



TERRAMIN AUSTRALIA LIMITED

3rd

Quarter Report 2013

HIGHLIGHTS

- Agreement to purchase the high grade Bird-in-Hand Gold Mine and regional tenement package
- Bird-in-Hand scoping study well progressed with results to be released in November
- Financial restructure and capital raising to raise approximately \$14.1m
- Strong final quarter for production and safety at Angas
- Angas C1 Cash Costs of US 41c/lb zinc which is 49% lower than previous quarter
- Renewed discussions regarding resolution of issues with Algerian joint venture partners



ACTIVITIES FOR THE QUARTER

ANGAS ZINC MINE

100% Terramin owned and operated

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

Operations

As foreshadowed in the Company's announcement in early July, mining and processing activities ceased on 2 October 2013 following the extraction of all economic ore at current metal prices.

Mining production tonnes achieved were 3% lower than the previous quarter with mining operations ceasing on 25 September. Performance of the 360 level stopes and excellent ground conditions allowed for multiple stopes to be mined without filling. This helped maintain the production despite disruption to the supply of paste due to mill downtime. The 380 stopes on the bottom level of the mine performed well with minimal dilution and exceptional grade. Mobile plant availability improved during the quarter.

Ore milled was on par with the previous quarter, with improved lead and precious metal grades and recoveries contributing towards a significantly higher lead concentrate production. These positive results occurred despite significant down time in the mill caused by machine failure.

Lower operating costs and higher lead and precious metals production resulted in zinc cash costs falling to US\$41c/lb.

Full production statistics are provided on page 7 of this report.

Safety, Environment and Community Report

The third quarter saw an enhanced focus on safety with the commencement of the Angas workforce demobilisation. This resulted in improved hazard awareness, work place inspections and behaviour observations. However, despite the enhanced focus on safety 1 Lost Time Injury occurred.

No Environmental incidents were recorded during the quarter. Water management continued to be a major focus during winter. The tailings storage facility water level did rise above the 68RL but the surface area of the water did not exceed 15,000m² and remains well within compliance parameters despite having the wettest July in 18 years.

Mine Closure

The Angas Zinc Mine closure proceeds according to plan with the site moving quickly into the care and maintenance phase. A number of employees were made redundant during the quarter, with further employee redundancies to occur during the fourth quarter.

The Company is currently considering a number of options for the use of the mine site, the plant and associated equipment. All equipment and plant will be cleaned and maintained ready for care and maintenance in anticipation of re-opening. The Strathalbyn Community Consultation Committee and the Department for Manufacturing, Innovation, Trade, Resources and Energy (DMITRE) have been consulted on the Company's plans for the future of the site.

BIRD-IN-HAND GOLD PROJECT

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 598,000 tonnes at 12.3g/t for 237,000 ounces of gold¹ 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 material. The existing tailings dam at Angas has the capacity to hold all the Bird-in-Hand tailings.

Update

On 19 July 2013, Terramin announced that it had entered into a binding agreement to acquire the Bird-in-Hand Gold Project and a portfolio of highly prospective Adelaide Hills exploration tenements from Maximus Resources Limited.

The execution of the agreement for the purchase of the assets and the related royalty deed occurred on 22

October and the transaction is expected to complete during the month of November subject to ministerial approval.

Terramin has been undertaking a scoping study on the Bird-in-Hand Gold Project since August 2013. The scoping study, which will include updated Resources estimates, is close to finalisation and is expected to be released in November.

Upon grant of Ministerial approval and completion of the Bird-in-Hand transaction, Terramin will be able to access the ground (subject to regulatory approvals) and undertake relevant studies, including water studies, to progress the project to pre-feasibility.

