

**TERRAIN MINERALS LIMITED**

**ACN 116 153 514**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED 30 JUNE 2012**

**TERRAIN MINERALS LIMITED**  
**FOR THE YEAR ENDED 30 JUNE 2012**

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# TERRAIN MINERALS LIMITED

## DIRECTORS' REPORT

30 JUNE 2012

Your directors present their report for the financial year ended 30 June 2012.

### DIRECTORS

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

<b>NAMES</b>	<b>POSITION</b>	<b>APPOINTED</b>
Mr Richard Sandner	Chairman	
Mr Jonathan Lim	Vice Chairman	
Mr Alan Coles	Managing Director	
Mr Paul Dickson	Non-Executive Director	
Mr Justin Virgin	Non-Executive Director	31 July 2012

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

### COMPANY SECRETARY

Mr Ian Hobson holds a bachelor of business degree and is a Chartered Accountant and Chartered Secretary. Mr Hobson provides company secretary services and corporate, management and accounting advice to a number of listed public companies involved in the resource, mining services and oil and gas industries.

### PRINCIPAL ACTIVITIES

During the year, the principal activities of Terrain Minerals Limited consisted of exploration for gold and other mineral resources. No significant change in the nature of these activities occurred during the year.

### OPERATING RESULTS

The profit from ordinary activities after providing for income tax amounted to \$ 133,622 (2011: \$(2,980,638)). This represented a \$3,114,260 increase on the results reported for the year ended 30 June 2011. This was largely due to the sale of the Coogee Gold Deposit and Exploration rights to E26/97 to Ramelius Resources Ltd for \$900,000 in May 2012.

# TERRAIN MINERALS LIMITED

## DIRECTORS' REPORT

30 JUNE 2012

### REVIEW OF OPERATIONS

Exploration continued at the 100% owned Aztec Dome in East Kambalda and 60% owned Black Cat project North of Leonora. Drilling to date at Aztec Dome has identified the presence of nickel sulphides in the high mag basalt and anomalous copper and zinc in the black shale. The Black Cat JV contains a series of prospective gold targets. The site has soil anomaly 1 km long and 160m wide.

The Coogee Gold Deposit and Exploration rights to E26/97 were sold to Ramelius Resources Ltd for \$900,000 in May 2012. The Bundarra and Great Western assets were sold to S R Mining during the year. The agreement stipulated an up front payment of \$1,300,000 with further payment of \$700,000 later in the year followed by 1.0 grams/ounce produced up to a value of \$6,000,000 with a minimum payment of \$600,000 per year.

The Zulu Capital Limited Convertible Note was repaid by a cash payment of \$1,200,000 with \$300,000 being converted into 13,043,478 shares and 13,043,478 options exercisable at 5 cents, expiring 31 December 2012.

The company successfully completed a 1 for 2 Underwritten Rights Issue at 2 cents per share to raise \$2,310,216.

### DIVIDENDS PAID OR RECOMMENDED

No dividends were paid or declared since the start of the financial year. No recommendation for payment of dividends has been made.

### FINANCIAL POSITION

The net assets of Terrain Minerals Limited have increased by \$ 2,600,968 from 30 June 2011 to \$10,822,391 in 2012. The increase has largely resulted from the following factors:

- Capital raisings of \$2,310,216 from the rights issue of 115,510,741 shares at 2 cents per shares on a 1 for 2 basis;
- Completion of the sale of the Bundarra and Great Western assets to S R Mining Pty Ltd, signed on 30 August 2011;
- The Coogee Gold Deposit and Exploration rights to E26/97 were sold to Ramelius Resources for \$900,000 in May 2012;
- Continued exploration for nickel at the Aztec Dome project in East Kambalda and gold at the Black Cat project north of Leonora; and
- Zulu Capital Limited Convertible Note was repaid.

# **TERRAIN MINERALS LIMITED**

## **DIRECTORS' REPORT**

**30 JUNE 2012**

### **SIGNIFICANT CHANGES IN STATE OF AFFAIRS**

The following significant changes in the state of affairs of the company occurred during, or since the end of the financial year:

- (i) A new Non-Executive Director, Mr Justin Virgin, has been appointed on 31 July 2012;
- (ii) The Coogee Gold Deposit and Exploration rights to E26/97 were sold to Ramelius Resources for \$900,000 and Bundarra Gold and Great Western assets were sold to S R Mining Pty Ltd; and
- (ii) The Zulu Capital Limited Convertible Note was repaid by a cash payment of \$1,200,000 with \$300,000 being converted into 13,043,478 shares and 13,043,478 options exercisable at 5 cents, expiring 31 December 2012.

### **EVENTS SUBSEQUENT TO REPORTING DATE**

No matters or circumstances have arisen since the end of the financial 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.

### **LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS**

Likely developments in the operations of the company and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the company.

### **ENVIRONMENTAL ISSUES**

The company is subject to the reporting requirements of both the Energy Efficiency Opportunities Act 2006 and the National Greenhouse and Energy Reporting Act 2007. The Energy Efficiency Opportunities Act 2006 requires the company to assess its energy usage, including the identification, investigation and evaluation of energy saving opportunities, and to report publicly on the assessments undertaken, including what action the company intends to take as a result. The company continues to meet its obligations under this Act.

The National Greenhouse and Energy Reporting Act 2007 requires the company to report its annual greenhouse gas emissions and energy use. The company has implemented systems and processes for the collection and calculation of the data required and submitted its 2010/11 report to the Greenhouse and Energy Data Officer on 24 October 2011.

Other than the above, the company's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory.

# TERRAIN MINERALS LIMITED

## DIRECTORS' REPORT

30 JUNE 2012

### INFORMATION ON DIRECTORS

Richard Sandner	Chairman
Experience	Mr. Sandner has experience in the resources arena and has 32 years senior managerial and corporate experience in the mining industry; having previously been the Managing Director and a founding director of Bendigo Mining NL, Reef Mining NL, and Purus Energy Ltd. Mr. Sandner successfully transformed Reef Mining from an explorer to a mining company. He is a past president of the Minerals Council of Australia – Victorian Division and is currently involved with a Victorian based unlisted gold and base metal explorer.
Interest in Shares and Options	1,900,001 options over ordinary shares and 3,000,002 ordinary shares.
Special Responsibilities	Nil
Directorships held in other listed entities during the three years prior to the current year	Mr. Sandner held no other directorships of ASX listed companies during the last three years.
Mr Jonathan Lim	Vice Chairman
Experience	Mr. Lim is an entrepreneur having founded Romar Positioning Equipment Pty Ltd in 1984. Since then, Mr. Lim has grown Romar to a leading global heavy automation equipment manufacturer, principally in the energy, alternative energy and oil & gas sector. Romar also has distribution facilities and associates in over thirty countries globally and was ranked 3rd place in the Singapore Enterprise E50 Awards in 2007. In 2008, Romar was acquired by an UK-based MNC.  In addition to being an entrepreneur, Mr. Lim is also an avid investor, promoter and venture capitalist in various listed and unlisted companies in advanced materials, oil sands, heavy oil, electric cars and its allied industries, green industries, electronics and LEDs, mineral business and manufacturing businesses in both North and South America, Australia and North and SE Asia. Mr. Lim is Executive Chairman of ADVENTUS (SGX listed).
Interest in Shares and Options	1,500,000 options over ordinary shares and 73,135,419 shares.
Special Responsibilities	Nil
Directorships held in other listed entities during the three years prior to the current year	Mr Lim held no other directorships of ASX listed companies during the last three years.

# TERRAIN MINERALS LIMITED

## DIRECTORS' REPORT

30 JUNE 2012

### INFORMATION ON DIRECTORS (CONTINUED)

Mr Alan Coles	Managing Director
Experience	<p>Mr Coles is a qualified geologist and mining engineer with over thirty years experience in the mining industry.</p> <p>He has been directly involved in the operational development and management of numerous mining operations and responsible for all facets of operating procedures for exploration, environmental controls, ore processing and mining.</p> <p>Mr Coles has held senior executive roles with Bendigo Mining, Dominion Mining and Westfarmers. Some of Alan's work has included the commissioning of the Tritton Copper Mine in NSW and development of the new Premier Coal Mine in Western Australia.</p>
Interest in Shares and Options	1,000,000 options over ordinary shares.
Special Responsibilities	Nil
Directorships held in other listed entities during the three years prior to the current year	Mr Coles held no other directorships of ASX listed companies during the last three years.
Mr Paul Dickson	Non-Executive Director
Experience	<p>Mr Dickson has over twenty years experience in the Securities and Finance Industries since 1988, with an initial three years in banking followed by approximately thirteen years in stock broking with the majority of his career spent at tier one firm Ord Minnett Ltd. In the past six years as a corporate advisor, with the majority of his time as a principal and co-founder of Paradigm Capital, Paul has originated IPO's and equity placements across the industrial and mining sectors for listed entities and been involved in seed capital raisings, and sub-underwritings during this time.</p>
Interest in Shares and Options	1,736,445 options over ordinary shares and 1,812,837 shares.
Special Responsibilities	Nil
Directorships held in other listed entities during the three years prior to the current year	Mr Dickson is also non-Executive Director (Deputy Chairman) of the ASX listed Alligator Energy Ltd, which listed in February 2011.

