



TERRAMIN AUSTRALIA LIMITED

2nd Quarter Report 2016

HIGHLIGHTS

- Completion of geotechnical drilling programme at Bird-in-Hand Gold Project
- Assays confirmed exceptional high grade gold at Bird-in-Hand Gold Project
- Completion of strength test and preparation for hydrological drilling for Tala Hamza project
- Continued positive progress at Tala Hamza with development optimisations and progress towards decision to mine
- Sustained positive outlook for zinc and gold prices

TALA HAMZA ZINC PROJECT

100% owned by Western Mediterranean Zinc Spa (WMZ)

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

Update

Terramin, in coordination with WMZ and ENOF, has been preparing to carry out the on-ground elements of the hydrological and geotechnical drilling required to complete the definitive feasibility study. This programme will provide valuable hydrological data, geotechnical data and information relevant to the design of the mining infrastructure and tailings storage facility.

In addition, Terramin has appointed a new experienced project manager who has identified a number of optimisation initiatives which are being considered by the partners that, if agreed, will bring reduced upfront capital costs, reduce operating costs, reduce environment impact and bring forward the start of the project.

WMZ has been finalising the land access arrangements with land owners and the sourcing of drill rigs to undertake the hydrological programme.

During the period the project team has conducted testing of cemented tailings as backfill for the Project. These tests were conducted in laboratory conditions to determine the specifications for the backfill which is an essential part of the downward drift and fill method. These strength tests, performed in Adelaide by expert staff at the University of South Australia provided essential data to determine the composition of the backfill including the requirements in cement and other material.

During the quarter a meeting with the Company's partners, MANAL (ENOF parent entity), and representatives of the Algerian mining ministry was held in Algiers. The focus of this meeting was on facilitating the development of the project with particular focus on the mining lease application and land acquisition. Terramin is very pleased with the level of cooperation and intent of all parties.

A WMZ board meeting and shareholders' meeting have also been held in June 2016 which confirmed the agreement of the partners on the steps to be taken towards the development of the project.

The lodgement of the mining lease application and associated documentation is scheduled to occur at the end of the year.

During the quarter the cash expenditure on the project was \$255,318.

BIRD-IN-HAND GOLD PROJECT

100% owned by Terramin subsidiary Terramin Exploration Pty Ltd

The Bird-in-Hand Gold Project (Project) is located approximately 30km north of Terramin's existing mining and processing facilities at the Angas Zinc Mine. The Project has a high grade Resource of 233,000 ounces of gold which is amenable 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.

