



Monday 12<sup>th</sup> July 2010

## **SHAREHOLDER LETTER**

Dear Shareholder

Shareholders are advised that your Company has currently raised \$1,072,217 from the recent rights issue and shortfall placement, from a total of \$3.4m set out in the Prospectus dated 31<sup>st</sup> March 2010. An additional \$100,000 deposit has been received from the sale of the Coogee Gold Deposit.

A shortfall from the rights issue remains to be placed.

Terrain, over the last year, has concentrated on work preliminary to mining in the 100% owned Bundarra Project area. In this regard successful mine scoping studies have been released for the Celtic, Wonder North and Great Western gold deposits.

These mine scoping studies show that a cash surplus can be generated from these projects, of between \$20.9m and \$26.9m at a gold price of A\$1,200/oz and up to \$34.6m - \$40.6m at a gold price of A\$1,350/oz (see cash surplus table).

Terrain is planning to mine the Celtic Pit in the last quarter 2010, to produce approximately 6,000oz of gold (59,000t at 3.52g/t - from measured resources of 684,000t at 1.8 g/t – see resource table), subject to finalisation of a commercial toll treatment agreement with an existing mill operator. Financing of this project is to be by way of a small gold loan, which remains to be finalised.

Wonder North has a JORC compliant resource of 172,600 oz of gold at 2.1 g/t gold (at a 1.0 g/t cut off – see resource table). Within this resource envelope a newly released study has established a higher grade resource of 96,000 oz of gold from 686,000 tonnes at 4.8g/t gold at a 3.0g/t cut off. An underground mine scoping study will now be undertaken in the third quarter 2010.

Mine scoping studies at Great Western indicate that 10,000 oz of gold can be mined as an open pit which allows access to the underground inventory of 40,000 oz of gold (194,000t at 6.75 g/t – from measured, indicated & inferred resources of 473,000t at 2.7 g/t – see resource table), which remains open at depth, both down plunge and down dip, with an area of interest remaining within the existing mine envelope. Further work on this area depends on Terrain completing the existing shortfall capital raising.

An EM geophysical survey has been completed at the Aztec Dome and further work will be dependent on the shortfall capital raising being completed.

RC drilling of gold targets at the Dodgers Well Project and the Bluebush deposit at Bundarra is currently underway.

Whilst directors are confident of placing this shortfall, shareholders are encouraged to participate. This can be done by filling in the Application Form attached to the Prospectus dated 31<sup>st</sup> March 2010, which can be found at [www.terrainminerals.com.au](http://www.terrainminerals.com.au)

Yours Faithfully



Dick Sandner  
Chairman

*The information in this report that relates to Exploration Results is based on information compiled by Mr Chris Tomich, who is a full time employee of Terrain Minerals Ltd. Mr Tomich is a member of the Australian Institute of Geoscientists (MAIG) and 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 Tomich consents to the inclusion in the report of the matters based on information in the form and context in which it appears.*

#### **BUNDARRA REGION RESOURCES (at 1.0 g/t gold cut-off)**

<b>DEPOSIT</b>		<b>Measured</b>	<b>Indicated</b>	<b>Inferred</b>	<b>TOTALS</b>
Wonder North	Tonnes	354,000	872,000	1,314,000	2,540,000
	Grade g/t	2.3	2.4	1.9	2.1
	Ounces	26,000	66,500	80,200	172,600
Bluebush	Tonnes			726,000	726,000
	Grade			1.7	1.7
	Ounces			38,900	38,900
Black Cat	Tonnes			134,000	134,000
	Grade			2.5	2.5
	Ounces			10,600	10,600
Great Western	Tonnes	58,000	284,000	131,000	473,000
	Grade	3.0	2.8	2.3	2.7
	Ounces	5,600	25,800	9,500	40,900
Celtic	Tonnes	683,900	199,400	204,400	1,087,700
	Grade	1.8	1.5	1.5	1.7
	Ounces	39,300	9,300	9,500	58,100
<b>TOTALS</b>	<b>TONNES</b>	<b>1,095,900</b>	<b>1,355,400</b>	<b>2,509,400</b>	<b>4,960,700</b>
	<b>GRADE</b>	<b>2.0</b>	<b>2.4</b>	<b>1.9</b>	<b>2.0</b>
	<b>OUNCES</b>	<b>70,900</b>	<b>101,600</b>	<b>148,700</b>	<b>321,200</b>

Note: rounding errors may occur

*The Mineral Resource estimates (at 1g/t gold cut-off) for the Wonder North, Bluebush, Great Western and Black Cat deposits at Bundarra were completed by consultant Mr. Shane Fieldgate of CSA Global Pty Ltd, who is a Member of the Australian Institute of Geoscientists (MAIG) and is a Competent Person as defined by the Australasian Code for the Reporting of Exploration Result Mineral Resources and Ore Reserves (JORC Code) 2004 Edition and who consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.*

### WONDER NORTH RESOURCE (at 3.0 g/t gold cut-off)

DEPOSIT		Measured	Indicated	Inferred	TOTALS
Wonder North	Tonnes	0	494,450	127,150	<b>621,600</b>
	Grade g/t	0	4.9	4.4	<b>4.8</b>
	Ounces	0	78,080	18,000	<b>96,080</b>

Note: rounding errors may occur

*The Mineral Resource estimate (at +3g/t gold cut-off) for the Wonder North deposit at Bundarra was completed by consultant Mr. Steve Le Brun of LBC Resources Pty Ltd, who is a Member of the Australasian Institute of Mining and Metallurgy (MAusIMM) and is a Competent Person as defined by the Australasian Code for the Reporting of Exploration Result Mineral Resources and Ore Reserves (JORC Code) 2004 Edition and who consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.*

### Mine Scoping Study Cash Surplus Estimates

Deposit	A\$1,350/oz gold	A\$1,200/oz gold
Celtic open pit	A\$2.9m - A\$3.9m	A\$2.0m - A\$3.0m
Great Western open pit	A\$2.6m - A\$3.6m	A\$1.0m - A\$2.0m
Great Western underground	A\$19.1m - A\$21.1m	A\$13.1m - A\$15.1m
Wonder North open pit	A\$10.0m - A\$12.0m	A\$4.8m - A\$6.8m
<b>Forecast Cash Surplus</b>	<b>A\$34.6m - A\$40.6m</b>	<b>A\$20.9m - A\$26.9m</b>

Various sensitivity analyses have been performed and are included to demonstrate the potential range of cash flows as set out in the ASX announcement dated 16 February 2010.