



**Notice of Annual General Meeting
and Explanatory Statement**

**Terrain Minerals Limited
ABN 45 116 153 514**

Annual General Meeting to be held at Suite 4, Level 1 Adams House, 230 Rokeby
Road, Subiaco, Western Australia
on Monday, 29 November 2010 at 2pm (WST)

This Notice of Annual General Meeting and Explanatory Statement should be read in its entirety.
Shareholders in doubt as to how they should vote should seek advice from their professional advisers.

For those members who have elected to receive a printed copy of the Annual Report, the 2010 Annual Report
accompanies this Notice of Annual General Meeting. The 2010 Annual Report is also available on the
Company's website

www.terrainminerals.com.au

Corporate Directory

| | |
|--|---|
| Directors | Richard J Sandner (Non-Executive Chairman) Jonathan Lim (Non-Executive Vice Chairman) Chris Tomich (Managing Director) Paul Dickson (Non-Executive Director) Keith Wells (Non-Executive Director) |
| Company Secretary | Ian Hobson |
| Principal & Registered Office | Suite 4, Level 1 Adams House 230 Rokeby Road Subiaco WA 6008 Telephone: (08) 9381 5558 Facsimile: (08) 9381 5551 Email: terrain@terrainminerals.com.au |
| Share Registry | Computershare Investor Services Pty Limited Level 2, Reserve Bank Building 45 St Georges Terrace Perth WA 6000 Telephone: (08) 9323 2000 Facsimile: (08) 9323 2033 |
| Auditor | BDO Audit (WA) Pty Ltd 38 Station Street Subiaco WA 6008 |
| Legal Adviser | Hilary Macdonald, Corporate & Resources Lawyer Suite 29, 18 Stirling Highway Nedlands WA 6009 |
| Bankers | National Australia Bank 1232 Hay Street West Perth WA 6005 |
| ASX Codes | TMX TMXOA |
| Website | www.terrainminerals.com.au |

Notice of Annual General Meeting

The Annual General Meeting of Terrain Minerals Limited will be held at Suite 4, Level 1 Adams House, 230 Rokeby Road, Subiaco, Western Australia on Monday 29 November 2010 at 2pm (WST). The Explanatory Statement which forms part of this Notice of Annual General Meeting describes the various matters to be considered. Shareholders are asked to refer to the Glossary at the end of the Explanatory Statement which contains definitions of the terminology used in this Notice of Annual General Meeting and the Explanatory Statement.

Ordinary Business:

Financial Statements and Reports for the period 1 July 2009 to 30 June 2010

To receive and consider the Annual Financial Report, together with the Directors' and Auditor's Reports for the year ending 30 June 2010.

To consider and, if thought fit, pass the following Resolutions, each as ordinary Resolutions:

Resolution 1: Adoption of Remuneration Report (non binding Resolution)

"That for all purposes Shareholders approve and adopt the Remuneration Report set out in the Directors' Report for the year ending 30 June 2010."

Resolution 2: Election of Keith Wells as a Director

"That for all purposes Keith Wells who retires and offers himself for re-election, is re-elected as a Director."

Resolution 3: Election of Chris Tomich as a Director

"That for all purposes Chris Tomich who was appointed to the Board since the last annual general meeting of the Company, is re-elected as a Director."

Special Business:

Resolution 4: Ratify Issue of Shares to Alternative Advisors Pte Ltd

That, for all purposes, Shareholders ratify the allotment and issue of 5,500,000 Shares to Alternative Advisors Pte Ltd made on 19 April 2010, for the purposes and on the terms set out in the Explanatory Statement.

Resolution 5: Ratify Issue of Shares to HSBC Custody Nominees (Australia) Limited

That, for all purposes, Shareholders ratify the allotment and issue of 875,040 Shares to HSBC Custody Nominees (Australia) Limited on 23 December 2009, for the purposes and on the terms set out in the Explanatory Statement.

Resolution 6: Ratify Issue of Options to Greenday Corporate Pty Ltd

That, for all purposes, Shareholders ratify the allotment and issue of 2,780,482 Options to Greenday Corporate Pty Ltd on 9 June 2010, for the purposes and on the terms set out in the Explanatory Statement.

Resolution 7: Approval for the Issue of Convertible Notes to Zulu Capital Limited

"That the Shareholders approve the issue of convertible notes which upon conversion in accordance with their terms will result in the issue of up to 36,907,895 Shares and up to 36,907,895 Options to Zulu Capital Limited at a conversion price of \$0.038 each for the purposes of Listing Rule 7.1 and for all other purposes, on the terms set out in the Explanatory Statement."