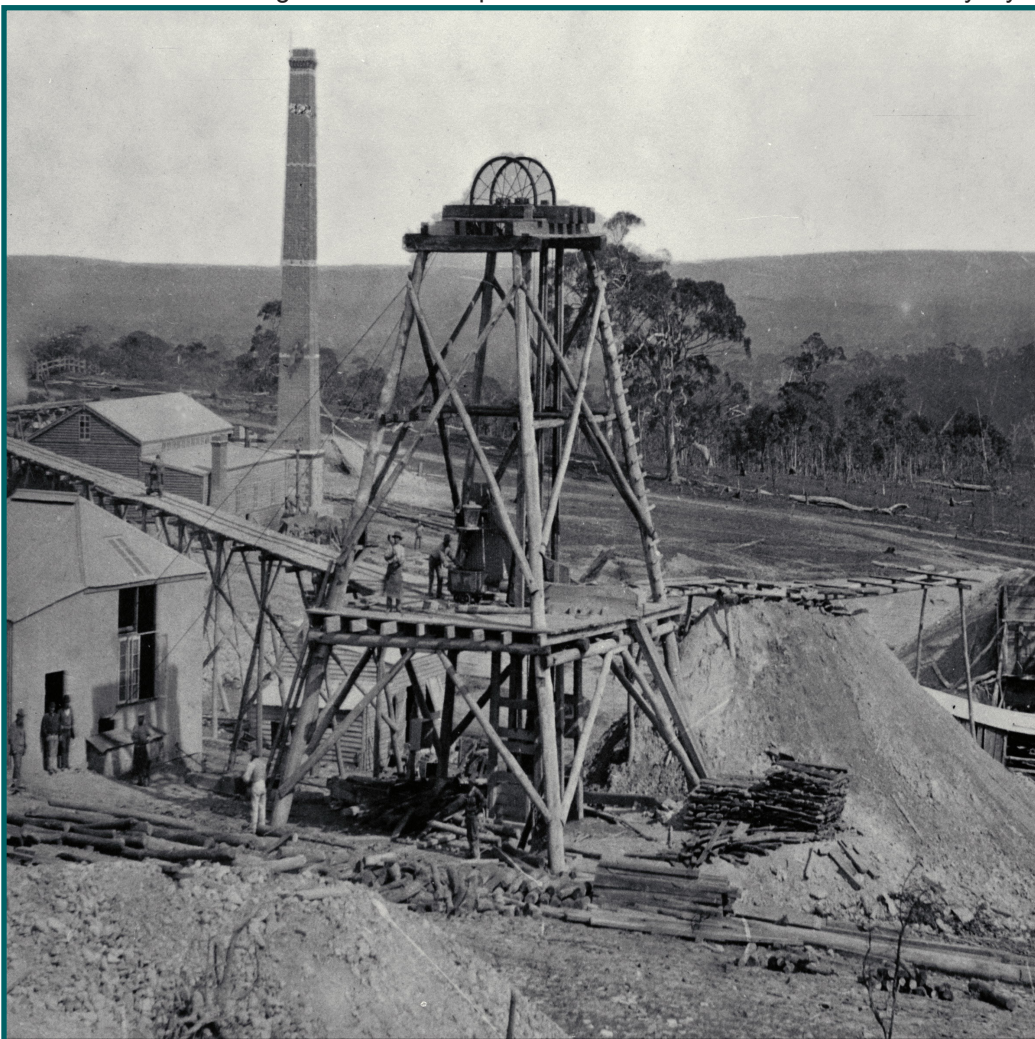


Figure 1: Old Bird-in-Hand headframe mid 1880's

¹ Resource estimated by Maximus in 2008 in accordance with the JORC 2004 Code.

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. Enterprise Nationale des Produits Miniers Non-Ferreux et des Substances Utiles Spa (ENOF) (32.5%) and Office National de Recherche Geologique et Minière (ORGM) (2.5%). Oued Amizour Exploration Permit 5225PE is a 125km² tenement which contains the Tala Hamza deposit and several lead-zinc prospects.