# TERRAIN MINERALS LIMITED

## DIRECTORS' REPORT

30 JUNE 2012

### INFORMATION ON DIRECTORS (CONTINUED)

Mr Justin Virgin	Non-Executive Director
Experience	Mr Virgin has over eight years experience in the financial services industry with expertise in providing a wide range of financial services which includes capital raisings, providing general corporate advice, participating in the promotion of small-cap companies and other investment advice involved in mergers, acquisitions and valuation for sale of small to medium enterprises.
Interest in Shares and Options	2,173,914 options over ordinary shares and 8,750,000 shares.
Special Responsibilities	Nil
Directorships held in other listed entities during the three years prior to the current year	Mr Virgin held no other directorships of ASX listed companies during the last three years.

### MEETINGS OF DIRECTORS

During the financial year, 3 meetings of directors were held. Attendances by each director were as follows:

	DIRECTORS' MEETINGS	
	NUMBER ELIGIBLE TO ATTEND	NUMBER ATTENDED
Mr Richard Sandner	3	3
Mr Jonathan Lim	3	2
Mr Alan Coles	3	3
Mr Paul Dickson	3	3

### INDEMNIFYING OFFICERS OR AUDITORS

Terrain Minerals Limited has paid premiums to insure directors against liabilities for costs and expenses incurred by them in defending legal proceedings arising from their conduct while acting in the capacity of director of Terrain Minerals Limited, other than conduct involving a wilful breach of duty in relation to Terrain Minerals Limited. The premium for all directors amounted to \$ 10,980.

# TERRAIN MINERALS LIMITED

## DIRECTORS' REPORT

30 JUNE 2012

### OPTIONS

At the date of this report, the unissued ordinary shares of Terrain Minerals Limited under option, including those options issued during the year and since 30 June 2012 to the date of this report, are as follows:

GRANT DATE	DATE OF EXPIRY	EXERCISE PRICE	NUMBER UNDER OPTION
17 August 2010	31 December 2012	0.08	18,237,998
22 December 2010	31 December 2012	0.05	2,500,000
22 December 2010	31 December 2012	0.08	500,000
9 September 2008	10 September 2013	0.20	500,000
1 December 2008	30 November 2013	0.20	1,500,000
8 October 2009	8 October 2014	0.11	1,900,000
30 November 2009	30 November 2014	0.18	5,500,000
6 April 2011	5 April 2014	0.05	46,239,130
17 October 2011	31 December 2012	0.05	13,043,478
13 December 2011 <sup>1</sup>	30 November 2013	0.05	1,000,000
			<hr/> <hr/>
			90,920,606

<sup>1</sup> - Included in these options were options granted as remuneration to Directors. Details of options granted to key management personnel are disclosed in note 24 to the financial statements.

During the year ended 30 June 2012, no ordinary shares of Terrain Minerals Limited were issued on the exercise of options granted.

### PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of Court to bring proceedings on behalf of Terrain Minerals Limited or intervene in any proceedings to which Terrain Minerals Limited is a party for the purpose of taking responsibility on behalf of Terrain Minerals Limited for all or any part of those proceedings.

Terrain Minerals Limited was not a party to any such proceedings during the year.

# TERRAIN MINERALS LIMITED

## DIRECTORS' REPORT

30 JUNE 2012

### NON-AUDIT SERVICES

The Board of Directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees were paid to the external auditors during the year ended 30 June 2012:

	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
BDO Audit (WA) Pty Ltd - auditing or reviewing the financial report	37,891	45,705
BDO Corporate Tax (WA) Pty Ltd - taxation services	8,670	10,051
	<hr/>	<hr/>
	46,561	55,756

### AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration for the year ended 30 June 2012 has been received and can be found on page 15 of the financial report.

# TERRAIN MINERALS LIMITED

## DIRECTORS' REPORT

30 JUNE 2012

### REMUNERATION REPORT (AUDITED)

#### REMUNERATION POLICY

The objective of the Company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms to market best practice for delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency
- capital management.

The Company has structured an executive remuneration framework that is market competitive and complimentary to the reward strategy of the organisation.

Alignment to shareholders' interests:

- focuses on exploration success as the creation of shareholder value and returns
- attracts and retains high calibre executives.

Alignment to program participants' interests:

- rewards capability and experience
- reflects competitive reward for contribution to growth in shareholder wealth
- provides a clear structure for earning rewards
- provides recognition for contribution.

The framework currently consists of fixed salaries and options.

The overall level of executive reward takes into account the performance of the company. The company is involved in mineral exploration and did not derive a profit and therefore growth in earnings is not considered relevant. Shareholder wealth is dependent upon exploration success and has fluctuated accordingly. During the same period, average executive remuneration has been maintained in accordance with industry standards.

#### NON-EXECUTIVE DIRECTORS

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Board to ensure non-executive directors' fees and payments are appropriate and in line with the market. The Chairman is not present at any discussions relating to determination of his own remuneration.

#### DIRECTORS' FEES

The current base remuneration was last reviewed with effect from May 2008. Directors' remuneration is inclusive of committee fees.

# TERRAIN MINERALS LIMITED

## DIRECTORS' REPORT

30 JUNE 2012

### REMUNERATION REPORT (CONTINUED) (AUDITED)

#### REMUNERATION POLICY (CONTINUED)

Non-executive directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The total maximum currently stands at \$200,000.

Retirement allowances for directors

There is no provision for retirement allowances for non-executive directors.

#### PERFORMANCE BASED REMUNERATION

All staff (including executive and non-executive directors) are eligible to participate in the Employee Share Scheme. The scheme is designed to reward employees for a significant improvement in the share price.

#### COMPANY PERFORMANCE, SHAREHOLDER WEALTH AND DIRECTOR'S AND EXECUTIVES' REMUNERATION

The fees paid to directors have not increased since May 2008. Executive remuneration remains in the bottom quartile of remuneration for comparable positions in the minerals industry. Options granted to key management personnel was not linked to company performance.

#### EXECUTIVE PAY

The executive pay and reward framework has three components:

- I. base pay and benefits
- II. long-term incentives through participation in the Employee Share Option Scheme
- III. other remuneration such as superannuation.

The combination of these comprises the executive's total remuneration;

#### I. Base pay

Structured as a total employment cost package which may be delivered as a combination of cash and prescribed non-financial benefits at the executives' discretion.

Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. Base pay for senior executives is reviewed annually to ensure the executive's pay is competitive with the market. An executive's pay is also reviewed on promotion.

There is no guaranteed base pay increases included in any senior executives' contracts.

Executives may receive benefits including memberships, car allowances and reasonable entertainment.

#### II. Incentives

Through participation in the Employee Share Option Scheme as and when determined by the Board. Individual performance reviews are carried out annually. Any allotment of options to executives are considered by the Board depending on individual performance. Performance remuneration is not related to company performance. The Company is still in exploration and development phase.

#### III. Other

Directors and employees are permitted to nominate a superannuation fund of their choice to receive superannuation contribution.

# TERRAIN MINERALS LIMITED

## DIRECTORS' REPORT

30 JUNE 2012

### REMUNERATION REPORT (CONTINUED) (AUDITED)

#### EMPLOYMENT DETAILS OF MEMBERS OF KEY MANAGEMENT PERSONNEL AND OTHER EXECUTIVES

The following table provides employment details of persons who were, during the financial year, members of key management personnel of Terrain Minerals Limited. The table also illustrates the proportion of remuneration that was fixed salary and the proportion of remuneration received in the form of options.

KEY MANAGEMENT PERSONNEL	POSITION HELD AS AT 30 JUNE 2012	CONTRACT DETAILS (DURATION & TERMINATION)	OPTIONS/	FIXED	TOTAL
			RIGHTS	SALARY/FEE	
			%	%	%
Mr Richard Sandner	Chairman	On-going basis with no termination benefits	-	100	100
Mr Jonathan Lim	Vice Chairman	On-going basis with no termination benefits	-	100	100
Mr Alan Coles	Managing Director	Two year contract with three month termination period. Termination benefit of base salary for three months.	5	95	100
Mr Paul Dickson	Non-Executive Director	On-going basis with no termination benefits	-	100	100
<b>Other Executives</b>					
Ian Hobson	Company Secretary		-	100	100

The employment terms and conditions of key management personnel are formalised in contracts of employment. A service agreement was signed between the company and the Managing Director, Alan Coles on 9 November 2011, terminating 9 November 2013. The agreement provides for a salary of \$210,000 pa and subject to shareholder approval, 1 million options exercisable at 5 cents per share. In addition, and subject to shareholder approval, Mr Coles will be granted the equivalent of \$30,000 of Terrain Minerals Ltd shares every six months from Commencement Date to a total value of \$120,000 of shares.

