is expected.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Consolidation

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries as of 31 December 2016. The Parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 31 December.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a Group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

(b) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of four months or less.

(c) Inventories

Non-current inventories represent inventories of spare parts and consumables which are not expected to be used within 12 months.

(d) Trade and Other Receivables

Trade and other receivables are recognised at cost and carried at original invoice amount less allowances for impairment losses.

Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment.

(e) Property, Plant and Equipment

Property

Freehold land is measured at cost and buildings are measured at amortised cost.

Plant and equipment

Plant and equipment are measured on the cost basis less depreciation and any impairment losses recognised.

The depreciable amount of all property, plant and equipment, excluding freehold land, is depreciated on a straight line basis over their useful lives to the Group commencing from the time the asset is held ready for use down to the any residual value, as determined by the Group. The depreciation rates used for each class of depreciable asset is the lesser of the rate determined by the life of the mining operation and:

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Class of Asset	Depreciation rates
Motor vehicles	22.5 - 25%
Computer and office equipment	15 - 40%
Plant and equipment	5 - 33%
Leasehold improvements	20%
Buildings and other infrastructure	5 - 33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

(f) Impairment of Assets

Non-financial Assets

At each reporting date, the Group reviews the carrying values of its non-financial assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset is determined and compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is recognised as an expense in the profit or loss.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit (CGU) to which the asset belongs. A CGU is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups.

Impairment losses recognised in respect of CGU's are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised, with the exception that any previously impaired goodwill should not be re-recognised.

Financial Assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to the profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss.

Recoverable Amount

In assessing whether the carrying amount of an asset is impaired, the asset's carrying value is compared with its recoverable amount. The recoverable amount of non-financial assets or cash-generating units (CGU) is the greater of their fair value or realisable value less costs to sell and value in use. In assessing fair value, or value in use, estimates and assumptions including the appropriate rate at which to discount cash flows, the timing of the cash flows, expected life of the relevant area of interest, exchange rates, commodity prices, ore reserves, future capital requirements and future operating performance are used. The recoverable amount of an asset or CGU will be impacted by changes in these estimates and assumptions which could result in an adjustment to the carrying amount of that asset or CGU.

(g) Ore Reserves

Economically recoverable ore reserves represent the estimated quantity of product in an area of interest that can be expected to be profitably extracted, processed and sold under current and foreseeable economic conditions. The determination of ore reserves includes estimates and assumptions about a range of geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, transport costs, commodity demand, commodity prices and exchange rates. Changes in a project's ore reserve impacts the assessment of recoverability of exploration and evaluation assets, property, plant and equipment and intangible assets, the carrying amounts of assets depreciated on a units of production basis, provisions for site restoration and the recognition of deferred tax assets, including tax losses.

(h) Investments in Associates and Joint Arrangements

Associates are those entities over which the Group is able to exert significant influence but which are not subsidiaries.

A joint venture is an arrangement that the Group controls jointly with one or more other investors, and over which the Group has rights to a share of the arrangement's net assets rather than direct rights to underlying assets and obligations for underlying liabilities. A joint arrangement in which the Group has direct rights to underlying assets and obligations for underlying liabilities is classified as a joint operation.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments in associates and joint ventures are accounted for using the equity method. Interests in joint operations are accounted for by recognising the Group's assets (including its share of any assets held jointly), its liabilities (including its share of any liabilities incurred jointly), its revenue from the sale of its share of the output arising from the joint operation, its share of the revenue from the sale of the output by the joint operation and its expenses (including its share of any expenses incurred jointly).

Any goodwill or fair value adjustment attributable to the Group's share in the associate or joint venture is not recognised separately and is included in the amount recognised as investment.

The carrying amount of the investment in associates and joint ventures is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate and joint venture, adjusted where necessary to ensure consistency with the accounting policies of the Group.

Unrealised gains and losses on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

(i) Exploration and Evaluation Expenditure

Exploration and evaluation costs, including the costs of acquiring licenses, are capitalised as exploration and evaluation assets (E&E assets) on an area of interest basis pending determination of the technical feasibility and commercial viability of the project. When a licence expires and is not expected to be renewed, is relinquished or a project is abandoned, the related costs are recognised in the profit or loss immediately. With respect to the Tala Hamza Zinc Project, all exploration and evaluation costs incurred up to February 2016 (at which time the exploration licence was renewed) were expensed. Following the exploration licence renewal, the Copmany resumed capitalising the value E&E costs.

Tangible and intangible E&E assets that are available for use are depreciated (amortised) over their estimated useful lives. Upon commencement of production, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the reserves.

E&E assets are assessed for impairment if (1) sufficient data exists to determine technical feasibility and commercial viability, and (2) facts and circumstances suggest that the carrying amount exceeds the recoverable amount (see impairment note 3(f)). E&E assets are assessed for impairment when any of the following facts and circumstances exist:

- The term of the exploration license in the specific area of interest has expired during the reporting period or will expire in the near future, and is not expected to be renewed;
- Substantive expenditure on further exploration for and evaluation of mineral resources in the specific area are not budgeted nor planned;
- Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the decision was made to discontinue such activities in the specified area; or
- Sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

E&E assets are transferred to development assets once the technical feasibility and commercial viability of an area of interest can be demonstrated. E&E assets are assessed for impairment, and any impairment loss is recognised prior to being reclassified.

Pre-licence expenditure and expenditure deemed to be unsuccessful is recognised in the profit or loss immediately.

(j) Trade and Other Payables

Trade payables and other payables are stated at cost.

(k) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Site restoration liability

A provision is recognised for the estimated cost of rehabilitation, decommissioning and restoration relating to areas disturbed during operation of the Angas Zinc Mine up to reporting date but not yet rehabilitated. The provision is based upon current cost estimates and has been determined on a discounted basis with reference to current legal requirements and technology. As the provision represents the discounted value of the present obligation, using a pre-tax rate that reflects current market assessments and the risks specific to the liability, the increase in value of the provision due to the passage of time will be recognised as a borrowing cost in the profit or loss in future periods. The provision is recognised as a non-current liability (in line with the expected timescales for the work to be performed), with a corresponding asset taken to account and amortised over the life of the mine. At each reporting date the rehabilitation liability is reviewed and re-measured in line with changes in discount rates and timing and the amounts of the costs to be incurred based on area of disturbance at reporting date. Changes in the liability relating to the re-assessment of rehabilitation estimates are recognised directly within the profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Employee Benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to reporting date. Employee benefits that are expected to be settled wholly within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Share Based Payments

The Group uses share options to provide incentives to Directors, employees and consultants. During 2016, no options were issued to KMPs of the Group under the Terramin Australia Limited Employee Option Plan. The Board, upon the recommendation of the Nominations and Remuneration Committee, has discretion to determine the number of options to be offered to Eligible Employees (as that term is defined by the EOP) and the terms upon which they are offered, including exercise price and vesting conditions. The fair value of options at grant date is independently determined using an option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option. Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future trends, which may not eventuate. The life of the options is based on the historical exercise patterns, which may not eventuate in the future.

The fair value of options granted is recognised as an expense with a corresponding increase in equity. The fair value is measured at grant date and recognised as an expense over the period during which the Directors, employees or consultants become unconditionally entitled to the options (vesting period).

Upon the exercise of options, the balance of the share based payments reserve relating to those options is transferred to share capital.

The Group uses share rights to partly remunerate its CEO. Share rights are valued at grant date and are expensed to reflect amounts owing. Upon issue of the share rights an increase in equity is recognised.

(m) Leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases (refer notes 12 and 27(d)). Finance leases are capitalised at lease inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included as loans and borrowings. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the statement of profit or loss and other comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the lesser of the asset's useful life and the lease term.

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

An onerous lease contract arises when the unavoidable costs exceed the benefits expected to be generated by the contract. Where onerous leases are identified a provision for the present value of future payments is recognised.

(n) Loans and Borrowings

Borrowings are recognised initially at fair value less attributable transaction costs.

Subsequent to initial recognition, loans and borrowings are stated at amortised cost, with any difference between cost and redemption value being recognised in the profit or loss over the period of the borrowings on an effective interest basis. Loans and borrowings with a determinable payment due less than twelve months from reporting date are classified as current liabilities.

