



TERRAMIN AUSTRALIA LIMITED

3rd Quarter Report 2016

HIGHLIGHTS

- Significant progress towards development of Tala Hamza project following agreement with JV partner on key development aspects
- Agreed development options will significantly reduce Tala Hamza project capital costs and footprint
- Undertaking of geotech drilling at Tala Hamza
- More outstanding gold assay results at Bird-in-Hand
- Resources upgraded at Bird-in-Hand
- Increased community engagement process with stakeholders at Bird-in-Hand

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 Company and WMZ commenced the on-ground studies at the Tala Hamza Zinc project with a series of geotechnical pits being established at various locations within the processing plant and tailings dam footprint. These pits are part of a program of geotechnical, hydrological and backfill studies which are required to be undertaken to finalise the Definitive Feasibility Study and the mining lease application.

The Tala Hamza joint venture partners have discussed a number of options to relocate the processing plant and tailings dam to new sites closer to the Tala Hamza zinc deposit. The implementation of these options will result in significant reductions in supporting infrastructure, surface earthworks and shorter decline length which are expected to result in a substantial reduction in upfront capital costs, lower operating costs and will reduce the environmental impact of the project.

Recently, the joint venture partners agreed and resolved on a number of key items including mine backfill test work, mine subsidence model, location of the processing facility and site geotechnical drilling program. The parties have agreed on the preferred location of the tailings storage facility but are also reviewing the potential use of dry staking technology as a more sustainable option which would also materially lower the capital cost requirements of the project.

The parties agreed on the actions to be taken going forward for the purpose of finalising the definitive feasibility study to take a decision to mine as quickly as possible.

During the quarter, the cash expenditure on the project was \$311,946.

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 a high grade Resource of 252,000 ounces of gold 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

During the quarter the Company continued environmental baseline studies and engineering design works to progress the Bird-in-Hand mining lease application. Additional geotechnical test pits were excavated to determine the appropriate location of the mine infrastructure. The exploration program was completed with assaying of core from the diamond drilling. That 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.

Early in the quarter, the Company received assay results and, as announced on 15 July 2016, these assays returned spectacular gold results including:

- Drillhole BH057 returned 7.4 metres at 41.64 g/t gold from 203.7 metres down hole from the Red Reef 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 7.4 metres at 41.64 g/t gold from 207.2 metres from the Red Reef.

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. As announced on 8 August 2016 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, whereas 100% of the 2013 Resource was classified as Inferred. The change in the resource classification resulted from the improved drill density between 325mRL and 200mRL and increased confidence in the geological model (see ASX announcement dated 8 August for further information).

The Company continues to work on its community engagement program which included meeting with stakeholders in the area of the project and providing information about the project as studies progress. The Company also organised a larger community meeting to receive feedback, queries and discuss the project with local stakeholders. From the comments and enquiries received thus far, a number of workshops on specific aspects (water, geotechnical questions, transport and logistics, employment and business opportunities etc) are being prepared. Groundwater interaction has been a primary concern for community, and as a result groundwater investigation, data collection and modelling workshops have been held with local landholders and representatives from businesses and community groups.

During the quarter, the Company engaged the CSIRO to develop a community survey to ascertain community concerns and sentiments towards the proposed mine development. This work is undertaken within the frame work of community studies undertaken by CSIRO across Australia and internationally. The results of the study will help understand community issues and guide the establishment management systems to mitigate perceived impacts.

The Company has also progressed 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. A mining lease application is planned to be lodged in early 2017.

During the quarter, the cash expenditure on the project was \$405,564.

ADELAIDE HILLS EXPLORATION

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

The Adelaide Hills project consists of twelve contiguous exploration from Lake Alexandrina to 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, the Company largely focussed its resources on the Bird-in-Hand Gold Project. As a result, exploration in the other Adelaide Hills tenements has been limited to data collection in the newest tenements granted to the Company.

During the quarter, a new exploration licence Wild Horse (EL 5846) has been granted to the Company for a 2 year term. The Wild Horse tenement is located on the East of Murray Bridge. In addition, a subsequent term of 2 years was issued in respect of EL 5805 (Mount Pleasant). In the reporting period, Terramin also surrendered exploration licences EL 5356 (Currency Creek) and EL 5784 (Langhorne Creek).

