



TERRAMIN AUSTRALIA LIMITED

2nd Quarter Report 2013

HIGHLIGHTS

- Acquisition of High Grade Bird-In-Hand Gold Project.
- Continued progress regarding financing of acquisition and development of Bird-In-Hand.
- Commencement of Arbitration process in regards to Tala Hamza Project.
- Encouraging exploration results at Menninnie Dam.
- Improved Safety Metrics at Angas.





ACTIVITIES FOR THE QUARTER

ANGAS ZINC MINE

100% Terramin owned and operated

A 400,000 tpa underground mining operation producing zinc and lead-copper-silver-gold concentrates.

Safety, Environment and Community Report

A continued emphasis on safety at Angas brought about a reduction in all safety metrics and another quarter with no lost time injuries. A focus on hazard awareness, work place inspections and behaviour observations resulted in an improvement in lead indicators and reduction of hazards across site. A campaign on eye protection was undertaken to counter an increase in minor eye related incidents and a pre-shift warm up program was introduced to increase awareness regarding strains and lifting techniques.

No environmental incidents were recorded during the quarter with all environmental monitoring areas within compliance. Upgrades in site drainage were undertaken in preparation for the winter rains. The tailings dam facility remains within compliance parameters despite heavy rainfall.

Operations

Ore tonnes mined for the quarter improved over the first quarter despite early delays in stoping from hanging wall failure and bridging. Unplanned equipment failure under warranty further hampered production efforts with few options for change in the schedule during the final stages of the operations. The schedule was modified to maintain production with a slight improvement over grade in April. The later part of the quarter saw improvements in production tonnes, however overall grade dropped as a result of the change in stope schedule. Sample results from the underground diamond drilling program were modelled and the 380 level was designed, justified and approved. Development rates had slowed in early part of the quarter due to the reduced number of headings while the decline was on hold, rates increased after approval of the 380 level and reinstating the decline.

Milled tonnes were up on Q1 with improvements in plant performance stabilising. Milled grade was down as a result of ore grade from underground which affected concentrate production. An improvement in focus on the float circuit saw an enhancement in zinc recoveries during periods of high iron. The lead recovery was expected to fall with the lower grade ore however modifications in the lead circuit brought about a slight increase in recovery and a consistent concentrate grade.

Mine Closure and Exploration

As announced on 5 July 2013, Terramin will cease production at the Angas Zinc Mine on 30 September 2013 and will place the mine site on care and maintenance pending the resumption of exploration at depth and near mine. The Company is considering a number of options for the use of the mine site, the plant and associated equipment, including its use in mining the Bird-In-Hand deposit.

Terramin recently completed a deep exploration programme under the main ore body which did not encounter significant mineralisation that could be mined commercially at current commodity prices. The Company plans to continue exploring under and in the proximity of the mine.

BIRD-IN-HAND PROJECT

Subsequent to the end of the quarter, Terramin announced that it has entered into a binding agreement to acquire 100% of the high grade Bird-in-Hand Gold Project and a portfolio of highly prospective Adelaide Hills exploration tenements from Maximus Resources Limited.

The Bird-in-Hand Gold Project is located approximately 30 km north of Terramin's existing mining and processing facilities at the Angas Zinc Mine. The project has a high grade Resource (JORC 2004 compliant) of 598,000 tonnes at 12.3 grams per tonne for 237,000 ounces which is amenable to underground mining.

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

Terramin believes that processing of Bird-in-Hand's high grade ore utilising the existing Angas facilities will create a low capital and low cost gold operation.

As announced, Terramin has already commenced a scoping study and due to the advanced status of the Bird-in-Hand Gold Project the results of this study are expected to be released in the coming months.

Please refer to the ASX announcement of 19 July 2013 for further details.

* JORC 2004 compliant Indicated and Inferred Resource for the Bird-In-Hand deposit was reported by Maximus on 8th August 2008.