Resolution 8: Approval of Issue of Shares to Zulu Capital Limited

"Subject to Resolution 7 being approved, that the Shareholders approve the issue of Shares to Zulu Capital Limited equivalent in value to \$45,000 as an extension fee for the conversion period of convertible notes to be issued to Zulu Capital Limited, for the purposes of Listing Rule 7.1 and for all other purposes, on the terms set out in the Explanatory Statement."

Resolution 9: Approval of Issue of 500,000 Options to Chris Tomich

"That the Shareholders approve the issue of 500,000 Options to Chris Tomich for the purposes of Listing Rule 10.11 and for all other purposes, on the terms set out in the Explanatory Statement."

Resolution 10: Approval of Issue of 500,000 Options to Chris Tomich

"That the Shareholders approve the issue of 500,000 Options to Chris Tomich for the purposes of Listing Rule 10.11 and Section 195 of the Corporations Act on the terms set out in the Explanatory Statement."

Resolution 11: Approval of Issue of 500,000 Options to Richard J Sandner

"That the Shareholders approve the issue of 500,000 Options to Richard J Sandner for the purposes of Listing Rule 10.11 and Section 195 of the Corporations Act on the terms set out in the Explanatory Statement."

Resolution 12: Approval of Issue of 500,000 Options to Paul Dickson

"That the Shareholders approve the issue of 500,000 Options to Paul Dickson for the purposes of Listing Rule 10.11 and Section 195 of the Corporations Act on the terms set out in the Explanatory Statement."

Resolution 13: Approval of Issue of 500,000 Options to Jonathan Lim

"That the Shareholders approve the issue of 500,000 Options to Jonathan Lim for the purposes of Listing Rule 10.11 and Section 195 of the Corporations Act on the terms set out in the Explanatory Statement."

Resolution 14: Approval of Issue of 500,000 Options to Keith Wells

"That the Shareholders approve the issue of 500,000 Options to Keith Wells for the purposes of Listing Rule 10.11 and Section 195 of the Corporations Act on the terms set out in the Explanatory Statement."

Voting exclusions:

For the purposes of Resolutions 4, 5 and 6, under Listing Rule 7.4 the Company will disregard any votes cast by any person who participated in the issue and any of their associates.

For the purposes of Resolutions 7 and 8, under Listing Rule 7.1 the Company will disregard any votes cast by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed, and any of their associates.

For the purposes of Resolutions 9, 10, 11, 12, 13 and 14 under Listing Rule 10.13, the Company will disregard any votes cast by any person who is to receive securities in relation to the Company and any of their associates.

However, votes cast by a person as proxy for a person who is entitled to vote (in accordance with the directions on the proxy form) or the person chairing the meeting as proxy for a person who is entitled to vote (in accordance with a direction on the proxy form to vote as the proxy decides) will be taken into account.

Proxies:

Please note that:

- (a) a member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy;
- (b) a proxy need not be a member of the Company; and

- (c) a member of the Company entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

The enclosed proxy form provides further details on appointing proxies and lodging proxy forms.

Snap-shot time:

The Company may specify a time, not more than 48 hours before the meeting, at which a “snap-shot” of shareholders will be taken for the purposes of determining shareholder entitlements to vote at the meeting. The Directors have determined that all shares of the Company that are quoted on ASX at 5pm WST on 27 November 2010 shall be taken to be held by the persons registered as holding the shares at that time, for the purposes of determining voting entitlements at the Annual General Meeting.

Corporate Representative

Any corporate Shareholder who has appointed a person to act as its corporate representative at the meeting should provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that company’s representative. The authority may be sent to the Company and/or registry in advance of the meeting or handed in at the meeting when registering as a corporate representative. An appointment of Corporate Representative form is enclosed if required.

Signed in accordance with a resolution of the Directors dated 27 October 2010

Ian Hobson

Company Secretary

Dated 27 October 2010

Explanatory Statement

The purpose of this Explanatory Statement is to provide Shareholders with all information known to the Company which is material to a decision on how to vote on the Resolutions. This Explanatory Statement should be read in conjunction with the Notice of Annual General Meeting. Shareholders are asked to refer to the Glossary at the end of the Explanatory Statement which contains definitions of the terminology used.

Financial Statements and Reports

The Annual Financial Report, Directors' Report and Auditor's Report for the Company for the year ending 30 June 2010 will be laid before the Meeting. There is no requirement for Shareholders to approve these reports. However, the Chairman will allow a reasonable opportunity for Shareholders to ask questions or make comments about those reports and the management of the Company. Shareholders will also be given a reasonable opportunity to ask the Auditor questions about the conduct of the statutory audit and the preparation and content of the Auditor's report. In addition to taking questions at the Meeting, written questions may be submitted either to the Managing Director no later than close of business on Monday 22 November 2010, marked for the attention of the Chairman in relation to the management of the Company, or marked for the attention of the Company's auditor in relation to one or more of the following issues:

- the preparation and content of the Auditor's Report,
- the conduct of the audit accounting policies adopted by the Company in relation to the preparation of the financial statements, and
- the independence of the auditor in relation to the conduct of the audit.