No other service agreements exist for any other key management personnel.

# TERRAIN MINERALS LIMITED

## DIRECTORS' REPORT

30 JUNE 2012

### REMUNERATION REPORT (CONTINUED) (AUDITED)

#### REMUNERATION DETAILS FOR THE YEAR ENDED 30 JUNE 2012

The following table of benefits and payment details, in respect to the financial year, the components of remuneration for each member of the key management personnel of Terrain Minerals:

KEY MANAGEMENT PERSONNEL		SHORT-TERM BENEFITS		POST-EMPLOYMENT BENEFITS	EQUITY-SETTLED SHARE-BASED PAYMENTS		TOTAL
		SALARY, FEES AND LEAVE	OTHER	SUPER ANNUATION	SHARES	OPTIONS	
		\$	\$	\$	\$	\$	\$
Mr Richard Sandner	2012	30,000	-	2,700	-	-	32,700
	2011	30,000	-	2,700	-	6,692	39,392
Mr Jonathan Lim	2012	32,700	-	-	-	-	32,700
	2011	32,700	-	-	-	6,692	39,392
Mr Chris Tomich	2012	-	-	-	-	-	-
	2011	203,682	-	15,644	-	11,449	230,775
Mr Alan Coles	2012	188,116	-	16,930	-	10,936	215,982
	2011	26,423	-	2,378	-	-	28,801
Mr Paul Dickson	2012	30,000	-	2,700	-	-	32,700
	2011	30,000	-	2,700	-	6,692	39,392
Mr Keith Wells	2012	-	-	-	-	-	-
	2011	12,500	-	1,125	-	6,692	20,317
<b>Total Key Management Personnel</b>	2012	280,816	-	22,330	-	10,936	314,082
	2011	335,305	-	24,547	-	38,217	398,069
<b>Other Executives</b>							
Mr Ian Hobson	2012	58,400	-	-	-	-	58,400
	2011	59,940	-	-	-	-	59,940
<b>Total Other Executives</b>	2012	58,400	-	-	-	-	58,400
	2011	59,940	-	-	-	-	59,940

# TERRAIN MINERALS LIMITED

## DIRECTORS' REPORT

30 JUNE 2012

### REMUNERATION REPORT (CONTINUED) (AUDITED)

#### SECURITIES RECEIVED THAT ARE NOT PERFORMANCE RELATED

During the year, Mr Alan Coles received 1 million options exercisable at 5 cents per share as part of his remuneration package. Otherwise, no members of key management personnel received securities as part of their remuneration package.

#### CASH BONUSES, PERFORMANCE-RELATED BONUSES AND SHARE-BASED PAYMENTS

The terms and conditions relating to options and bonuses granted as remuneration during the year to key management personnel and other executives during the year are as follows:

KEY MANAGEMENT PERSONNEL	REMUNERA TION TYPE	GRANT DATE	NUMBER OF OPTIONS	GRANT VALUE \$	PERCENTAGE	PERCENTAGE	PERCENTAGE
					VESTED/PAID DURING THE YEAR %	FORFEITED DURING YEAR %	REMAINING AS UNVESTED %
Mr Alan Coles	Options	13 December 2011	1,000,000	10,936	100	-	-

All options were issued by Terrain Minerals Limited and entitle the holder to 1 ordinary share in Terrain Minerals Limited for each option exercised.

There have not been any alterations to the terms or conditions of any grants since grant date.

#### DESCRIPTION OF OPTIONS/RIGHTS ISSUED AS REMUNERATION

Details of the options granted as remuneration to those key management personnel are as follows:

GRANT DATE	ENTITLEMENT ON EXERCISE	DATES EXERCISABLE	EXERCISE PRICE \$	VALUE PER	% VESTED
				OPTION AT GRANT DATE \$	
13 December 2011	1:1 Ordinary shares in Terrain Minerals Limited	On or before 30 November 2013	\$0.05	\$0.01	100

Option values at grant date were determined using the Black-Scholes method.

#### VOTING AND COMMENTS MADE AT THE COMPANY'S 2011 ANNUAL GENERAL MEETING

At the Annual General Meeting held on 30 November 2011, the company received more than 98% of "yes" votes on its remuneration report (5,943,659 "Yes", 85,000 "No") for the 2011 financial year.

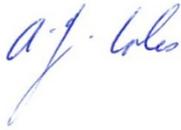
**END OF REMUNERATION REPORT**

**TERRAIN MINERALS LIMITED**

**DIRECTORS' REPORT**

**30 JUNE 2012**

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.

Alan Coles

Managing Director:

Dated: 26 September 2012

26 September 2012

Terrain Minerals Limited  
The Board of Directors  
Level 1, Adams House  
Suite 4, 230 Rokeby Road  
SUBIACO WA 6008

Dear Sirs,

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

As lead auditor of Terrain Minerals Limited for the year ended 30 June 2012, 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 audit; and
- any applicable code of professional conduct in relation to the audit.



**CHRIS BURTON**  
Director

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

**TERRAIN MINERALS LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2012**

	NOTE	2012 \$	2011 \$
Revenue from continuing operations	2	372,330	166,654
Other income	2	442,670	-
Employee benefits expense		(272,095)	(436,452)
Depreciation expense	7	(10,503)	(23,222)
Convertible note expenses		-	(142,500)
Administrative expenses	2	(300,907)	(322,647)
Exploration expenditure write off		-	(3,479)
Impairment of exploration assets held for sale	9	-	(2,050,555)
Finance costs		(56,153)	(120,070)
Occupancy costs		(41,720)	(48,367)
<b>Profit/(loss) before income taxes</b>		133,622	(2,980,638)
Income tax expense	3	-	-
<b>Profit/(loss) for the year</b>		133,622	(2,980,638)
Other comprehensive income		-	-
<b>Total comprehensive income/(loss) for the year attributable to owners of Terrain Minerals Limited</b>		<u>133,622</u>	<u>(2,980,638)</u>
<b>Profit/(loss) from continuing operations attributable to owners of Terrain Minerals Limited</b>		<u>133,622</u>	<u>(2,980,638)</u>
<b>Earnings per share</b>			
From continuing operations:			
Basic earnings per share (cents)	15	0.05	(1.60)
Diluted earnings per share (cents)	15	0.04	(1.14)

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

**TERRAIN MINERALS LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2012**

	NOTE	2012 \$	2011 \$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	4	1,519,924	531,018
Trade and other receivables	5	1,034,000	357,120
Other assets	8	37,005	42,632
Non-current assets held for sale	6	-	6,227,800
<b>TOTAL CURRENT ASSETS</b>		<u>2,590,929</u>	<u>7,158,570</u>
<b>NON-CURRENT ASSETS</b>			
Trade and other receivables	5	4,263,283	-
Property, plant and equipment	7	25,498	13,501
Exploration expenditure	9	4,024,539	2,646,538
<b>TOTAL NON-CURRENT ASSETS</b>		<u>8,313,320</u>	<u>2,660,039</u>
<b>TOTAL ASSETS</b>		<u>10,904,249</u>	<u>9,818,609</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	10	64,176	88,636
Financial Liabilities	11	-	1,500,000
Provisions	12	17,682	8,550
<b>TOTAL CURRENT LIABILITIES</b>		<u>81,858</u>	<u>1,597,186</u>
<b>NON-CURRENT LIABILITIES</b>			
<b>TOTAL LIABILITIES</b>		<u>81,858</u>	<u>1,597,186</u>
<b>NET ASSETS</b>		<u>10,822,391</u>	<u>8,221,423</u>
<b>EQUITY</b>			
Issued capital	13	18,743,806	16,287,396
Reserves	14	1,253,415	1,242,479
Accumulated losses		(9,174,830)	(9,308,452)
<b>TOTAL EQUITY</b>		<u>10,822,391</u>	<u>8,221,423</u>

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

**TERRAIN MINERALS LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2012**

2012

	ORDINARY SHARES	ACCUMULATED LOSSES	SHARE BASED PAYMENT RESERVE	TOTAL
	\$	\$	\$	\$
Balance at 1 July 2011	16,287,396	(9,308,452)	1,242,479	8,221,423
Profit attributable to members of the parent entity	-	133,622	-	133,622
Other comprehensive income for the year	-	-	-	-
<b>Total comprehensive income for the year</b>	-	133,622	-	133,622
Shares issued during the year	2,610,216	-	-	2,610,216
Transaction costs	(153,806)	-	-	(153,806)
Share based payments	-	-	10,936	10,936
<b>Sub-total</b>	2,456,410	133,622	10,936	2,600,968
<b>Balance at 30 June 2012</b>	18,743,806	(9,174,830)	1,253,415	10,822,391