The fair value of the liability portion of a convertible note is determined using a market interest rate for an equivalent non-convertible note. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the notes. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity when the conversion option meets the equity definition at inception.

(o) Financing Costs

Financing costs include interest payable on borrowings calculated using the effective interest method, amortisation of ancillary costs incurred in connection with the arrangement of borrowings, finance lease charges, mark to market of USD denominated monetary assets and liabilities, and the impact of the unwind of discount on long-term provisions for site restoration.

Financing costs incurred in relation to the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other financing costs are expensed as incurred.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(p) Foreign Currency Transactions and Balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. The consolidated financial statements are presented in AUD, which is the Group's functional and presentation currency. Foreign currency monetary items are translated at the year-end exchange rate. Non- monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined. Foreign currency differences are recognised in the profit or loss.

The assets and liabilities of foreign operations are translated to AUD at exchange rates at the reporting date. The income and expenses of foreign operations are translated to AUD at exchange rates at the dates of the transactions. These foreign currency differences at the reporting date are recognised directly in equity.

(q) Share Capital

Ordinary shares are classified as equity. Qualifying transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

(r) Income Tax

The charge for current income tax expenses is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the reporting date.

Deferred tax is accounted for using the liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability settled. Deferred tax is credited in the profit or loss except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised. Determination of future tax profits requires estimates and assumptions as to future events and circumstances, in particular, whether successful development and commercial exploitation, or alternatively sale, of the respective areas of interest will be achieved. This includes estimates and judgements about commodity prices, ore reserves (note 3(g)), exchange rates, future capital requirements, future operational performance and the timing of estimated cash flows.

Changes in these estimates and assumptions could impact on the amount and probability of estimated taxable profits and accordingly the recoverability of deferred tax assets.

The Company and its Australian subsidiaries are part of an income tax consolidated group under the Australian Tax Consolidation Regime.

(s) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(t) Revenue

Revenue from commodity sales is recognised when the risks and rewards of ownership have been transferred to the buyer, the quantity of the goods has been reasonably accurately determined, the price is determinable and recovery of consideration is probable. This is generally when title to the goods transfers to the buyer.

Commodity sales are recognised net of all discounts and pricing adjustments, refining and distribution costs as applicable based on either fixed or provisional pricing and assays. Commodity sale contracts allow for provisional prices and assays to be estimated where metal prices or final assays are not able to be established until future periods. Revenue on provisional commodity sales is adjusted in future periods as final pricing and assays are confirmed.

(u) Earnings Per Share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprises convertible notes and share options granted to employees, Directors, consultants and other third parties.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(v) Segments

The consolidated entity has identified its operating segments to be its Australian interests and its International Northern African interests, based on the different geographical regions and the similarity of assets within those regions. This is the basis on which internal reports are provided to management for assessing performance and determining the allocation of resources within the consolidated entity.

A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those segments operating in other economic environments.

Segment information is presented only in respect of the Group's geographical segments, being Australia and Northern Africa, which is the basis of the Group's internal reporting.

(w) Financial Risk Management

The Group's activities expose it to the following risks from the use of financial instruments:

Credit Risk

The risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. This arises principally from the Group's product sales, short term cash investments and derivatives.

Liquidity Risk

The risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages this exposure by targeting to have sufficient cash financing facilities available on demand to meet planned expenditure for a minimum period of 45 days (refer note 12 for detail on available financing facilities).

Market Risk

The risk that changes in market prices, such as commodity prices, foreign exchange rates and interest rates will affect the Group's income or value of its holdings of financial instruments. The Group may enter into commodity derivatives, foreign exchange derivatives and may also incur financial liabilities (debt), in order to manage market risks. All such transactions are carried out within Board approved limits.

The Group's financial risks are managed primarily by the Chief Executive Officer, including external consultation advice as required, as a part of the day-to-day management of the Group's affairs.

Finance and risk reporting is a standard item in the report presented at each Board meeting.

Capital Management

The Board seeks to maintain a strong capital base sufficient to maintain the future development of the Group's business. The Board closely monitors the Group's level of capital so as to ensure it is appropriate for the Group's planned level of activities. There were no changes to the Group's approach to capital management during the year.

(x) Research and Development Tax Incentive

To the extent that research and development costs are eligible activities, under the "Research and Development Tax Incentive" programme, a refundable tax offset is available for companies with annual turnover of less than $20 million. The Group recognises refundable tax offsets in the financial year as an income tax benefit in profit or loss, resulting from the monetisation of available tax losses that otherwise would have been carried forward.

4. AUDITOR'S REMUNERATION

	2016 $	2015 $
Grant Thornton Audit Pty Ltd		
Audit and review of financial reports	**68,000**	68,000
Non-audit services[1]	**1,500**	2,000
	69,500	70,000

1. In 2016 there were investigative works performed regarding the timing of Algerian VAT recoverability, provided by a related practice of the auditor.

5. FINANCE INCOME AND COSTS

	2016 $'000	2015 $'000
Finance income		
Interest income	**6**	11
Foreign exchange	**-**	2
	6	13
Finance costs		
Interest on convertible notes	**-**	749
Interest on borrowings	**660**	469
Unwinding of discount on mine rehabilitation provision	**149**	147
Amortization of borrowing costs	**225**	-
Other borrowing costs	**368**	1,657
Foreign exchange losses	**-**	956
	1,402	3,978

6. CASH AND CASH EQUIVALENTS

	2016 $'000	2015 $'000
Cash on hand	**2**	2
Bank balances	**1,012**	2,576
Short-term deposits[1]	**23**	23
	1,037	2,601

1. *Represents restricted cash to support a bond and minor credit card facilities.*

7. INVENTORIES

	2016 $'000	2015 $'000
Non-current		
Raw materials and consumables	**661**	**663**
Total inventories at the lower of cost and net realisable value	**661**	**663**

8. TRADE AND OTHER RECEIVABLES

	2016 $'000	2015 $'000
Other receivables	**106**	38
	106	38

At 31 December 2016, there are no receivables which are past their trading terms.

9. PROPERTY PLANT AND EQUIPMENT

	2016 $'000	2015 $'000
Freehold land		
At cost	**4,271**	4,271
Total freehold land[1]	**4,271**	4,271
Buildings and other infrastructure		
At cost	**126**	126
Less accumulated depreciation	**(117)**	(117)
Total buildings and other infrastructure[1]	**9**	9
Plant and Equipment		
At cost	**59,148**	59,145
Less accumulated impairment	**(14,219)**	(14,219)
Less accumulated depreciation	**(40,678)**	(40,649)
Total plant and equipment[1]	**4,251**	4,277
Total property plant and equipment	**8,531**	8,557

1. The Directors have considered the recoverable amount of property, plant and equipment based on available market information and have taken into account the expected future use of these assets as the Company moves towards applicaiton for a mining licence for the Bird-in-Hand Gold Project.

Movements in carrying amounts

	Freehold land $'000	Buildings and other infrastructure $'000	Plant and equipment $'000	Construction in progress $'000	Total $'000
Opening carrying amount 1 Jan 2016	4,271	9	4,277	-	8,557
Additions	-	-	-	22	22
Disposals	-	-	-	-	-
Transfers	-	-	22	(22)	-
Depreciation and amortisation	-	-	(43)	-	(43)
Foreign currency movement	-	-	(5)	-	(5)
Carrying amount at 31 Dec 2016	**4,271**	**9**	**4,251**	**-**	**8,531**

	Freehold land $'000	Buildings and other infrastructure $'000	Plant and equipment $'000	Construction in progress $'000	Total $'000
Opening carrying amount 1 Jan 2015	2,844	10	4,290	9	7,153
Additions	1,427	-	-	29	1,456
Disposals	-	-	-	-	-
Transfers	-	-	38	(38)	-
Depreciation and amortisation	-	(1)	(36)	-	(37)
Foreign currency movement	-	-	(15)	-	(15)
Carrying amount at 31 Dec 2015	**4,271**	**9**	**4,277**	**-**	**8,557**

10. EXPLORATION AND EVALUATION ASSETS

	2016 $'000	2015 $'000
Exploration and evaluation		
Opening carrying amount	**53,521**	53,382
Additions	**3,790**	1,449
Exploration write-off[1]	**(498)**	-
Foreign currency movement	**(535)**	(1,310)
Total exploration and evaluation	**56,278**	53,521

1. Exploration expenditure written off relates to the Currency Creek and Langhorne Creek tenements which were surrendered in early 2017.