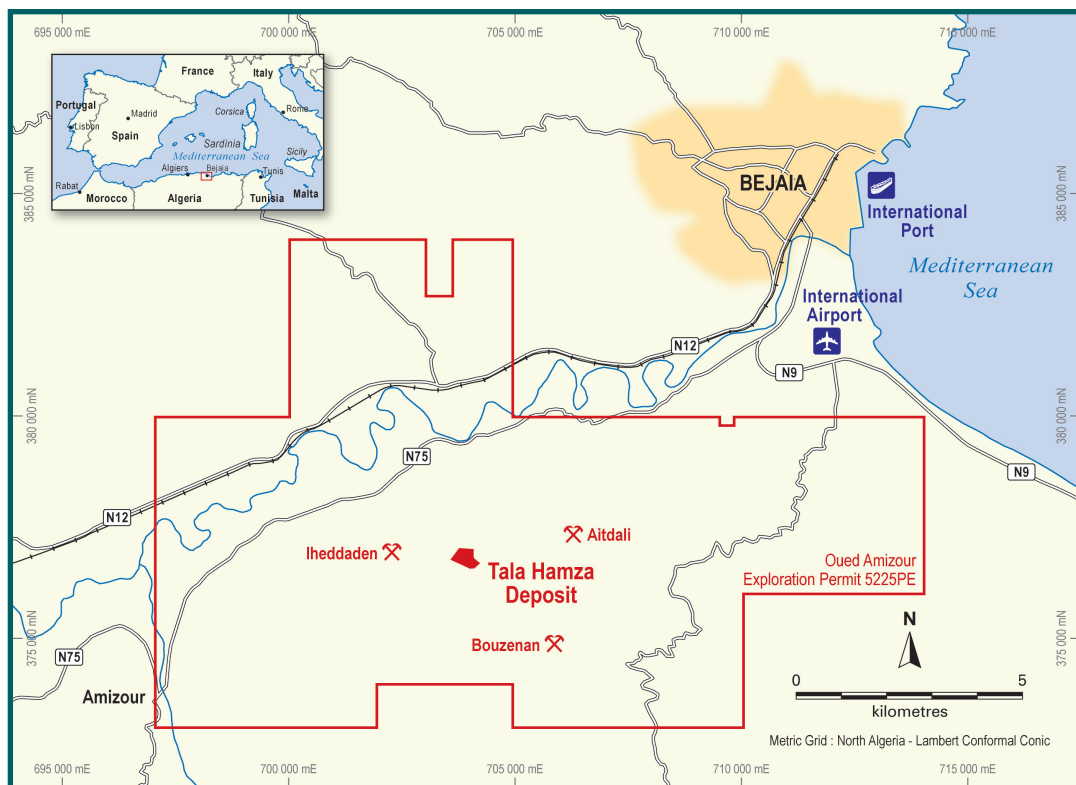


Figure 2: Oued Amizour exploration permit

Update

Terramin continues to pursue its efforts to find an agreement with its Algerian partner on the outcomes of the Definitive Feasibility Study, and to determine the most appropriate manner to develop the Tala Hamza deposit. To this end, in September 2013, a series of meetings were held in Algeria with the Company's Algerian partner, and with relevant Algerian government authorities, to determine a mutually acceptable path to advance the project. In the meantime, and pending the outcomes of these discussions, the arbitration proceedings, initiated in May 2013 before the International Chamber of Commerce in Paris, continue.

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

Musgrave continued to process and interpret data from its 398 line km airborne VTEM survey flown across the Menninnie Dam tenement and parts of the Nonning and Kolendo tenements during the June quarter.

Field mapping to follow up encouraging correlations between VTEM results and rock chip and soil analyses (Figure 3) revealed significant alteration and veining in outcrops in the Erebus, Cassius, Spare Rib, and Tank Hill areas. Mapping and sampling activities were curtailed by unusually wet weather conditions, and this work will continue into the fourth quarter. An aircore drilling program to test for subsurface mineralisation at some of these localities is currently being planned for late November. Rehabilitation of drill sites from the three campaigns of drilling carried out since November 2012 was completed during the quarter.

