



TERRAMIN AUSTRALIA LIMITED

3rd

Quarter Report 2014

HIGHLIGHTS

- Revised feasibility study for Tala Hamza project completed and presented to Algerian partners
- Groundwater studies substantially completed and EPBC Act referral advancing at Bird-in-Hand
- Resource drilling at Bird-in-Hand approved by regulator
- Completion of restructure of A\$21m convertible notes
- Placement raising \$1m
- \$1.4m in Research & Development rebate received



TALA HAMZA PROJECT

100% owned by Western Mediterranean Zinc Spa (WMZ)

The Tala Hama Project contains a resource of 68.6 million tonnes (Measured, Indicated and Inferred) at 4.6% Zinc and 1.2% Lead. Terramin holds a 65% shareholding in WMZ. The remaining 35% is held by two Algerian government-owned companies: Enterprise Nationale des Produits Miniers Non-Ferreux et des Substances Utiles Spa (ENOF) (32.5%) and Office National de Recherche Géologique et Minière (ORGM) (2.5%). The Oued Amizour Exploration Permit 5225PE is a 125km² tenement which contains several lead-zinc deposits including the Tala Hamza deposit.

Update

During the last quarter, the Company has made significant progress towards the development of the Tala Hamza project. As previously announced, Terramin and China Non-Ferrous Metal Industry's Foreign Engineering and Construction Company (**NFC**) have been working on preparing a revised feasibility study on the basis of a mining method agreed with ENOF. In September 2014, NFC completed this revised study which, following a review by Terramin, was translated in French. These complementary studies were then presented to the joint venture Algerian Partners for their review.

Following the completion of their review the partners have agreed to meet in the coming weeks to discuss the outcomes of the revised study, and the way forward.

The board expects that these meetings will address the technical aspects of the revised study as well as the economic assumptions built in the study in particular the tax and custom duties regime, land acquisition costs and other development costs. The positive reforms to the Mining Act introduced at the beginning of 2014 are expected to have a material positive effect on the economics of the project.

Based on earlier discussions with ENOF and the Algerian ministry of mines indicating their strong willingness to start developing the project in 2015, the Board believes that the development of the project could be timely with the on-going improvement of the zinc market. The outlook for zinc from consensus analysis is very positive for the next 3 to 5 years and the project could come on stream at a time of zinc shortfall.

During the quarter, total cash expenditure on the project was \$165,250. In addition, the Company issued 18 million shares to NFC as consideration for the completion of the revised feasibility study in accordance with the terms of the Technical Cooperation Agreement entered into in December 2013.



BIRD-IN-HAND GOLD PROJECT

100% owned by Terramin subsidiary Terramin Exploration Pty Ltd

The Bird-in-Hand Gold Project is located approximately 30km north of Terramin's existing mining and processing facilities at the Angas Zinc Mine. The project has an Inferred Resource of 233,000 ounces of gold at 13g/t which is amendable to underground mining.

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

Update

The five test bores constructed during the first phase of the hydrogeological study at the Bird-in-Hand gold project were tested to determine the permeability of the geological formations as part of phase two of the hydrogeological studies. Approval for the pump tests was granted by the Department of State Development (**DSD**), in conjunction with the Environmental Protection Authority (**EPA**) and the Department for Environment, Water and Natural Resources (**DEWNR**). The Program for Environmental Protection and Rehabilitation (**PEPR**) provides for the Company to undertake the water extraction for the purpose of determining ground water flows and aquifer interaction and was specifically designed to target the Brighton Limestone and Tapley Hill Formation. The test work is yet to be fully analysed, however the preliminary results indicate that the water is constrained to rock fractures within the host rock and that the host rocks are generally of very low permeability and water flow.

A presentation concerning the water investigation program was given to the local landholders group, the Inverbrackie Groundwater Focus Group. A groundwater census was commenced in early 2014 and now encompasses 34 landholders and the measurement of 55 regional bores. This information is providing some seasonal understanding of the groundwater and also provides data for further modelling. This information and the data from the pump tests will feed into the groundwater model being developed by Australian Groundwater Technologies and will assist in determining appropriate water management techniques to be utilised to enable mining.