	2016 $'000	2015 $'000
Exploration and evaluation assets by location		
Tala Hamza Zinc Project (Terramin 65%)	**41,764**	41,431
Adelaide Hills Project (Terramin 100%)	**1,285**	1,617
Bird in Hand Gold Project (Terramin Exploration Pty Ltd 100%)	**7,904**	5,441
Menninnie Zinc Project (Menninnie Metals Pty Ltd 100%, farm-out joint venture)	**5,326**	5,032
Total exploration and evaluation	**56,279**	53,521

11. TRADE AND OTHER PAYABLES

	2016 $'000	2015 $'000
Trade payables	**1,404**	859
Other payables and accrued expenses	**2,125**	1,232
	3,529	2,091

Trade and other payables are normally non-interest bearing and are settled on 30 days end of month terms.

12. BORROWINGS

	2016 $'000	2015 $'000
Current		
Lease liabilities (note 27(d))[1]	**6**	-
Loans - secured[2]	**10,801**	31
Loans - unsecured[3]	**650**	-
	11,457	31
Non-current		
Lease liabilities (note 27(d))[1]	**9**	-
Loans - secured [2]	**-**	7,917
	9	7,917
Financing facilities		
Loan facilities - available	**11,650**	10,000
Loan facilities - undrawn	**-**	(1,700)
Loan facilities - drawn	**11,650**	8,300
Less: unamortised transaction costs	**(199)**	(383)
Carrying amount at 31 December	**11,451**	7,917
Guarantee facility - available[4]	**5,315**	5,315
Guarantee facility - undrawn	**-**	-
Guarantee facility - drawn	**5,315**	5,315

1. Lease liabilities are effectively secured as rights to the leased assets revert to the lessor in the event of default.
2. At reporting date, the Group had fully drawn down $11 million of two loan facilities provided by Asipac. Interest is payable half yearly on the facilities and is fixed at a base rate of 7%. Interest can be paid in cash or shares at the election of the Group. The facility has a term expiring 31 October 2017.
3. An un-secured short-term facility of $0.65 million was provided by Asipac during the year to support working capital requirements. The facility has a term expiring 31 October 2017. Interest is fixed at a base rate of 7%, payable upon termination date.
4. A $5.3 million guarantee facility has been provided by Investec in relation to rehabilitation bonds required by Department of State Development (**DSD**) over the ML6229.

The carrying value of plant and equipment and mining property subject to finance loans and hire purchase contracts at 31 December 2016 was $12,100 (2015: nil). Assets under hire purchase contracts are pledged as security for the related finance loans and hire purchase liabilities.

The Guarantee Facility and the $5.0 million loan facility provided by Asipac to the Company (**Corporate Facility**) are secured under the terms of a security trust deed for which Investec acts as trustee (Security Trust Deed). The first ranking security interests created under the Security Trust Deed relates to all assets of the Company.

Under the terms of the $6.0 million loan facility provided to Terramin Exploration Pty Ltd (BIH Facility), the following first ranking securities have been granted to Asipac: a real property mortgage over land acquired at Bird-in-Hand, a general security interest over all the assets of Terramin Exploration Pty Ltd and a specific security over the shares of Terramin Exploration Pty Ltd. All security interests will be discharged upon repayment of all amounts due under the BIH Facility.

13. PROVISIONS

	2016 $'000	2015 $'000
Current		
Employee benefits	**314**	259
	314	259
Non-current:		
Employee benefits	**83**	70
Mine rehabilitation	**5,766**	5,540
	5,849	5,610

	Employee benefits $'000	Mine rehabili-tation $'000	Total $'000
At 1 January 2016	**329**	**5,540**	**5,869**
Increases in provisions	226	-	226
Change in assumptions	-	77	77
Unwind of discount	-	149	149
Paid during the period	(158)	-	(158)
At 31 December 2016	**397**	**5,766**	**6,163**

13. PROVISIONS *(continued)*

The mine rehabilitation provision is recognised for the estimated cost of rehabilitation, decommissioning, restoration and long term monitoring of areas disturbed during operation of the Angas Zinc Mine up to reporting date but not yet rehabilitated. The provision is based upon current cost estimates and has been determined on a discounted basis with reference to current legal requirements and technology. The provision has been calculated using a risk free discount rate of 2.67% (2015: 2.75%). The rehabilitation is expected to occur following the processing of ore from the Bird-in-Hand gold mine (subject to regulatory approvals).

14. ISSUED CAPITAL

(a) Ordinary shares

	2016 $'000	2015 $'000
1,795,996,987 (2015: 1,795,043,184)		
Ordinary shares	**208,903**	208,762
Share issue costs	**(4,849)**	(4,849)
	204,054	203,913

The holders of ordinary shares are entitled to one vote per share at meetings of the Company and participation in dividends declared. All issued shares are fully paid.

(b) Detailed table of capital issued during the year

Type of Share Issue	Date of Issue	Number of Ordinary Shares on issue	Issue Price $	Share Capital $'000
Opening balance 1 January 2016		**1,795,043,184**		**203,913**
Shares issued in lieu of directors fees	31/05/2016	81,699	0.12	10
Shares issued in lieu of directors fees	31/05/2016	231,054	0.13	29
Shares issued in lieu of directors fees	31/05/2016	219,511	0.16	34
Shares issued in lieu of directors fees	31/05/2016	212,190	0.16	34
Shares issued in lieu of directors fees	31/05/2016	209,349	0.16	34
Closing balance 31 December 2016		**1,795,996,987**		**204,054**
Share issue costs				-
Issued Capital				**204,054**

Type of Share Issue	Date of Issue	Number of Ordinary Shares on issue	Issue Price $	Share Capital $'000
Opening balance 1 January 2015		**1,404,009,037**		**168,828**
Conversion of convertible notes (Rainbow Dream)	4/02/2015	110,000,000	0.13	14,368
Shares issued in lieu of interest (Rainbow Dream)	4/02/2015	1,083,558	0.15	158
Shares issued in lieu of interest (Asipac)	3/06/2015	1,243,984	0.06	69
Shares issued in lieu of interest (Asipac)	3/06/2015	536,786	0.13	69
Shares issued in lieu of interest (Asipac)	3/06/2015	901,796	0.08	72
Shares issued in lieu of interest (Asipac)	3/06/2015	2,002,982	0.04	81
Shares issued in lieu of interest (Asipac)	3/06/2015	1,040,608	0.07	71
Shares issued in lieu of interest (Asipac)	3/06/2015	5,053,244	0.13	632
Conversion of convertible notes (Asipac)[1]	14/07/2015	249,825,703	0.07	16,238
Shares issued in lieu of interest (Asipac)	14/07/2015	2,706,551	0.12	327
Share placement	02/11/2015	16,638,935	0.18	3,000
Closing balance 31 December 2015		**1,795,043,184**		**203,913**
Share issue costs				-
Issued Capital				**203,913**

1. Includes the release of the other components of equity of $1,593,000.

15. RESERVES

(a) Foreign currency translation reserve

	2016 $'000	2015 $'000
Balance at the beginning of the year	**(5,353)**	(3,977)
Adjustment arising on translation into presentation currency	**(462)**	(1,376)
Balance at the end of the year	**(5,815)**	(5,353)

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

(b) Other components of equity

	2016 $'000	2015 $'000
Balance at the beginning of the year	-	1,593
Conversion of convertible notes	-	(1,593)
Balance at the end of the year	**-**	**-**

The other components of equity reserve is used to record the equity component of compound financial instruments issued by the Group.

(c) Share based payments reserve

	2016 $'000	2015 $'000
Balance at the beginning of the year	**8,970**	8,970
Options issued during the year	**-**	-
Options exercised during the period	**-**	-
Share rights issued during the year	**44**	-
Share rights converted during the year	**-**	-
Balance at the end of the year	**9,014**	8,970
Total reserves	**3,199**	3,617

The share based payment reserve is used to recognise the value of equity-settled share-based payment transactions, including employees and KMP, as part of their remuneration.