Resolution 1: Adoption of Remuneration Report

The Remuneration Report of the Company for the financial year ending 30 June 2010 is set out in the Director's Report on pages 3 to 14 of the Company's Annual Report. The Remuneration Report sets out the Company's remuneration arrangements for the executive and non-executive Directors and executive employees of the Company. A reasonable opportunity will be given for the discussion of the Remuneration Report at the meeting. Shareholders should note that the vote on this Resolution is advisory only and does not bind the Company or the Directors.

Resolution 2: Election of Keith Wells as a Director

In accordance with Listing Rule 14.4 and the Constitution, at every Annual General Meeting, one third of the Directors excluding the Managing Director under clause 11.1.4 of the Constitution, and excluding any Directors appointed to fill a casual vacancy, under clause 11.4.2 of the Constitution, must retire from office and are eligible for re-election. The Directors to retire are to be those who have been in office for 3 years since their appointment or last re-appointment or who have been longest in office since their appointment or last re-appointment or, if the Directors have been in office for an equal length of time, by agreement. Accordingly, the Company's non-executive director Keith Wells retires and offers himself for re-election.

Information on his experience is set out on page 13 of the Company's 2010 Annual Report.

Resolution 3: Election of Chris Tomich as a Director

In accordance with the Constitution, any Director appointed by the Board, either to fill a casual vacancy or as an addition to the Board, must retire at the next Annual General Meeting following his appointment. The retiring Director is eligible for re-election at that Annual General Meeting. Accordingly Chris Tomich who was appointed by the Board as a Director, retires and offers himself for re-election.

Information on his experience is set out on page 14 of the Company's 2010 Annual Report. Mr Tomich is currently the Company's Managing Director, and prior to that appointment upon the retirement of Keith Wells

as Managing Director, Mr Tomich had been the Company's Exploration Manager since the Company was admitted to the official list of ASX.

Resolutions 4, 5 and 6: Ratification of issues of securities

In the previous 12 months, the Company has issued equity securities to the parties detailed below.

Listing Rule 7.1 provides that a company must not, without prior approval of Shareholders, issue securities if the securities will in themselves or when aggregated with the securities issued by a company during the previous 12 months, exceed 15% of the number of securities on issue at the commencement of that 12 month period.

Listing Rule 7.4 states that an issue by a company of securities made without approval under Listing Rule 7.1 is treated as having been made with approval for the purpose of Listing Rule 7.1 if the issue did not breach Listing Rule 7.1 and the company's members subsequently approve it.

Under this Resolution, the Company seeks from Shareholders approval for, and ratification of, the issues of securities set out below so as to limit the restrictive effect of Listing Rule 7.1 on any further issues of securities in the next 12 months. Listing Rule 7.5 requires the following information to be given to Shareholders:

| Date of Issue | Securities issued | Price | Allottee |
|------------------|-------------------|---|---|
| 23 December 2009 | 875,040 Shares | \$0.086 | HSBC Custody Nominees (Australia) Limited |
| 19 April 2010 | 5,500,000 Shares | Nil. In lieu of corporate advisory fees | Alternative Advisors Pte Ltd |
| 9 June 2010 | 2,780,482 Options | Exercise price \$0.08 by 31 December 2012 | Greenday Corporate Pty Ltd |

The Shares were issued on the same terms as the existing Shares on issue the terms of which are already in the public domain.

The Options were issued for no issue price and on the terms set out in Annexure A to this Explanatory Statement.

The issue of Shares to HSBC Custody Nominees (Australia) Limited took place pursuant to the Fortrend Working Capital Facility Agreement dated 17 June 2009 between the Company and Fortrend Securities Pty Limited as a drawdown of funds under the facility agreement. The Company received funds of \$75,253 on 23 December 2009 in consideration for which the Company was required to issue 875,040 Shares to the lender's nominee. Neither Fortrend nor its nominee are a related party or associates of a related party of the Company.

The issue of Shares to Alternative Advisors Pte Ltd took place in lieu of cash advisory fees agreed to be paid by the Company for corporate advisory services provided during the period July 2009 to January 2010. Alternative Advisors Pte Ltd is neither a related party of the Company nor an associate of a related party of the Company.