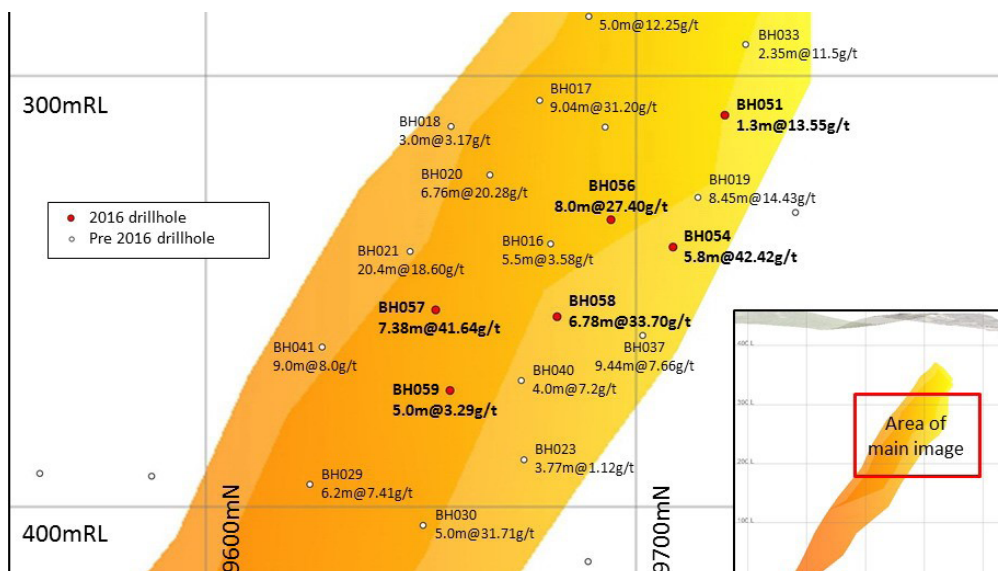
Update

As announced on 4 March 2016, the Company undertook and completed a diamond drilling programme 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 programme, six holes were drilled to obtain fresh samples for metallurgical and mineralogical analyses of the gold mineralisation. During the quarter, the Company received these assay results and as announced on 8 June and 15 July 2016, these assays returned spectacular gold results including the following:

- Drillhole BH054 returned 5.8 metres at 42.42 g/t gold from 192.9 metres down hole from Red Reef including 1.18 metres at 193.59 g/t gold from 192.9 metres, respectively equivalent to true widths of 4.4 metres and 0.9 metres;
- Drillhole BH056 also from the Red Reef returned 8.0 metres at 27.40 g/t gold from 187.0 metres down hole including 4.5 metres at 45.60 g/t gold from 187.0 metres, respectively equivalent to true widths of 6.5 metres and 3.7 metres;
- Drillhole BH057 returned 7.4 metres at 41.64 g/t gold from 203.7 metres down hole from the Red Reef (Figure 1) including 1.93 metres at 97.01 g/t gold from 203.7 metres;
- Drillhole BH058 returned 1.2 metres at 48.06 g/t gold from 180.7 metres down hole from the White Reef and 6.7 metres at 33.70 g/t gold from 207.2 metres from the Red Reef.

Figure 1: Long section showing drillhole pierce points within the Red Reef on Bird-in-Hand 2013 Resource outline.



These results affirm the exceptionally high grade gold mineralisation of the Bird-in-Hand deposit. It is also notable that drillhole BH054 has returned gold intersections significantly higher than originally expected for that part of the deposit.

Terramin also re-assayed all high grade samples identified by fire assaying utilising the more accurate screen fire assay method. This is the first time that screen fire assay methods have been utilised to assay core at the Project with significant grade increases seen in drillholes BH054 and BH056 as reported in the 15 July 2016 ASX release.

The Company is working to upgrade the mineral resource classification.

Work on the detailed mine plan will commence once the updated resource is completed. Meanwhile the Company is progressing studies for the purpose of preparing a mining lease proposal as part of the mining lease application process. Pre-feasibility studies for ventilation systems, mining equipment requirements, material handling, backfill, traffic and storm water studies were undertaken during the quarter. Models for hydrogeology and geotechnical properties will be updated following the new resource model. The Company recognises the sensitivity associated with the protection of groundwater in the area and has made the hydrogeological studies a primary focus. Understanding the hydrogeological interaction in the area has provided insight into groundwater management techniques that can be applied. Tunnel sealing methods utilised in civil tunnelling can be applied to keep the water from entering the mine. This provides benefits to the Company in that it reduces the expensive water management costs of pumping and filtering and ensures the protection of the regional aquifers used by irrigators. Once the geotechnical model is complete the mine entrance can be situated which allows the surface design to be laid out. The surface infrastructure required for the mine is such that landscape architects can ensure the site is visually sympathetic with neighbouring properties. This allows the remaining sections of the property to be revegetated with native species providing much needed habitat for indigenous fauna. The minimal area required for the operation allows for superior control of generic concerns such as visual impacts and dust generation.

The Company continues to work on its community engagement programme which included meeting with stakeholders in the area of the project and providing information about the project as studies progress in the form of newsletters. A proposal has been received from CSIRO on developing a community survey to assist with maintaining and where possible increasing a social licence. This study will commence in the third quarter.