Under the terms of the remuneration package of the Group's Chief Executive Officer, $87,500 will be paid in share rights under a Terramin Employee Share Rights Plan. The share rights will be issued quarterly and will be priced at a 5% discount to the volume weighted average price of the shares traded in the last 5 days of the relevant quarter. The share rights convert to ordinary shares 12 months after the date of issue. During the year, 330,563 share rights were issued.

16. NON-CONTROLLING INTEREST

	2016 $'000	2015 $'000
Balance at the beginning of the year	**14,292**	14,668
Share of movement in net assets	**(156)**	(376)
Balance at the end of the year	**14,136**	14,292

Movement in non-controlling interest in 2016 relates to the 35% minority interest (ENOF 32.5% and ORGM 2.5%) in exploration and evaluation costs for the Oued Amizour Zinc Project funded directly by the Group through its 65% shareholding in WMZ. During 2016, the Group funded approximately $1.1 million of exploration and evaluation costs in WMZ, of which ENOF and ORGM are entitled to $0.39 million (35%). The remainder of the movement is in relation to foreign exchange changes.

35% of all assets contributed to WMZ by the Group effectively accrue to ENOF and ORGM for nil consideration (other than forming part of the Group's 65% earn-in) and has therefore been included in movement in net assets attributable to the non-controlling interest.

Refer to note 19 for further disclosures with respect to material non-controlling interests.

17. INCOME TAX EXPENSE

	2016 $'000	2015 $'000
Prima facie tax benefit on loss before income tax at 30% (2015: 30%)	**(1,478)**	(2,270)
Decrease in income tax benefit due to:		
(Deductible)/non-deductible items	**10**	5
Deferred tax asset not brought to account	**(1,468)**	(2,265)
Research and development tax concession received	**1,116**	1,120
Unused tax losses for which no deferred tax asset has been recognised	**157,049**	149,981
Potential tax benefit	**47,115**	44,994
The applicable weighted average effective tax rates are as follows:	**30%**	30%

The Company is part of an Australian Tax Consolidated Group. The Australian Tax Consolidated Group has potential deferred tax assets of $44.5 million (2015: $45.2 million). These have not been brought to account because the Directors do not consider the realisation of the deferred tax asset as probable. The benefit of these tax losses will be obtained if:

a. *the Australian Tax Consolidated Group derives future assessable income of a nature and of an amount sufficient to enable the benefits to be realised;*
b. *the Australian Tax Consolidated Group can comply with the conditions for deductibility imposed by tax legislation; and*
c. *no changes in the income tax legislation adversely affect the Australian Tax Consolidated Group in realising the benefit from the deduction of the loss.*

In order to utilise the benefit of the tax losses, an assessment will need to be undertaken with regards to the continuity of ownership or same business tests, other potential effects prevailing tax legislation.

18. CASH FLOW INFORMATION

Reconciliation of cash flow from operations with loss from ordinary activities after income tax:

	2016 $'000	2015 $'000
Loss for the period	**(3,743)**	(6,446)
Adjustment for:		
Depreciation and amortisation	**43**	37
Unrealised (gain)/loss on foreign exchange	**-**	955
Non-cash inventory movements	**3**	573
Shares issued in lieu of interest	**-**	1,479
Share-based payment transactions (other)	**185**	-
(Profit)/loss on sale of fixed assets	**-**	-
Realised foreign exchange (gain)/loss	**-**	(2)
Non-cash financing costs	**451**	1,041
Exploration and evaluation write-down	**498**	-
Other	**-**	(181)
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	**(103)**	87
Decrease/(increase) in inventory	**-**	1
Decrease/(increase) in prepayments	**-**	(5)
(Decrease)/increase in trade payables and accruals	**1,417**	475
(Decrease)/increase in provisions	**69**	(75)
Cashflow (used in) operating activities	**(1,180)**	(2,061)

19. RELATED PARTIES

(a) Key management personnel compensation

Summary of Key Management Personnel (KMP) compensation:

	2016 $	2015 $
Short-term employee benefits	**977,477**	1,148,847
Post-employment benefits	**77,898**	86,044
Termination benefits	**-**	-
Share-based payments	**87,500**	-
	1,142,875	1,234,891

The amounts disclosed in the table are the amounts recognised as an expense during the reporting year related to KMP. Amounts paid to KMP from prior years have been excluded from this table.

(b) Other transactions with related parties

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year.

Entities with significant influence over the Group

At 31 December 2016, Asipac owned 34.54% of the ordinary shares in Terramin (2015: 34.55%) and is controlled by Mr Sheng who is the Non-Executive Chairman of the Company. Mr Siciliano is the Chief Financial Officer of Asipac. Asipac has had the following transactions in the year:

	Asipac Group	
	2016 $'000	2015 $'000
Borrowings as at 1 January	**8,300**	20,458
Conversion of convertible notes during the year	**-**	(16,238)
Loans advanced during the year	**3,350**	4,380
Loan repayments in the year	**-**	(300)
Borrowings as at 31 December	**11,650**	8,300
Fees in relation to provision of underwriting services	**-**	459
Loan facility fees paid	**40**	412
Interest paid/payable	**1,105**	1,766
Amounts owed at year end	**2,051**	1,309
Interest and fees paid in shares during the year	**-**	1,321

Subsequent to the reporting period, interest payable on the loan facilities ($1.1m), as well as underwriting and loan facility fees ($0.8m) were repaid from funds raised.

Terms and conditions of transactions with related parties

The transactions with related parties are made on terms equivalent to those that prevail in arm's length transactions.

On 6 November 2015, the Terramin Exploration Pty Ltd entered into a Marketing Agreement with Asipac Capital Pty Ltd, a related party of Asipac. The marketing Agreement appoints Asipac Capital as its marketing agent for the sale of gold products in Asian markets and China in particular.

There are no other related party transactions.

20. FINANCIAL INSTRUMENTS

The Group is exposed to market risk in the form of commodity price risk, foreign currency exchange risk and interest rate risk. The carrying value of the financial assets and liabilities of the Group, together with the equity and profit or loss impact during the period (if any), that are affected by market risk are categorised as follows:

	Note	2016 $'000	2015 $'000
Current			
Cash and cash equivalents	6	**1,037**	2,601
Trade and other receivables	8	**106**	38
Trade and other payables	11	**(3,529)**	(2,091)
Financial liabilities at amortised cost	12	**(11,466)**	(7,948)
		(13,852)	(7,400)

20. FINANCIAL INSTRUMENTS *(continued)*

Fair value

The fair values of the financial assets and liabilities of the Group are equal to the carrying amount in the accounts (as detailed previously). In the case of loans and borrowings it is considered that the variable rate debt and associated credit margin is in line with current market rates and therefore is carried in the accounts at fair value.

21. FINANCIAL RISK MANAGEMENT

The Group's principal financial liabilities comprise loans and trade and other payables. The main purpose of these financial instruments is to finance the Group's operations. The Group has various financial assets such as accounts receivable and cash and short-term deposits, which arise directly from operations.

The Group manages its exposure to key financial risks in accordance with the Group's risk management policy. The objective of the policy is to support the delivery of the Group's financial targets while protecting future financial security. The main risks that could adversely affect the Group's financial assets, liabilities or future cash flows are market risks, comprising commodity price risk, currency risk, interest rate risk, credit risk and liquidity risk.

The Group's senior management oversees the management of financial risks. The Group's senior management is supported by the Audit, Risk and Compliance Committee that advises on financial risks and the appropriate financial risk governance framework for the Group. The Audit, Risk and Compliance Committee provides assurance to the Group's senior management that the Group's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Group policies and the Group's risk appetite.

All derivative activities for risk management purposes are carried out by management that have the appropriate skills, experience and supervision. It is the Group's policy that no trading in derivatives for speculative purposes shall be undertaken. At this stage, the Group does not currently apply any form of hedge accounting.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

1. Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: commodity price risk, interest rate risk and currency risk. Financial instruments affected by market risk include loans and borrowings, deposits, accounts receivable, accounts payable, accrued liabilities and derivative financial instruments.

(a) Currency risk

The Group is exposed to foreign currency risk on purchases and cash at bank which are denominated in a currency other than AUD. The currencies giving rise to this are primarily USD and Algerian Dinar (DZD). The Group does not enter into derivative financial instruments to hedge such transactions denominated in a foreign currency.

No amount was recognised in the statement of profit or loss and other comprehensive income during the current year (2015:$nil).