The issue of Options to Greenday Corporate Pty Ltd took place as partial payment of the underwriting fee payable to Greenday Corporate Pty Ltd in relation to the Company's recent pro rata entitlement issue.

All of the securities issued in relation to Resolutions 4, 5 and 6 were validly issued within the Company's then existing 15% capacity provided in Listing Rule 7.1.

The Company has used the funds raised by the issue of the Shares for the purposes of exploration and general working capital. If the Options are exercised, the Company intends to use the funds raised for the purposes of exploration and general working capital.

The Board believes that the ratification of these issues is beneficial for the Company. The Board recommends that Shareholders vote in favour of Resolutions 4, 5 and 6 because it allows the Company to ratify the above issue of Shares and retain the flexibility to issue further securities representing up to 15% of the Company's share capital during the next 12 months.

Resolutions 7 and 8: Issue of Securities to Zulu Capital Limited

Shareholders are being asked to approve Resolutions 7 and 8 for the purposes of Listing Rule 7.1 and for all other purposes in relation to issues of convertible notes to Zulu Capital Limited for the purposes of converting debt to equity, namely the conversion of \$1,500,000 which was advanced to the Company by Zulu Capital Limited to fund mining and toll treatment processing costs of the Company's Celtic pit ore during the period from October 2010 to January 2011.

Resolutions 7 and 8 are necessary in order to comply with specific requirements of the Listing Rule 7.1 which provides generally that a company may not issue securities equal to more than 15% of the Company's issued share capital in any 12 months without obtaining shareholder approval. Resolutions 7 and 8 are both necessary in accordance with this principle.

Zulu Capital Limited is a private company incorporated under the laws of Hong Kong and managed by experienced individuals investing in various businesses including the exploration industry in Western Australia.

The Company has entered into a Convertible Note Deed with Zulu Capital Limited dated 20 October 2010 under which the Company is entitled to borrow \$1,500,000 (less an arranger fee of \$97,500 to be deducted from the advance by Zulu Capital Limited) for the purpose of short term funding of its mining and processing costs for its Celtic pit ore, between October 2010 and January 2011. The advance is conditional on the execution of a toll treatment agreement by the Company with Agnew Gold Mining Company Pty Ltd ("**Gold Fields**") which occurred on 12 October 2010. The loan is repayable within 6 months unless extended by another 6 months at the request of the Company and at the discretion of Zulu Capital Limited and is subject to interest at 12% per annum.

Whilst it is the intention to repay the debt and interest to Zulu Capital Limited in cash from the proceeds of gold extracted from mining the Celtic pit, Shareholder approval is being sought by Resolution 7 for the issue of securities comprising convertible notes in order to allow Zulu Capital Limited the right to convert the debt of \$1,500,000 to equity in multiples of \$250,000 during the 6 month term at a conversion price of \$0.038 per Share.

The Shares will be issued upon the same terms as the existing Shares on issue the terms of which are already in the public domain.

Upon any conversion of the convertible notes, Zulu Capital Limited is entitled to the grant of one Option for every Share issued upon such conversion. The Options will be issued for no consideration at an exercise price of 8 cents on or before 31 December 2012. The Options are otherwise to be issued on the terms set out in Annexure A. There are no vesting conditions. The total number of Shares and Options which could be issued under Resolution 7 upon conversion of all the convertible notes is 36,907,895 Shares and 36,907,895 Options as a result of the arranger fee of \$97,500 being deducted from the \$1,500,000 when the advance is made. If Shareholders approve the issue of the convertible notes pursuant to Listing Rule 7.1, the subsequent issue of Shares and Options upon any conversion of the debt to equity will not require additional Shareholder approval by virtue of Listing Rule 7.2 exception 4.

The loan is secured by a fixed charge over mining lease M37/54 which is not associated with the Celtic pit mining and treatment operation. Shareholder approval is not required and is not being sought for the entry into the loan arrangements or the grant of the fixed charge, all of which are on usual and appropriate commercial

terms. The Convertible Note Agreement allows the Company the right to extend the maturity date for repayment of the \$1,500,000 loan by a further 6 month period, at the request of the Company. Zulu Capital Limited is not obliged to agree to the extension but if it does a cash extension fee of \$45,000 is payable. Zulu Capital Limited is entitled to elect to take the extension fee in cash, Shares or a combination, subject to shareholder approval being obtained for the issue of any Shares. Accordingly, Shareholder approval is now being sought by Resolution 8 for the issue of such number of Shares which equates to \$45,000 based on the volume weighted average price of the Shares on ASX over the 5 trading days immediately preceding the date of election by the Lender to receive the Shares in lieu of a \$45,000 cash extension fee.