Classification	Bulk Density ¹	Average Width ²	Tonnes	Grade (g/t gold)	Contained Gold (ounces)
Indicated Main Reef	2.78	6.65	160,000	13.6	70,000
Inferred Main Reef	2.78	7.48	406,000	11.7	153,000
Inferred White Reef ³	2.78	2.44	32,000	13.6	14,000
Total ⁴			598,000	12.3	237,000

Table of Mineral Resources, 100 to 430 metres vertical depth, Bird-in-Hand Gold Mine, Woodside, South Australia. As at 1 August 2008.

1. Density value is based on average measurements of the mineralised zone.
2. Horizon width based on lode dipping approximately 50 degrees to east.
3. Resource limited to 125 to 220 metres below surface.
4. Totals rounded to nearest thousand (tonnage/contained ounces) or first decimal place (grade).

Competent Person's Statement

The information that relates to Mineral Resources for Bird-In-Hand is based on information compiled by Mr Douglas McLean. Mr McLean is a member of the Australasian Institute of Mining and Metallurgy (AusIMM). Mr McLean was a consultant to Maximus Resources Limited at the time of his estimate. Mr McLean has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr McLean consents to the inclusion in the report of the matters based on their information in the form and context in which it appears.

OUED AMIZOUR 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, Entreprise 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%). Oued Amizour Exploration Permit 5225PE is a 125km² tenement which contains several lead-zinc deposits, including the Tala Hamza deposit.

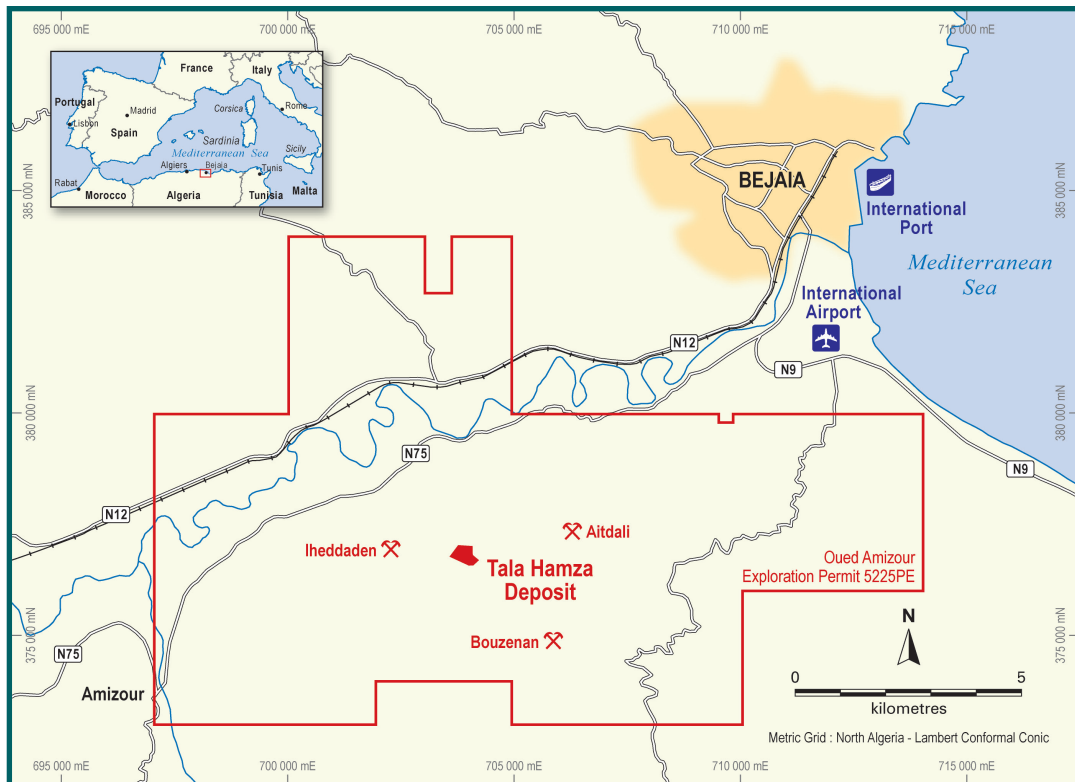


Figure 1: Oued Amizour exploration permit

Update

On 2 May 2013 Terramin informed its Algerian partner and the Algerian government that it is commencing arbitration proceedings pursuant to the joint venture agreement dated 22 February 2006. This follows an unsuccessful meeting with ENOF in Algiers on Tuesday 23 April 2013 (Please refer to ASX announcement released on 2 May 2013).