The Group's exposure to foreign currency risk at reporting date was as follows:

	31 December 2016		31 December 2015	
In AUD thousand equivalent	**USD**	**DZD**	USD	DZD
Cash at bank	**1**	**9**	1	36
Trade receivables	**-**	**12**	-	12
Trade payables	**-**	**(178)**	-	(67)
Convertible notes	**-**	**-**	-	-
Gross exposure	**1**	**(157)**	1	(19)

The following exchange rates applied for the Group Consolidated Statement of Financial Position :

	Currency	**2016**	2015
Year end rates used for the consolidated statement of financial position, to translate the following currencies into AUD, are:	USD	**0.72**	0.73
	DZD	**78.36**	77.84

Sensitivity Analysis

Sensitivity to fluctuations in foreign currency rates is based on outstanding monetary items at 31 December 2016 which are denominated in a foreign currency.

A 10% strengthening of the AUD against the following currencies at the end of the reporting period would have decreased losses by the amounts shown below. This analysis assumes that all other variables remain constant, in particular interest rates.

Effect in AUD thousands - 10% increase of the AUD against the following currencies

31 December 2016	Equity	Profit or (loss)
USD	-	-
Total	**-**	**-**

Effect in AUD thousands - 10% decrease of the AUD against the following currencies

31 December 2016	Equity	Profit or (loss)
USD	-	-
Total	**-**	**-**

Effect in AUD thousands - 10% increase of the AUD against the following currencies

31 December 2015	Equity	Profit or (loss)
USD	-	-
Total	**-**	**-**

21. FINANCIAL RISK MANAGEMENT
(continued)

Effect in AUD thousands - 10% decrease of the AUD against the following currencies

31 December 2015	Equity	Profit or (loss)
USD	-	-
Total	**-**	**-**

(b) Interest rate risk

The Group has an exposure to future interest rates on investments in variable-rate securities and variable-rate borrowings. The Group does not use derivatives to mitigate these exposures.

The Group's exposure to interest rate risk and effective weighted average interest rates are as follows:

2016	Effective interest rate	Total $'000	Floating interest rate $'000	Fixed interest rate $'000
Cash[1]	1.98%	1,014	1,014	-
Short-term deposits[1]	2.24%	23	23	-
Finance lease liabilities	11.70%	(13)	-	(13)
Loans - secured	7.00%	(11,650)	-	(11,650)
NET FINANCIAL ASSETS/ (LIABILITIES)		**(10,626)**	**1,037**	**(11,663)**

2015	Effective interest rate	Total $'000	Floating interest rate $'000	Fixed interest rate $'000
Cash [1]	2.42%	2,578	2,578	-
Short-term deposits	2.24%	23	23	-
Loans - secured	7.00%	(8,300)	-	(8,300)
NET FINANCIAL ASSETS/ (LIABILITIES)		**(5,699)**	**2,601**	**(8,300)**

1. *Includes AUD and USD denominated balances.*

Sensitivity analysis

As the Group does not use interest rate derivatives, a change in interest rates at reporting date would have no effect on profit or loss or equity.

For the 2016 financial year, a 100 basis points increase in the effective interest rate would have resulted in an increase in losses of $nil (2015: $nil).

2. Credit risk

Derivative counterparties and cash term deposits are limited to high credit quality financial institutions.

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

	Note	**2016 $'000**	2015 $'000
Trade and other receivables	*8*	**106**	38
Cash assets	*6*	**1,037**	2,601
		1,143	2,639

The Group's maximum exposure to credit risk for loans and receivables at the reporting date by geographic region was:

	2016 $'000	2015 $'000
Australia	**94**	26
Other	**12**	12
	106	38

3. Liquidity risk

The contractual maturities of financial liabilities, including estimated interest payments:

2016	Note	Carrying amount $'000	Contractual cash flows $'000	6 mths or less $'000	6-12 mths $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000
Non-derivative financial liabilities								
Trade and other payables	11	3,529	(3,529)	(3,529)	-	-	-	-
Loans - secured	12	10,801	(11,642)	(385)	(11,257)	-	-	-
Loans - unsecured	12	650	(688)	(23)	(665)	-	-	-
Finance lease liabilities	27(d)	13	(15)	(3)	(3)	(9)	-	-
		14,993	**(15,874)**	**(3,940)**	**(11,925)**	**(9)**	**-**	**-**

2015	Note	Carrying amount $'000	Contractual cash flows $'000	6 mths or less $'000	6-12 mths $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000
Non-derivative financial liabilities								
Trade and other payables	11	2,091	(2,091)	(2,091)	-	-	-	-
Loans - secured	12	7,917	(9,365)	(290)	(290)	(8,784)	-	-
		10,008	**(11,456)**	**(2,381)**	**(290)**	**(8,784)**	**-**	**-**

22. CONTROLLED ENTITIES

Name	Country of incorporation	Percentage 2016	2015
Parent Entity			
Terramin Australia Limited	Australia		
Subsidiaries of parent entity			
Menninnie Metals Pty Ltd	Australia	**100%**	100%
Western Mediterranean Zinc Spa	Algeria	**65%**	65%
Terramin Spain S.L.	Spain	**100%**	100%
Terramin Exploration Pty Ltd	Australia	**100%**	100%

Subsidiary with material non-controlling interests

The Group includes one subsidiary, Western Mediterranean Zinc Spa, with material Non-Controlling Interests ('NCI'):

	Proportion of Ownership Interests & Voting Rights held by the NCI		Profit/(Loss) Allocated to NCI		Accumulated NCI	
Name	31-Dec-16	31-Dec-15	31-Dec-16	31-Dec-15	31-Dec-16	31-Dec-15
Western Mediterranean Zinc Spa	**35%**	35%	**(156)**	(355)	**14,136**	14,292

Summarised financial information for Western Mediterranean Zinc Spa, before intragroup eliminations, is set out below:

	2016 $'000	2015 $'000
Current assets	**117**	142
Non-current assets	**41,775**	41,448
Total assets	**41,892**	41,590
Current liabilities	**178**	66
Non-current liabilities	**-**	-
Total liabilities	**178**	66

	2016 $'000	2015 $'000
Revenue	-	-
Loss for the year	(449)	(987)
Other comprehensive income for the year (all attributable to owners of the parent)	-	-
Total comprehensive loss for the year	(449)	(987)
Net cash (used in) operating activities	(449)	(1,025)
Net cash used in investing activities	(679)	-
Net cash from financing activities	1,102	1,021
Net cash (outflow)	(26)	(4)

23. SEGMENT REPORTING

For management purposes, the Group is organised into business units based on geography and has two reportable operating segments:

a. Australia – explores, develops and mines zinc, lead and gold deposits
b. Northern Africa – developing a zinc deposit

23. SEGMENT REPORTING *(continued)*

No operating segments have been aggregated to form the above reportable operating segments.

	Australia		Northern Africa		Consolidated	
	2016 $'000	2015 $'000	**2016 $'000**	2015 $'000	**2016 $'000**	2015 $'000
Revenue						
External customers	**-**	-	**-**	-	**-**	-
Total Revenue	**-**	-	**-**	-	**-**	-
Results						
Depreciation and amortisation	**(43)**	(37)	**-**	-	**(43)**	(37)
Exploration and evaluation expensed	**-**	-	**(238)**	(987)	**(238)**	(987)
Exploration and evaluation write-down	**(498)**	-	**-**	-	**(498)**	-
Interest income	**6**	11	**-**	-	**6**	11
Interest expense	**(660)**	(1,218)	**-**	-	**(660)**	(1,218)
(Loss) before income tax	**(4,410)**	(6,579)	**(449)**	(987)	**(4,859)**	(7,566)
Income tax expense	**1,116**	1,120	**-**	-	**1,116**	1,120
(Loss) for the year for the operating segment	**(3,294)**	(5,459)	**(449)**	(987)	**(3,743)**	(6,446)
(Loss) for the year attributable to non-controlling interest	**-**	-	**(156)**	(355)	**(156)**	(355)
(Loss) for the year attributable to equity holders of the Company	**(3,294)**	(5,459)	**(293)**	(632)	**(3,587)**	(6,091)
Total operating assets	**24,796**	23,868	**41,892**	41,590	**66,688**	65,458
Total operating liabilities	**20,980**	15,842	**178**	66	**21,158**	15,908
Other disclosures						
Capital expenditure[1]	**2,500**	2,905	**814**	-	**3,314**	2,905

1. *Capital expenditure consists of additions of property, plant and equipment, and exploration and evaluation assets.*

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

There are no transactions other than cash funding between reportable segments.