Baseline environmental studies continue in the area to ensure 12 months of comprehensive data is gathered. Logging of meteorological and weather conditions is being undertaken adjacent to the current project footprint. Dust and noise monitors have been installed and data is currently being collected for review. Surface water flows were monitored and tested during winter to determine the water quality and flows. Macro-invertebrate sampling was conducted in the Inverbrackie Creek for analysis of the aquatic ecosystem and determining a general level of health of the local creek.

During the quarter a meeting was held in conjunction with the DSD, EPA and DEWNR to determine the requirements for the Environmental Protection and Biodiversity Conservation (**EPBC**) Act referral. The parties have concluded that as all work can be undertaken in cleared grazing land, the impact on native vegetation is expected to be minimal. A time and survey method was agreed for the undertaking of the spring break flora and fauna surveys to be conducted in October. Accordingly, it is unlikely that the EPBC Act referral would require additional survey works.

A PEPR for the approval of a 6,600 metre exploration drilling program was submitted and approved during the quarter. The program is designed to target the upper section of the orebody to improve the confidence from Inferred to Indicated and Measured. Additional holes are designed to test the continuity of the ore at depth.

During the quarter, total expenditure on the project was \$536,785.

ADELAIDE HILLS EXPLORATION

100% owned by Terramin and Terramin Subsidiary Terramin Exploration Pty Ltd

The Adelaide Hills project consists of twelve contiguous exploration tenements that cover 3547 km² stretching 120km between Victor Harbor and Kapunda. (Figure 1). This project area is considered highly prospective for gold, copper, lead, zinc and rare earth elements.

Update

The Adelaide Hills has a long history of mining and was the site of Australia's first base metals mine (Glen Osmond, 1841) and first gold mine (Victoria Mine, 1846). From 1841 to 1851 virtually all of Australia's metalliferous mines were located in South Australia. Over 250 historic gold and copper mines and prospects are located on Terramin's Adelaide Hills tenements. Terramin is currently compiling historical exploration and mining data as well as undertaking new geophysical and geochemical surveys. Project areas that have been identified as higher priority for further work include Wheal Barton, Kapunda and Golden Slope.



Figure 1. Adelaide Hills tenement holdings.

During the reporting period Terramin announced the results of the Wheal Barton geochemical survey. A large, high magnitude, copper geochemical anomaly was defined by laboratory analyses of rock chip samples and by Hand Held X-Ray Fluorescence (HHXRF) analyses of in situ soil and rock chips. The key outcomes of the survey were:

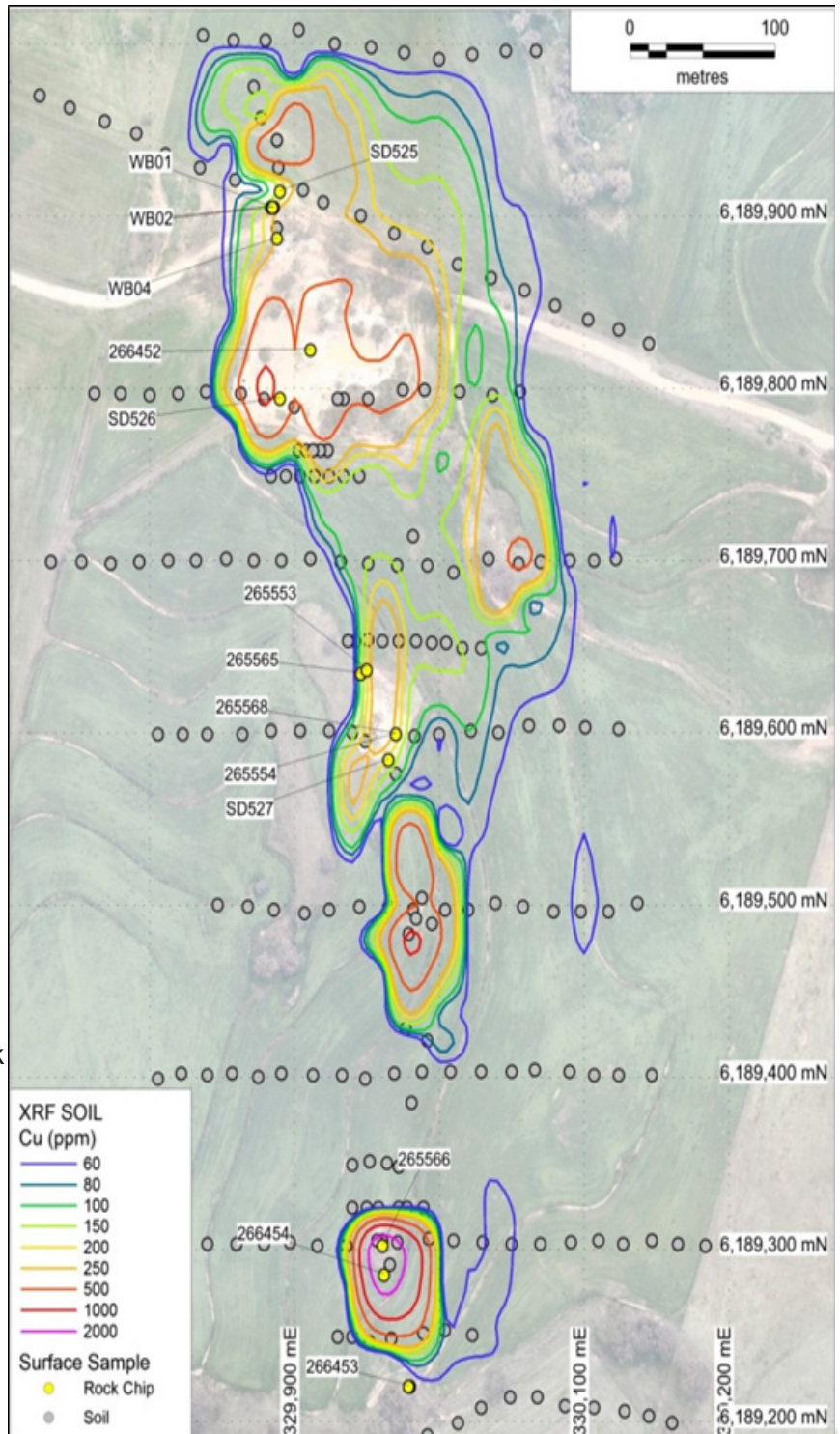
- Outstanding soil geochemistry results with analyses of up to 3239ppm copper
- Rock chip samples have returned highly anomalous precious metal values with peak results of 4.21g/t gold and 86g/t silver
- Anomalous nickel and cobalt with respective peak results of 0.21% and 0.29%

Copper was discovered at Wheal Barton in 1846, 2km east of the township of Truro, South Australia. Wheal Barton operated as a small but high grade copper mine with ore mined from veins 60 to 120cm wide at an average grade of 20% copper.

At Wheal Barton soil sampling by Terramin defined an outstanding copper anomaly (+60ppm copper contours) that extends more than 750m north-south and up to 150m east-west (Figure 2). Several areas returned +1000ppm copper in soil with a peak result of 3239ppm copper. These results suggest that there may be additional lodges in the footwall of the main west-dipping lode mined historically. Further work is under way in the Truro region to determine whether any other known copper occurrences also have large, highly anomalous geochemical footprints.

During the quarter, total expenditure on the project was \$83,660.

Figure 2. Surface sample and in situ soil analysis locations and contoured copper in soil results.





ANGAS ZINC MINE

100% owned by Terramin

A 400,000 tpa operation that produced zinc and lead-copper-silver-gold concentrates currently in care and maintenance.

Update

The Angas Zinc Mine remains in care and maintenance. The site remains in compliance with the lease conditions on all levels. Onsite clean-up and fuel reduction has commenced in preparation for the summer period.

Work continues on the Angas Mine closure plan, specifically in regards to the tailings storage facility (TSF) cover system. DSD have provided feedback from their consultants in support of the use of an engineered soil cover system (phytocal) to replace the approved HDPE liner on the TSF. Terramin's consultants, URS, are completing the modelling over a 1,000 year period to determine the suitability of the design. A workshop with DSD, their consultants (O'Kane Consultants), URS and Terramin has been organised for early November to review the final design. Work to complete the final closure plan is ongoing.