The proceedings have been brought before the International Chamber of Commerce in Paris with the intention of bringing a resolution to the continuing difference between the partners regarding Terramin's proposal for developing the Tala Hamza project as set out in the Definitive Feasibility Study (DFS) which was completed and submitted in October 2010.

Terramin has submitted a request for arbitration claim to the ICC. The procedure is ongoing and the arbitration tribunal is expected to be constituted by the September quarter and the terms of reference to be agreed thereafter.

The status with the mining permit remains unchanged. The Algerian regulator has advised previously that the renewal of the exploration permit will be finalised upon an agreement being reached with the JV partner on the Definitive Feasibility Study.

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.

These licences are Menninnie Dam (EL5039); Nonning (EL4813); Kolendo (EL4285); Taringa (EL4669) and Wipipippee Hill (EL4865).

Menninnie Metals has entered into a binding heads of agreement with Musgrave Minerals Ltd (Musgrave) (ASX:MGV) for the farm-in and joint venture of the Menninnie Project.

Update

A follow-up drilling program of six reverse circulation (RC) drill holes and a single diamond hole at Tank Hill by Musgrave has returned encouraging assay results. Drill hole MDRC44 intersected 2m @ 4.2% Zn, 0.9% Pb, 267g/t Ag and 0.44g/t Au from 138m down hole in fresh rock within a broader zone of 22m @ 0.7% Zn, 0.4% Pb, 44g/t Ag, 0.09g/t Au, from 126m down hole. Current interpretation suggests that the true width of the mineralisation will be approximately 70-80% of the intersection widths. Mineralisation remains open to the northwest. Further analysis of graphitic zones intersected in drill hole MDRC32 has returned 10m @ 6.3% TGC (total graphitic carbon). Please refer to Musgrave's announcement dated 28 June 2013 for additional information.

An airborne geophysical survey (VTEM) identified anomalies coincident with silver geochemical targets at Menninnie Dam. Mineralised rock-chip samples up to 13.3g/t Ag have been identified on the new Erebus target where there has been no drilling to date (Figure 2).

Terramin's interest in the region was extended by the grant of two new Exploration Licences; each for 2 years. These licences; EL 5266 Unalla (155 km²) and EL 5276 Mt Ive (429km²), are contiguous with the Kolendo EL and cover a total new area of 584km² prospective for base metals, silver and gold approximately 20km north of the Paris silver deposit and related silver prospects being explored by Investigator Resources Ltd (ASX:IVR).