It is possible that the extension fee will become payable within 3 months of the date of the Annual General Meeting, if an extension is requested by the Company, the request is agreed to by Zulu Capital Limited and if an election is made to take all or part of the extension fee by way of Shares. If the Company considers that an extension is preferable, and wishes to pay the extension fee at a date which is later than 3 months after the date of the Annual General Meeting, the Company intends to request a waiver from ASX from the obligation to issue the securities within 3 months of the date of Shareholder approval, assuming that Resolution 8 is passed, allowing the Company to issue any Shares as payment of the extension fee up to 12 months after the date of the Annual General Meeting. If no waiver is granted and any Shareholder approval obtained by the passing of Resolution 8 expires after 3 months it is open to the Company to return to Shareholders for approval to issue Shares as full or partial payment of the extension fee in subsequent months, where the Company's 15% capacity under Listing Rule 7.1 is insufficient for this purpose.

No funds will be raised by the issue of the convertible notes (and upon any conversion, by the issue of Shares and Options) under Resolution 7 or the issue of any Shares under Resolution 8. If the convertible notes are converted to equity resulting in the issue of up to 36,907,895 Options, any exercise of the Options will generate funds of up to approximately \$2,953,000 which the Company intends to use for exploration and working capital. If Shareholders do not approve the issue of the convertible notes or the issue of Shares and Options in lieu of the cash extension fee, the Company will have no choice but to repay the debt and any applicable extension fee out of its cashflow. The Board regards the ability to issue convertible notes as an important flexibility and opportunity for the Company to preserve cashflow and therefore recommends that Shareholders approve Resolutions 7 and 8. The impact on the Company's issued securities should Zulu Capital Ltd convert all of the debt to equity pursuant to Resolutions 7 and 8 is summarised as follows:

| Number of Securities | Shares | % held by Zulu | Options* | % held by Zulu |
|---|--------------------|----------------|-------------------|----------------|
| As at date of this Notice of Meeting | 171,738,875 | nil | 17,137,998 | nil |
| Pursuant to Resolution 7 | 36,907,895 | 17.56% | 36,907,895 | 68.3% |
| Pursuant to Resolution 8** | 1,500,000 | 0.71% | nil | nil |
| Potential securities on issue*** | 210,146,770 | 18.27% | 54,045,893 | 68.3% |

*Exercisable at 8 cents expiring 31 December 2012

**Assumed 5 day VWAP of 3 cents

***Assumes no further Shares will be issued within next 12 months from date of Annual General Meeting

Resolution 9 Issue of Options to Chris Tomich

Listing Rule 10.11

Listing Rules 7.1 and 7.4 provide generally that a company may not issue securities equal to more than 15% of the Company's issued share capital in any 12 months without obtaining shareholder approval. Listing Rule 10.11 provides that a company must not issue equity securities to a related party of the Company, such as a director or an entity controlled by a director or a person who has reasonable grounds to believe that he will become a related party at any time in the future, without the company obtaining shareholder approval by ordinary resolution. Section 228 of the Corporations Act defines what a related party is for the purposes of this rule. It includes a Director; a person reasonably believed to become a Director at any time in the future, and a company controlled by a Director. Chris Tomich is therefore a related party of the Company. Where shareholder approval is obtained under Listing Rule 10.11, it is not also required under Listing Rule 7.1

The Company seeks shareholder approval for the issue of 500,000 options to the Company's Managing Director Chris Tomich, in order to comply with the requirements of Listing Rule 10.11 and to honour the contractual obligations entered into by the Company upon engagement of Mr Tomich as Managing Director (subject to Shareholder approval). The Options will be issued for no consideration at an exercise price of 8 cents on or before 31 December 2012. The Options are otherwise to be issued on the terms set out in Annexure A. There are no vesting conditions.

Shareholder approval will enable the Company to disregard the issue of the Options to Mr Tomich for the purposes of calculating the Company's 15% existing capacity under Listing Rule 7.1 in the next 12 months. The Directors (excluding Mr Tomich) recommend that the Shareholders vote in favour of Resolution 9 in order to provide maximum flexibility to the Company for future capital raising in the following 12 month period.

The Options will be issued on a date which is no later than 1 month after the date of the Annual General Meeting. If the Options are exercised the Company intends to use the funds to fund exploration and working capital.

