INTERIM FINANCIAL REPORT

A.B.N. 45 116 153 514

FOR THE HALF YEAR ENDED 31 DECEMBER 2013

TERRAIN MINERALS LIMITED

FOR THE HALF YEAR ENDED 31 DECEMBER 2013

CONTENTS

TERRAIN MINERALS LIMITED

DIRECTORS' REPORT

FOR THE HALF YEAR ENDED 31 DECEMBER 2013

Your directors present their report, together with the financial statements of company for the half year ended 31 December 2013.

DIRECTORS

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

NAMES	**POSITION**
Mr Paul Dickson	Non-Executive Vice Chairman
Mr Jonathan Lim	Non-Executive Director
Mr Justin Virgin	Executive Director
Mr David Porter	Non-Executive Chairman (appointed on 11 October 2013)

OPERATING RESULTS AND REVIEW OF OPERATIONS FOR THE HALF YEAR

The loss from ordinary activities after providing for income tax for the half year amounted to $326,567 (2012: loss of $187,601).

The company has continued to explore for nickel at the Aztec project in East Kambalda and perform work at the Black Cat JV and Dodgers Well to increase the value of the asset. The company continued to assess new project opportunities.

On 16 July 2013, the Company has appointed Mr Jay Stephenson as Company secretary following the resignation of Ian Hobson.

On 24 July 2013, the Company announced that it had entered into a farm in with Ashburton Minerals as a partner for the Mt Andrew Project in the Fraser Range Western Australia.

On 25 July 2013, the Company participated in a share placement with ASX listed company, Ashburton Minerals for $120,000 at $0.002 for 60,000,000 ordinary shares. These funds will be applied to the Mt Andrew work program, to corporate costs and to general working capital. . However, on 19 December 2013, the Company has withdrawn from the Mt Andrew Farm in with Platypus Minerals. As such, the fund that was invested in the project is now investing in shares of Ashburton Minerals and has classified as financial asset available for sale.

During the half year, the Company had issued a total of 16,500,000 options to Mr Paul Dickson, David Porter, Justin Virgin and Jay Stephenson.

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

EVENTS AFTER THE END OF THE REPORTING PERIOD

No matters or circumstances have arisen since the end of the half year which significantly affected or could significantly affect the operations of the company, the results of those operations or the state of affairs of the company in future financial years.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the half year ended 31 December 2013 has been received and can be found on page 3 of the interim financial report.

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

Mr Justin Virgin

Executive Director

Dated: 14 March 2014

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DECLARATION OF INDEPENDENCE BY PETER TOLL TO THE DIRECTORS OF TERRAIN MINERALS LIMITED

As lead auditor for the review of Terrain Minerals Limited for the half-year ended 31 December 2013, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

2. No contraventions of any applicable code of professional conduct in relation to the review.

Peter Toll

Director

BDO Audit (WA) Pty Ltd

Perth, 14 March 2014

TERRAIN MINERALS LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 31 DECEMBER 2013

		HALF YEAR	
		31 DECEMBER 2013	**31 DECEMBER 2012**
	NOTE	**$**	**$**
Revenue from Continuing Operations		-	-
Other income	2	32,543	358,076
Depreciation expense		(4,001)	-
Employee benefits expense		(173,954)	(174,836)
Occupancy expenses		(29,460)	(29,688)
Impairment of exploration		(63,883)	(193,626)
Administrative expenses		(87,812)	(147,527)
Loss before income tax		(326,567)	(187,601)
Income tax expense		-	-
Loss for the half year after tax		(326,567)	(187,601)
Other comprehensive income		-	-
Total comprehensive loss for the half year		(326,567)	(187,601)
Total comprehensive loss for the half year attributable to members of Terrain Minerals Ltd:		(326,567)	(187,601)
Earnings per share attributable to owners of TMX			
Basic loss per share (cents)		(0.09)	(0.05)