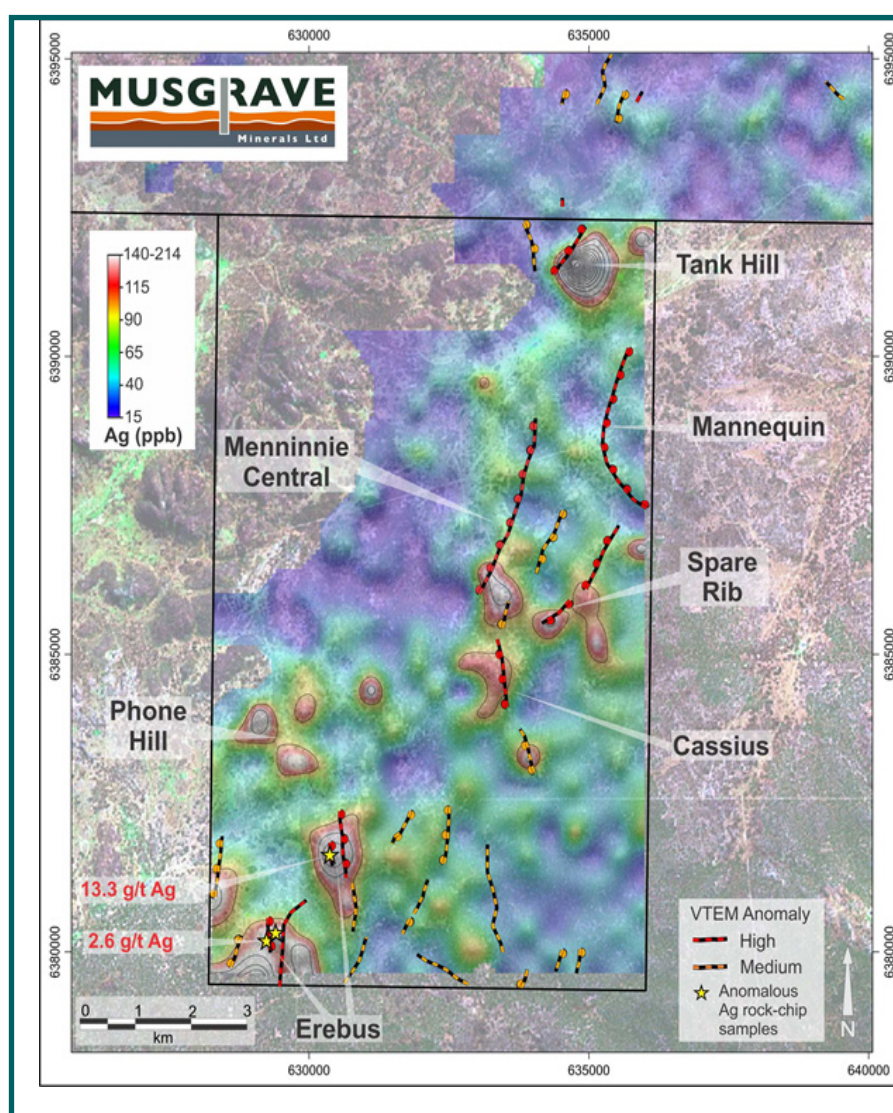


Figure 2: Menninnie Dam Priority VTEM anomalies on Silver Soil Geochemical Image

FLEURIEU EXPLORATION PROJECT

100% Terramin owned

Comprises five contiguous Exploration Licences adjacent to the Angas Mine Lease which together cover 1,186km² on the Fleurieu Peninsula in South Australia. The tenements cover an elongated zone stretching 60km northeast and southwest of the Angas Mine Lease and are considered prospective for lead, zinc, copper and gold.

Update

IP surveys were undertaken over the Heingus and Glenalbyn prospects. The Glenalbyn survey line located over a magnetic peak identified an exciting coincident chargeable conductor only 20m from surface. Rock chip sampling undertaken by Aberfoyle Resources Ltd in 1993 around historic diggings located 300m to the north returned peak assays of 6.09% copper and 0.55g/t gold (sample 658429) and 1.69% copper and 4.3g/t gold (sample 683861). Rock chip sampling at the entrance of a collapsed addit by Terramin, 300m to the south of the IP survey line returned 1.2g/t gold and 14g/t silver (sample 265542). The IP survey helped demonstrate continuity of mineralisation between the two areas of historic workings and along with soil geochemistry define a 750m long exploration target.

