



TERRAIN MINERALS LTD
ABN 45 116 153 514
ASX: TMX

INTERIM FINANCIAL REPORT 31 DECEMBER 2017

Note: The information contained in this condensed report is to be read in conjunction with Terrain Minerals Limited 2017 annual report and any announcements made by the company during the half-year period ended 31 December 2017

TERRAIN MINERALS LIMITED

FOR THE HALF YEAR ENDED 31 DECEMBER 2017

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TERRAIN MINERALS LIMITED

CORPORATE DIRECTORY

Terrain Minerals Limited Board

Paul Dickson

Non-Executive Chairman

Trevor Bradley

Non-Executive Director - Geology

Justin Virgin

Executive Director

Johannes Lin

Non-Executive Director

Erlyn Dale and Winton Willesee

Joint Company Secretaries

Share Register

Computershare Investor Services Pty Ltd

Level 11

172 St Georges Terrace

Perth WA 6000

Telephone 1300 787 272

Facsimile +61 8 9323 2033

Auditor

BDO Audit (WA) Pty Ltd

38 Station Street

Subiaco WA 6008

Solicitors

Price Sierakowski

Level 24, St Martins Tower

44 St Georges Terrace

Perth WA 6000

Banker

Westpac Banking Corporation

Business Banking Centre

218 St Georges Terrace

Perth WA 6000

Stock Exchange

Terrain Minerals Ltd shares are

listed on the Australian Securities Exchange

Ordinary fully paid shares (ASX code TMX)

Principal and Registered office in Australia

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Email: terrain@terrainminerals.com.au

Website: www.terrainminerals.com.au

TERRAIN MINERALS LIMITED

DIRECTORS' REPORT

FOR THE HALF YEAR ENDED 31 DECEMBER 2017

Your directors present their report, together with the financial statements of Terrain Minerals Limited ("Terrain" or "the Company") for the half year ended 31 December 2017.

DIRECTORS

The names of the directors in office at any time during, or since the end of, the half year are:

Current Directors

Mr Paul Dickson	Non-Executive Chairman
Mr Trevor Bradley	Non-Executive Director – Geology
Mr Justin Virgin	Executive Director
Mr Johannes Lin	Non-Executive Director

COMPANY SECRETARY

Miss Eryln Dale and Mr Winton Willesee are joint Company Secretaries. Miss Dale and Mr Willesee are experienced company secretaries with a broad range of experiences with ASX listed and other companies over a number of years. Both are Chartered Secretaries with qualifications in Accounting and a number of other relevant areas.

OPERATING RESULTS AND REVIEW OF OPERATIONS FOR THE HALF YEAR

The loss from ordinary activities after providing for income tax for the half year amounted to \$245,349 (2016: loss of \$379,765) and had a net cash outflow from operations of \$218,849 for the half-year (2016: \$229,490 outflow).

Review of Operations

Capital - raise \$300,000 at an average price 0.007513c per share, after costs.

- Funds will be allocated towards;
 - Advancing Great Western – Both Desk Top & Field Activities
 - Exploration Works at Red Mulga - Cobalt & Nickel
 - Project Generation & Assessment Activities
 - General Working Capital

Great Western Gold Project:

- Options to monetise GW continue with Joint venture, full sales opportunities discussions continue to advance
- Great Western Scoping Study Update & Onsite Gold Processing completed

Project review process continues looking for significant assets in Australia, Africa, Middle East and the Americas. Focusing on gold, copper, cobalt, lithium and other economic minerals.

Details of the exploration results of each of the Company's projects can be found in the quarterly activity reports located on the Company's website.

EVENTS AFTER THE END OF THE REPORTING PERIOD

Other than mentioned above or elsewhere in this report, financial statements or note thereto, at the date of this report there are no matters or circumstances that have arisen since the end of the half year which significantly affected or could significantly affect the operations of the company, the results of those operations or the state of affairs of the company in future financial years.

TERRAIN MINERALS LIMITED

DIRECTORS' REPORT

FOR THE HALF YEAR ENDED 31 DECEMBER 2017

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the half year ended 31 December 2017 has been received and can be found on page 4 of the interim financial report.

Signed in accordance with a resolution of the Board of Directors:

A handwritten signature in blue ink, appearing to read 'Justin Virgin', with a long horizontal flourish extending to the right.

Mr Justin Virgin

Executive Director

Dated: 13 March 2018

DECLARATION OF INDEPENDENCE BY PHILLIP MURDOCH TO THE DIRECTORS OF TERRAIN MINERALS LIMITED

As lead auditor for the review of Terrain Minerals Limited for the half-year ended 31 December 2017, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.