2011

	ORDINARY SHARES	ACCUMULATED LOSSES	SHARE BASED PAYMENT RESERVE	TOTAL
	\$	\$	\$	\$
Balance at 1 July 2010 <span style="color: #FFD700;">(July 2011)</span>	15,319,307	(6,327,814)	1,204,261	10,195,754
Loss attributable to members of the parent entity	-	(2,980,638)	-	(2,980,638)
Other comprehensive income/(loss) for the year	-	-	-	-
<b>Total comprehensive income/(loss) for the year</b>	-	(2,980,638)	-	(2,980,638)
Shares issued during the year	1,083,070	-	-	1,083,070
Transaction costs	(114,981)	-	-	(114,981)
Share based payments	-	-	38,218	38,218
<b>Sub-total</b>	968,089	(2,980,638)	38,218	(1,974,331)
<b>Balance at 30 June 2011</b>	16,287,396	(9,308,452)	1,242,479	8,221,423

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

**TERRAIN MINERALS LIMITED**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2012**

	NOTE	2012 \$	2011 \$
<b>CASH FROM OPERATING ACTIVITIES:</b>			
Payments to suppliers and employees		(825,545)	(1,011,869)
Interest received		58,492	46,654
Interest paid		(56,153)	(90,070)
Net cash used in operating activities	23	<u>(823,206)</u>	<u>(1,055,285)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Proceeds from sale of exploration asset		2,200,000	-
Purchase of property, plant and equipment		(22,500)	(1,500)
Deposit from sale of tenement		-	20,000
Exploration and evaluation expenditure		(1,321,798)	(1,971,908)
Net cash provided by (used in) investing activities		<u>855,702</u>	<u>(1,953,408)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds from issue of shares		2,310,216	1,083,070
Proceeds from convertible note		-	1,500,000
Repayment of borrowings		(1,200,000)	-
Payment of share issue costs		(153,806)	(114,981)
Net cash provided by financing activities		<u>956,410</u>	<u>2,468,089</u>
<b>OTHER ACTIVITIES:</b>			
Net cash increase (decreases) in cash and cash equivalents		988,906	(540,604)
Cash and cash equivalents at beginning of year		<u>531,018</u>	<u>1,071,622</u>
Cash and cash equivalents at end of the year	4	<u><u>1,519,924</u></u>	<u><u>531,018</u></u>

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

**TERRAIN MINERALS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2012**

This financial report includes the financial statements and notes of Terrain Minerals Limited (the company).

**1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Terrain Minerals Limited is a company limited by shares, incorporated and domiciled in Australia.

The financial report is a general purpose financial statement that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*.

The financial statements of Terrain Minerals Limited also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. These financial statements are presented in Australian dollars, rounded to the nearest dollar.

**GOING CONCERN**

For the year ended 30 June 2012 the company reported a net profit of \$133,622 (2011: \$(2,980,638)).

At 30 June 2012, the cash balance was \$1,519,924 (2011: \$531,018). The accounts have been prepared on a going concern basis. The Directors have determined that future capital raisings and/or collection of receivables from asset sales will be required in order to continue the exploration and development of the company's mining tenements 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 collecting funds due from the sale of exploration assets sufficient to meet the company's expenditure commitments.

The Directors have prepared a cash flow forecast for the foreseeable future reflecting the above mentioned expectations and their effect upon Terrain Minerals Ltd. The achievement of the forecast is dependent upon the future capital raising and/or collection of proceeds from the sale of assets, the outcome of which is uncertain.

In the event that sufficient capital raising and/or asset sale collections 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 Terrain Minerals Ltd can meet its debts as and when they become due and payable.

# TERRAIN MINERALS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2012

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

In the event that the events referred to above results 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 assets and extinguish its liabilities other than in the normal course of business and in amounts different from that stated in the financial report.

The financial report does not include any adjustments relating to the recoverability or classification of recorded amounts or classification of liabilities that might be necessary should Terrain Minerals Ltd not be able to continue as a going concern.

##### (A) REVENUE AND OTHER INCOME

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument.

All revenue is stated net of the amount of goods and services tax (GST).

##### (B) INCOME TAX

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at the end of the reporting period. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at the end of the reporting period. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

# TERRAIN MINERALS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2012

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

##### (B) INCOME TAX (CONTINUED)

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

##### (C) EMPLOYEE BENEFITS

###### *Short Term Obligations*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

###### *Other Long Term Employee Benefit Obligations*

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

# TERRAIN MINERALS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2012

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

##### (C) EMPLOYEE BENEFITS (CONTINUED)

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

##### (D) PROVISIONS

Provisions are recognised when the company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

##### (E) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities in the statement of financial position.

##### (F) FINANCIAL INSTRUMENTS

###### Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is the equivalent to the date that the company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transactions costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

###### Classification and subsequent measurement

Financial instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. *Fair value* represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

*Amortised cost* is calculated as:

- (a) the amount at which the financial asset or financial liability is measured at initial recognition;
- (b) less principal repayments;
- (c) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the *effective interest method*; and
- (d) less any reduction for impairment.

# TERRAIN MINERALS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2012

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

##### (F) FINANCIAL INSTRUMENTS (CONTINUED)

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss. The company does not designate any interest as being subject to the requirements of accounting standards specifically applicable to financial instruments.

##### *(i) Financial assets at fair value through profit or loss*

Financial assets are classified at 'fair value through profit or loss' when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

##### *(ii) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period. (All other loans and receivables are classified as non-current assets.)

##### *(iii) Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Available-for-sale financial assets are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. (All other financial assets are classified as current assets.)

##### *(v) Financial liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

**TERRAIN MINERALS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2012**

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

**(F) FINANCIAL INSTRUMENTS (CONTINUED)**

**DERECOGNITION**

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed is recognised in profit or loss.

**(G) PROPERTY, PLANT AND EQUIPMENT**

Each class of property, plant and equipment is carried at cost or fair value as indicated, less, where applicable, any accumulated depreciation and impairment losses.

**PLANT AND EQUIPMENT**

Plant and equipment are measured on the cost basis.

**DEPRECIATION**

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The estimated useful lives used for each class of depreciable assets are:

<b>CLASS OF FIXED ASSET</b>	<b>USEFUL LIFE</b>
Exploration equipment	3 years
Furniture, Fixtures and Fittings	5 years
Computer Equipment	3 years
Computer Software	2 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When re-valued

# TERRAIN MINERALS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2012

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

##### (G) PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

Property, plant and equipment is derecognised and removed from the statement of financial position on disposal or when no future economic benefits are expected. Gains and losses from de-recognition are measured as the difference between the net disposal proceeds, if any, and the carrying amount and are recognised in profit or loss.

Subsequent costs are included in the property, plant and equipment's carrying value or recognised as a separate asset when it is probable that future economic benefits associated with the item will be realised and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss.

##### (H) EXPLORATION AND DEVELOPMENT EXPENDITURE

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

- i) the rights to tenure of the area of interest are current; and
- ii) at least one of the following conditions is also met:
  - (a) the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or
  - (b) exploration and evaluation activities in the area of interest have not, at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are occurring.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortisation of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

# TERRAIN MINERALS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2012

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

##### (I) IMPAIRMENT OF ASSETS

At each reporting date, the company assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including, dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives. Where an impairment loss on a re-valued asset is identified, this is debited against the revaluation surplus in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same class of asset. Non-financial assets, other than inventories, deferred tax assets, assets from employee benefits, investment properties, biological assets, and deferred acquisition costs, are assessed for any indication of impairment at the end of each reporting period. Any indication of impairment requires formal testing of impairment by comparing the carrying amount of the asset to an estimate of the recoverable amount of the asset. An impairment loss is calculated as the amount by which the carrying amount of the asset exceeds the recoverable amount of the asset.

Intangible assets with an indefinite useful life and intangible assets not yet available for use are tested for impairment annually regardless of whether there is any indication of impairment.

The recoverable amount is the greater of the asset's fair value less costs to sell and its value in use. The asset's value in use is calculated as the estimated future cash flows discounted to their present value using a pre-tax rate that reflects current market assessments of the time value of money and the risks associated with the asset. Assets that cannot be tested individually for impairment are grouped together into the smallest group of assets that generates cash inflows (the asset's cash-generating unit).

Impairment losses are recognised in profit or loss. Impairment losses are allocated first, to reduce the carrying amount of any goodwill allocated to cash-generating units, and then to other assets of the group on a pro rata basis.

Assets other than goodwill are assessed at the end of each reporting period to determine whether previously recognised impairment losses may no longer exist or may have decreased. Impairment losses recognised in prior periods for assets other than goodwill are reversed up to the carrying amounts that would have been determined had no impairment loss been recognised in prior periods.

# TERRAIN MINERALS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2012

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

##### (J) TRADE AND OTHER PAYABLES

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the company during the reporting period which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

##### (K) GOODS AND SERVICES TAX (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

##### (L) LEASES

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to the company are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over their estimated useful lives where it is likely that the company will obtain ownership of the asset or over the term of the lease.