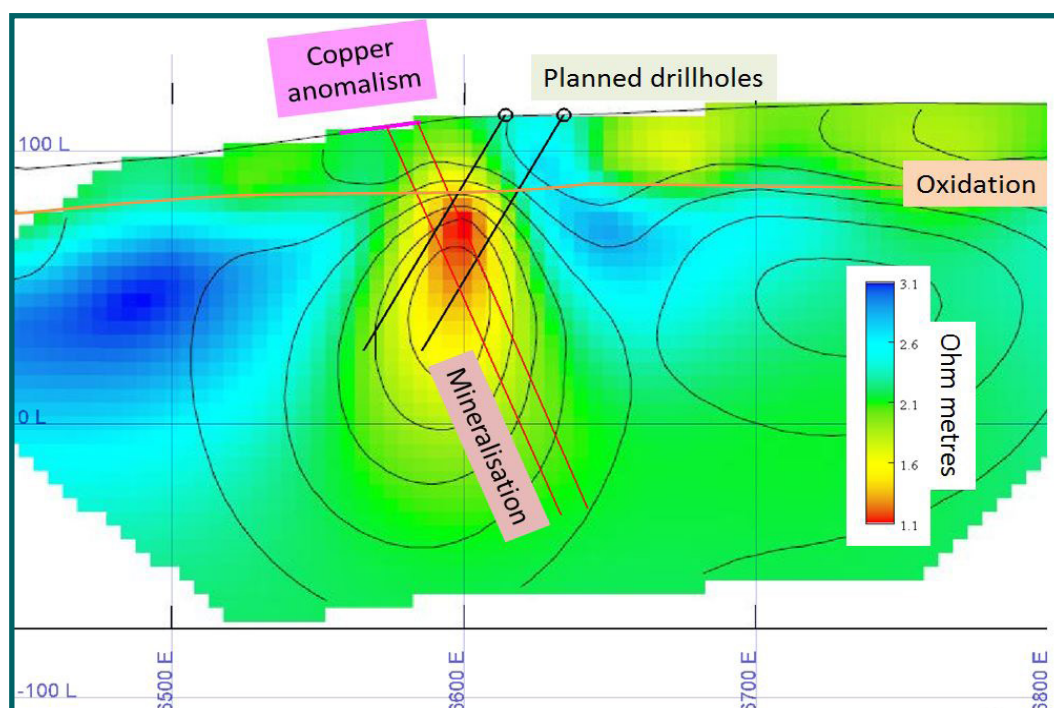


Figure 3: Planned drillholes in relation to Glenalbyn IP line 7700N, chargeability contours over resistivity colour stretch.

At the Shimo prospect two RAB drill traverses comprising of 10 holes for 355m were completed. Drilling intersected broad zones of iron sulphide rich rock, with up to 20% pyrite and pyrrhotite which explains the aerial electro-magnetic anomaly. Drillholes SH007 and SH008 intersected 1m @ 0.9% zinc from 27m and 15m @ 0.2% zinc from 19m respectively.

