



TERRAMIN AUSTRALIA LIMITED

1st Quarter Report 2016

HIGHLIGHTS

- Re-issue of Tala Hamza Zinc Project exploration license clears path for finalisation of revised feasibility study
- Preparation for hydrological and geotechnical drilling at Tala Hamza Zinc Project is under way
- Geotechnical drilling programme at Bird-in-Hand Gold Project nearing completion
- Work progressing in preparation for the lodgment of a Retention Lease and Mining Lease applications for the Bird-in-Hand Gold Project

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

During the quarter, the Algerian mining regulator, Agence Nationale des Activités Minières (**ANAM**), re-issued the Oued Amizour exploration license which incorporates the Tala Hamza Zinc Project (**Exploration License**).

As noted in the ASX Announcement of 4 February 2016, the Exploration License has been re-issued for a term of one and a half years which is expected to provide adequate time for the completion for an application for a mining lease and grant thereof. The issue of the Exploration License follows the general agreement between Terramin and its Algerian joint venture partners that the revised feasibility study in respect of Tala Hamza is positive and meets the objectives and expectations of the partners and, in its current form, provides a strong basis to move towards a decision to mine.

The re-issue of the Exploration Licence will allow Terramin to carry out the on-ground elements of this work programme such as hydrological and geotechnical drilling. This programme will provide valuable hydrological and geotechnical data and information relevant to the design of the mining infrastructure and tailings storage facility. WMZ is finalising the land access arrangements with land owners and the sourcing of drill rigs to undertake the hydrological and geotechnical programme.

In addition, the project team is in the process of conducting testing of cemented tailings as backfill for the Tala Hamza Zinc Project. These tests are 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 are performed in Adelaide by expert staff at the University of South Australia.

Subsequent to the quarter end, a meeting with the Company's partners, ANAM 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.

During the quarter the cash expenditure on the project was \$219,166.

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

The Project has progressed during the quarter with the approval of additional drilling and investigation works on site. A drilling programme was applied for and approved under the licencing requirements required by the South Australian Department of State Development (**DSD**). The purpose of the approved work programme is to collect data on the geotechnical properties of the footwall sequence for mine development, provide additional hydrogeological information and to attain fresh ore samples for metallurgical test work. The drilling programme was commenced on the freehold property owned by Terramin and involved shallow holes and costeans designed to collect rock samples for testing and assist in the design of the mine access location. While the conceptual mine design proves that the Project is feasible, determining the portal location is critical to ensure its rock stability and minimise its visual impact. Samples have been taken and the test work is being carried out to provide data that will feed into the mine design calculations. Terramin is also working with Oxigen, a landscape architectural firm, to incorporate design elements to allow any infrastructure to blend into the existing landscape. Drill targets through the lodes of the Bird-in-Hand orebody are planned to be drilled in the second quarter.

During the quarter, environmental monitoring continued with the installation of an automated dust collector, weather station and wireline bore monitoring systems. The collection of data throughout the summer period, particularly with groundwater levels and quality, are invaluable. Low rainfall and increasingly dry conditions over the last three years have resulted in increased dust levels, reduction of groundwater levels and a decrease in ground and surface water quality. The data collected regarding water use shows that dryer conditions have resulted in an increase in use of groundwater for irrigation which when combined with the reduced recharge from rainfall has significantly lowered the regions groundwater levels. The data collected during the pre-mining period will assist in calibrating the groundwater model.

This data also reinforces the Company's efforts to ensure that the mine is designed to keep the water out of the mine without negatively impacting the aquifer. As a consequence the mine development will have virtually no effect on the regional groundwater compared to the on-going irrigation for agricultural purposes. The water quality in the area varies due to the nature of the fractured rock aquifer but is typically good quality, it is worth noting that the water quality remains good even though the fact that the historic Bird-in-Hand gold mine was established over 125 years ago and consists of a labyrinth of shafts and drive reaching down over 120 metres. This confirms the fact that advanced modern mining can take place to develop the deposit without detriment to the groundwater.

In order to further the engineering requirements of the Project, the Company is preparing an application for a Retention Lease (**RL**) under the Mining Act. The RL will allow the Company to collect additional data for the preparation of a Mining Lease (**ML**) proposal. The RL will be applied for with the intention to address important aspects of the project. Planned work will assist in addressing important environmental issues such as noise, dust, traffic and visual amenity and will also enable the engineering design of surface and underground infrastructure. As the project is an underground operation with no processing on site, the infrastructure required for the mine will be minimal and comparable to other local businesses.