Lease payments for operating leases, where substantially all of the risks and benefits remain with the Lessor, are charged as expenses in the periods in which they are incurred.

##### (M) BORROWING COSTS

For periods beginning on or after January 1, 2009, borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to ready for its intended use are capitalised as part of the cost of the asset.

Other borrowing costs are expensed in the period in which they occur. Borrowing costs consists of finance charges and interest expenses calculated using the effective interest method, and include exchange differences arising from foreign currency borrowings to the extent that they are regarded as interest cost adjustments.

# TERRAIN MINERALS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2012

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

##### (N) SHARE-BASED PAYMENT TRANSACTIONS

Employees of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services in exchange for equity instruments ("equity-settled transactions"). When the goods or services acquired in a share-based payment transaction do not qualify for recognition as assets, they are recognised as expenses.

The cost of equity-settled transactions and the corresponding increase in equity is measured at the fair value of the goods or services acquired. Where the fair value of the goods or services received cannot be reliably estimated, the fair value is determined indirectly by the fair value of the equity instruments using the Black Scholes option valuation technique.

Equity-settled transactions that vest after employees complete a specified period of service are recognised as services are received during the vesting period with a corresponding increase in equity.

##### (O) NON-CURRENT ASSETS (OR DISPOSAL GROUPS) HELD FOR SALE AND DISCONTINUED OPERATIONS

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use. They are measured at the lower of their carrying amount and fair value less cost to sell. For non-current assets to be classified as held for sale, they must be available for immediate sale in the present condition and their sale must be highly probable. Non-current assets are not depreciated while they are classified as held for sale. Non-current assets classified as held for sale are presented separately on the face of the statement of financial position, in current assets.

##### (P) CONTRIBUTED EQUITY

Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

##### (Q) SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the strategic steering committee.

##### (R) EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

**TERRAIN MINERALS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2012**

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

**(R) EARNINGS PER SHARE (CONTINUED)**

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

**(S) CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

The directors evaluate estimates and judgments incorporated into the 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 the reporting period 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 JUDGEMENTS - SHARE-BASED PAYMENT TRANSACTIONS*

The Group 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 24. 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 JUDGEMENTS – DISCOUNT RATE FOR LONG TERM RECEIVABLES*

The company has made the judgement that the discount rate of 6.75% is appropriate and as at 30 June 2012, the receivable from SR Mining Pty Ltd (see note 5) is recoverable. However, circumstances with the counterparty may change in the future which may result in a material impairment to the balance.

**TERRAIN MINERALS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2012**

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

**(S) CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)**

*KEY JUDGEMENTS – REVENUE AND CONTINGENT ASSETS*

The Company has made the judgement to not recognise the revenue or contingent assets relating from the sale of mining projects during the year. A judgement was made that the transactions did not meet the revenue or contingent asset recognition criteria. The salient points of these transactions are summarised below:

*Bundarra and Great Western*

The company entered into an agreement for the sale of Bundarra and Great Western Tenements to S R Mining during the year for \$8,000,000 of which \$1,300,000 has been received. The receivable of \$6,700,000 is payable in instalments over 10 years. The amount shown is derived from the net present value of \$700,000 receivable on 30 November 2012, and 10 additional payments of \$600,000 annually thereafter for 10 more years on that anniversary date, discounted at an annual rate of 6.75%.

*Dodgers Well*

The company entered a Tribute Agreement with Stewart Lindsay Williamson through which the company will receive 10% of all gold recovered with no costs to Terrain Minerals Limited.

*KEY JUDGEMENTS – CONTINGENT LIABILITIES*

The Company has made the judgement to not recognise the payable or contingent liability relating royalties payable on certain tenements. A judgment was made that these agreements did not meet the contingent liability recognition criteria.

*Bundarra*

A Royalty Agreement with Resource Capital Fund III LP which covers leases P37/7212 – P37/7216 and P37/489 for 1.5% of the gold production.

*Aztec Project*

A Royalty Agreement covering E26/97 with Kambalda Mining NL for gold produced will be paid at \$10/oz of gold for the first 10,000 ounces and thereafter \$5/oz of gold produced.

# TERRAIN MINERALS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2012

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

##### (T) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

During the current year the Group adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

##### **NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE PERIODS**

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. A discussion of those future requirements and their impact on the Group follows:

##### AASB 9 Financial Instruments

Application Date of the standard 1 January 2015

Application Date for the Group 1 July 2015

AASB 9 includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and Measurement). These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes from AASB 139 are described below.

(a) Financial assets are classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. This replaces the numerous categories of financial assets in AASB 139, each of which had its own classification criteria.

(b) AASB 9 allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income.

Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.

(c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.

##### AASB 10 Consolidated Financial Statements

Application Date of the standard 1 January 2013

Application Date for the Group 1 July 2013

AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 Consolidated and Separate Financial Statements dealing with the accounting for consolidated financial statements and Interpretation 112 Consolidation – Special Purpose Entities.

# TERRAIN MINERALS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2012

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

##### (T) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS (CONTINUED)

The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. This is likely to lead to more entities being consolidated into the group.

##### AASB 11 Joint Arrangements

Application Date of the standard 1 January 2013

Application Date for the Group 1 July 2013

AASB 11 replaces AASB 131 Interests in Joint Ventures and Interpretation 113 Jointly controlled Entities – Non monetary Contributions by Ventures. AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition AASB 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method. This may result in a change in the accounting for the joint arrangements held by the group.

##### AASB 12 Disclosure of Interests in Other Entities

Application Date of the standard 1 January 2013

Application Date for the Group 1 July 2013

AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non controlling interests.

##### AASB 13 – Fair Value Measurement

Application Date of the standard 1 January 2013

Application Date for the Group 1 July 2013

AASB 13 establishes a single source of guidance under Australian Accounting Standards for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value under Australian Accounting Standards when fair value is required or permitted by Australian Accounting Standards. Application of this definition may result in different fair values being determined for the relevant assets.

# TERRAIN MINERALS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2012

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

##### (T) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS (CONTINUED)

AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.

AASB 119 Employee Benefits  
Application Date of the standard 1 January 2013  
Application Date for the Group 1 July 2013

The main changes to accounting for defined benefit plans are:  
to eliminate the option to defer the recognition of gains and losses (the 'corridor method');  
requiring re-measurements to be presented in other comprehensive income; and  
enhancing the disclosure requirements relating to defined benefit plans for Tier 1 entities. The AASB has provided relief from certain disclosure requirements for entities that adopt Tier 2 Reduced Disclosure Requirements.

Annual Improvements 2009 2011 Cycle  
Application Date of the standard 1 January 2013  
Application Date for the Group 1 July 2013

This standard sets out amendments to International Financial Reporting Standards (IFRSs) and the related bases for conclusions and guidance made during the International Accounting Standards Board's Annual Improvements process. These amendments have not yet been adopted by the AASB.

The following items are addressed by this standard:

IFRS 1 First time Adoption of International Financial Reporting Standards

- Repeated application of IFRS 1
- Borrowing costs

IAS 1 Presentation of Financial Statements

- Clarification of the requirements for comparative information

IAS 16 Property, Plant and Equipment

- Classification of servicing equipment

IAS 32 Financial Instruments: Presentation

- Tax effect of distribution to holders of equity instruments

IAS 34 Interim Financial Reporting

- Interim financial reporting and segment information for total assets and liabilities

AASB 2011 4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements

# TERRAIN MINERALS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2012

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

##### (T) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS (CONTINUED)

Application Date of the standard 1 July 2013

Application Date for the Group 1 July 2013

This Amendment deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies.

AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income

Application Date of the standard 1 July 2012

Application Date for the Group 1 July 2012

The main change from these amendments is a requirement for entities to group items presented in other comprehensive income on the basis of whether they may be recycled to profit or loss in the future. The amendments do not address which items are presented in OCI.

The company does not anticipate early adoption of any of the above accounting standards.

