

**TERRAIN MINERALS LIMITED  
INTERIM FINANCIAL REPORT**

**A.B.N. 45 116 153 514**

**FOR THE HALF YEAR ENDED 31 DECEMBER 2011**

# TERRAIN MINERALS LIMITED

FOR THE HALF YEAR ENDED 31 DECEMBER 2011

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# TERRAIN MINERALS LIMITED

## DIRECTORS' REPORT

### FOR THE HALF YEAR ENDED 31 DECEMBER 2011

Your directors present their report, together with the financial statements of company for the half year ended 31 December 2011.

#### DIRECTORS

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

<b>NAMES</b>	<b>POSITION</b>
Mr Richard Sandner	Chairman
Mr Jonathan Lim	Vice Chairman
Mr Alan Coles	Managing Director
Mr Paul Dickson	Non-Executive Director

#### OPERATING RESULTS AND REVIEW OF OPERATIONS FOR THE YEAR

The loss from ordinary activities after providing for income tax for the half year amounted to \$ (63,199). This represented an 89% decrease on the loss reported for the half year ended 31 December 2010.

During the half year the company completed the sale of the Bundarra Gold and Great Western assets to S R Mining Pty Ltd, signed on 30 August 2011, approved by shareholders on 19 October 2011 and settled on 24 October 2011. The consideration received included:

- \$1,300,000 in cash;
- \$700,000 cash when first gold produced or 1 year after receipt of initial payment;
- 1.0 grams/ounce produced up to a total value of \$6,000,000 with a minimum payment of \$600,000 per year.

The cash received from the sale has allowed the company to repay the Zulu Capital Limited Convertible Note with \$1,200,000 in cash, the remainder of \$300,000 was converted into 13,043,478 shares and 13,043,478 options exercisable at 5 cents, expiring 31 December 2012. The company is now debt free.

The company has continued to explore for nickel at the Aztec Dome project in East Kambalda during the 6 months to 31 December 2011. Work will be performed at the Black Cat JV to increase the value of the asset. A \$2,310,215 rights issue at 2 cents per share on a 1 for 2 basis was undertaken during the half year. The capital raising was underwritten by Patersons Securities Ltd and was completed on 22 December 2011. The proceeds will be utilized for drilling at Aztec Dome and the Black Cat JV and working capital.

#### EVENTS AFTER THE END OF THE REPORTING PERIOD

On 10 January 2012, the company announced that it had signed a \$900,000 agreement with Ramelius Resources Ltd for the sale of the Coogee Gold Deposit. The agreement is for the sale of M26/477, which hosts the Coogee Gold Deposit, and grants rights to explore the two adjoining sub-blocks, Q and R of the exploration license E26/97.

Except for the above, no other matters or circumstances 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**

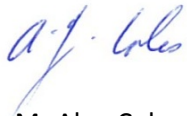
**DIRECTORS' REPORT**

**FOR THE HALF YEAR ENDED 31 DECEMBER 2011**

**AUDITOR'S INDEPENDENCE DECLARATION**

The lead auditor's independence declaration for the half year ended 31 December 2011 has been received and can be found on page 3 of the financial report.

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

A handwritten signature in blue ink, appearing to read 'A. J. Coles', is positioned above the printed name.

Mr Alan Coles

Managing Director

Dated: 15 March 2012

15 March 2012

The Board of Directors  
Terrain Minerals Limited  
Level 1, 230 Rokeby Road  
SUBIACO WA 6008

Dear Sirs,

**DECLARATION OF INDEPENDENCE BY CHRIS BURTON TO THE DIRECTORS OF  
TERRAIN MINERALS LIMITED**

As lead auditor for the review of Terrain Minerals Limited for the half-year ended 31 December 2011, I declare that to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Terrain Minerals Limited.