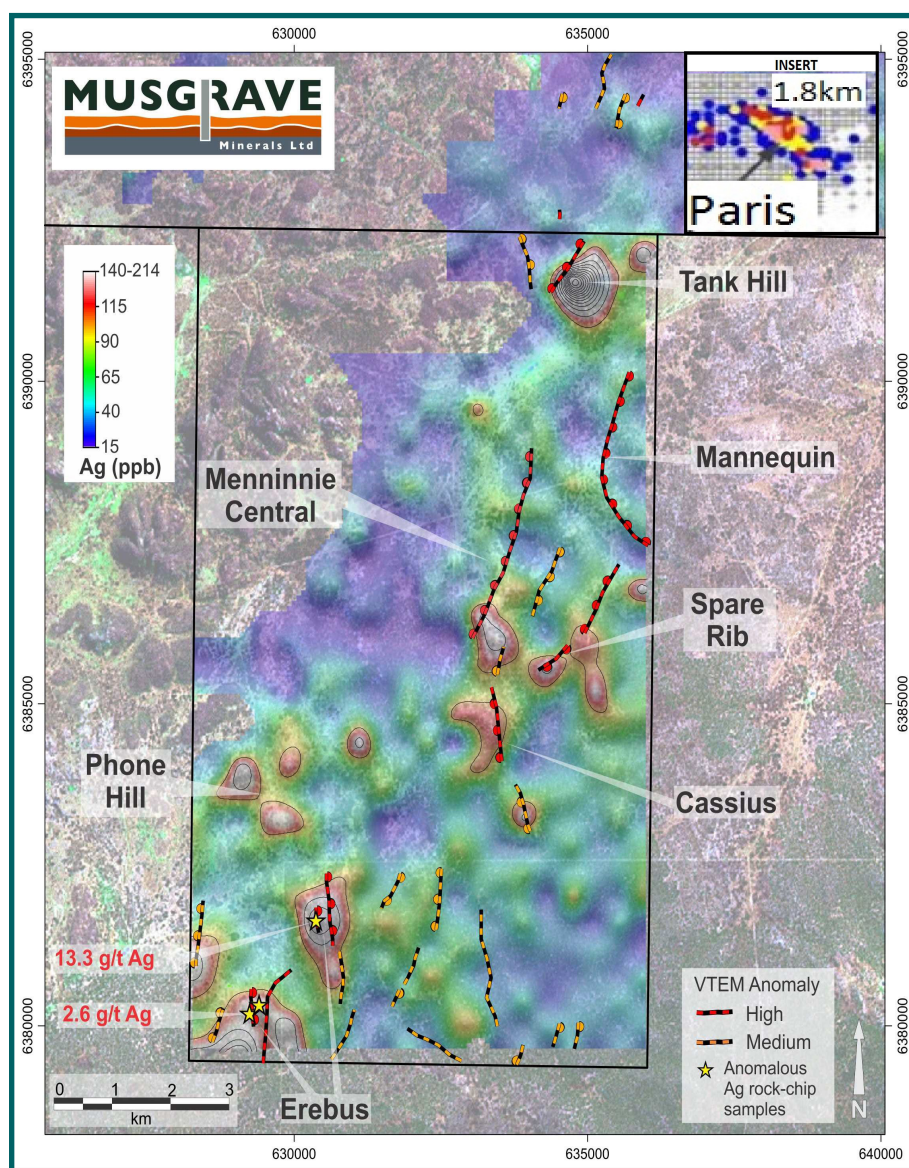
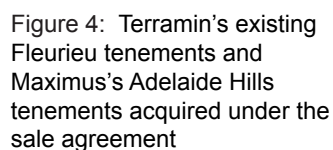


Figure 3: Menninnie Dam priority VTEM anomalies on silver soil geochemical image with Paris insert for anomaly size comparison (from MGV Annual Report, October 2013).

100% Terramin owned

The Adelaide Hills exploration tenements acquired from Maximus cover 1,510 square kilometres immediately north of Terramin's Fleurieu tenements. The tenements comprise five Exploration Licences: Lobethal (EL4304); Brukung (EL4227); Mt Pleasant (EL4712); Mt Barker (EL5214); and Kapunda (EL4131).

On-ground work has been put on hold while Terramin focuses on the Bird-In-Hand scoping study and evaluating the exploration potential of the Maximus tenements. The geology team is currently compiling available data on over 250 historic gold mines and diggings and 17 historic copper mines, including the iconic Kapunda Mine. Copper was discovered at Kapunda in 1842 and mined until 1879, producing approximately 13,700 tonnes of copper from 69,000 tonnes of ore.