**TERRAIN MINERALS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2012**

**2 PROFIT FOR THE YEAR**

	<b>2012</b>	<b>2011</b>
	\$	\$
<b>Revenue from continuing operations:</b>		
Interest income	372,330	46,654
Forfeit of deposit by purchaser of tenement	-	120,000
	<u>372,330</u>	<u>166,654</u>
<b>Other income:</b>		
Profit on sale of exploration assets	442,670	-
	<u>442,670</u>	<u>-</u>
<b>Expenses:</b>		
Minimum lease payments	(39,289)	(48,367)
Share based payments	(10,936)	(38,218)

**3 INCOME TAX EXPENSE**

**(A) THE COMPONENTS OF TAX EXPENSE COMPRISE:**

Current tax	-	-
Deferred tax	-	-
	<u>-</u>	<u>-</u>

**(B) THE PRIMA FACIE TAX ON PROFIT / (LOSS) FROM ORDINARY ACTIVITIES BEFORE INCOME TAX IS RECONCILED TO THE INCOME TAX:**

	<b>2012</b>	<b>2011</b>
	\$	\$
Prima facie tax payable on profit / (loss) from ordinary activities before income tax at 30%	40,087	(894,191)
Add /(less) tax effect of:		
- Share based payments	3,281	11,465
- Other non deductible expenses	1,055	1,015
Tax effect of timing not recognised		
- Exploration expenditure	(413,400)	(104,499)
- Sale of assets held for sale	2,400,000	-
- Other	(48,396)	(49,570)
- Deferred tax assets relating to tax losses	(1,982,626)	1,035,780
Income tax attributable to entity	<u>-</u>	<u>-</u>

**TERRAIN MINERALS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2012**

**3 INCOME TAX EXPENSE (continued)**

**(C) UNRECOGNISED DEFERRED TAX ASSETS/LIABILITIES:**

	<b>2012</b>	<b>2011</b>
	\$	\$
Unrecognised DTA		
- Tax loss	3,487,793	5,612,456
- Other	32,793	102,530
	<u>3,520,586</u>	<u>5,714,986</u>
Unrecognised DTL		
- Exploration expenditure	(1,207,362)	(2,662,301)
- Other	-	(357)
	<u>2,313,224</u>	<u>3,052,328</u>
Net DTA/DTL		

The company has tax losses of \$11,625,976 (2011: 18,234,728) that are available indefinitely for offset against future taxable profits of the company. The recoupment of available tax losses as at 30 June 2012 are contingent upon, the company deriving assessable income of a nature and of an amount sufficient to enable the benefit from the losses to be realised; the conditions for deductibility imposed by tax legislation continuing to be complied with; and there being no changes in tax legislation which would adversely affect the company from realising the benefits from the losses.

**TERRAIN MINERALS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2012**

**4 CASH AND CASH EQUIVALENTS**

	<b>2012</b>	<b>2011</b>
	\$	\$
Cash at bank	397,580	9,494
Term deposits	1,122,344	521,524
	<u>1,519,924</u>	<u>531,018</u>

The company's exposure to interest rate risk is disclosed in note 17. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents.

**5 TRADE AND OTHER RECEIVABLES**

	<b>2012</b>	<b>2011</b>
	\$	\$
<b>CURRENT</b>		
Trade receivables	700,000	23,120
Security deposits	334,000	334,000
	<u>1,034,000</u>	<u>357,120</u>
<b>NON-CURRENT</b>		
Receivable from S R Mining	4,263,283	-
	<u>4,263,283</u>	<u>-</u>

The company's exposure to interest rate risk is disclosed in note 17. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of the security deposits and receivables from S R Mining. The carrying amounts approximate the fair values.

The non-current receivable relates to consideration on the sale of Bundarra and Great Western Tenements to S R Mining. It is amount shown derived from the net present value of \$700,000 received on 30 November 2012, and 10 additional payments of \$600,000 annually thereafter for 10 more years on that anniversary date, discounted at an annual rate of 6.75%.

**TERRAIN MINERALS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2012**

**6 NON-CURRENT ASSETS HELD FOR SALE**

	<b>2012</b>	<b>2011</b>
	\$	\$
Bundarra and Great Western tenements	-	5,790,632
Coogee Gold Deposit	-	437,168
	<u>-</u>	<u>6,227,800</u>

**7 PROPERTY, PLANT AND EQUIPMENT**

	<b>2012</b>	<b>2011</b>
	\$	\$
PLANT AND EQUIPMENT		
- at cost	216,123	193,623
- accumulated depreciation	(190,625)	(180,122)
Total property, plant and equipment	<u>25,498</u>	<u>13,501</u>

**MOVEMENTS IN CARRYING AMOUNTS**

Movement in the carrying amount for each class of property, plant and equipment between the beginning and the end of the current financial year:

	<b>PLANT AND EQUIPMENT</b>	<b>TOTAL</b>
	\$	\$
<b>Balance at 30 June 2012</b>		
Balance at the beginning of the year	13,501	13,501
Additions	22,500	22,500
Depreciation expense	(10,503)	(10,503)
Carrying amount at the end of 30 June 2012	<u>25,498</u>	<u>25,498</u>
<b>Balance at 30 June 2011</b>		
Balance at the beginning of the year	35,223	35,223
Additions	1,500	1,500
Depreciation expense	(23,222)	(23,222)
Carrying amount at the end of 30 June 2011	<u>13,501</u>	<u>13,501</u>

**TERRAIN MINERALS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2012**

**8 OTHER ASSETS**

	<b>2012</b>	<b>2011</b>
	\$	\$
CURRENT		
Prepayments	37,005	42,632
	<u>37,005</u>	<u>42,632</u>

**9 EXPLORATION EXPENDITURE**

	<b>2012</b>	<b>2011</b>
	\$	\$
Balance at beginning of the year	2,646,538	8,526,008
Non-current assets classified as held for sale	-	(5,800,823)
Expenditure during the year	1,378,001	1,971,908
Amounts written off	-	(2,050,555)
	<u>4,024,539</u>	<u>2,646,538</u>

The recoverability of the carrying amount of the exploration and evaluation assets are dependent upon the successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

**10 TRADE AND OTHER PAYABLES**

	<b>2012</b>	<b>2011</b>
	\$	\$
CURRENT		
Trade payables – unsecured	39,805	9,523
Other payables – unsecured	24,371	79,113
	<u>64,176</u>	<u>88,636</u>

The company's exposure to risks arising from trade and other payables is disclosed in note 17. The carrying amounts of trade and other payables approximate the fair values.

**TERRAIN MINERALS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2012**

**11 FINANCIAL LIABILITIES**

	<b>2012</b>	<b>2011</b>
	\$	\$
CURRENT		
Convertible note	-	1,500,000
	<u>-</u>	<u>1,500,000</u>

The Company entered into a Convertible Note Deed with Zulu Capital Limited dated 20 October 2010 under which the Company was entitled to borrow \$1,500,000 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 loan was repayable within 6 months; that is by 20 April 2011, 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. The advance was fully drawn on 1 November 2010.

The note was repaid during the year through the payment of \$1,200,000 in cash and \$300,000 in issued securities.

**12 PROVISIONS**

	<b>2012</b>	<b>2011</b>
	\$	\$
Employee benefits	17,682	8,550
	<u>17,682</u>	<u>8,550</u>

**13 ISSUED CAPITAL**

	<b>2012</b>	<b>2011</b>
	\$	\$
346,532,224 (2011: 217,978,005) Ordinary shares	20,267,619	17,657,403
Share issue costs	(1,523,813)	(1,370,007)
	<u>18,743,806</u>	<u>16,287,396</u>

**TERRAIN MINERALS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2012**

**13 ISSUED CAPITAL (CONTINUED)**

**ORDINARY SHARES**

	<b>NO.</b>	<b>\$</b>
<b>As at 1 July 2010</b>	171,228,249	16,574,333
Shares issued during the year		
Shortfall placement - 17 August 2010 at \$0.038	510,626	19,570
Placement - 16 February 2011 at \$0.023	24,500,000	563,500
Placement - 11 April 2011 at \$0.023	21,739,130	500,000
<b>As at 30 June 2011</b>	217,978,005	17,657,403
Shares issued during the 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	2,310,216
<b>As at 30 June 2012</b>	<u>346,532,224</u>	<u>20,267,619</u>

**OPTIONS**

- (i) For information relating to Terrain Minerals Limited employee option plan, including details of options issued, exercised and lapsed during the financial year and the options outstanding at year-end, refer to Note 24.
- (ii) For information relating to share options issued to key management personnel during the financial year, refer to Note 19.

**Capital Risk Management**

The board controls the capital of the company in order to maintain a good debt to equity ratio, ensure the company can fund its operations and continue as a going concern.

The company's debt and capital includes ordinary shares and financial liabilities.

There are no externally imposed capital requirements.