The Quarterly Environmental Report (QER) was completed with no issues reported. A meeting held with the Strathalbyn Community Consultation Committee (SCCC) was held to review the report and provide an update on site activities. An overview of the Bird-in-Hand project was presented to the group as the Company plans to process the ore at Angas.

The mine void is filling with water to the extent that pumping of water into the mine void has ceased. Water is now at the level predicted in the water modelling. Underground inspections are still occurring on a regular basis to assess the ground conditions. Ground conditions remain good with little degradation in the decline and level accesses. The water level has risen above the 100 level. Water monitoring indicates that the current water in the mine void is sitting at 8.2pH.

During the quarter Terramin has agreed to lease its concentrate shed to Hillgrove Resources Ltd for the storage of quicklime for the duration of the care and maintenance period to be utilised at the Kanmantoo Mine site, located 20km north of Angas.

During the quarter, total expenditure in care and maintenance of the mine infrastructure was \$189,226.

MENNINNIE PROJECT

100% owned by Terramin subsidiary Menninnie Metals Pty Ltd

The Menninnie Project comprises a group of five Exploration Licences covering a contiguous area of 2,471km² in the Southern Gawler Ranges, South Australia. Menninnie Metals has entered into a Farm-in and Joint Venture Agreement with Musgrave Minerals Ltd (Musgrave) (ASX:MGV) regarding the Menninnie Project. Musgrave can earn up to 51% by spending \$6m in the first phase and, if Menninnie Metals does not contribute, up to 75% by spending an additional \$3m.

Update

Musgrave has undertaken follow-up geochemical sampling during the quarter to better define targets at Erebus, Mallee and Tank Hill. Results are awaited. An infill gravity survey was completed in September and the data are currently being processed. Preparations are underway to commence drill testing of basement targets in mid-November.

All expenses on the project are covered by Musgrave under the terms of the Menninnie Project joint venture.