**Chris Burton**  
Director

**BDO Audit (WA) Pty Ltd**  
Perth, Western Australia

# TERRAIN MINERALS LIMITED

## STATEMENT OF COMPREHENSIVE INCOME

### FOR THE HALF YEAR ENDED 31 DECEMBER 2011

		HALF YEAR	
		31 DECEMBER	31 DECEMBER
		2011	2010
		\$	\$
Revenue from Continuing Operations		-	-
Other income	2	342,648	34,152
Employee benefits expense		(167,624)	-
Occupancy expenses		(20,312)	(21,146)
Convertible note expenses		-	(97,500)
Reversal of impairment		86,834	-
Administrative expenses		(248,592)	(446,388)
Finance costs		(56,153)	(30,869)
<b>(Loss) before income tax</b>		<b>(63,199)</b>	<b>(561,751)</b>
Income tax expense		-	-
Other comprehensive income		-	-
<b>Total comprehensive income for the half year</b>		<b>(63,199)</b>	<b>(561,751)</b>
Total comprehensive income for the half year attributable to members of Terrain Minerals Ltd:		(63,199)	(561,751)
<b>Loss per share</b>			
Basic loss per share (cents)		(0.03)	(0.33)
Diluted loss per share (cents)		n/a	n/a

These financial statements should be read in conjunction with the accompany notes.

# TERRAIN MINERALS LIMITED

## STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2011

		31 DECEMBER	30 JUNE
		2011	2011
	NOTE	\$	\$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		2,128,579	531,018
Trade and other receivables	3	1,075,287	357,120
Other assets		44,066	42,632
Non-current assets held for sale	4	452,782	6,227,800
<b>TOTAL CURRENT ASSETS</b>		<b>3,700,714</b>	<b>7,158,570</b>
<b>NON-CURRENT ASSETS</b>			
Trade and other receivables	3	4,263,283	-
Property, plant and equipment		36,001	13,501
Exploration and evaluation expenditure	5	2,750,915	2,646,538
<b>TOTAL NON-CURRENT ASSETS</b>		<b>7,050,199</b>	<b>2,660,039</b>
<b>TOTAL ASSETS</b>		<b>10,750,913</b>	<b>9,818,609</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		103,177	88,636
Borrowings	6	-	1,500,000
Provisions		17,370	8,550
<b>TOTAL CURRENT LIABILITIES</b>		<b>120,547</b>	<b>1,597,186</b>
<b>TOTAL LIABILITIES</b>		<b>120,547</b>	<b>1,597,186</b>
<b>NET ASSETS</b>		<b>10,630,366</b>	<b>8,221,423</b>
<b>EQUITY</b>			
Issued capital	7(a)	18,748,603	16,287,396
Reserves		1,253,415	1,242,479
Accumulated losses		(9,371,652)	(9,308,452)
<b>TOTAL EQUITY</b>		<b>10,630,366</b>	<b>8,221,423</b>

These financial statements should be read in conjunction with the accompany notes.

**TERRAIN MINERALS LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2011**

**31 DECEMBER 2011**

	<b>ORDINARY SHARES</b>	<b>ACCUMULAT ED LOSSES</b>	<b>SHARE BASED PAYMENT RESERVE</b>	<b>TOTAL</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance at 1 July 2011	16,287,396	(9,308,453)	1,242,479	8,221,422
Loss attributable to members of the company	-	(63,199)	-	(63,199)
Other comprehensive income for the half year	-	-	-	-
<b>Total other comprehensive income for the half year</b>	-	(63,199)	-	(63,199)
Shares issued during the half year	2,610,215	-	-	2,610,215
Transaction costs	(149,008)	-	-	(149,008)
Share based payments	-	-	10,936	10,936
<b>Sub-total</b>	<b>2,461,207</b>	<b>(63,199)</b>	<b>10,936</b>	<b>2,408,944</b>
<b>Balance at 31 December 2011</b>	<b>18,748,603</b>	<b>(9,371,652)</b>	<b>1,253,415</b>	<b>10,630,366</b>