Resolutions 10, 11, 12, 13 and 14: Issue of Options to executive Director Chris Tomich and non-executive Directors Keith Wells, Jonathan Lim, Paul Dickson and Richard J Sandner

Resolutions 10, 11, 12, 13 and 14 are put to Shareholders pursuant to section 195 of the Corporations Act. This section permits the Directors to seek Shareholder approval to a given matter where a majority of Directors have a material personal interest in a matter being considered by the Board and there are not sufficient remaining independent Directors to consider the Resolutions. Since all of the Directors are materially interested in the outcome of Resolutions 10, 11, 12, 13 and 14, Shareholder approval is being sought for the purpose of section 195 of the Corporations Act and the Directors have not, as a Board, considered these Resolutions except for the purposes of convening the meeting of Shareholders.

Listing Rules 7.1 and 7.4 provide generally that a company may not issue securities equal to more than 15% of the Company's issued share capital in any 12 months without obtaining shareholder approval. Listing Rule 10.11 provides that a company must not issue equity securities to a related party of the Company, such as a director or an entity controlled by a director or a person who has reasonable grounds to believe that he will become a related party at any time in the future, without the company obtaining shareholder approval by ordinary resolution. Section 228 of the Corporations Act defines what a related party is for the purposes of this rule. It includes a Director; a person reasonably believed to become a Director at any time in the future, and a company controlled by a Director. Each of Chris Tomich, Keith Wells, Jonathan Lim, Paul Dickson and Richard J Sandner are therefore a related party of the Company. Where shareholder approval is obtained under Listing Rule 10.11, it is not also required under Listing Rule 7.1.

The Options will be issued for no consideration at an exercise price which is 1.5 times the closing share price on the business day immediately prior to the date of grant of the Options, and otherwise on the terms set out in Annexure A, exercisable on or before 31 December 2012. There are no vesting conditions. Shareholder approval will enable the Company to disregard the issue of the Options under each of Resolutions 10, 11, 12, 13 and 14 for the purposes of calculating the Company's 15% existing capacity under Listing Rule 7.1 in the next 12 months. The options will be issued no later than 1 month after the date of the meeting.

Directors' Recommendations

None of the Directors are able to make a recommendation because they all have a material personal interest in the outcome of the Resolutions, all being identical proposed issues of Options to all Directors for the same reasons. However to assist Shareholders consider the Resolutions, the Directors have procured a valuation of the Options.

Valuation of Options

The Black and Scholes Option price calculation method is widely regarded as acceptable as a valuation model where the Options cannot be readily valued by some other means. In determining the dollar value of the Options as \$0.0137, the following assumptions were made:

- (a) the market price of Shares is \$0.03 per Share;
- (b) the Options will be exercisable at 1.5 times the share price at date of grant which is an assumed exercise price of \$0.045 each;
- (c) the Options will be exercisable by 31 December 2012;
- (d) price volatility of the Shares during the life of the Options is expected to be 100%;
- (e) the average current risk free interest rate is 4.71%; and
- (f) a discount has not been allowed to reflect the unlisted status of the Options.

On this basis, the implied value being received by each Related Party in relation to the Options is \$6,857 each.

Current Relevant Interest in Shares and Options

The table below shows the relevant interest of each of the non-executive Directors in Shares and Options before and after all the Resolutions in this Notice of General Meeting are implemented, assuming they are all passed..

| Director | As at date of this Notice of Meeting | | Following implementation of all Resolutions 10-14 | |
|-------------------|--------------------------------------|-----------|---|-----------|
| | Shares | Options | Shares | Options |
| Keith Wells | 4,471,535 | 4,730,000 | 4,471,535 | 5,230,000 |
| Chris Tomich | 45,000 | 10,000 | 45,000 | 1,010,000 |
| Richard J Sandner | 2,000,001 | 1,400,000 | 2,000,001 | 1,900,000 |
| Paul Dickson | 1,208,558 | 51,000 | 1,208,558 | 551,000 |
| Jonathan Lim | 34,150,202 | 1,000,000 | 34,150,202 | 1,500,000 |

The table below shows the annual remuneration of all of the Directors (including superannuation), and the total financial benefits to be received by the Directors in the financial year ending 30 June 2011, including the implied value to be received by the non-executive Directors as a result of Resolutions 10 to 14 inclusive:

| Director | Description | Per annum (\$) | Implied Value of Options to be Issued under Resolutions 10-14 (\$) | Total Financial Benefit (\$) |
|-------------------|------------------------|----------------|--|------------------------------|
| Chris Tomich | Managing Director | 196,200 | 6,857 | 203,057 |
| Keith Wells | Non-Executive Director | 32,700 | 6,857 | 39,557 |
| Richard J Sandner | Non-Executive Director | 32,700 | 6,857 | 39,557 |
| Paul Dickson | Non-Executive Director | 32,700 | 6,857 | 39,557 |
| Jonathan Lim | Non-Executive Director | 32,700 | 6,857 | 39,557 |