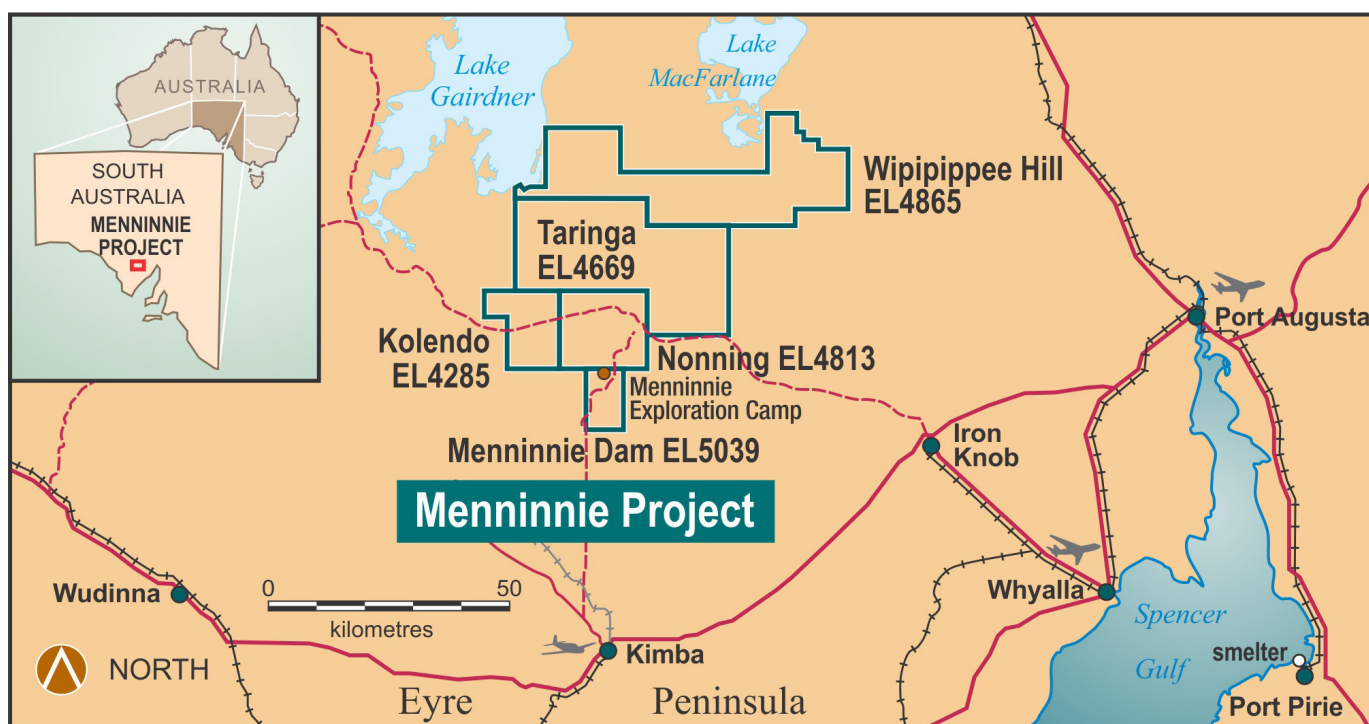


Figure 3. Tenements comprising the Menninnie Project.

MT IVE PROJECT

100% owned and operated by Terramin subsidiary Menninnie Metals Pty Ltd

The Mount Ive Project, located in the Southern Gawler Ranges, South Australia, consists of three Exploration Licences covering a contiguous area of 978km² and two adjoining Exploration Licence Applications covering a further contiguous area of 1305km² (Figure 3). The project is adjacent to (but separate from) the Menninnie Project and its southern boundary lies 6km north of the Paris silver deposit. The area is prospective for gold, silver, copper, lead, zinc and tin.