Environmental monitoring in the area is ongoing with background data being collected on air quality, surface and groundwater quality and noise. From locally collected seed 25,000 native plants have been grown and will be planted in Q3 with the intention to build on the Adelaide Hills Councils Biodiversity strategy. This revegetation also increases the riparian buffer zone around the properties creek which is a tributary to the Inverbrackie Creek. The Inverbrackie Creek has been rated in poor health by the EPA since 2008. This work will reduce the sediment loading on the creek and improve the quality of the water feeding the Onkaparinga River, a key part of Adelaide's watershed.

During the quarter the cash expenditure on the project was \$816,649.

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 3492km² stretching 120km between Victor Harbor and Kapunda. This project area is considered highly prospective for gold, copper, lead, zinc and rare earth elements.

Update

The Adelaide Hills has a long history of mining and was the site of Australia's first base metals mine (Glen Osmond, 1841) and first gold mine (Victoria Mine, 1846). From 1841 to 1851 virtually all of Australia's metalliferous mines were located in South Australia. Over 250 historic gold and copper mines and prospects are located on Terramin's Adelaide Hills tenements.

During the quarter, Terramin reviewed drill core from the Cambrai prospect stored at the Department of State Development's core library. Cambrai is located approximately 70km NE of Adelaide on tenement EL 5662 which covers an area of voluminous post Delamerian (Cambro-Ordovician) mafic-ultramafic layered intrusions. The Cambrai holes were drilled by North Broken Hill Limited (NBH) between 1975 and 1977. The area has since been explored by companies such as MIM Exploration Pty Ltd, BHP Minerals Ltd and Inco Resources Australia Pty Ltd for orthomagmatic nickel sulphide mineralisation. Notable intersections from NBH's drilling include, hole S011 from 295.66m, 12.19m @ 0.12% Cu, 0.035% Ni including from 298.7m, 1.83m @ 0.54% Cu, 0.13% Ni, 0.27g/t Pd and 0.05g/t Pt and hole S019 from 234.39m, 23.78m @ 0.12% Cu, 0.03% Ni.

Gold mineralisation was incidentally intersected in hole S011, from 175.56m, 2.44m @ 5.22g/t Au and 0.13% Cu. The gold was recorded by NBH as being a shear hosted occurrence, and not followed up. After reviewing the interval Terramin's geologists consider it to have more the appearance of high-sulfidation epithermal gold mineralisation, a style of gold mineralisation not previously reported or explored for in the region.