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

TERRAIN MINERALS LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2013

	NOTE	31 DECEMBER 2013 $	30 JUNE 2013 $
CURRENT ASSETS			
Cash and cash equivalents		1,211,027	1,823,034
Trade and other receivables	3	610,660	6,353
Other assets		18,606	33,085
TOTAL CURRENT ASSETS		1,840,293	1,862,472
NON-CURRENT ASSETS			
Trade and other receivables	3	3,663,283	4,263,283
Plant and equipment		12,342	16,343
Available for sale financial asset		120,000	-
Exploration expenditure	4	1,727,821	1,664,324
TOTAL NON-CURRENT ASSETS		5,523,446	5,943,950
TOTAL ASSETS		7,363,739	7,806,422
CURRENT LIABILITIES			
Trade and other payables		37,138	183,644
Provisions		9,775	21,662
TOTAL CURRENT LIABILITIES		46,913	205,306
TOTAL LIABILITIES		46,913	205,306
NET ASSETS		7,316,826	7,601,116
EQUITY			
Issued capital	5(a)	18,773,806	18,773,806
Reserves		1,295,692	1,253,415
Accumulated losses		(12,752,672)	(12,426,105)
TOTAL EQUITY		7,316,826	7,601,116

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

TERRAIN MINERALS LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 31 DECEMBER 2013

31 DECEMBER 2013

	ORDINARY SHARES $	ACCUMULATED LOSSES $	SHARE BASED PAYMENT RESERVE $	TOTAL $
Balance at 1 July 2013	18,773,806	(12,426,105)	1,253,415	7,601,116
loss attributable to members of the company	-	(326,567)	-	(326,567)
Other comprehensive loss for the half year	-	-	-	-
Total comprehensive loss for the half year	-	(326,567)	-	(326,567)
Transactions with owners, in their capacity as owners, and other transfer				
Options issued to directors	-	-	42,277	42,277
Balance at 31 December 2013	18,773,806	(12,752,672)	1,295,692	7,316,826

31 DECEMBER 2012

	ORDINARY SHARES $	ACCUMULATED LOSSES $	SHARE BASED PAYMENT RESERVE $	TOTAL $
Balance at 1 July 2012	18,743,806	(9,174,830)	1,253,415	10,822,391
Loss attributable to members of the company	-	(187,601)	-	(187,601)
Other comprehensive loss for the period	-	-	-	-
Total comprehensive loss for the half year	-	(187,601)	-	(187,601)
Transactions with owners, in their capacity as owners, and other transfer				
Shares issued during the half year	30,000	-	-	30,000
Sub-total	30,000	(187,601)	-	(151,601)
Balance at 31 December 2012	18,773,806	(9,362,431)	1,253,415	10,664,790

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

TERRAIN MINERALS LIMITED

STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 31 DECEMBER 2013

	31 DECEMBER 2013 $	31 DECEMBER 2012 $
CASH FROM OPERATING ACTIVITIES:		
Payments to suppliers and employees	(397,169)	(299,574)
Receipt from customers	7,849	
Interest received	24,694	52,060
Net cash used in operating activities	(364,626)	(247,514)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from disposal of non-current asset	-	700,000
Purchase of available for sale financial asset	(120,000)	-
Payment for exploration expenditure	(127,381)	(226,289)
Net cash provided by (used in) investing activities	(247,381)	473,711
Net cash increase (decreases) in cash and cash equivalents	(612,007)	226,197
Cash and cash equivalents at beginning of the half year	1,823,034	1,519,924
Cash and cash equivalents at end of the half year	1,211,027	1,746,121

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) BASIS OF PREPARATION

This interim financial report for the half year ending 31 December 2013 has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: Interim Financial Reporting.

The interim financial report is intended to provide users with an update on the latest annual financial report of Terrain Minerals Limited. As such it does not contain information that represents relatively insignificant changes occurring during the half year within Terrain Minerals Limited. This interim financial report does not include all the notes normally included in an annual financial report. It is therefore recommended that this interim financial report be read in conjunction with the annual financial report of Terrain Minerals Limited for the year ended 30 June 2013, together with any public announcements made during the half year.

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

(B) NEW AND REVISED ACCOUNTING REQUIREMENTS APPLICABLE TO THE CURRENT HALF YEAR REPORTING PERIOD

(i) *Consolidated financial statements, joint arrangements and disclosure of interests in other entities*

The Group has adopted the following new and revised Australian Accounting Standards from 1 July 2013 together with consequential amendments to other Standards:

- AASB 10: *Consolidated Financial Statements;*
- AASB 127: *Separate Financial Statements* (August 2011);
- AASB 11: *Joint Arrangements;*
- AASB 128: *Investments in Associates and Joint Ventures* (August 2011);
- AASB 12: *Disclosure of Interests in Other Entities;*
- AASB 2011–7*: Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards*; and
- AASB 2012–10: *Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments.*

These Standards became mandatorily applicable from 1 January 2013 and became applicable to the Group for the first time in the current half-year reporting period 1 July 2013 to 31 December 2013. The Group has applied these Accounting Standards retrospectively in accordance with AASB 108: *Accounting Policies, Changes in Accounting Estimates and Errors* and the specific transition requirements in AASB 10 and AASB 11. The effects of initial application of these Standards in the current half-year reporting period are as follows:

AASB 9 Financial Instruments

Addresses the classification, measurement and de-recognition of financial assets and financial liabilities. The standard is not applicable until 1 January 201S but is available for early adoption. When adopted, the standard will have no effect as the group does not hold any financial instruments.