KEY QUARTERLY STATISTICS

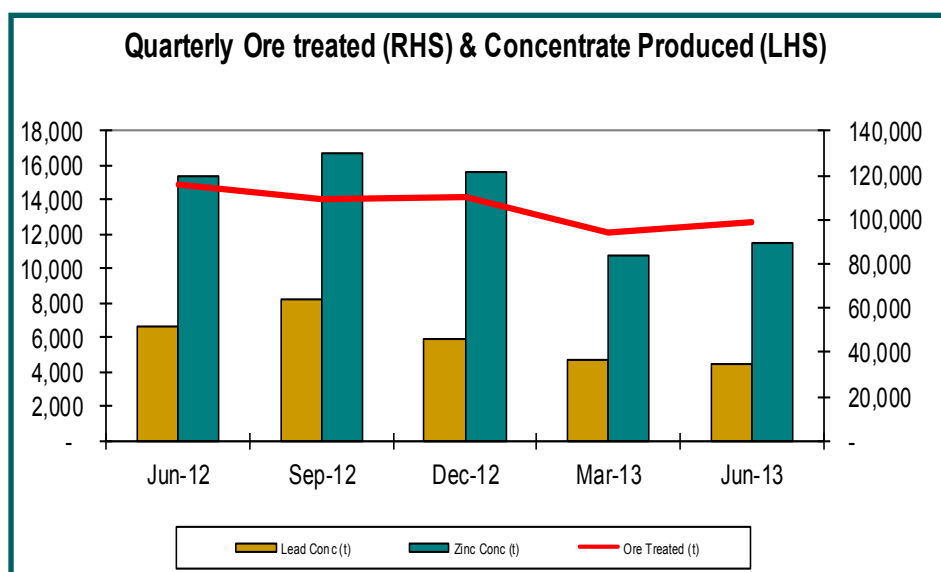
Production Statistics

		Sep Qtr 2012	Dec Qtr 2012	Mar Qtr 2013	Jun Qtr 2013	YTD 2013
Total ore mined (tonnes)		111,492	105,087	93,595	97,801	191,396
Total ore treated (tonnes)		109,446	110,035	93,989	99,001	192,990
Ore grade:	- Pb%	4.58	3.47	3.12	2.98	3.01
	- Zn%	9.37	8.24	6.99	6.89	6.94
	- Cu%	0.25	0.21	0.23	0.16	0.19
	- Ag g/t	46.9	34.4	32.7	27.3	30.0
Zinc Concentrate (tonnes)		16,706	15,630	10,827	11,514	22,341
Grade:	- Zn%	50.6	49.4	49.2	49.8	49.5
Recovery:	- Zn%	82.4	85.1	81.1	84.1	82.6
Lead Concentrate (tonnes)		8,237	5,973	4,730	4,442	9,173
Grade:	- Pb%	52.7	54.1	52.0	54.8	53.4
	- Cu%	2.6	2.9	3.5	2.3	2.9
	- Ag g/t	510	509	508	473	491
	- Au g/t	7.2	9.5	8.6	6.8	7.7
Recoveries:	- Pb%	86.7	84.6	84.1	84.7	84.4
	- Cu%	77.8	73.3	75.6	65.9	71.5
	- Ag%	81.9	80.4	78.1	77.9	78.0
Payable metal						
	- Zn t	7,114	6,466	4,459	4,811	9,270
	- Pb t	4,097	3,055	2,320	2,300	4,620
	- Cu t	40	34	35	17	53
	- Ag oz	121,870	88,151	69,689	60,481	130,170
	- Au oz	1,481	1,469	1,042	744	1,786

Notes: The payable metal figures include adjustments based on final invoice numbers where available. The ore mined figures are estimated on tonnes trucked to the surface whilst the ore treated figures are calculated from a weightometer. Reconciliation between the mine and the mill continues.

A total of 97,801 tonnes of ore were mined for the quarter, an increase of 4% against the prior period. This increase was primarily due to improved mobile equipment availability and changes to stope sequencing to meet production requirements. Ore treated for the period of 99,001 tonnes was also higher than the prior period (5% higher) which was due to high mill availability and utilisation later in the quarter. Zinc and lead feed grades were lower than last period (1% and 7%) however recoveries were increased (1% and 5%), the combination of these factors led to increased zinc concentrate and reduced lead concentrate production from the prior quarter.

Key Historical Production Data



C1 Cash Costs (US c/lb payable zinc)

	Sep Qtr 2012	Dec Qtr 2012	Mar Qtr 2013	Jun Qtr 2013	YTD 2013
Production Costs	77	93	112	97	104
- Mining	41	46	63	56	60
- Processing	27	34	35	29	32
- Other Site Costs	9	13	14	12	13
Realisation Costs	32	32	34	35	35
- Transport & Handling	10	11	12	11	11
- Zinc Treatment Charges	21	21	22	24	23
Net By-product Credits	(76)	(68)	(81)	(51)	(66)
C1 Cash Cost	33	57	65	81	74

The C1 cash cost for the quarter was US81c/lb, an increase of US16c/lb (25%).

Whilst production costs were reduced, the higher cost compared to the prior period was largely due to reduced by-product credits attributable to lower lead concentrate production and lower average realised price for lead.

Sales

Average realised price for zinc continues the upward trend from prior quarters increasing by 2.5% from the March quarter to US\$2,034/t, above the average market price of US\$1,840/t. The average realised price for zinc reflects pricing terms established in advance of the shipments delivered while lead is subject to pricing several months after shipment. The average realised price for lead reduced by 6% from the previous quarter as a result of lower market prices. The average realised lead price was 3% lower than the average market price for the quarter.