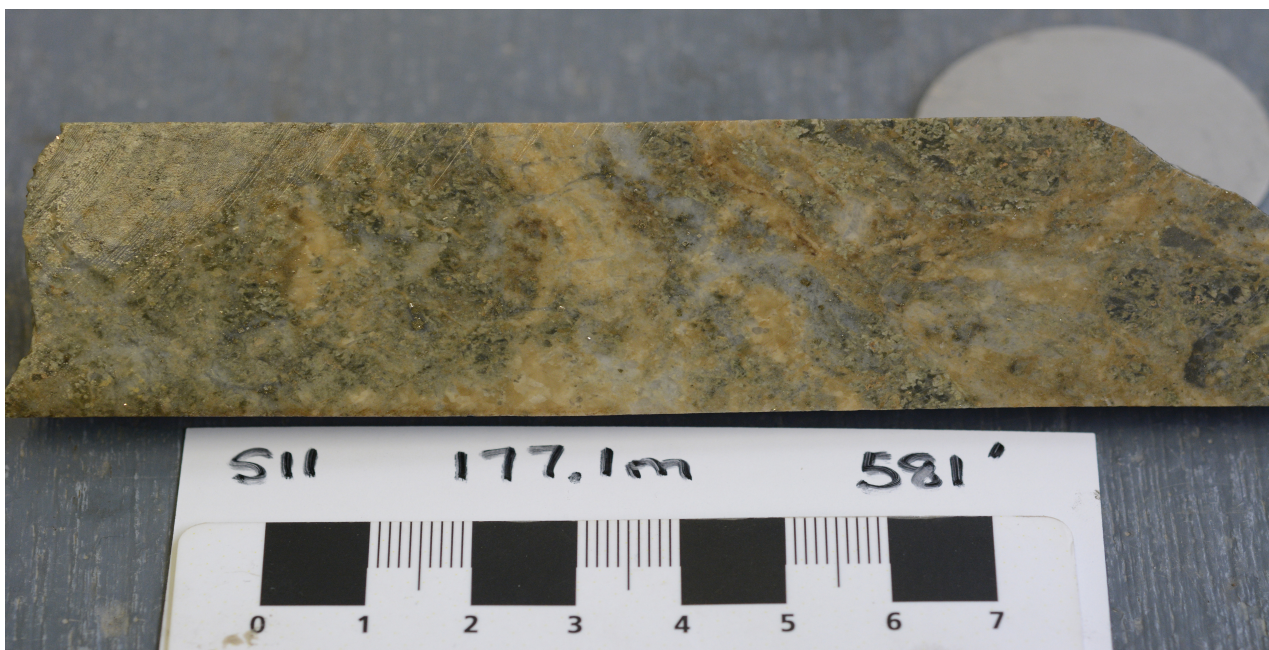


Figure 2. Cambrai hole S011, example of sericitic alteration at 177.1m (from interval 176.48m to 177.39m, 0.91m @ 12g/t Au)

During the quarter the expenditure on the project was \$77,094.

ANGAS ZINC MINE

100% owned and operated by Terramin

A 400,000 tpa operation that produced zinc and lead-copper-silver-gold concentrates currently in care and maintenance. The processing operations are expected to resume upon the start of mining of the Bird-in-Hand deposit.

Update

The Angas Zinc mine site continues to be in compliance with its lease conditions. There have been no environmental issues as a result of activities on the Angas site during the quarter.

Updating the PEPR (Program for Environmental Protection and Rehabilitation) with the inclusion of the Mine Closure Plan continues. The conceptual Mine Closure Plan design and compilation is complete with the latest understanding of good engineering design and application. In order to complete the report, agreement of the compliance outcome criteria tables with the regulator, EPA, DEWNR and regulator's consultants is required. Meetings to finalise this section of the PEPR are ongoing. The critical component of the closure plan remains the engineered soil cover (also known as a Phytocap or an AACap) which is the best solution to develop a long term stable landform.

During the quarter the cash expenditure on the project was \$392,530.



GAWLER RANGES PROJECT

100% owned by Terramin subsidiary Menninnie Metals Pty Ltd

Terramin's Gawler Ranges Project is located along the southern margin of the Gawler Ranges, northern Eyre Peninsula, South Australia. The project comprises a group of ten Exploration Licences totalling 4539km² and one Exploration Licence Application covering 214km². The Project area is prospective for a range of deposit styles that host combinations of gold, silver, copper, molybdenum, lead, zinc, rare earth elements, graphite, and tin ± tungsten.

The Project hosts the Menninnie Dam deposit, the largest undeveloped lead-zinc deposit in South Australia. The lodes at Menninnie Central and Viper have been combined to estimate a JORC 2004 compliant Inferred Resource totalling: 7.7Mt @ 3.1% Zn, 2.6% Pb and 27g/t Ag, at a 2.5% Pb+Zn cut-off (ASX: TZN 1st March 2011).¹