24. SHARE BASED ENTITLEMENTS AND PAYMENTS

The Group uses share options and share rights to provide incentives to Directors, employees and consultants. The Board, upon the recommendation of senior management, has discretion to determine the number of options to be offered to Eligible Employees (as that term is defined by the EOP) and the terms upon which they are offered, including exercise price and vesting conditions.

For the calendar year 2016, under the terms of the remuneration package of the Group's Chief Executive Officer, share rights under a Terramin Employee Share Rights Plan were issued. The share rights are issued quarterly and are priced at a 5% discount to the volume weighted average price of the shares traded in the last 5 days of the relevant quarter. The share rights convert to ordinary shares 12 months after the date of issue.

No options were issued to KMPs in 2016 (2015: Nil).

(a) Number and weighted average exercise prices of share options

	Weighted average exercise price 2016	**Number of options 2016**	Weighted average exercise price 2015	Number of options 2015
Outstanding at 1 January	**$0.38**	**3,800,000**	$0.38	3,800,000
Granted during the period	**$0.00**	**-**	$0.00	-
Exercised during the period	**$0.00**	**-**	$0.00	-
Lapsed during the year	**$0.53**	**(300,000)**	$0.00	-
Outstanding at 31 December	**$0.135**	**3,500,000**	$0.38	3,800,000
Exercisable at 31 December	**$0.135**	**3,500,000**	$0.20	2,050,000

24. SHARE BASED ENTITLEMENTS AND PAYMENTS *(continued)*

The options outstanding at 31 December 2016 have a weighted average contractual life of 1.46 years (2015: 2.3 years).

A balance of 3,500,000 options outstanding for the Group at 31 December 2016 were fully vested and exercisable. 300,000 options lapsed during the period.

(b) Options exercised during the year

During the year ended 31 December 2016 there were no options exercised (2015: Nil).

(c) Table of share options movement for the Group at 31 December 2016

Expiry Date	Number of options	Options expense this year $'000	Total option value $'000
Opening balance 1 January 2016	**3,800,000**	**-**	**-**
Lapsed during the period	(300,000)	-	-
Closing balance 31 December 2016	**3,500,000**	**-**	**-**

(d) Table of share options movement for the Group at 31 December 2015

Expiry Date	Number of options	Options expense this year $'000	Total option value $'000
Opening balance 1 January 2015	**4,800,0000**		
Options lapsed during the year	(1,000,000)	-	-
Closing balance 31 December 2015	**3,800,000**	**-**	**-**

During the year, no options were issued to employees and Executives of the Group.

(e) Shares issued in lieu of cash payments

Type of Share Issue 2016	Date of issue	Number of Ordinary Shares on issue	Issue Price $	Share Capital $'000
Shares issued in lieu of directors fees	31/05/2016	81,699	0.12	10
Shares issued in lieu of directors fees	31/05/2016	231,054	0.13	29
Shares issued in lieu of directors fees	31/05/2016	219,511	0.16	34
Shares issued in lieu of directors fees	31/05/2016	212,190	0.16	34
Shares issued in lieu of directors fees	31/05/2016	209,349	0.16	34
Total shares issued in lieu of cash payments		953,803		141

Type of Share Issue 2015	Date of issue	Number of Ordinary Shares on issue	Issue Price $	Share Capital $'000
Shares issued in lieu of interest (Rainbow Dream)	04/02/2015	1,083,558	0.15	158
Shares issued in lieu of interest (Asipac)	03/06/2015	1,243,984	0.06	69
Shares issued in lieu of interest (Asipac)	03/06/2015	536,786	0.13	69
Shares issued in lieu of interest (Asipac)	03/06/2015	901,796	0.08	72
Shares issued in lieu of interest (Asipac)	03/06/2015	2,002,982	0.04	81
Shares issued in lieu of interest (Asipac)	03/06/2015	1,040,608	0.07	71
Shares issued in lieu of interest (Asipac)	03/06/2015	5,053,244	0.13	632
Total shares issued in lieu of cash payments		11,862,958		1,152

(f) Shares rights issued in lieu of cash payments

Type of Share Rights Issue 2016	Date of issue	Number of Share Rights issued	Issue Price $	Share Rights $'000
Share Rights issued in lieu of salary and wages	23/05/2016	140,231	0.16	22
Share Rights issued in lieu of salary and wages	02/08/2016	190,332	0.11	22
Total Share Rights issued in lieu of cash payments		330,563		44

There were no share rights issued during 2015. No share rights converted to ordinary shares during the year.

25. EMPLOYEE OPTION PLAN

(a) Current Options

No options were exercised and 300,000 options lapsed in 2016.

(b) Employee Incentive Plan

Terramin has established an Employee Incentive Plan. Shares are allotted to employees under this Plan at the Board's discretion.

The following options are currently on issue:

	No. of Options on issue	Issue Price	Fair Value $'000
Balance as at 1 January 2016	3,800,000	-	-
Issued during the financial year	-	-	-
Balance as at 31 December 2016	**3,800,000**	**-**	**-**
Lapsed during the financial year	(300,000)	-	-
Balance as at 31 December 2016	**3,500,000**	**-**	**-**

The fair value of options issued is calculated using the Black-Scholes Option Pricing Model.

26. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share at 31 December 2016 was based on the net loss attributable to equity holders of the Company of $3.6m (2015: $6.1m) and a weighted average number of ordinary shares outstanding during the year ended 31 December 2016 of 1,795,602,400 (2015: 1,632,050,796), calculated as follows:

	2016 $'000	2015 $'000
Net loss for the year attributable to the equity holders of the Company	**(3,587)**	(6,091)
Ordinary shares on issue	**1,795,996,987**	1,795,043,184
Weighted average number of ordinary shares	**1,795,602,400**	1,632,050,796
Basic earnings per share (cents)	**(0.20)**	(0.37)

(b) Diluted earnings per share

The calculation of diluted earnings per share does not include potential ordinary shares on issue as to do so would have the effect of reducing the amount of the loss per share.

	2016 $'000	2015 $'000
Diluted earnings per share (cents)	**(0.20)**	(0.37)

27. COMMITMENTS AND CONTINGENCIES

There are contractual commitments at the reporting date as follows:

(a) Operating lease

Non-cancellable operating leases contracted but not capitalised in the financial statements payable:

	2016 $'000	2015 $'000
Within 1 year	**64**	28
One to five years	**3**	13
Total	**67**	41

(b) Minimum expenditure on exploration tenements of which the Group has title

As at 31 December 2016, there were minimum exploration commitments on exploration tenements as follows: Bremer, Cambrai, Currency Creek, Hartley, Kinchina, Langhorne Creek, Tepko and Pfeiffer, Kapunda, Lobethal, Mount Barker, Mount Pleasant and Mount Torrens have amalgamated minimum expenditure of $3 million over the 2 year period ending 30 June 2018. Note that Currency Creek and Langhorne Creek tenements were surrendered in early 2017. The minimum exploration commitments for Menninnie Dam, Nonning, Kolendo, Taringa and Wipipippee are currently under review. Mount Ive, Mount Ive South, Mulleroo, Tanner, Thurlga and Unalla have a requirement of $100,000, $180,000, $100,000, $210,000, $300,000 and $90,000 over two years respectively.

As at 31 December 2015, there were minimum exploration commitments on exploration tenements as follows: Bremer, Currency Creek, Hartley, Kinchina, Langhorne Creek, Tepko and Pfeiffer, Kapunda, Lobethal, Mount Barker, Mount Pleasant and Mount Torrens have amalgamated minimum expenditure of $2.9 million over the 2 year period ending 30 June 2016. The minimum exploration commitments for Menninnie Dam, Nonning, Kolendo, Taringa and Wipipippee are currently under review. Mount Ive, Unalla, Mount Ive South, Tanner and Thurlga have a requirement of $100,000, $180,000, $180,000, $210,000 and $300,000 over two years respectively.