**31 DECEMBER 2010**

	<b>ORDINARY SHARES</b>	<b>ACCUMULAT ED LOSSES</b>	<b>SHARE BASED PAYMENT RESERVE</b>	<b>TOTAL</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance at 1 July 2010	15,319,307	(6,327,814)	1,204,261	10,195,754
Loss attributable to members of the company	-	(561,751)	-	(561,751)
Other comprehensive income for the period	-	-	-	-
<b>Total other comprehensive income for the half year</b>	-	(561,751)	-	(561,751)
Shares issued during the half year	19,570	-	-	19,570
Transaction costs	(44,612)	-	-	(44,612)
Share based payments	-	-	38,218	38,218
<b>Sub-total</b>	<b>(25,042)</b>	<b>(561,751)</b>	<b>38,218</b>	<b>(548,575)</b>
<b>Balance at 31 December 2010</b>	<b>15,294,265</b>	<b>(6,889,565)</b>	<b>1,242,479</b>	<b>9,647,179</b>

These financial statements should be read in conjunction with the accompany notes.



# TERRAIN MINERALS LIMITED

## STATEMENT OF CASH FLOWS

### FOR THE HALF YEAR ENDED 31 DECEMBER 2011

	31 DECEMBER 2011 \$	31 DECEMBER 2010 \$
<b>CASH FROM OPERATING ACTIVITIES:</b>		
Payments to suppliers and employees	(435,915)	(491,389)
Interest received	28,810	34,152
Finance costs	(56,153)	-
Net cash used in operating activities	(463,258)	(457,237)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from disposal of non-current asset	1,300,000	-
Purchase of property, plant and equipment	(22,500)	-
Payment for exploration expenditure	(177,888)	(1,404,856)
Net cash provided by (used in) investing activities	1,099,612	(1,404,856)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from issue of shares	2,310,215	19,570
Proceeds from borrowings	-	1,402,500
Repayment of borrowings	(1,200,000)	-
Payment of transaction costs	(149,008)	-
Net cash provided by financing activities	961,207	1,422,070
Net cash increase (decreases) in cash and cash equivalents	1,597,561	(440,023)
Cash and cash equivalents at beginning of the half year	531,018	1,071,622
Cash and cash equivalents at end of the half year	2,128,579	631,599

These financial statements should be read in conjunction with the accompanying notes.

# TERRAIN MINERALS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE HALF YEAR ENDED 31 DECEMBER 2011

#### 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### (A) BASIS OF PREPARATION

This interim financial report for the half year ending 31 December 2011 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 2011, 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.

##### (B) GOING CONCERN

The loss from ordinary activities after providing for income tax for the half year amounted to \$ (63,199) and the cash and cash equivalents position was \$ 2,128,579.

Notwithstanding the company's current financial position, the interim financial report has been prepared using the going concern basis. The Directors have determined that future capital raisings or asset sales will be required in order to continue the exploration and development of the company's mining tenements (some subject to an option payment) to achieve a position where they can prove exploration reserves.

The ability of the company to continue as a going concern is dependent upon the company raising further capital or realising funds from the sale of assets sufficient to meet the company's exploration commitments. The Directors have prepared a cash flow forecast for the foreseeable future reflecting the above mentioned expectations and their effect upon the company. The achievement of the forecast is dependent upon the future capital raising and/or sale of assets, the outcome of which is uncertain.

In the event that sufficient capital raising or asset sale at an amount and timing necessary to meet the future budgeted operational and investing activities of the company is unfavourable, the Directors believe that they will be able to contain the operating and investment activities sufficiently to ensure that the company can meet its debts as and when they become due and payable.

In the event that the events referred to above result in a negative outcome, then the going concern basis of accounting may not be appropriate with the result that the company may have to realise its asset and extinguish its liabilities other than in the normal course of business and in amounts different from that stated in the financial statements.

The financial statements do not include any adjustments relating to the recoverability of reclassification of recorded amounts or classifications of liabilities that might be necessary should the company not be able to continue as a going concern.