Phillip Murdoch

Director

BDO Audit (WA) Pty Ltd

Perth, 13 March 2018

TERRAIN MINERALS LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 31 DECEMBER 2017

		31 DECEMBER	31 DECEMBER
		2017	2016
	NOTE	\$	\$
Revenue from Continuing Operations	2	1,775	10,287
Depreciation expense			-
Employee benefits expense		(101,025)	(98,237)
Impairment of exploration		-	(60,396)
Occupancy expenses		(6,600)	(6,400)
Share based payment expense	9	(36,628)	(109,122)
Administrative expenses		(102,871)	(115,897)
Loss before income tax		(245,349)	(379,765)
Income tax expense		-	-
Loss for the half year after tax		(245,349)	(379,765)
Other comprehensive income			-
Total comprehensive loss for the half year		(245,349)	(379,765)
Total comprehensive loss for the half year attributable to members of Terrain Minerals Ltd:		(245,349)	(379,765)
Loss per share attributable to owners of TMX			
Basic and dilutive loss per share (cents)		(0.05)	(0.09)

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompany notes.

TERRAIN MINERALS LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

		31 DECEMBER	30 JUNE
	NOTE	2017	2017
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents		758,704	728,291
Trade and other receivables	3	9,348	6,579
Other assets		12,750	14,479
TOTAL CURRENT ASSETS		780,802	749,349
NON-CURRENT ASSETS			
Other receivables		20,000	20,000
Deferred exploration and evaluation expenditure	4	532,299	482,337
TOTAL NON-CURRENT ASSETS		552,299	502,337
TOTAL ASSETS		1,333,101	1,251,686
CURRENT LIABILITIES			
Trade and other payables		29,030	35,939
TOTAL CURRENT LIABILITIES		29,030	35,939
TOTAL LIABILITIES		29,030	35,939
NET ASSETS		1,304,071	1,215,747
EQUITY			
Issued capital	5(a)	20,126,191	19,829,146
Reserves		1,606,799	1,570,171
Accumulated losses		(20,428,919)	(20,183,570)
TOTAL EQUITY		1,304,071	1,215,747

The above Statement of Financial Position should be read in conjunction with the accompany notes.

TERRAIN MINERALS LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 31 DECEMBER 2017

31 DECEMBER 2017

	ORDINARY SHARES \$	ACCUMULATED LOSSES \$	SHARE BASED PAYMENT RESERVE \$	TOTAL \$
Balance at 1 July 2017	19,829,146	(20,183,570)	1,570,171	1,215,747
Loss attributable to members of the company	-	(245,349)	-	(245,349)
Other comprehensive loss for the half year	-	-	-	-
Total comprehensive loss for the half year	-	(245,349)	-	(245,349)
Transactions with owners, in their capacity as owners, and other transfer				
Contributions of equity, net of transaction costs	297,045	-	-	297,045
Options issued to directors and related parties	9	-	36,628	36,628
Balance at 31 December 2017	20,126,191	(20,428,919)	1,606,799	1,304,071

31 DECEMBER 2016

	ORDINARY SHARES \$	ACCUMULATED LOSSES \$	SHARE BASED PAYMENT RESERVE \$	TOTAL \$
Balance at 1 July 2016	19,056,224	(19,509,401)	1,461,049	1,007,872
loss attributable to members of the company	-	(379,765)	-	(379,765)
Other comprehensive loss for the half year	-	-	-	-
Total comprehensive loss for the half year	-	(379,765)	-	(379,765)
Transactions with owners, in their capacity as owners, and other transfer				
	772,922	-	-	772,922
Options issued to directors	9	-	109,122	109,122
Balance at 31 December 2016	19,829,146	(19,889,166)	1,570,171	1,510,151

The above Statement of Changes in Equity should be read in conjunction with the accompany notes.

TERRAIN MINERALS LIMITED

STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 31 DECEMBER 2017

	31 DECEMBER 2017 \$	31 DECEMBER 2016 \$
CASH FROM OPERATING ACTIVITIES:		
Payments to suppliers and employees	(220,624)	(239,777)
Interest received	1,775	10,287
Net cash used in operating activities	<u>(218,849)</u>	<u>(229,490)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for exploration expenditure	(47,783)	(75,886)
Net cash used in investing activities	<u>(47,783)</u>	<u>(75,886)</u>
CASH FROM FINANCING ACTIVITIES:		
Proceeds from issue of shares	300,000	845,550
Share issue costs	(2,955)	(72,628)
Net cash provided by financing activities	<u>297,045</u>	<u>772,922</u>
Net cash increase in cash and cash equivalents	30,413	467,546
Cash and cash equivalents at beginning of the half year	728,291	617,287
Cash and cash equivalents at end of the half year	<u>758,704</u>	<u>1,084,833</u>

The above Statement of Cash Flows should be read in conjunction with the accompany notes.