Trading History

The closing trading price of the Shares prior to the date of printing the Notice of General Meeting was \$0.028 on 26 October 2010. The highest and lowest closing market sale prices of the Company's Shares on ASX during the 3 months immediately preceding the date of this Notice of General Meeting and the respective dates of those sales were:

Highest: \$0.046 on 27 July 2010

Lowest: \$0.027 on 22 October 2010

Glossary

In this Explanatory Statement, the following terms have the following meaning unless the context otherwise requires:

| | |
|--------------------------|---|
| Annexure | an annexure to this Explanatory Statement |
| ASX | ASX Limited |
| Board | the board of Directors |
| Company | Terrain Minerals Limited |
| Constitution | constitution of the Company |
| Corporations Act | Corporations Act 2001 (Cth) |
| Director | Director of the Company. |
| Listing Rules | the ASX Listing Rules |
| Meeting | The 2010 Annual General Meeting of the Company |
| Option | an option to subscribe for a Share |
| Relevant Interest | Has the meaning given in the Corporations Act |
| Share | A fully paid ordinary share in the capital of the Company |
| Shareholder | A shareholder of the Company |
| Voting Power | Has the meaning given in the Corporations Act |

ANNEXURE A - Terms of Options

- (a) Each Option entitles the holder, on exercise, to one Share in the Company.
- (b) Shares issued on exercise of Options will rank equally with other Shares of the Company.
- (c) An Option may only be exercised after that Option has vested, after any conditions associated with the exercise of the Option are satisfied and before its expiry date. The Board may determine the vesting period. On the grant of an Option the Board may in its absolute discretion impose other conditions on the exercise of an Option.
- (d) The expiry date of an Option is 31 December 2012.
- (e) An Option will lapse immediately upon the first to occur of its expiry date or the Board determining that holder acting fraudulently or dishonestly in relation to the Company.
- (f) If a change of control event happens in relation to the Company, the Board may declare an Option to be free of any conditions of exercise. Options which are so declared may be exercised at any time on or before they lapse.
- (g) Options may not be transferred other than to a nominee of the holder. Quotation of Options on ASX will not be sought. However, the Company will apply to ASX for official quotation of Shares issued on the exercise of Options.
- (h) There are no participating rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that the record date for determining entitlements to any such issue will be at least 9 Business Days after the issue is announced.
- (i) If the Company makes an issue of Shares to Shareholders by way of capitalisation of profits or reserves ("**Bonus Issue**"), each Optionholder holding any Options which have not expired at the time of the record date for determining entitlements to the Bonus Issue shall be entitled to have issued to him upon exercise of any of those Options, the number of Shares which would have been issued under the Bonus Issue ("**Bonus Shares**") to a person registered as holding the same number of Shares as that number of Shares to which the Optionholder may subscribe for, pursuant to the exercise of those Options immediately before the record date determining entitlements under the Bonus Issue (in addition to the Shares which he or she is otherwise entitled to have issued to him or her upon such exercise).
- (j) In the event of any reconstruction (including a consolidation, subdivision, reduction or return) of the issued capital of the Company prior to the expiry of any Options, the number of Options to which each Optionholder is entitled or the exercise price of his or her Options or both or any other terms will be reconstructed in a manner determined by the Board which complies with the provisions of the Listing Rules.

Shareholder Details

Shareholder Name:..... Contact Telephone No.:

Address:

Appointment of Proxy

I/We being a shareholder/s of Terrain Minerals Ltd and entitled to attend and vote hereby appoint

The Chairman of the Meeting
(mark with 'X')

OR

(Write in this box the name of the person you are appointing if this person is someone other than the Chairman of the Meeting.)

or failing the person named, or if no person is named, the Chairman of the Meeting, as my/our proxy to attend and act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the Annual General Meeting of Terrain Minerals Ltd to be held at Suite 4, Level 1 Adams House, 230 Rokeby Road, Subiaco, Western Australia on Monday 29 November 2010 at 2pm(WST) and at any adjournment of that meeting.



IMPORTANT: If the Chairman of the Meeting is your nominated proxy, or may be appointed by default, and you have not directed your proxy how to vote, please place a mark in this box with an 'X'. By marking this box you acknowledge that the Chairman of the Meeting may exercise your proxy even though he has an interest in the outcome of Resolutions 10 to 14 inclusive and that votes cast by him, other than as a proxy holder, would be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chairman of the Meeting will not cast your votes on each Resolution and your votes will not be counted in computing the required majority if a poll is called. **The Chairman of the Meeting intends to vote undirected proxies in favour of each resolution.**