(c) Capital expenditure commitments

	2016 $'000	2015 $'000
Within 1 year	**-**	-
Total	**-**	-

27. COMMITMENTS AND CONTINGENCIES *(continued)*

(d) Finance leases

	2016 $'000	2015 $'000
Within 1 year	**6**	-
Longer than 1 year and not longer than 5 years	**9**	-
Minimum lease payments	**15**	-
Less: future finance charges	**2**	-
Total lease liabilities	**13**	-
Representing		
Current	**4**	-
Non-current	**9**	-
	13	-

The interest rate implicit in the lease is 11.7%.

(e) Other commitments

Tala Hamza Zinc Project

In February 2006, the Group signed a joint venture agreement in respect of the Tala Hamza Zinc Project with 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 is made.

Bird-in-Hand acquisition

Terramin Exploration Pty Ltd agreed to purchase the Bird-in-Hand Gold Project from Maximus Resources Limited. Pursuant to a tenement sale and purchase agreement two further payments of $1 million each may become payable following approval of the Programme for Environmental Protection and Rehabilitation in respect of the Bird-in- Hand deposit and following the first shipment of mined gold respectively. A net smelter royalty will also become payable following the first shipment of mined gold.

Consultancy fee

Under the Technical Cooperation Agreement entered into with NFC up to an additional 8 million ordinary shares will be issued upon the Board of WMZ taking a decision to mine.

Finder's Fee

A second tranche of a finder's 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 Algerian joint venture agreement with ENOF. 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 exercisable at 25 cents each within 3 years of date of issue.

Bank Guarantees – Angas Zinc Mine

As at 31 December 2016, the Company had lodged bank guarantees having a face value of $5.3 million with the Department of State Development (DSD).

Litigation

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

28. EVENTS AFTER THE REPORTING DATE

On 2 February 2017, The Company raised $4 million via a share placement with a new sophisticated investor based in Australia. Under the subscription agreement, 25,000,000 shares were issued at a price of $0.16 per share.

On 2 March 2017, Mr Yaheng Xie retired from the board of directors and Mr Wang Xinyu was appointed director. Mr Wang represents China Non-Ferrous Metals Industry's Foreign Engineering & Construction Co, Ltd .

In the Directors' opinion, no other events or circumstances have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the Company or the Group, the results of those operations or the state of affairs of the Group in future years that have not been otherwise disclosed in this report.

29. PARENT ENTITY DISCLOSURES

As at, and throughout, the financial year ending 31 December 2016 the parent Company of the Group was Terramin Australia Limited.

	2016 $'000	2015 $'000
Result of the parent entity		
Loss for the period	**(4,199)**	(5,803)
Other comprehensive income	**-**	-
Total comprehensive income for the period	**(4,199)**	(5,803)
Financial position of parent entity		
Current assets	**1,134**	2,659
Total assets	**59,652**	60,760
Current liabilities	**8,347**	1,688
Total liabilities	**14,120**	11,214
Total equity of the parent entity comprising of:		
Share capital	**204,054**	203,913
Reserves	**9,014**	8,970
Accumulated losses	**(167,536)**	(163,337)
Total equity	**45,532**	49,546

Parent entity capital commitments for acquisition of property plant and equipment

	2016 $'000	2015 $'000
Capital expenditure commitments contracted for:		
Within 1 year	**-**	-
Total	**-**	-

Parent entity guarantees in respect of debts of its subsidiaries

The parent entity has not entered into a deed of Cross Guarantee with respect to its subsidiaries.

TENEMENT INFORMATION

18 March 2017

TERRAMIN AUSTRALIA LIMITED (100% TERRAMIN)

Tenement listing

Title name and locations	Licence number	Licence area	Expiry date	Interest	Minimum expenditure	Application for renewal of licence lodged
Angas - South Australia	ML6229	87.97ha	16/08/2016	100%	Not applicable	5/05/2016
Bremer - South Australia[1/3]	EL4936	387km^2	26/10/2016	100%	$280,000 over 1 year	13/07/2016
Cambrai - South Australia[1]	EL5662	89km^2	20/07/2017	100%	$80,000 over 2 years	
Hartley - South Australia[1]	EL5078	76km^2	3/06/2017	100%	$210,000 over 3 years	
Kinchina - South Australia[1]	EL5252	28km^2	22/05/2018	100%	$70,000 over 2 years	
Pfeiffer - South Australia[1]	EL5102	154km^2	21/11/2017	100%	$135,000 over 3 years	
Tepko - South Australia[1]	EL5339	998km^2	7/10/2018	100%	$375,000 over 3 years	
Wild Horse - South Australia	EL5846	462km^2	8/09/2018	100%	$180,000 over 2 years	

TERRAMIN EXPLORATION PTY LTD (100% TERRAMIN)

Tenement listing

Title name and locations	Licence number	Licence area	Expiry date	Interest	Minimum expenditure
Kapunda - South Australia[1]	EL5262	624km^2	27/04/2018	100%	$540,000 over 3 years
Lobethal - South Australia[1]	EL5469	221km^2	31/08/2019	100%	$600,000 over 3 years
Mount Barker - South Australia[1]	EL5214	118km^2	24/02/2018	100%	$240,000 over 3 years
Mount Pleasant - South Australia[1]	EL5805	452km^2	29/03/2018	100%	$600,000 over 2 years
Mount Torrens - South Australia[1]	EL5568	93km^2	24/02/2019	100%	$480,000 over 3 years

WESTERN MEDITERRANEAN ZINC SPA (65% TERRAMIN)

Tenement listing

Title name and locations	Licence number	Licence area	Expiry date	WMZ Interest	Minimum expenditure
Oued Amizour - Algeria	6911PEM	12,276ha	31/07/2017	100%	Not applicable

MENNINNIE METALS PTY LTD (100% TERRAMIN)

Tenement listing

Title name and locations	Licence number	Licence area	Expiry date	MMPL Interest	Minimum expenditure	Application for renewal of licence lodged
Kolendo - South Australia[2]	EL5453	208km^2	26/07/2016	100%	$200,000 over 2 years	16/06/2016
Menninnie - South Australia[2]	EL5039	101km^2	26/10/2016	100%	$320,000 over 2 years	22/07/2016
Nonning - South Australia[2/3]	EL4813	312km^2	30/11/2016	100%	$120,000 over 1 year	24/08/2016
Taringa - South Australia[2]	EL5816	988km^2	20/02/2018	100%	$500,000 over 2 years	
Wipipippee - South Australia[2]	EL4865	862km^2	2/05/2016	100%	$460,000 over 4 years	18/03/2016
Mt Ive - South Australia	EL5276	214km^2	20/06/2017	100%	$100,000 over 2 years	
Mt Ive South - South Australia	EL5430	394km^2	19/06/2016	100%	$180,000 over 2 years	18/05/2016
Tanner - South Australia	EL5458	354km^2	31/07/2016	100%	$210,000 over 2 years	29/06/2016
Thurlga - South Australia	EL5518	951km^2	27/11/2016	100%	$300,000 over 2 years	26/10/2016
Unalla - South Australia	EL5266	155km^2	6/06/2017	100%	$180,000 over 4 years	
Mulleroo - South Australia	EL5855	210km^2	19/09/2018	100%	$100,000 over 2 years	

1. *Subject to an amalgamated expenditure agreement with the Department of State Development (**DSD**) (see note 27) encompassing the Adelaide Hills tenements.*
2. *Subject to an amalgamated expenditure agreement with the DSD (see note 27) encompassing the Menninnie Metals tenements.*
3. *Licence renewals have been offiered by DSD and accepted on 1 March 2017.*

RESERVES & RESOURCES

The following tables set out the current Resource and Reserve position for the Company.