TERRAIN MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2017

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) BASIS OF PREPARATION

This interim financial report for the half year ending 31 December 2017 has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: Interim Financial Reporting.

The interim financial report is intended to provide users with an update on the latest annual financial report of Terrain Minerals Limited. As such it does not contain information that represents relatively insignificant changes occurring during the half year within Terrain Minerals Limited. This interim financial report does not include all the notes normally included in an annual financial report. It is therefore recommended that this interim financial report be read in conjunction with the annual financial report of Terrain Minerals Limited for the year ended 30 June 2017, together with any public announcements made during the half year.

The same accounting policies and methods of valuation have been followed in this interim financial report as were applied in the most recent annual financial report, except in relation to notes disclosed below.

Comparative figures contained within this interim financial report are consolidated.

These interim financial statements were approved by the Board of Directors on the 13 March 2018.

(B) NEW AND REVISED ACCOUNTING REQUIREMENTS THAT ARE FIRST EFFECTIVE IN THE CURRENT HALF YEAR REPORTING PERIOD

The Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current reporting period. None of the new and revised standards and interpretations adopted during the period had a material impact nor did they result in any changes to the Company's presentation of, or disclosure in, its half-year financial report.

NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE PERIODS

There are no new and revised Standards and amendments thereof and Interpretations effective for future reporting periods issued during the current report period that are relevant to the Company.

(C) CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The critical estimates and judgments are consistent with those applied and disclosed in the 30 June 2017 annual report.

TERRAIN MINERALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2017

2 REVENUE FROM CONTINUING OPERATIONS

	31 DECEMBER	31 DECEMBER
	2017	2016
	\$	\$
Interest income	1,775	10,287
	<u>1,775</u>	<u>10,287</u>

3 TRADE AND OTHER RECEIVABLES

	31 DECEMBER	30 JUNE
	2017	2017
	\$	\$
CURRENT		
GST	9,348	6,579
	<u>9,348</u>	<u>6,579</u>

4 DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

The following table details the movement in deferred exploration and evaluation expenditure reported in the statement of financial position during the half year.

	31 DECEMBER	30 JUNE
	2017	2017
	\$	\$
Carrying amount at beginning of period	482,337	401,008
Capitalised Expenditure	49,962	268,367
Impairment expense	-	(187,038)
	<u>532,299</u>	<u>482,337</u>

The recoupment of deferred exploration and evaluation costs carried forward is dependent upon the successful development and commercialisation or sale of the areas of interests being explored and evaluated.

The recoverability of the carrying amount of the exploration and evaluation assets is dependent upon the successful development and commercial exploitation, or alternatively, sale of the respective areas of interest. During the prior period, the Company has identified that there are assets where no exploration program can be justified and the tenements should be relinquished and therefore capitalised expenditure allocated to these tenements was written off in accordance with AASB 6 'Exploration for and Evaluation of Mineral Resources'. The Board has approved that there is no write down for the period ending 31 December 2017 (June 2017: \$187,038).

TERRAIN MINERALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2017

5 ISSUED CAPITAL

	31 DECEMBER	30 JUNE
	2017	2017
	\$	\$
554,962,780 (30 June 2017: 515,032,224) Ordinary shares	<u>20,126,191</u>	<u>19,829,146</u>

(A) ORDINARY SHARES

Movements in ordinary share capital

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Entity in proportion to the number of shares held. On a show of hands every holder of ordinary shares present at a meeting or by proxy, is entitled to one vote. Upon a poll every holder is entitled to one vote per share held.

Description	Date	Number of shares	Issue Price	\$
30 June 2017 Opening balance		515,032,224		19,829,146
Placement (i)	18 December 2017	25,000,000	\$0.0077	192,500
Placement (i)	18 December 2017	14,930,556	\$0.0072	107,500
Less: transaction costs		-		(2,955)
Closing balance	31 December 2017	<u>554,962,780</u>		<u>20,126,191</u>

Description	Date	Number of shares	Issue Price	\$
30 June 2016 Opening balance		409,032,224		19,056,224
Share Purchase Plan (ii)	1 December 2016	62,500,000	\$0.008	500,000
Placement (iii)	7 December 2016	31,250,000	\$0.008	250,000
Exercise of options	7 December 2016	12,250,000	\$0.0078	95,550
Less: transaction costs		-		(72,628)
Closing balance	31 December 2016	<u>515,032,224</u>		<u>19,829,146</u>

- i. On 18 December 2017 Terrain completed a placement. The placement was done in two tranches of:
 - 25,000,000 shares issued at \$0.0077; and
 - 14,930,556 shares issued at \$0.0072
- ii. On 1 December 2016 Terrain completed a Share Purchase Plan. The SPP was 62,500,000 shares issued at \$0.008.
- iii. On 7 December 2016 Terrain completed a Placement. The placement was 31,250,000 shares issued at \$0.008. The issue costs of \$72,628 are in relation to the Placement and SPP.