# TERRAIN MINERALS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE HALF YEAR ENDED 31 DECEMBER 2011

#### 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### (C) CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The directors evaluate estimates and judgments incorporated into the interim financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company.

##### KEY ESTIMATES - IMPAIRMENT

The company assesses impairment at the end of each reporting half year by evaluating conditions specific to the company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

##### KEY JUDGMENTS - EXPLORATION AND EVALUATION EXPENDITURE

The company capitalises expenditure relating to exploration and evaluation where it is considered likely to be recoverable or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. While there are certain areas of interest from which no reserves have been extracted, the directors are of the continued belief that such expenditure should not be written off since feasibility studies in such areas have not yet concluded.

##### KEY JUDGMENTS - SHARE BASED PAYMENTS

The company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the Black-Scholes method. The related assumptions are detailed in note 11. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

##### KEY JUDGMENTS – TAX LOSSES

The company has tax losses of \$18,234,728 (2010: \$15,020,607) that have the ability to be carried forward indefinitely for offset against future taxable profits of the company. The recoupment of available tax losses as at 31 December 2011 are contingent upon, the company satisfying the following conditions: (a) deriving future assessable income of a nature and of an amount sufficient to enable the benefit from the losses to be realised; (b) the conditions for deductibility imposed by tax legislation continuing to be complied with and the company can meeting either its continuity of ownership test or in the absence of satisfying that test the company can satisfy the same business test; and (c) there being no changes in tax legislation which would adversely affect the company from realising the benefits from the losses. In the event that the company fails to satisfy these conditions above or the Commissioner of Taxation challenges the company's ability to utilise its losses, the company may be liable for future income tax on assessable income derived by the company.

**TERRAIN MINERALS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE HALF YEAR ENDED 31 DECEMBER 2011**

**2 OTHER INCOME**

	<b>31 DECEMBER</b>	<b>31 DECEMBER</b>
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Interest income	342,648	-
	<hr/>	<hr/>
	342,648	-
	<hr/> <hr/>	<hr/> <hr/>

**3 TRADE AND OTHER RECEIVABLES**

	<b>31 DECEMBER</b>	<b>30 JUNE</b>
	<b>2011</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
CURRENT		
Trade receivables	41,287	23,120
Receivable from SR Mining Pty Ltd	700,000	-
Other receivables	334,000	334,000
	<hr/>	<hr/>
	1,075,287	357,120
	<hr/> <hr/>	<hr/> <hr/>

# TERRAIN MINERALS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE HALF YEAR ENDED 31 DECEMBER 2011

#### 3 TRADE AND OTHER RECEIVABLES (CONTINUED)

	31 DECEMBER	30 JUNE
	2011	2011
	\$	\$
NON-CURRENT		
Receivable from SR Mining Pty Ltd	4,263,283	-
	<u>4,263,283</u>	<u>-</u>

During the half year, the company signed an agreement with S R Mining Pty Ltd (SRM) for the sale of all the Great Western and some of the Bundarra gold assets. Under the terms of the agreement an initial payment of \$1,300,000 has been received in addition to an amount of \$700,000 which will be received when the first gold is produced or one year after receipt of initial payment and 1.0 grams per ounce produced up to a total value of \$6,000,000 with a minimum payment of \$600,000 per year. These amounts receivable have been discounted over the period for which they are due by an interest rate of 6.75% to arrive at the amount of \$ 4,263,283. Whilst no formal credit quality rating exists for SRM, the company believes the debt receivable to be recoverable.

By way of security for performance of the obligations of SRM to pay the Deferred Consideration and the Royalty, SRM has lodged a transfer of M37/54 with the Company to be held in escrow, and grant a power of attorney to the company enabling the company to transfer M37/54 back to the company free of encumbrances, if SRM experiences certain circumstances.