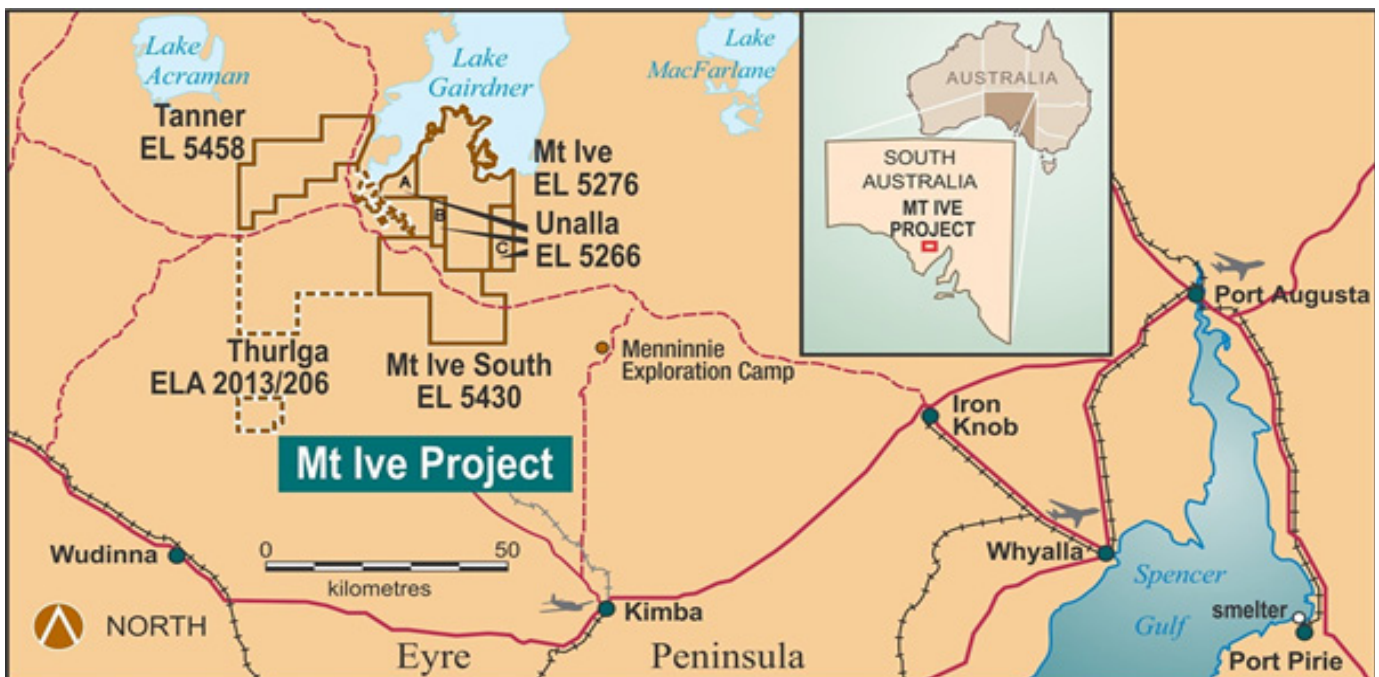


Figure 4. Location of Mt Ive Project tenements and tenement applications

Update

ELA 2014/00033 (Tanner) was granted to Menninnie Metals by the Department of State Development (DSD) on 01/08/2014. The new licence ID for Tanner is EL 5458 (Figure 4). Menninnie Metals accepted the offer of ELA2013/00206 (Thurliga) by the DSD on 26/09/2014 and expects that the Thurliga EL will be granted in the fourth quarter. Acquisition and compilation of available historical exploration data for the entire project area is nearing completion. Key areas of interest have been identified based on experience gained from the Menninnie Project. Geological field investigations and geochemical sampling is expected to commence in the fourth quarter following establishment of an Indigenous Land Rights Agreement (ILUA) covering the project area.

During the quarter, total expenditure on the project was \$7,979.



CORPORATE

During the reporting period, the Company completed the restructure of the US\$15m convertible notes held by Asipac Group Pty Ltd (**Old Asipac Notes**). Following the approval by shareholders at the recent Extraordinary General Meeting (**EGM**) the Company issued 249,825,703 convertibles notes, having a face value of A\$0.065 per note (**New Asipac Notes**) and redeemed the Old Asipac Notes on 7 October 2014. The New Asipac Notes have a term of 2 years from the date of issue and are redeemable at a price of \$0.065 per note. As announced to the market on 24 July 2014, and following a shareholder resolution passed at the EGM, the Company has issued 13,711,152 shares to Asipac Group Pty Ltd in payment of a restructure fee of the Asipac Notes.

The restructure of the Asipac notes together with the restructure of existing \$5m in the last quarter, place the Company on a better footing to develop its Bird-in-Hand and Tala Hamza projects.

The Company and Transaminvest have agreed to extend the US\$10 million convertible notes from 17 September to 24 November 2014 in order to reach an agreement on the potential restructure of these notes. Whilst the discussions with Transaminvest are on-going, the board of Terramin remains confident that a commercial outcome will be found in the coming weeks for the restructure of these notes.

In addition the Company issued 23,529,412 shares to raise \$1 million with Asipac Group Pty Ltd. This amount has been used to repay \$1 million under the loan held by Terramin Exploration Pty Ltd (a wholly owned subsidiary of Terramin). Concurrently, Asipac and Terramin have agreed to increase this facility from \$1.8 million to \$2.8 million. As at the date of this report, Terramin Exploration has drawn down \$ 2 million under this facility.

The Company's cash balance as at 30 September was \$272,000.

After the reporting period, the Company received \$1.4 million in Research & Development Tax rebate.

Competent Person Statement

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



CORPORATE INFORMATION

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CAPITAL STRUCTURE

at 29 October 2014

Shares on issue1,317,704,141

Unlisted Options 1,300,000

Unlisted Convertible/redeemable notes:

Convertible at 0.065 per share
(maturity October 2016)A\$16,238,670.70

Convertible at A\$0.065 per share
(maturity July 2016)A\$5,500,000

Conversion subject to minimum VWAP of \$1.70
(maturity November 2014)US\$10,000,000

DIRECTORS AND MANAGEMENT

Michael H Kennedy

Kevin McGuinness

Feng Sheng

Angelo Siciliano

Xie Yaheng

Martin Janes

Joe Ranford

Stéphane Gauducheau

Non-Executive Chairman

Non-Executive Director

Non-Executive Director

Non-Executive Director

Non-Executive Director

Chief Executive Officer

*General Manager - Chief
Technical Officer*

*Legal Counsel and
Company Secretary*