During the quarter, the cash expenditure on the project was \$59,565.

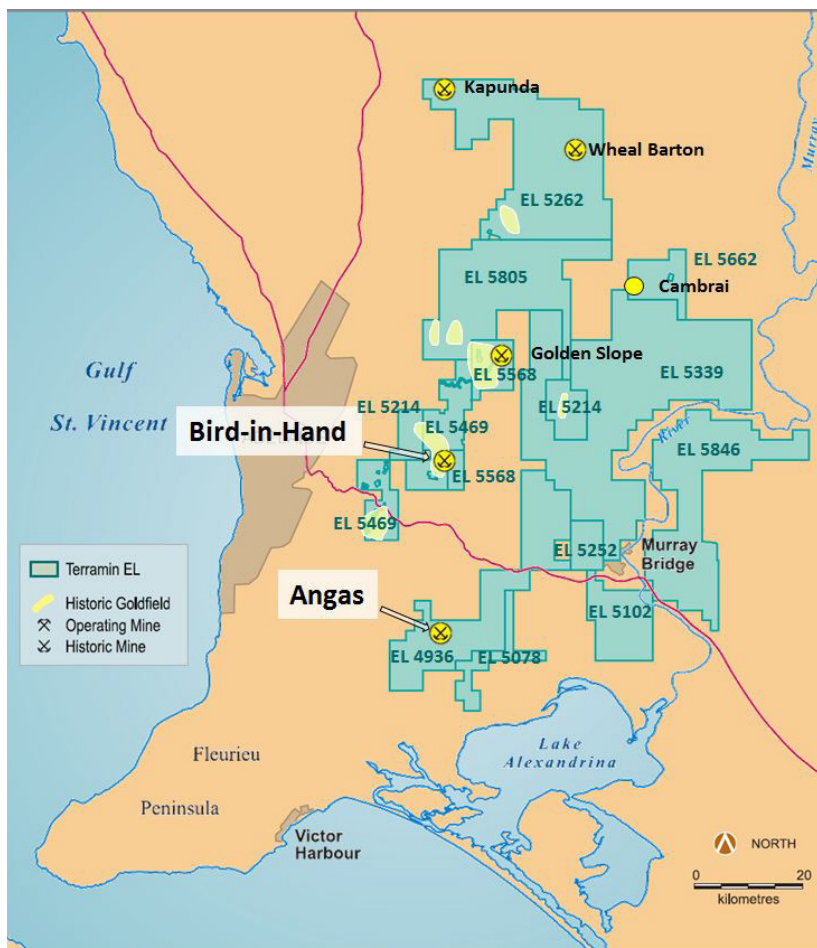


Figure 1: Map showing Adelaide Hill's tenements

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 has been no environmental issue as a result of activities on the Angas site during the quarter.

The Company has held fortnightly meetings with the Department of State Development Mineral Resources Division (**DSD**) to finalise the outcome criteria tables for the revised closure plan and have finalised the tables for submission. The outcome criteria were reviewed in conjunction with representatives of DSD and community to ensure environmental protection.

Once feedback is received from DSD it will be incorporated into the Mine Closure Plan (**MCP**) for approval. The approved MCP will then be integrated into the updated Program for Environmental Protection and Rehabilitation for final sign off. The conceptual mine closure plan design incorporates an engineered soil cover (also known as a Phytocap or an AACap) to close the tailings storage facility and develop a long term stable landform.

As part of the mine closure planning a geotechnical review of the ground stability was undertaken, specifically around Callington Rd. The ground support work and the backfilling of the mine has provided for the area to be assessed as stable with sign off by the Department of Planning, Transport and Infrastructure reducing the need for extensive monitoring work.

As part of the Bird-in-Hand Gold Project it is intended to transport the gold ore to Angas for treatment. In order to do this the lease conditions need to be amended. Discussion between the DSD and the Company are on-going for this purpose which will occur concurrently to the mining lease application for the development of the Bird-in-Hand project. The plan to re-open the processing facility at Angas has been raised with the Strathalbyn Community Consultation Committee and the Company continues to keep the committee informed as details of the plan progress.