The company has agreed that the rights of any project financier of SRM will take priority over all of the Royalty rights of the company, should security be required of SRM before the Deferred Consideration and the Royalty has been fully paid by SRM to the company, with the effect of deferring the company's receipt of the Deferred Consideration and the Royalty in the interests of allowing SRM to obtain project finance on terms it considers are appropriate to agree. SRM is expressly permitted to encumber M37/54 only if SRM first procures that any project financier of SRM will enter into a deed of covenant in favour of the company under which the project financier agrees that any encumbrance over M37/54 will be subject to Terrain's rights under its power of attorney enabling Terrain to lodge the pre-executed transfer of M37/54 to Terrain should default occur, and Terrain's right to require that SRM procures the immediate discharge of any encumbrance registered.

#### 4 NON-CURRENT ASSETS HELD FOR SALE

	31 DECEMBER	30 JUNE
	2011	2011
	\$	\$
Exploration and evaluation assets	452,782	6,227,800
	<u>452,782</u>	<u>6,227,800</u>

The company has entered into an agreement for the sale of its Coogee Deposit to Ramelius Resources Limited, a non Related Party pursuant to a Tenement Sale Agreement dated 9 January 2012. For information, see note 12.

# TERRAIN MINERALS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE HALF YEAR ENDED 31 DECEMBER 2011

#### 5 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.

	<b>31 DECEMBER</b>	<b>30 JUNE</b>
	<b>2011</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
Carrying amount at beginning of year	2,646,538	8,526,008
Expenditure	104,377	1,971,908
Impairments	-	(2,050,555)
Non-current assets classified as held for sale	-	(5,800,823)
	<u>2,750,915</u>	<u>2,646,538</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.

#### 6 BORROWINGS

	<b>31 DECEMBER</b>	<b>30 JUNE</b>
	<b>2011</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
CURRENT		
Convertible note	-	1,500,000
	<u>-</u>	<u>1,500,000</u>

In the previous financial year, the company raised \$1,500,000 from Zulu Capital Limited, via a convertible note, for funding gold mining at the Celtic Pit. During the half year the convertible note was repaid. \$1,200,000 was repaid in cash and the remaining \$300,000 was repaid by issuing 13,043,478 ordinary shares and 13,043,478 options exercisable at 5 cents expiring 31 December 2012.

# TERRAIN MINERALS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE HALF YEAR ENDED 31 DECEMBER 2011

#### 7 ISSUED CAPITAL

	31 DECEMBER	30 JUNE
	2011	2011
	\$	\$
346,532,224 (30 June 2011: 217,978,005) Ordinary shares	20,267,618	17,657,403
Costs of raising capital	(1,519,015)	(1,370,007)
<b>Total</b>	<b>18,748,603</b>	<b>16,287,396</b>

#### (A) ORDINARY SHARES

	31 DECEMBER	31 DECEMBER
	2011	2011
	NO.	\$
At the beginning of the half year	217,978,005	17,657,403
Shares issued during the half year		
Zulu Capital 1 Share on Conversion of Convertible Note @ \$0.023	13,043,478	300,000
Rights Issue 1 for 2 @ \$0.02	115,510,741	2,310,215
At reporting date	<u>346,532,224</u>	<u>20,267,618</u>

#### (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 11.

#### 8 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.

#### 9 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

In the opinion of the Directors, the company did not have any contingencies at 31 December 2011 (30 June 2011: Nil).

# TERRAIN MINERALS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE HALF YEAR ENDED 31 DECEMBER 2011

#### 10 RELATED PARTY TRANSACTIONS

Other than the remuneration of key management personnel, no related party transactions have occurred during the half year.