The board effectively manages the company's capital by assessing the financial risks and adjusting its capital structure in response to changes in risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

**TERRAIN MINERALS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2012**

**14 RESERVES**

**(A) OPTION RESERVE**

	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
Opening balance	1,242,479	1,204,261
Option expenses	10,936	38,218
Closing balance	<u>1,253,415</u>	<u>1,242,479</u>

**(B) NATURE AND PURPOSE OF OTHER RESERVES**

**Share - based payments**

The share-based payments reserve is used to recognise:

- the grant date fair value of options issued to employees but not exercised
- the grant date fair value of shares issued to employees

**TERRAIN MINERALS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2012**

**15 EARNINGS PER SHARE**

	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
Earnings used to calculate basic EPS	133,622	(2,980,638)
Earnings used in calculation of dilutive EPS	133,622	(2,980,638)

Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS

	<b>2012</b>	<b>2011</b>
	<b>NO.</b>	<b>NO.</b>
Weighted average number of ordinary shares outstanding during the year - No. used in calculating basic EPS	287,417,146	185,728,782
Weighted average number of ordinary shares outstanding during the year - No. used in calculating diluted EPS	378,337,752	263,105,910

**16 CAPITAL AND LEASING COMMITMENTS**

**LEASE COMMITMENTS**

	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
Payable - lease payments:		
- not later than 12 months	100,545	98,545
- between 12 months and 5 years	104,567	98,545
	<u>205,112</u>	<u>197,090</u>

**CAPITAL EXPENDITURE COMMITMENTS**

Payable:		
- not later than 12 months	318,586	542,068
- between 12 months and 5 years	238,342	2,168,272
- greater than 5 years	12,464	2,077,498
	<u>569,392</u>	<u>4,787,838</u>

# TERRAIN MINERALS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2012

#### 17 FINANCIAL RISK MANAGEMENT

Financial instruments consist mainly of deposits with banks, accounts receivable and payable and convertible notes.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	NOTE	2012 \$	2011 \$
<b>Financial Assets</b>			
Cash and cash equivalents	4	1,519,924	531,018
Trade and other receivables - current	5	334,000	357,120
Trade and other receivables - non-current	5	4,963,283	-
<b>Total Financial Assets</b>		<b>6,817,207</b>	<b>888,138</b>
<b>Financial Liabilities</b>			
Trade and other payables	10	64,176	88,636
Financial liabilities	11	-	1,500,000
<b>Total Financial Liabilities</b>		<b>64,176</b>	<b>1,588,636</b>

The carrying amounts of these financial instruments approximate their fair values.

#### FINANCIAL RISK MANAGEMENT POLICIES

Exposure to key financial risks is managed in accordance with the Group's risk management policy with the objective to ensure that the financial risks inherent in mineral exploration activities are identified and then managed or kept as low as reasonably practicable.

The main financial risks that arise in the normal course of business are market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. Different methods are used to measure and manage these risk exposures. Liquidity risk is monitored through the ongoing review of available cash and future commitments for exploration expenditure. Exposure to liquidity risk is limited by anticipating liquidity shortages and ensures capital can be raised in advance of shortages. Interest rate risk is managed by limiting the amount interest bearing loans entered into by the company. It is the Board's policy that no speculative trading in financial instruments be undertaken so as to limit exposure to price risk.

Primary responsibility for identification and control of financial risks rests with the Company Secretary, under the authority of the Board. The Board is apprised of these risks from time to time and agrees any policies that may be undertaken to manage any of the risks identified.

Details of the significant accounting policies and methods adopted, including criteria for recognition,

# TERRAIN MINERALS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2012

#### 17 FINANCIAL RISK MANAGEMENT (CONTINUED)

the basis of measurement and the basis on which income and expenses are recognised, in respect of each financial instrument are disclosed in Note 1 to the financial statements. The carrying values less the impairment allowance for receivables and payables are assumed to approximate fair values due to their short term nature. Cash and cash equivalents are subject to variable interest rates.

#### SPECIFIC FINANCIAL RISK EXPOSURES AND MANAGEMENT

##### (A) CREDIT RISK

Exposure to credit risk relating to financial assets arises from the potential non-performance by counter parties of contract obligations that could lead to a financial loss to the company.

The company has no customers and consequently no significant exposure to bad debts or other credit risks.

With respect to credit risk arising from financial assets, which comprise cash and cash equivalents and receivables, the exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. At reporting date cash and deposits were held with National Australia Bank, which has a AAA credit rating. The fair value of receivables use inputs that, if not based on observable market data, is included in level 3. This is the case for the receivable from SR Mining Pty Ltd.

##### (B) LIQUIDITY RISK

Liquidity risk arises from the possibility that the company might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities.

Prudent liquidity risk management implies maintaining sufficient cash reserves to meet the ongoing operational requirements of the business. It is the company's policy to maintain sufficient funds in cash and cash equivalents. Furthermore, the company monitors its ongoing research and development cash requirements and raises equity funding as and when appropriate to meet such planned requirements. The company has no undrawn financing facilities. Trade and other payables, the only financial liability of the company, are due within 3 months.

The tables below reflect an undiscounted contractual maturity analysis for financial liabilities.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

**TERRAIN MINERALS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2012**

**17 FINANCIAL RISK MANAGEMENT (CONTINUED)**

*Financial liability and financial asset maturity analysis*

	WITHIN 1 YEAR		1 TO 5 YEARS		TOTAL CONTRACTUAL CASH FLOW	
	2012	2011	2012	2011	2012	2011
	\$	\$	\$	\$	\$	\$
<b>Financial liabilities due for payment</b>						
Financial liabilities	-	1,500,000	-	-	-	1,500,000
Trade and other payables	64,176	88,636	-	-	64,176	88,636
Total contractual outflows	64,176	1,588,636	-	-	64,176	1,588,636
Total expected outflows	64,176	1,588,636	-	-	64,176	1,588,636
<b>Financial assets - cash flows realisable</b>						
Trade and other receivables	334,000	357,120	4,963,283	-	6,700,000	357,120
Total anticipated inflows	334,000	357,120	4,963,283	-	6,700,000	357,120
Net (outflow)/inflow on financial instruments	269,824	(1,231,516)	4,963,283	-	6,700,000	(1,231,516)

**(C) MARKET RISK**

*i. Interest rate risk*

The company's cash-flow interest rate risk primarily arises from cash at bank and deposits subject to market bank rates. At reporting date, the company does not have any borrowings. Interest on the convertible note is fixed. The company does not enter into hedges. An increase/ (decrease) in interest rates by 1% during the whole of the respective periods would have led to an increase/ (decrease) in both equity and losses of less than \$10,000. 1% was thought to be appropriate because it represents four 0.25 basis point rate rises/falls, which is appropriate in the recent economic climate.

The trade and other receivable relates to consideration on the sale of Bundarra and Great Western Tenements to S R Mining. The receivable amount of \$6,700,000 has been discounted at an annual rate of 6.75% (see note 5). An increase/ (decrease) in the discount rate by 1% during the whole of the respective periods would have led to an increase/ (decrease) in both equity and losses of \$205,549 and (\$191,437).

*ii. Price risk*

Price risk relates to the risk that the commodity price of the underlying resource being targeted by the company's exploration activities should fluctuate. Management does not currently hedge nor participate in diversification of the type of minerals explored for in an attempt to mitigate the price risk.

**TERRAIN MINERALS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2012**

**18 OPERATING SEGMENTS**

**IDENTIFICATION OF REPORTABLE SEGMENTS**

Terrain Minerals Limited has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The board has determined that the company has one reportable segment, being mineral exploration in Western Australia.

	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
Revenue from external sources	442,670	120,000
Reportable segment profit / (loss)	442,670	(1,934,034)
Reportable segment assets	10,904,249	9,818,609
Reportable segment liabilities	81,858	1,597,186
<b>Reconciliation of reportable segment profit or loss</b>		
Reportable segment profit / (loss)	442,670	(1,934,034)
Other profit / (loss)	372,330	46,654
Unallocated:		
- Corporate expenses	(681,378)	(1,093,258)
Profit / (loss) before tax	133,622	(2,980,638)

**19 INTERESTS OF KEY MANAGEMENT PERSONNEL**

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of Terrain Minerals Limited's key management personnel for the year ended 30 June 2012.

The totals of remuneration paid to key management personnel of the company during the year are as follows:

	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
Short-term employee benefits	339,216	395,245
Post-employment benefits	22,330	24,547
Share-based payments	10,936	38,217
	372,482	458,009

# TERRAIN MINERALS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2012

#### 19 INTERESTS OF KEY MANAGEMENT PERSONNEL (CONTINUED)

##### KEY MANAGEMENT PERSONNEL OPTIONS AND RIGHTS HOLDINGS

The number of options over ordinary shares held by each key management person of Terrain Minerals Limited during the financial year is as follows:

	BALANCE AT BEGINNING OF YEAR	GRANTED AS REMUN- ERATION DURING THE YEAR	EXERCISED DURING THE YEAR	OTHER CHANGES DURING THE YEAR	BALANCE AT END OF YEAR	VESTED DURING THE YEAR	VESTED AND EXERCISABLE
<b>30 JUNE 2012</b>							
Mr Richard Sandner	1,900,001	-	-	-	1,900,001	-	1,900,001
Mr Jonathan Lim	1,500,000	-	-	-	1,500,000	-	1,500,000
Mr Alan Coles	-	1,000,000	-	-	1,000,000	1,000,000	1,000,000
Mr Paul Dickson	1,736,445	-	-	-	1,736,445	-	1,736,445
Mr Ian Hobson	400,000	-	-	-	400,000	-	400,000
	5,536,446	1,000,000	-	-	6,536,446	1,000,000	6,536,446