KEY QUARTERLY STATISTICS

Production Statistics

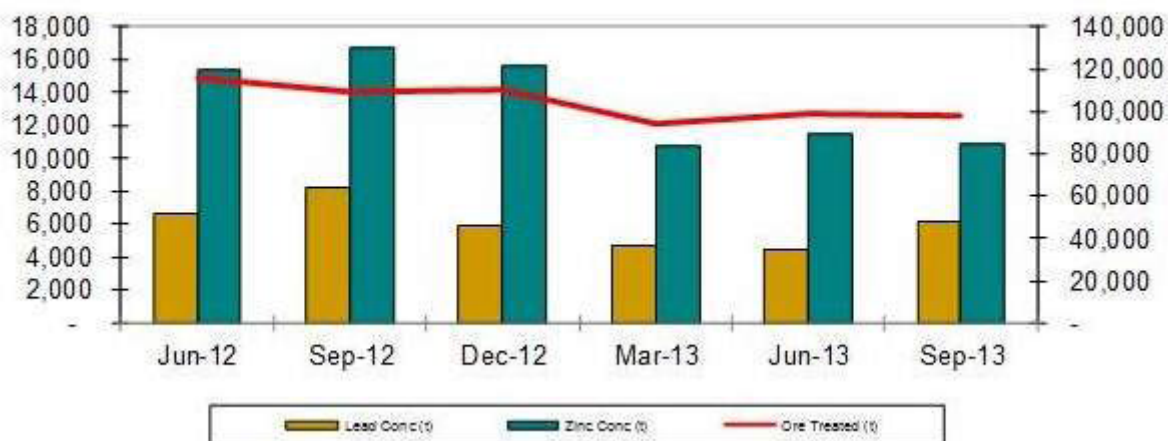
		Dec Qtr 2012	Mar Qtr 2013	Jun Qtr 2013	Sep Qtr 2013	YTD 2013
Total ore mined (tonnes)		105,087	93,595	97,801	94,433	285,829
Total ore treated (tonnes)		110,035	93,989	99,001	98,110	291,100
Ore grade:	- Pb%	3.47	3.12	2.90	3.87	3.30
	- Zn%	8.24	6.99	6.89	6.65	6.84
	- Cu%	0.21	0.23	0.16	0.21	0.20
	- Ag g/t	34.4	32.7	27.3	37.3	32.4
Zinc Concentrate (tonnes)		15,630	10,827	11,514	10,933	33,274
Grade:	- Zn%	49.4	49.2	49.8	50.1	49.7
Recovery:	- Zn%	85.1	81.1	84.1	83.9	83.0
Lead Concentrate (tonnes)		5,973	4,730	4,442	6,148	15,320
Grade:	- Pb%	54.1	52.0	54.8	54.6	53.9
	- Cu%	2.9	3.5	2.3	2.6	2.8
	- Ag g/t	509	508	473	491	491
	- Au g/t	9.5	8.6	6.8	6.7	7.3
Recoveries:	- Pb%	84.6	84.1	84.7	88.5	86.0
	- Cu%	73.3	75.6	65.9	76.9	73.4
	- Ag%	80.4	78.1	77.9	82.6	79.8
Payable metal						
	- Zn t	6,466	4,459	4,811	4,601	13,871
	- Pb t	3,055	2,320	2,300	3,174	7,794
	- Cu t	34	35	17	29	81
	- Ag oz	88,151	69,689	60,481	87,154	217,324
	- Au oz	1,469	1,042	744	1,015	2,801

A total of 94,433 tonnes of ore were mined for the quarter, representing a decrease of 3% against prior quarter. Despite delays to paste fill as a result of mill down time, the performance of 360 level stopes and excellent ground conditions allowed for multiple stopes to be mined without filling. Ore treated for the period of 98,110 tonnes was slightly lower than prior periods result of 99,001 tonnes with unplanned down time impacting on availability. Zinc grade was slightly lower (3%) and recoveries on par with prior period resulting in 5% lower concentrate tonnes. Lead grade and recoveries were higher (30% and 5%) significantly impacting lead concentrates tonnes which were 38% higher. This quarter yielded the third highest quarterly lead concentrate production for the history of the mine.

Notes: Processing costs and physicals from October 1st and 2nd have been included in September's results.