The completion of the ML application remains on track to be completed later this year.

During the quarter the expenditure on the project was \$302,571.



Drill rig being used for the drill programme

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, (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.

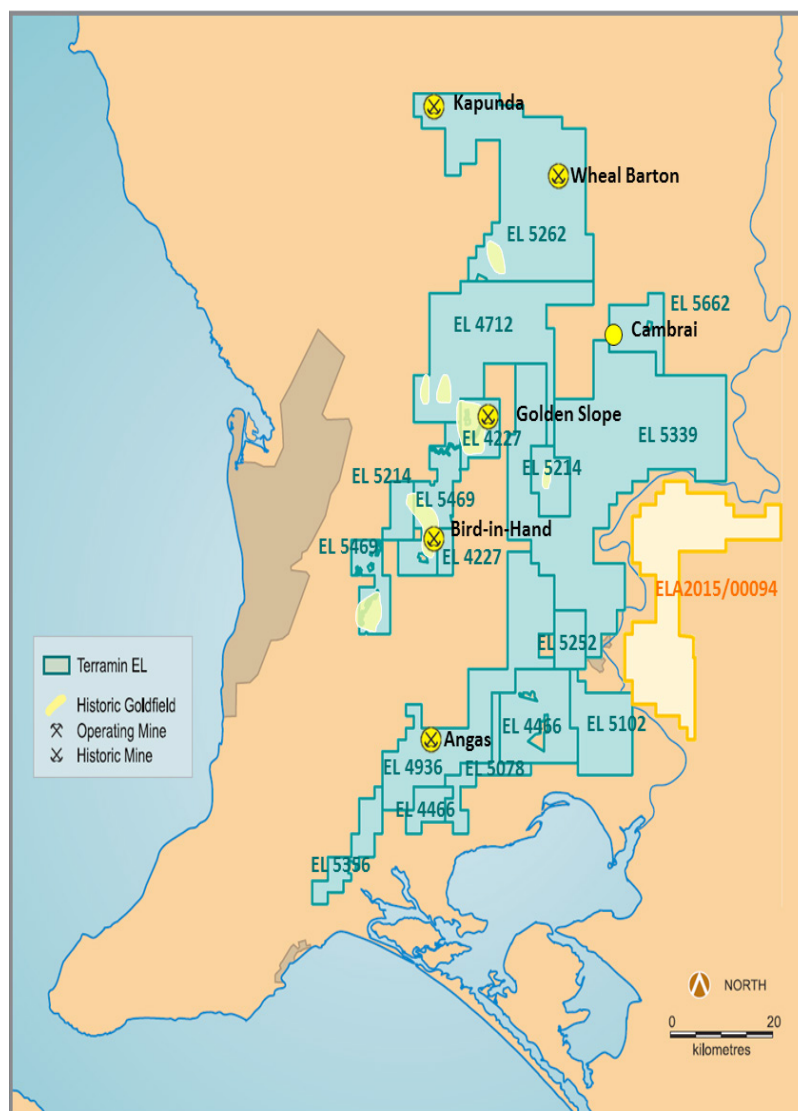


Figure 1. Adelaide Hills tenement holdings.

During the reporting period Terramin viewed and selectively sampled historic Kapunda drill core stored at the Department of State Development's core library. Kapunda between 1844 and 1877 produced 69,000t of ore which yielded 13,700t of copper and the DSD lists a resource for Kapunda of 3.7Mt @ 1.2% copper which was calculated by Adelaide Chemical Company Ltd in 1993. Drilling in the mid 1970's by Utah Development Corporation (**Utah**) intercepted deep primary copper sulphide to the east of the Kapunda mine workings. Primary sulphide intercepts included; hole KD008 from 383m, 73m @ 0.58% copper and hole KD011 from 399m, 38m @ 0.85% copper with a higher grade interval from 426m, 11m @ 2.00% copper (Figure 2). None of these holes were assayed for gold and unfortunately not all historic drill core has been preserved. Resampling of the high grade intersection of KD011 returned from 426m, 11m @1.89% copper and 0.1g/t gold which helps confirm the integrity of previous copper analyses and demonstrates the area's potential for gold mineralisation.

During the quarter the expenditure on the project was \$47,827.