During the quarter, the cash expenditure on the project was \$117,015.



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 eleven Exploration Licences totalling 4749km². 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).

Update

During the quarter the Company has continued to compile field data on a number of the project's tenement. The Company has also engaged discussion with potential joint venture partners. These discussions are on-going.

A subsequent licence for Taringa (previously EL4669, now EL5816) was granted for a period of 2 years from 21/02/2016. Applications were lodged for subsequent licences for EL4813 (Nonning) and EL5039 (Menninnie). Menninnie Metals was also granted a new exploration licence, Mulleroo (EL5855), for 2 years from 20 September 2016.

Joint Reporting Status was granted for the five tenements in the western half of the project area (EL5266, EL5276, EL5430, EL5458 and EL5518) and these five tenements were added to the Gawler Ranges Mineral Exploration Indigenous Land Use Agreement that already covers EL4865, EL5453 and EL5816. This indigenous land use agreement will enable more extensive field investigations to commence on the western tenements during the coming months.

During the quarter the cash expenditure on the project was \$56,131.

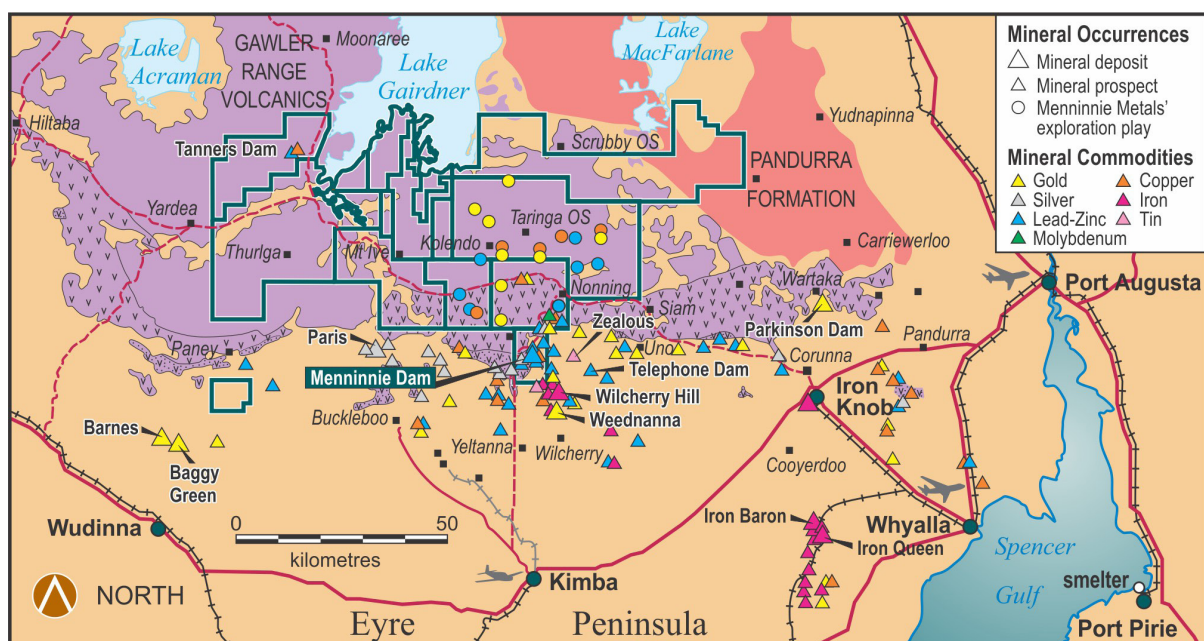


Figure 2: Gawler Ranges Project – geological setting.

CORPORATE

During the third quarter the Company and its major shareholder, Asipac Group Pty Ltd (**Asipac**), have agreed to increase the Bird-in-Hand loan facility by \$1.0 million to \$6.0 million. This additional amount will allow 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. The ASX has provided a waiver of listing rule 10.1 for this purpose.

As at 30 September 2016, the Company's cash balance was \$245,835 and had an undrawn debt facility of \$300,000 available. The Company cash reserves are expected to increase by approximately \$1 million with expected Research & Development tax benefits.

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 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 28 October 2016

Shares on issue

1,795,996,987

Unlisted Options

3,500,000