(B) OPTIONS

For information relating to Terrain Minerals Limited employee option plan, including details of options issued, exercised and lapsed during the financial half year and the options outstanding at half year end refer to **Note 9**.

TERRAIN MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2017

6 OPERATING SEGMENTS

Management has determined that the company has one reportable segment, being mineral exploration in Western Australia. As the company is focused on mineral exploration, the Board (the chief operating decision maker) monitors the company based on actual versus budgeted exploration expenditure incurred by the company as a whole. This reporting framework is the most relevant to assist the Board with making decisions regarding the company and its ongoing exploration activities, while also taking into consideration the results of exploration work that has been performed to date. The reportable segment is represented by the primary statements forming this financial report.

7 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

In the opinion of the Directors, the company did not have any contingencies at 31 December 2017 (30 June 2017: Nil).

8 RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated. There were no significant changes in the nature of related party transactions since 30 June 2017. (Refer to **Note 9** for options issued to Directors)

9 SHARE-BASED PAYMENTS

2017

On 18 December 2017 Terrain Minerals Limited issued 6,000,000 options exercisable at \$0.0175 expiring on or before 18 December 2022.

The 6,000,000 options issued to the directors include: 4,000,000 options to Mr Trevor Bradley and 2,000,000 options to Johannes Lin and were valued at \$36,628 following shareholder approval at the annual general meeting held on 29 November 2017.

The weighted average fair value of those equity instruments, determined by reference to market price, was \$0.006 (June 2016: \$0.0233)

These options were issued as compensation to key management personnel of the Company and vest immediately.

Included under employee benefits expense in the statement of profit or loss and other comprehensive income is \$36,628, which relates to equity-settled share-based payment transactions (2016:\$109,122).

TERRAIN MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2017

9 SHARE-BASED PAYMENTS (CONTINUED)

The assumptions used for the options valuation are as follows:

Exercise Price	\$0.0175
Expected Life	5 years
Share Price at Time of Issue	\$0.008
Expected Volatility	122%
Risk Free Interest Rate	2.34%
Option Value	\$0.006

2016

On 7 December 2016 Terrain Minerals Limited issued 12,000,000 options exercisable at \$0.0188 expiring on or before 7 December 2021.

The 12,000,000 options issued to the directors include: Messrs Paul Dickson, Jonathan Lim and Justin Virgin, respectively, which were valued at \$109,122 following shareholder approval at the annual general meeting held on 28 November 2016.

The weighted average fair value of those equity instruments, determined by reference to market price, was \$0.0233 (June 2016: \$0.022)

These options were issued as compensation to key management personnel of the Company and vest immediately.

Included under employee benefits expense in the consolidated statement of profit or loss and other comprehensive income is \$109,122, which relates to equity-settled share-based payment transactions (2015:\$150,528).

The assumptions used for the options valuation are as follows:

Exercise Price	\$0.0188
Expected Life	5 years
Share Price at Time of Issue	\$0.011
Expected Volatility	132%
Risk Free Interest Rate	2.09%
Option Value	\$0.009

TERRAIN MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2017

10 EVENTS AFTER THE END OF THE REPORTING PERIOD

Other than mentioned above or elsewhere in this report, financial statements or note thereto, at the date of this report there are no matters or circumstances that have arisen since the end of the half year which significantly affected or could significantly affect the operations of the company, the results of those operations or the state of affairs of the company in future financial years.

TERRAIN MINERALS LIMITED

DIRECTORS DECLARATION

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 5 to 14, are in accordance with the *Corporations Act 2001* and:
 - (a) comply with Australian Accounting Standard 134, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (b) give a true and fair view of the financial position as at 31 December 2017 and of the performance for the half year ended on that date of the company;
2. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Mr Justin Virgin

Executive Director

Dated: 13 March 2018

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Terrain Minerals Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Terrain Minerals Limited (the Company), which comprises the statement of financial position as at 31 December 2017, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year then ended, notes comprising a statement of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Company is not in accordance with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Company's financial position as at 31 December 2017 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Directors' responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2017 and its performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO Audit (WA) Pty Ltd

BDO

A handwritten signature in black ink, appearing to read 'P. Murdoch', written over a horizontal line.

Phillip Murdoch

Director

Perth, 13 March 2018