There will be no impact on the Group's accounting for financial liabilities, as the group does not hold any financial liabilities. The Group has not yet decided when to adopt AASB 9.

– *Consolidated financial statements:*

AASB 10 provides a revised definition of control and additional application guidance so that a single control model will apply to all investees. Revised AASB 127 facilitates the application of AASB 10 and prescribes requirements for separate financial statements of the parent entity. On adoption of AASB 10, the assets, liabilities and non-controlling interests related to investments in businesses that are now assessed as being controlled by the Group, and were therefore not previously consolidated, are measured as if the investee had been consolidated (and therefore applied acquisition accounting in accordance with AASB 3: *Business Combinations*) from the date when the Group obtained control of that investee on the basis of the requirements in AASB 10.

Upon the initial application of AASB 10, retrospective restatement of financial statement amounts of the year that immediately precedes the date of initial application (i.e. 2012–2013) is necessary. When control is considered to have been obtained earlier than the beginning of the immediately preceding year (ie pre-1 July 2012), any difference between the amount of assets, liabilities and non-controlling interests recognised and the previous carrying amount of the investment in that investee is recognised as an adjustment to equity as at 1 July 2012.

Although the first-time application of AASB 10 (together with the associated Standards) caused certain changes to the Group's accounting policy for consolidation and determining control, it did not result in any changes to the amounts reported in the Group's financial statements as the "controlled" status of the existing subsidiaries did not change, nor did it result in any new subsidiaries being included in the Group as a consequence of the revised definition.

(ii) *Fair value measurements and disclosures*

The Group has adopted AASB 13: *Fair Value Measurement* and AASB 2011–8: *Amendments to Australian Accounting Standards arising from AASB 13* from 1 July 2013 together with consequential amendments to other Standards. These Standards became mandatorily applicable from 1 January 2013 and became applicable to the Group for the first time in the current half-year reporting period 1 July 2013 to 31 December 2013. AASB 13 sets out a comprehensive framework for measuring the fair value of assets and liabilities and prescribes enhanced disclosures regarding all assets and liabilities measured at fair value. New disclosures prescribed by AASB 13 are not expected to significantly impact the Group's financial statements.

(iii) *Other*

Other new and amending Standards that became applicable to the Group for the first time during this half-year reporting period are as follows:

AASB 2012–2: *Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities* and AASB 2012–5: *Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle.*

These Standards make changes to presentation and disclosure requirements, but did not affect the Group's accounting policies or the amounts reported in the financial statements.

AASB 119: *Employee Benefits* (September 2011) and AASB 2011–10*: Amendments to Australian Accounting Standards arising from AASB 119 (September 2011).*

These Standards did not affect the Group's accounting policies or the amounts reported in the financial statements, mainly because the Group does not have defined benefit plan assets or obligations.

(c) FAIR VALUE OF ASSETS AND LIABILITIES

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share- based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

Valuation techniques

In the absence of an active market for an identical asset or liability, the Group selects and uses one or more valuation techniques to measure the fair value of the asset or liability. The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:

– *Market approach*: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
– *Income approach*: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.
– *Cost approach*: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

Fair value hierarchy

AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1	Level 2	Level 3
Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.	Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.	Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

The Group would change the categorisation within the fair value hierarchy only in the following circumstances:

(i) if a market that was previously considered active (Level 1) became inactive (Level 2 or Level 3) or vice versa; or

(ii) if significant inputs that were previously unobservable (Level 3) became observable (Level 2) or vice versa.

When a change in the categorisation occurs, the Group recognises transfers between levels of the fair value hierarchy (ie transfers into and out of each level of the fair value hierarchy) on the date the event or change in circumstances occurred.

(D) CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The critical estimates and judgments are consistent with those applied and disclosed in the June 2013 annual report, except the following.