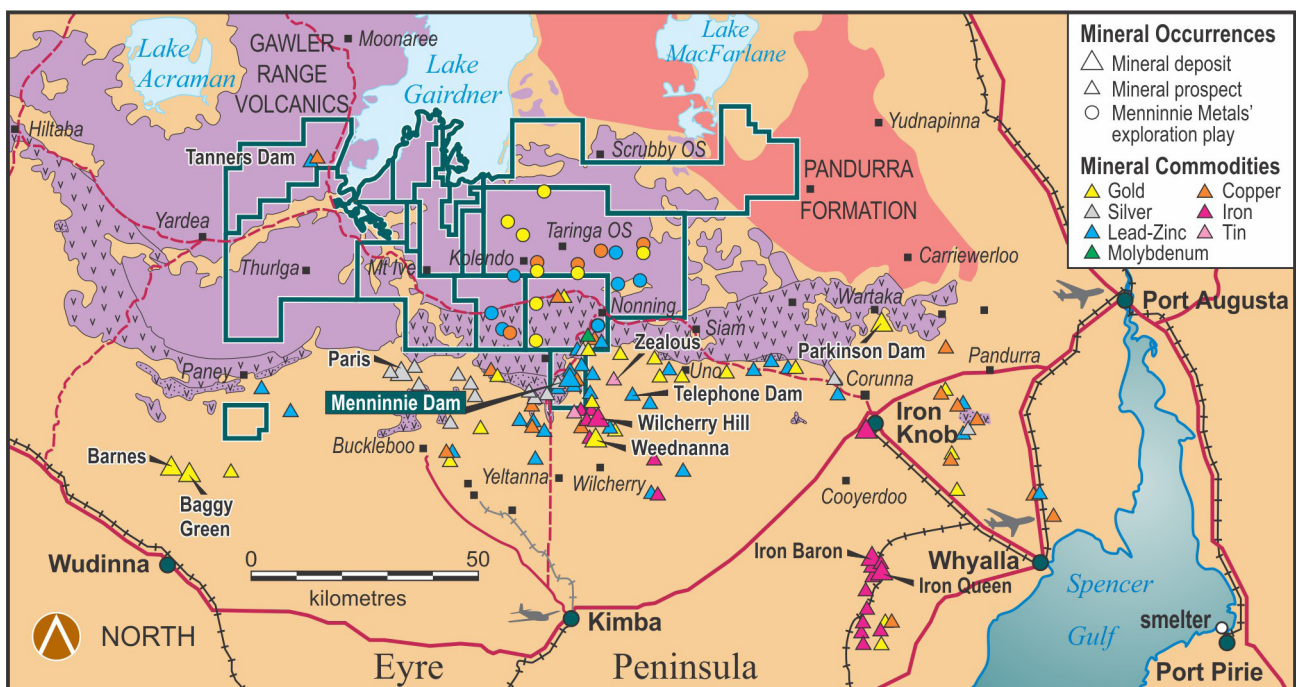


Figure 3: Gawler Ranges Project – geological setting.

Update

The main activities carried out during the quarter were compilation of field data and interaction with potential joint venture partners. Planned field mapping and sampling of vein systems and IOCG-style breccias was disrupted by wet weather and has been postponed until next quarter. Menninnie Metals applied for renewals of EL5458 (Tanner) and EL5430 (Mt Ive South) for two years and at the end of the quarter. Menninnie Metals accepted DSD's offer to grant ELA2015/00183 Mulleroo for 2 years the end of the Quarter. DSD also renewed EL 4669 Taringa for a period of 2 years.

During the quarter the cash expenditure on the project was \$163,846.

¹ This information was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

CORPORATE

During the second quarter the Company finalised the move of its corporate offices to 202-208 Glen Osmond Road, Fullarton. The savings in corporate overheads are directed towards advancing the Company's projects.

As at 30 June 2016, the Company's cash balance was \$232,691. During the quarter, the Company drew \$1.0 million from the combined \$10 million loan facilities provided by the Asipac Group. Under the facilities, \$0.5m remains undrawn as at 30 June 2016. The Company and its major shareholder and debt holder, the Asipac Group, have started discussion regarding a possible increase of the existing debt facilities.

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

Martin Janes
Joe Ranford
Stéphane Gauducheau

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

CAPITAL STRUCTURE

as at 29 July 2016

Shares on issue

1,795,996,987

Unlisted Options

3,500,000