	BALANCE AT BEGINNING OF YEAR	GRANTED AS REMUN- ERATION DURING THE YEAR	EXERCISED DURING THE YEAR	OTHER CHANGES DURING THE YEAR	BALANCE AT END OF YEAR	VESTED DURING THE YEAR	VESTED AND UNEXERCIS- ABLE
<b>30 JUNE 2011</b>							
Mr Richard Sandner	1,400,000	500,000	-	-	1,900,000	500,000	1,900,000
Mr Jonathan Lim	1,000,000	500,000	-	-	1,500,000	500,000	1,500,000
Mr Chris Tomich <sup>1</sup>	10,000	1,000,000	-	-	1,010,000	1,000,000	1,010,000
Mr Alan Coles <sup>3</sup>	-	-	-	-	-	-	-
Mr Paul Dickson	1,236,445	500,000	-	-	1,736,445	500,000	1,736,445
Mr Keith Wells <sup>2</sup>	4,730,000	500,000	-	-	5,230,000	500,000	5,230,000
Mr Ian Hobson	400,000	-	-	-	400,000	-	400,000
	8,776,445	3,000,000	-	-	11,776,445	3,000,000	11,776,445

<sup>1</sup> – Resigned 1 June 2011

<sup>2</sup> – Resigned 29 November 2010

<sup>3</sup> – Appointed 1 June 2011

##### KEY MANAGEMENT PERSONNEL SHAREHOLDINGS

The number of ordinary shares in Terrain Minerals Limited held by each key management person of Terrain Minerals Limited during the financial year is as follows:

# TERRAIN MINERALS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2012

#### 19 INTERESTS OF KEY MANAGEMENT PERSONNEL (CONTINUED)

	BALANCE AT BEGINNING OF YEAR	GRANTED AS REMUNERATION DURING THE YEAR	ISSUED ON EXERCISE OF OPTIONS DURING THE YEAR	OTHER CHANGES DURING THE YEAR*	BALANCE AT END OF YEAR
<b>30 June 2012</b>					
Mr Richard Sandner	2,000,001	-	-	1,000,001	3,000,002
Mr Jonathan Lim	34,150,202	-	-	38,985,217	73,135,419
Mr Alan Coles	-	-	-	-	-
Mr Paul Dickson	1,208,558	-	-	604,279	1,812,837
Mr Ian Hobson	-	-	-	-	-
	<u>37,358,761</u>	<u>-</u>	<u>-</u>	<u>40,589,497</u>	<u>77,948,258</u>

\*Part of rights issue entitlement taken up

	BALANCE AT BEGINNING OF YEAR	GRANTED AS REMUNERATION DURING THE YEAR	ISSUED ON EXERCISE OF OPTIONS DURING THE YEAR	OTHER CHANGES DURING THE YEAR	BALANCE AT END OF YEAR
<b>30 June 2011</b>					
Mr Richard Sandner	2,000,001	-	-	-	2,000,001
Mr Jonathan Lim	34,150,202	-	-	-	34,150,202
Mr Chris Tomich	45,000	-	-	-	45,000
Mr Alan Coles	-	-	-	-	-
Mr Paul Dickson	1,208,558	-	-	-	1,208,558
Mr Keith Wells	4,471,535	-	-	-	4,471,535
	<u>41,875,296</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,875,296</u>

#### OTHER KEY MANAGEMENT PERSONNEL TRANSACTIONS

There have been no other transactions involving equity instruments other than those described in the tables above. For details of other transactions with key management personnel, refer to Note 22: Related Party Transactions.

#### 20 AUDITORS' REMUNERATION

	2012 \$	2011 \$
Remuneration of the auditor of the company for:		
BDO Audit (WA) Pty Ltd - auditing or reviewing the financial report	37,891	45,705
BDO Corporate Tax (WA) Pty Ltd - taxation services	8,670	10,051
	<u>46,561</u>	<u>55,756</u>

**TERRAIN MINERALS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2012**

**21 CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

There has been no change in contingent liabilities since the last annual reporting date.

**22 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.

Other than those transactions with key management personnel disclosed at note 19, there were no related party transactions during the year.

**23 CASH FLOW INFORMATION**

**(A) RECONCILIATION OF CASH FLOW FROM OPERATIONS WITH PROFIT /(LOSS) AFTER INCOME TAX**

	<b>2012</b>	<b>2011</b>
	\$	\$
Net income/(loss) for the period	133,622	(2,980,638)
Cash received on sale of exploration assets	(442,670)	-
Other income	(80,774)	-
Non-cash flows in profit		
Depreciation	10,503	23,222
Share based payments	10,936	38,218
Exploration written off	-	2,050,555
Deposits received on sale of tenements	-	(120,000)
Changes in assets and liabilities		
(Increase)/decrease in trade and term receivables	(469,584)	(23,120)
(Increase)/decrease in prepayments	5,627	6,039
Increase/(decrease) in trade payables and accruals	-	(49,561)
Increase/(decrease) in provisions	9,132	-
	<u>(823,206)</u>	<u>(1,055,285)</u>

**(B) NON-CASH INVESTING ACTIVITIES**

At 30 June 2011 the company had a convertible note deed with Zulu Capital Limited carried at \$1,500,000. The note was repaid during the year through the payment of \$1,200,000 in cash and \$300,000 in issued securities.

# TERRAIN MINERALS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2012

#### 24 SHARE-BASED PAYMENTS

The Group made one share based payment comprising options issued during the year.

The tranche was granted to Mr Alan Coles the Managing Director of the company on 13 December 2011. The options were valued under the Black Scholes option valuation model using the following inputs.

Number of options:	1,000,000	Risk free interest rate:	4.25%
Exercise price:	\$0.05	Share price at date of issue:	\$0.027
Expected exercise price:	30 November 2013	Expected volatility	100%
Each option was valued at	\$0.01		

A summary of the movements of all company options issued is as follows:

	NUMBER	WEIGHTED AVERAGE EXERCISED PRICE \$
<b>Options outstanding as at 30 June 2010</b>	10,570,000	0.17
Granted	2,500,000	0.05
<b>Granted</b>	500,000	0.08
<b>Expired</b>	(600,000)	0.20
<b>Expired</b>	(70,000)	0.10
<b>Options outstanding as at 30 June 2011</b>	12,900,000	0.15
Granted	1,000,000	0.05
<b>Expired</b>	(500,000)	0.20
<b>Options outstanding (vested and exercisable) as at 30 June 2012</b>	13,400,000	0.14

The weighted average remaining contractual life of options outstanding at year end was 1.7 years.

Date	Details	Number of Options
1 July 2010	Opening balance	79,082,754
31 July 2010	Options expired	(51,624,132)
17 August 2010	Issue of quoted options	1,349,376
22 December 2010	Directors' incentives	2,500,000
22 December 2010	Directors' incentives	500,000
23 March 2011	Options expired	(670,000)
6 April 2011	Placement options	46,239,130
<b>Balance at 30 June 2011</b>		<b>77,377,128</b>
17 October 2011	Rights Issue	13,043,478
13 December 2011	Directors' incentives	1,000,000
22 March 2012	Options Expired	(500,000)
<b>Balance at 30 June 2012</b>		<b>90,920,606</b>

Details of expenses arising from share based payments are detailed in note 2.

**TERRAIN MINERALS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2012**

**25 EVENTS AFTER THE END OF THE REPORTING PERIOD**

The financial report was authorised for issue on 30 September 2012 by the board of directors.

Aside from the above, there has been no significant events occurring after reporting date which has significantly affected or may significantly the company's operations or results of those operations or the company's state of affairs in future years.

**26 COMPANY DETAILS**

The registered office and principal place of business of the company is:

Terrain Minerals Limited  
Level 1, 230 Rokeby Road  
Subiaco WA 6008

# Terrain Minerals Limited

## Directors' Declaration

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 16 to 53, are in accordance with the *Corporations Act 2001* and:
  - (a) comply with Accounting Standards and the Corporations Regulation 2001 and other mandatory professional reporting requirements; and
  - (b) give a true and fair view of the financial position as at 30 June 2012 and of the performance for the year ended on that date of the company;
  
2. The Chief Executive Officer and Chief Financial Officer have each declared that:
  - (a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
  - (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
  - (c) the financial statements and notes for the financial year give a true and fair view.
  
3. 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.
  
4. Note 1 confirms that the financial statements also comply with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

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



Alan Coles

Managing Director

Dated: 26 September 2012

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

### Report on the Financial Report

We have audited the accompanying financial report of Terrain Minerals Limited, which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

### Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

### Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Independence

In conducting our audit, 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.



## Opinion

In our opinion:

- (a) the financial report of Terrain Minerals Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the company's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

## Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

## Opinion

In our opinion, the Remuneration Report of Terrain Minerals Limited for the year ended 30 June 2012 complies with section 300A of the *Corporations Act 2001*.

**BDO Audit (WA) Pty Ltd**

BDO  


**Chris Burton**  
Director

Perth, Western Australia  
Dated this 26<sup>th</sup> day of September 2012