	Sep Qtr 2012	Dec Qtr 2012	Mar Qtr 2013	Jun Qtr 2013	YTD 2013
- Zinc concentrate (t)	19,948	14,380	9,761	14,961	59,050
- Lead concentrate (t)	7,943	6,149	4,794	4,466	23,352
Average Realised Price					
Average price in US\$/t					
- Zinc	1,886	1,909	1,985	2,034	2,015
- Lead	2,023	2,470	2,132	1,990	2,065
Average Price in USc/lb					
- Zinc	86	87	90	92	91
- Lead	92	112	97	90	94
Commodity Prices					
Average Price in US\$/t					
- Zinc	1,895	1,951	2,033	1,840	1,937
- Lead	1,980	2,203	2,300	2,054	2,177
Average Price in USc/lb					
- Zinc	86	89	92	83	88
- Lead	90	100	104	93	99

Hedging

The Company's hedging strategy has been re-aligned as a result of the pending Angas mine closure, focussing on shorter-term activity as opportunities arise.

The Company recorded a hedging gain of US\$128/t (US\$0.2m) in relation to the forward sale of 1,225t of lead metal sold in the March 2013 quarter (priced June 2013 quarter). The Company has price protection in place in respect of 750t of lead metal sold in the June 2013 quarter, with pricing due to settle in the September 2013 quarter, at an average price of US\$2,377. No additional zinc hedging activity was conducted.

At 30 June 2013, the Company had US\$ forward sales in place covering US\$1m of future cash flows. A loss of US\$0.3m was realised on delivery into maturing foreign exchange hedges during the period.

CORPORATE

BOARD AND MANAGEMENT CHANGES

As announced previously, Mr Feng Sheng and Mr Kevin McGuinness were appointed as Non-Executive Directors of Terramin on 17 April 2013. On that date, the Company announced the resignation of Mr Peter Zachert from the board of Terramin which became effective on 30 April 2013.

On 31 May 2013, Mr Nic Clift resigned from his position as Managing Director and Chief Executive Officer.

Mr Martin Janes was appointed to the position of Chief Executive Officer effective as of 11 June 2013. Martin is a mining executive with more than 20 years' experience in the resources and finance industry. Mr Janes is a former Chief Financial Officer of Terramin from 2005 to 2010 during which he undertook debt financing and capital raisings to finance the development of the Angas Zinc Mine and the advancement of the Company's other projects.

At the last Company's AGM held on 31 May 2013, shareholders approved the issue of the following securities as incentives to Mr Nic Clift:

- 7,000,000 Performance Rights for the year 2013 subject to satisfaction of performance criteria and share price criteria. Following Mr Clift's resignation the Performance Criteria cannot be satisfied and accordingly these performance rights will lapse and no shares will be issued;
- 4,200,000 Options subject to Mr Clift remaining employed at the vesting date. The resignation of Mr Clift meant that these options could not vest. Accordingly these options have not been issued.

CASH

The Company cash balance at 30 June was \$4.1 million.

CORPORATE INFORMATION

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CAPITAL STRUCTURE

at 30 June 2013

Shares on issue 789,182,128

Unlisted Options 3,695,000

Unlisted Convertible/redeemable notes:

Convertible at VWAP

(maturity May 2014) US\$15,050,000

Convertible at A\$2.21 per share

(maturity July 2014) \$5,002,400

Conversion subject to minimum VWAP of \$1.70

(maturity September 2014) US\$10,000,000

DIRECTORS

Michael H Kennedy

Nic Clift

Xie Yaheng

Kevin McGuinness

Angelo Siciliano

Feng Sheng

Stéphane Gauducheau

Non-Executive Chairman

Managing Director

(Resigned 31 May 2013)

Non-Executive Director

Non-Executive Director

Non-Executive Director

Non-Executive Director

Company Secretary

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, who is a member of The Australasian Institute of Mining and Metallurgy. Mr Whittaker is a consultant to 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 that he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the 'Australasian Code for Reporting 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.