#### 11 SHARE-BASED PAYMENTS

At 31 December 2011 Terrain Minerals Limited has the following options on issue

GRANT DATE	EXPIRY DATE	EXERCISE PRICE (CENTS)	START OF THE HALF YEAR	GRANTED DURING THE HALF YEAR	EXERCISED DURING THE HALF YEAR	FORFEITED DURING THE HALF YEAR	BALANCE AT THE END OF THE HALF YEAR	VESTED AND EXERCISABLE AT THE END OF THE HALF YEAR
1 May 2007	22 March 2012	20.00	500,000	-	-	-	500,000	500,000
1 May 2007	31 December 2012	8.00	16,884,664	-	-	-	16,884,664	16,884,664
2 July 2008	10 September 2013	20.00	500,000	-	-	-	500,000	500,000
1 December 2008	30 November 2013	20.00	1,500,000	-	-	-	1,500,000	1,500,000
15 December 2009	8 October 2014	11.00	1,900,000	-	-	-	1,900,000	1,900,000
21 December 2009	30 November 2014	18.00	5,500,000	-	-	-	5,500,000	5,500,000
18 August 2010	31 December 2012	8.00	253,334	-	-	-	253,334	253,334
18 November 2010	31 December 2012	8.00	1,100,000	-	-	-	1,100,000	1,100,000
22 December 2010	31 December 2012	8.00	500,000	-	-	-	500,000	500,000
22 December 2010	31 December 2012	4.60	2,500,000	-	-	-	2,500,000	2,500,000
11 April 2011	5 April 2014	5.00	46,239,130	-	-	-	46,239,130	46,239,130
17 October 2011	31 December 2012	5.00	-	13,043,478	-	-	13,043,478	13,043,478
13 December 2011	30 November 2013	5.00	-	1,000,000	-	-	1,000,000	1,000,000
	26 December 1988	140.60	77,377,128	14,043,478	-	-	91,420,606	91,420,606



# TERRAIN MINERALS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE HALF YEAR ENDED 31 DECEMBER 2011

#### 11 SHARE-BASED PAYMENTS (CONTINUED)

The weighted average remaining contractual life of options outstanding at half year end was 1.82 years (31 Dec 2010: 4.34). The weighted average exercise price of outstanding options at the end of the reporting period was \$0.07 (31 Dec 2010: 0.08).

The fair value of the 1,000,000 options granted to employees is deemed to represent the value of the employee services received over the vesting period.

The weighted average fair value of the options granted during the half year was \$ 0.01 (31 Dec 2010: \$ 0.01). The values of share based payments granted during the half year were calculated by using a Black-Scholes option pricing model applying the following inputs:

Share price at grant date (cents):	2.7
Exercise price (cents):	5
Share price at grant date (cents):	3
Life of the option (years):	2
Expected share price volatility (%):	100.00
Risk-free interest rate (%):	4.25

Historical volatility has been the basis for determining expected share price volatility as it assumed that this is indicative of future movements.

The life of the options is based on the historical exercise patterns, which may not eventuate in the future.

#### 12 EVENTS AFTER THE END OF THE REPORTING PERIOD

On 10 January 2012, the company announced that it had signed a \$900,000 agreement with Ramelius Resources Ltd for the sale of the Coogee Gold Deposit. The agreement is for the sale of M26/477, which hosts the Coogee Gold Deposit, and grants rights to explore the two adjoining sub-blocks, Q and R of the exploration license E26/97.

Except for the above, no other matters or circumstances 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.

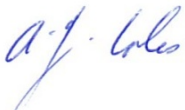
## Terrain Minerals Limited

### Directors' Declaration

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 4 to 15, 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 2011 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 Alan Coles

Managing Director

Dated: 15 March 2012

## INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF TERRAIN MINERALS LIMITED

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Terrain Minerals Limited, which comprises the statement of financial position as at 31 December 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

### Directors' Responsibility for the Half-Year Financial Report

The directors of the disclosing entity 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 disclosing entity's financial position as at 31 December 2011 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 Terrain Minerals Limited, 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 Terrain Minerals Limited, would be in the same terms if given to the directors as at the time of this auditor's report.



## Conclusion

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 Terrain Minerals Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the disclosing entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

**BDO Audit (WA) Pty Ltd**

BDO  


**Chris Burton**  
Director

Perth, Western Australia  
Dated this 15<sup>th</sup> day of March 2012