Key Historical Production Data

Quarterly Ore treated (RHS) & Concentrate Produced (LHS)



C1 Cash Costs (US c/lb payable zinc)

	Dec Qtr 2012	Mar Qtr 2013	Jun Qtr 2013	Sep Qtr 2013	YTD 2013
Production Costs	93	112	97	78	96
- Mining	46	63	56	43	54
- Processing	34	35	29	25	29
- Other Site Costs	13	14	12	10	12
Realisation Costs	32	34	35	32	34
- Transport & Handling	11	12	11	9	11
- Zinc Treatment Charges	21	22	24	23	23
Net By-product Credits	(68)	(81)	(51)	(69)	(67)
C1 Cash Cost	57	65	81	41	63

The C1 Cash Cost improved significantly for the quarter with a result of US41c/lb against prior quarter of US81c/lb. Lower production costs were the main contributors to a lower C1 Cash Cost with significantly higher by-product credits also driving improvement.

Sales

Average realised price for zinc declined by 9% to US\$1,846/t against a similar market price of US\$1,860/t. The average realised price for zinc reflects pricing terms established in advance of the shipments delivered while lead is subject to pricing some months after shipment. The average realised price for lead increased by 4% to US\$2,067 from the previous quarter's price. Similarly to zinc, lead average realised price aligns closely with commodity prices.

	Dec Qtr 2012	Mar Qtr 2013	Jun Qtr 2013	Sep Qtr 2013	YTD 2013
- Zinc concentrate (t)	14,380	9,761	14,961	9,569	34,291
- Lead concentrate (t)	6,149	4,794	4,466	5,414	14,674
Average Realised Price					
Average price in US\$/t					
- Zinc	1,909	1,985	2,034	1,846	1,967
- Lead	2,470	2,132	1,990	2,067	2,066
Average Price in USc/lb					
- Zinc	87	90	92	84	89
- Lead	112	97	90	94	94
Commodity Prices					
Average Price in US\$/t					
- Zinc	1,951	2,033	1,840	1,860	1,911
- Lead	2,203	2,300	2,054	2,103	2,152
Average Price in USc/lb					
- Zinc	89	92	83	84	87
- Lead	100	104	93	95	98

Hedging

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

The Company recorded a hedging gain of US\$266/t (US\$0.2m) in relation to the forward sale of 750t of lead metal sold in the June 2013 quarter (priced September 2013 quarter).

The Company realised a gain of \$0.05m on delivery into maturing foreign exchange hedges during the period.

At 30 September 2013, there were no commodity or currency hedges in place.



CORPORATE

On 7 October, the Company announced a financial restructure and capital raising. The capital raising will be undertaken through a fully underwritten non-renounceable 1 for 2 Entitlement Offer at 3.5 cents per share to raise approximately \$14.1 million. The closing date for the Entitlement Offer is 15 November 2013.

The Company's largest shareholder, the Asipac Group ("Asipac"), will fully underwrite the Entitlement offer with Wanshe Holdings Pty Ltd (an associate of Asipac).

Terramin has entered into an agreement to restructure the Company's debt facilities with Investec Bank (Australia) Limited ("Investec") and Asipac as follows:

- Asipac has acquired \$4 million of the outstanding \$10.5 million Investec debt facility;
- Investec has agreed to:
 - defer repayment of the balance of the debt facility (\$6.5 million) to 20 December 2013, which will be repaid from the funds raised through the Entitlement Offer;
 - extend the maturity of the \$5.3m guarantee facility to cover rehabilitation obligations at Angas to March 2015

The funds, net of costs of the Entitlement Offer, will be used to:

- Repay debt under the Corporate revolving facility with Investec (\$6.5 million) and Asipac (\$2 million);
- Progress the Bird-in-Hand and Tala Hamza projects;
- Undertake exploration work on the Company's extensive tenement holdings in the Adelaide Hills; and
- Provide working capital for the company.

CASH

The Company cash balance at 11 October was \$2.0 million.

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, a Competent Person who is a Member of the Australasian Institute of Mining and Metallurgy (AusIMM). Mr Whittaker is a consultant geologist to Terramin Australia Limited. Mr Whittaker has sufficient experience that is relevant to the style of mineralisation and type of deposits 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 28 October 2013

Shares on issue805,367,847
Unlisted Options1,875,000

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	<i>Non-Executive Chairman</i>
Kevin McGuinness	<i>Non-Executive Director</i>
Feng Sheng	<i>Non-Executive Director</i>
Angelo Siciliano	<i>Non-Executive Director</i>
Xie Yaheng	<i>Non-Executive Director</i>

Stéphane Gauducheau	<i>Company Secretary</i>
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