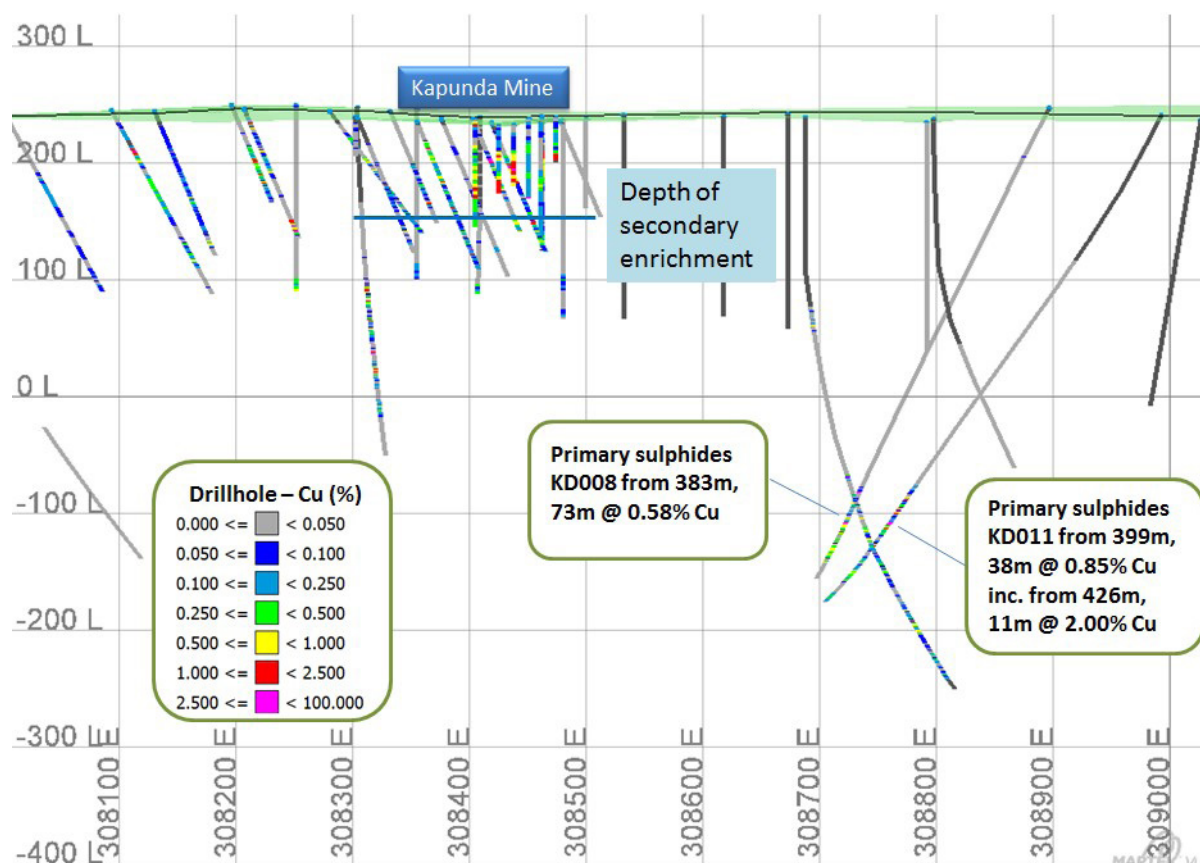


Figure 2. Kapunda cross section 6197625N

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 remains in care and maintenance. The site continues to be in compliance with its lease conditions with the 2015 Compliance report ready for submission in early Q2. There have been no environmental issues as a result of activities on the Angas site during the quarter.

As part of the Angas mine lease conditions, the Company has updated the Programme for Environmental Protection and Rehabilitation (**PEPR**). The compliance conditions have been reviewed and the outcome criteria revised to align with the DSD's new format and the PEPR rewritten to suit the new requirements. As part of this process the conceptual Mine Closure Plan which is part of the PEPR has been updated with the latest understanding of good engineering design and application. As part of this work the original conceptual tailings storage facility cover system has been re-evaluated with regard to the requirements of environmental protection in perpetuity. Five cover systems were analysed and risk assessed with the DSD, the EPA, DEWNR and consultants to determine which cover system would provide the most superior closure mechanism. The result was that an engineered soil cover system would provide the best solution by providing a self-regulating natural cover. Engineered soil cover is also known as a Phytocap or an AACap and is used throughout the world as cover system for a range of purposes. A site-specific design has been prepared to ensure that the used design criteria will provide for the requirements set out in the mining lease conditions. Once the design is approved the mine closure plan can be completed and the PEPR updated.