Table of Resources - Lead Zinc

		Measured Resource			Indicated Resource			Inferred Resource			Total Resources		
	Terramin interest (%)	Tonnes (Mt)	Zn (%)	Pb (%)	Tonnes (Mt)	Zn (%)	Pb (%)	Tonnes (Mt)	Zn (%)	Pb (%)	Tonnes (Mt)	Zn (%)	Pb (%)
Tala Hamza [1,2]	65	30.6	5.7	1.6	20.5	3.6	0.8	17.5	3.7	0.6	68.6	4.6	1.1
Angas [4,5]	100	-	-	-	0.66	4.68	1.81	0.25	2.8	1.3	0.91	4.2	1.7
Sunter [4,6]	100	-	-	-	0.13	5.70	2.31	0.24	2.9	1.2	0.38	3.8	1.6
Menninnie Dam [7,8]	100	-	-	-	-	-	-	7.7	3.1	2.6	7.7	3.1	2.6
TOTAL *(100%)*	**-**	**30.6**	**5.7**	**1.6**	**21.3**	**3.6**	**0.8**	**25.8**	**3.5**	**1.2**	**77.5**	**4.4**	**1.3**
TOTAL *(Terramin share)*	**-**	**19.9**	**5.7**	**1.6**	**14.1**	**3.6**	**0.8**	**19.7**	**3.4**	**1.4**	**53.5**	**4.3**	**1.3**

Table of Resources - Gold

		Indicated Resource			Inferred Resource			Total Resources				
	Terramin interest (%)	Tonnes (Kt)	Au (g/t)	Ag (g/t)	Tonnes (Kt)	Au (g/t)	Ag (g/t)	Tonnes (Kt)	Au (g/t)	Au (kOz)	Ag (g/t)	Ag (kOz)
Bird-in-Hand [9,10]	100	167	16.16	13.5	421	12.23	3	588	13	252	6.1	115
TOTAL *(100%)*	**-**	**167**	**16.16**	**13.5**	**421**	**12.23**	**3**	**588**	**13**	**252**	**6.1**	**115**
TOTAL *(Terramin share)*	**-**	**167**	**16.16**	**13.5**	**421**	**12.23**	**3**	**588**	**13**	**252**	**6.1**	**115**

Table of Reserves - Lead Zinc

		Probable Reserve			Total Reserve		
	Terramin interest (%)	Tonnes (Mt)	Zn (%)	Pb (%)	Tonnes (Mt)	Zn (%)	Pb (%)
Tala Hamza [2,3]	65	38.10	4.78	1.36	38.1	4.78	1.36
TOTAL *(100%)*	**-**	**38.1**	**4.78**	**1.36**	**3.81**	**4.78**	**1.36**
TOTAL *(Terramin share)*	**-**	**24.8**	**4.78**	**1.36**	**24.8**	**4.78**	**1.36**

1. *Resources for Tala Hamza (JORC 2004) are estimated at a cut off of 2.5% ZnEq. The Zinc Equivalence formula for Tala Hamza is %ZnEq = %Zn + 0.59 x %Pb and is based on long term predicted prices at October 2009 of Pb USD1,323/t and Zn USD1,764/t and metal recoveries of Pb 62% and Zn 88%.*
2. *Tala Hamza Resources as at 15 November 2009. The reserve is as at 12 October 2010. The reserve is based on a block cave mining method. The Company expects to update the Resources and Reserve for the Tala Hamza project based on underhand drift and fill mining method in the near future. Resources are inclusive of Reserves.*
3. *Reserve cut off grade at Tala Hamza is 2.5% ZnEq, JORC 2004.*
4. *Resources for Angas and Sunter (JORC 2004) are estimated at a cut off of 2% Pb+Zn.*
5. *Angas Resources as at 1 Jan 2013. Resources exclude oxide and transitional material.*
6. *Sunter Resources as at 29 November 2011. Resources exclude oxide and transitional material.*
7. *Resources for Menninnie Dam (JORC 2004) are estimated at a cut off of 2.5% Pb+Zn.*
8. *Menninnie Dam Resources as at 15 February 2011. Resources exclude oxide and transitional material.*
9. *Resources for Bird-in-Hand (JORC 2012) are estimated at a cut off of 1g/t Au.*
10. *Bird-in-Hand Resources as at 8 August 2016.*

JORC Competent Person Statement

The information in this report that relates to Exploration Results and Mineral Resources is based on information compiled and thoroughly reviewed by Mr Eric Whittaker. The information that relates to Ore Reserves for Tala Hamza is based on information thoroughly reviewed by Mr Joe Ranford. Mr Whittaker and Mr Ranford are Members of The Australasian Institute of Mining and Metallurgy. Mr Whittaker is a Principal Resource Geologist and Mr Ranford is Chief Technical Officer and Operations Manager and both are employees of Terramin Australia Limited. Both have sufficient experience relevant to the style of mineralisation and type of deposit(s) under consideration and to the activity that they are undertaking to qualify as a Competent Person as defined by the relevant 2004 or 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' as specified in the explanation notes above. Mr Whittaker and Mr Ranford consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.

EQUITY SECURITIES ON ISSUE

Fully paid ordinary shares

As at 17 March 2017, there were 2,839 holders of a total of 1,820,996,987 ordinary fully paid shares in the capital of the Company. All ordinary fully paid shares in the capital of the Company are listed for quotation on the ASX.

Unlisted options

As at 17 March 2017, there were 3 holders of a total of 3,500,000 options over fully paid ordinary shares in the capital of the Company.

SHAREHOLDER VOTING RIGHTS

At a general meeting of shareholders, on a show of hands, each person who is a member or sole proxy has one vote. On a poll, each shareholder is entitled to one vote for each fully paid share.

Unlisted options carry no voting rights.

DISTRIBUTION SCHEDULE

as at 28 February 2017

Number of securities	Fully paid ordinary shares	Unlisted options
1 - 1,000	503	0
1,001 - 5,000	860	0
5,001 - 10,000	406	0
10,001 - 100,000	822	0
100,001 - and over	255	4
Total	**2,846**	**4**

As at 28 February 2017, there were 3334 shareholdings of less than a marketable parcel.

SUBSTANTIAL SHAREHOLDERS

As at 17 March 2017, the following shareholders were substantial shareholders, as disclosed in substantial shareholder notices given to the Company:

Shareholder	Number of shares	% Issued capital
Asipac Group Pty Ltd	620,267,260	34.06
Citicorp Nominees Pty Limited	334,527,554	18.37
Tronic Enterprise Development Limited	198,636,923	10.91
HSBC Custody Nominees (Australia) Limited	167,781,876	9.21

LIST OF 20 LARGEST SHAREHOLDERS

The names of the twenty largest shareholders as shown in the Company's register at 17 March 2017 are:

Shareholder	Number of shares	%
Asipac Group Pty Ltd	620,267,260	34.06
Citicorp Nominees Pty Limited	334,527,554	18.37
Tronic Enterprise Development Limited	198,636,923	10.91
HSBC Custody Nominees (Australia) Limited	167,781,876	9.21
China Non-Ferrous Metals Industry's Foreign Engineering & Construction	67,800,000	3.72
New Asia Wealth Investment Holding (Sg) Pte Ltd	57,185,513	3.14
Mr Jing Wang	35,510,849	1.95
Pershing Australia Nominees Pty Ltd <Phillip Securities (Hk) A/C>	31,662,802	1.74
Ms Er Xu	31,391,817	1.72
Fly Wealth Investment Pty Ltd <Fly Wealth Investment A/C>	25,000,000	1.37
Mr Julian Paul Leach	18,685,187	1.03
Silver Springs Investment Pty Ltd <Wendy Li Family A/C>	15,580,967	0.86
BNP Paribas Noms Pty Ltd <Drp>	14,655,895	0.80
ABN Amro Clearing Sydney Nominees Pty Ltd <Custodian A/C>	12,718,378	0.70
Huge Field Investment Ltd	10,000,000	0.55
Fasic Pty Ltd	6,765,761	0.37
Mr Hai Tao Zhang + Mrs Miao Miao Guo <M & H Super Fund A/C>	5,523,800	0.30
Ms Liping Zhu	5,523,800	0.28
Mr Peter Joseph Mcguire	5,000,000	0.27
Ms Jan Maree Elkin-Roberts	4,329,215	0.24
Total	**1,668,440,684**	**91.62**

ADDITIONAL INFORMATION

- Unquoted equity securities

The following persons were the holders of 20% or more of the equity securities in an unquoted class as at 17 March 2017:

Class of unquoted securities	Number of securities held	% of securities in class
Unlisted options		
MS Janes	1,500,000	39.42%
JF Ranford	1,000,000	26.32%
SD Gauducheau	1,000,000	26.32%
Share Rights		
MS Janes	330,563	100%

CORPORATE GOVERNANCE STATEMENT

For the Year Ended 31 December 2016

The Corporate Governance Statement for the Group can be found at www.terramin.com.au/corporate/corporategovernance.

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