Voting directions to your proxy – please mark to indicate your directions

| | | For | Against | Abstain* |
|----------------|---|--------------------------|--------------------------|--------------------------|
| Resolution. 1 | Adoption of Remuneration Report (advisory only) | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution. 2 | Election of Keith Wells as a Director | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution. 3 | Election of Chris Tomich as a Director | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution. 4 | Ratify issue of Shares | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution. 5 | Ratify issue of Shares | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution. 6 | Ratify issue of Options | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution. 7 | Issue of Convertible Notes | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution. 8 | Issue of Shares | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution. 9 | Issue of Options to Chris Tomich | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution. 10 | Issue of Options to Chris Tomich | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution. 11 | Issue of Options to Richard J Sandner | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution. 12 | Issue of Options to Paul Dickson | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution. 13 | Issue of Options to Jonathan Lim | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution. 14 | Issue of Options to Keith Wells | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

*If you mark the Abstain box for the Resolution, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll. Appointment of a second proxy (see instructions overleaf). If you wish to appoint a second proxy, state the % of your voting rights applicable to the proxy appointed by this form, in this box:

PLEASE SIGN HERE: This section must be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Individual or
Shareholder 1

Sole Director and
Sole Company
Secretary

Shareholder 2

Director

Shareholder 3

Director/Company Secretary

How to complete the Proxy Form

Your Name and Address

Your name and address is as it appears on your holding statement and the Company's share register. Shareholders should advise the Company of any changes. Shareholders sponsored by a broker should advise their broker of any changes. Please note, you cannot change ownership of your securities using this form.

Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of that person. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a Shareholder of the Company.

Votes on Resolutions

You may direct your proxy how to vote by placing a mark in one of the boxes opposite the Resolution. All your Shareholding will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on the Resolution by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the Resolution, your proxy may vote as he or she chooses. If you mark more than one box on the Resolution your vote on the Resolution will be invalid.

Appointment of a Second Proxy

You are entitled to appoint up to two persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company Secretary Ian Hobson on 08 9217 3300 or you may photocopy this form. To appoint a second proxy you must on each Proxy Form state (in the appropriate box) the percentage of your voting rights which are the subject of the relevant proxy. If both Proxy Forms do not specify that percentage, each proxy may exercise half your votes. Fractions of votes will be disregarded.

Signing Instructions

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, all of the shareholders should sign.

Power of Attorney: to sign under Power of Attorney, you must have already lodged this document with the company's share registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place. If a representative of the corporation is to attend the meeting a "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate is included in the Notice of Annual General Meeting and may also be obtained from the Company's share registry.

Lodgement of a Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at the address given below not later than 48 hours before the commencement of the meeting. i.e. no later than 2pm (WST) 27 November 2010. Any Proxy Form received after that time will not be valid for the scheduled meeting. This Proxy Form (and any Power of Attorney and/or second Proxy Form) may be sent or delivered to the Company's registered office at Suite 4, Level 1 Adams House, 230 Rokeby Road Subiaco WA 6008, PO Box 1702 Subiaco WA 6904 or sent by facsimile to the registered office on 08 9381 5551.

Appointment of Corporate Representative (Section 250D of the Corporations Act 2001)

Shareholder Details

This is to certify that by a resolution of the Directors of:

..... (Company),
Insert name of shareholder company

the Company has appointed:

.....
Insert name of corporate representative

in accordance with the provisions of section 250D of the Corporations Act 2001, to act as the body corporate representative of that company at [the meeting of the members of Terrain Minerals Limited to be held on 29 November 2010 and at any adjournments of that meeting][all meetings of the members of Terrain Minerals Ltd].

DATED 2010

Please sign here

Executed by the Company)
in accordance with its constituent documents)

| | |
|---|---|
| | |
| Signed by authorised representative | Signed by authorised representative |
| | |
| Name of authorised representative (print) | Name of authorised representative (print) |
| | |
| Position of authorised representative (print) | Position of authorised representative (print) |

Instructions for Completion

1. Insert name of appointor Company and the name or position of the appointee (eg "John Smith" or "each director of the Company").
2. Execute the Certificate following the procedure required by your Constitution or other constituent documents ensuring that if the appointor company is a sole director company, that this is stated, otherwise that two officers sign on behalf of the appointor company, otherwise the appointment is invalid and votes cast will not count.
3. Print the name and position (eg director) of each company officer who signs this Certificate on behalf of the company.
4. Insert the date of execution where indicated.
5. Send or deliver the Certificate to the registered office at Suite 4, Level 1 Adams House, 230 Rokeby Road, Subiaco WA 6008; PO Box 1702 Subiaco WA 6904 or fax the Certificate to the registered office at 08 9381 5551, or present it to the Company before the Meeting commences.