During the quarter the expenditure on the project was \$135,694.



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

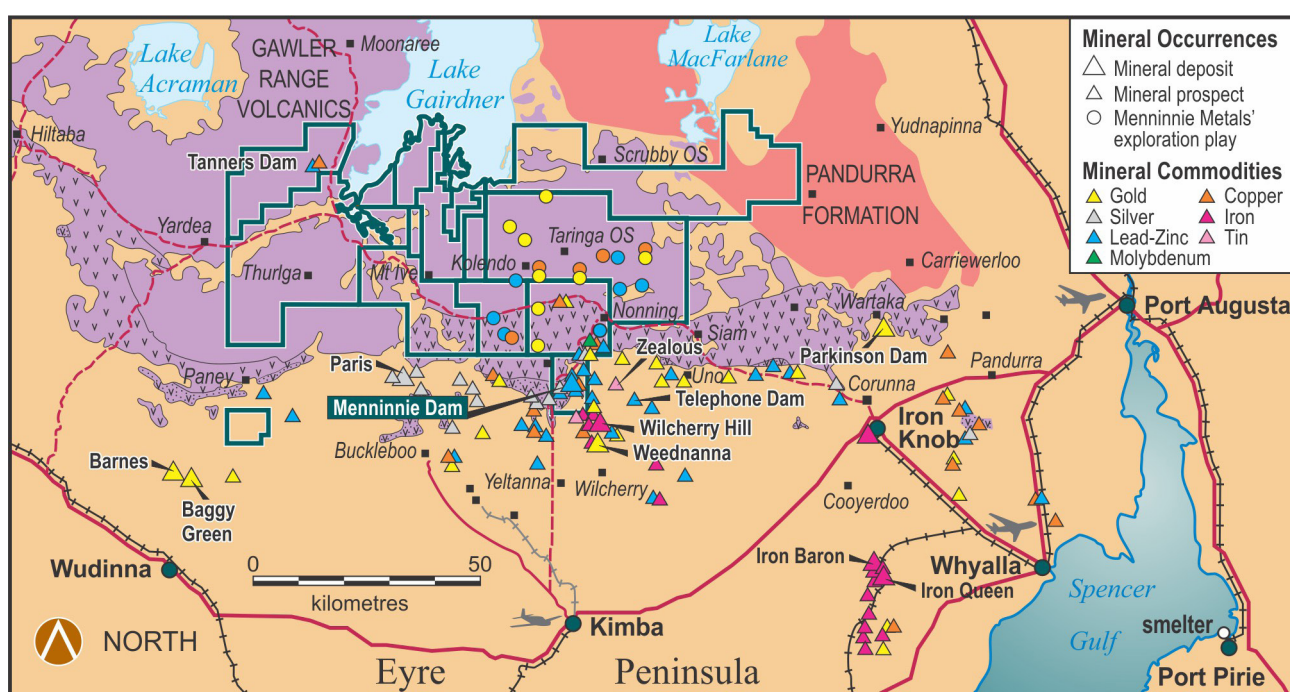


Figure 3: Gawler Ranges Project – geological setting.

Update

The main activities carried out during the quarter were compilation of field data and interaction with potential joint venture partners. Field mapping and sampling of vein systems and IOCG-style breccias will resume early in the next quarter. At the end of the Quarter, DSD offered Menninnie Metals a subsequent exploration Licence for a period of two years to replace EL 4669 Taringa.

During the quarter the cash expenditure on the project was \$93,741.

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 reporting period the Company implemented a number of corporate cost reduction strategies. The Company moved offices to 202-208 Glen Osmond Road, Fullarton thereby reducing rental charges by approximately 40%. The CEO and Company directors also accepted to reduce their compensation for the 12 months ahead. The savings in corporate overheads are directed towards advancing the Company's projects.

In addition, a total of 300,000 employee share options expired and were therefore removed from the options register.

As at 31 March 2016, the Company's cash balance was \$0.71million. The Company has \$1.7 million undrawn from a combined \$10 million loan facilities provided by the Asipac Group.

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 April 2016

Shares on issue 1,795,043,184

Unlisted Options 3,500,000