KEY JUDGEMENTS - SHARE BASED PAYMENTS

The company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the Black-Scholes method. The related assumptions are detailed in note 9. 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 – FAIR VALUE OF AVAILABLE FOR SALE FINANCIAL ASSETS

The fair value of financial instruments that are not traded in active market is determining using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. For details of key assumptions used and the impact of changes to these assumptions see Note 10.

2 OTHER INCOME

	31 DECEMBER 2013 $	31 DECEMBER 2012 $
Interest income	24,694	354,076
Sundry income	7,849	4,000
	32,543	358,076

3 TRADE AND OTHER RECEIVABLES

	31 DECEMBER 2013 $	30 JUNE 2013 $
CURRENT		
Interest receivable	-	6,353
Receivable from SR Mining Pty Ltd	600,000	-
GST receivable	10,660	-
	610,660	6,353
NON-CURRENT		
Receivable from SR Mining Pty Ltd	3,663,283	4,263,283
	3,663,283	4,263,283

The current receivable relates to the next instalment which is due on 30 November 2014. 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 9 additional payments of $600,000 annually thereafter for 9 more years on that anniversary date i.e. 30th November of each year, discounted at an annual rate of 6.75%.

The trade and other receivables balance do not contain impaired assets and are not past due. It is expected that these amounts will be received when due.

4 DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

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

	31 DECEMBER 2013 $	30 JUNE 2013 $
Carrying amount at beginning of period	1,664,324	4,024,539
Expenditure	127,380	381,928
Impairments	(63,883)	(2,742,143)
	1,727,821	1,664,324

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

On 19 December 2013, the Company has withdrawn from the Mt Andrew Farm in with Platypus Minerals and there are tenements where no exploration program can be justified at this time therefore capitalised expenditure allocated to these tenements was written off in accordance with AASB 6 ‘Exploration for and Evaluation of Mineral Resources’. The Board has reviewed the contemplated write down of $63,883 (30 June 2013: $2,742,143) in the Statement of Profit or Loss and Other Comprehensive Income and approved it.

5 ISSUED CAPITAL

	31 DECEMBER 2013 $	30 JUNE 2013 $
349,032,224 (30 June 2013: 349,032,224) Ordinary shares	20,297,619	20,297,619
Costs of raising capital	(1,523,813)	(1,523,813)
Total	18,773,806	18,773,806

(A) ORDINARY SHARES

	31 DECEMBER 2013 NO.	31 DECEMBER 2013 $	30 JUNE 2013 NO.	30 JUNE 2013 $
At the beginning of the period	349,032,224	18,773,806	346,532,224	18,743,806
Share-based payments to KMP	-	-	2,500,000	30,000
At reporting date	349,032,224	18,773,806	349,032,224	18,773,806

(B) OPTIONS

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

6 OPERATING SEGMENTS

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

7 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

In the opinion of the Directors, the company did not have any contingencies at 31 December 2013 (30 June 2013: Nil).

8 RELATED PARTY TRANSACTIONS

Mr David Porter was appointed a non-executive chairman on 11 October 2013. Mr David Porter directors' fees for the forthcoming financial year have been set at $40,000 plus statutory superannuation of $3,700 per annum. Mr Davis Porter is not entitled to any termination benefit.

On approval at the Annual General Meeting held on the 26th November 2013, Mr David Porter was issued 4,000,000 unlisted options. The options were fully vested at grant date. The fair value of these options was $10,249.

Mr Justin Virgin was issued 4,000,000 unlisted options. The options were fully vested at grant date. The fair value of these options was $10,249.

Mr Paul Dickson was issued 4,000,000 unlisted options. The options were fully vested at grant date. The fair value of these options was $10,249.

Mr Jonathan Lim was issued 4,000,000 unlisted options. The options were fully vested at grant date. The fair value of these options was $10,249.

Mr Jay Stephenson was issued 500,000 unlisted options. The options were fully vested at grant date. The fair value of these options was $1,281

The assumptions used for the options valuation are as follows:

Exercise Price	$0.0091
Expected Life	3 years
Share Price at Time of Issue	$0.006
Expected Volatility	79.3%
Dividend Yield	0%
Risk Free Interest Rate	2.95%
Option Value	$0.0026

9 SHARE-BASED PAYMENTS

At 31 December 2013 Terrain Minerals Limited has the following options on issue:

GRANT DATE	EXPIRY DATE	EXERCISE PRICE (CENTS)	START OF THE HALF YEAR	GRANTED DURING THE HALF YEAR	EXERCISED DURING THE HALF YEAR	FORFEITED DURING THE HALF YEAR	BALANCE AT THE END OF THE HALF YEAR	VESTED AND EXERCISABLE AT THE END OF THE HALF YEAR
2 July 2008	10 September 2013	20.00	500,000	-	-	500,000	-	-
1 December 2008	30 November 2013	20.00	1,500,000	-	-	1,500,000	-	-
15 December 2009	8 October 2014	11.00	1,900,000	-	-	-	1,900,000	1,900,000
21 December 2009	30 November 2014	18.00	5,500,000	-	-	-	5,500,000	5,500,000
11 April 2011	5 April 2014	5.00	46,239,130	-	-	-	46,239,130	46,239,130
13 December 2011	30 November 2013	5.00	1,000,000	-	-	1,000,000	-	-
26 November 2013	26 November 2016	0.91	-	16,500,000	-	-	16,500,000	16,500,000
	26 December 1988	140.60	56,639,130	16,500,000	-	3,000,000	70,139,130	70,139,130

The options to the directors were valued at $42,277 following shareholder approver at the annual general meeting held on 26 November 2013.

The weighted average fair value of those equity instruments, determined by reference to market price, was $0.68 (2012: $0.07)

These options were issued as compensation to key management personnel and company secretary of the Company.

Included under employee benefits expense in the statement of profit or loss and other rcomprehensive income is $42,277, which relates to equity-settled share-based payment transactions (2012: nil).

9 SHARE-BASED PAYMENTS (CONTINUED)

At 31 December 2012 Terrain Minerals Limited has the following options on issue:

GRANT DATE	EXPIRY DATE	EXERCISE PRICE (CENTS)	START OF THE HALF YEAR	GRANTED DURING THE HALF YEAR	EXERCISED DURING THE HALF YEAR	FORFEITED DURING THE HALF YEAR	BALANCE AT THE END OF THE HALF YEAR	VESTED AND EXERCISABLE AT THE END OF THE HALF YEAR
2 July 2008	10 September 2013	20.00	500,000	-	-	-	500,000	500,000
1 December 2008	30 November 2013	20.00	1,500,000	-	-	-	1,500,000	1,500,000
15 December 2009	8 October 2014	11.00	1,900,000	-	-	-	1,900,000	1,900,000
21 December 2009	30 November 2014	18.00	5,500,000	-	-	-	5,500,000	5,500,000
11 April 2011	5 April 2014	5.00	46,239,130	-	-	-	46,239,130	46,239,130
13 December 2011	30 November 2013	5.00	1,000,000	-	-	-	1,000,000	1,000,000
	26 December 1988	140.60	56,639,130	-	-	-	56,639,130	56,639,130

Alan Coles was issued 2,500,000 shares valued at $30,000 following shareholder approval at the annual general meeting held on 22 November 2012.

10 FAIR VALUE MEASUREMENT

Recurring and Non-recurring Fair Value Measurement Amounts and the Level of the Fair Value Hierarchy within which the Fair Value Measurements Are Categorised

		Fair Value Measurements at 31 December 2013 Using:		
		Quoted Prices in Active Markets for Identical Assets $	Significant Observable Inputs Other than Level 1 Inputs $	Significant Unobservable Inputs $
Description	**Note**	**(Level 1)**	**(Level 2)**	**(Level 3)**
Recurring fair value measurements				
Investments in shares of listed corporations		120,000	-	-

Due to their short term nature, the carrying amounts of the current receivables and current payables are assumed to be approximately their fair values.

11 EVENTS AFTER THE END OF THE REPORTING PERIOD

No matters or circumstances have arisen since the end of the half year which significantly affected or could significantly affect the operations of the company, the results of those operations or the state of affairs of the company in future financial years.

TERRAIN MINERALS LIMITED

DIRECTORS' REPORT

FOR THE HALF YEAR ENDED 31 DECEMBER 2013

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 4 to 18, are in accordance with the *Corporations Act 2001* and:

    (a) comply with Australian Accounting Standard 134, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

    (b) give a true and fair view of the financial position as at 31 December 2013 and of the performance for the half year ended on that date of the company;

2. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Mr Justin Virgin

Executive Director
Dated: 14 March 2014

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Terrain Minerals Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Terrain Minerals Limited, which comprises the statement of financial position as at 31 December 2013, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Terrain Minerals Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

(a) giving a true and fair view of the company's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

BDO Audit (WA) Pty Ltd

BDO

Peter Toll
Director

Perth, 14 March 2014