Terrain Minerals Ltd

ABN: 45 116 153 514

Annual Report 2008

Managing Director's Letter

Dear Fellow Shareholder,

As you would be aware 2007-08 has been a difficult year for all listed companies due to the major deterioration in stock markets world wide. Nearly all junior gold and base metal explorers listed on the ASX have experienced severe declines in their share prices and Terrain has been no exception. Much of the decline has been characterised by panic selling and Terrain's current share price does not reflect the real value in the Company's asset portfolio.

In spite of the share market difficulties your Company has continued to undertake high quality exploration work and has met all the commitments made during the placement undertaken in June 2007 and the rights issue, in the form of options, undertaken in September 2007. Sixteen thousand metres of RC and Diamond Drilling were completed at the Bundarra project between September 2007 to May 2008 and in August 2008 the Board announced a 60% increase in resources. The new JORC compliant resource estimate is regarded as a significant step towards the first target of 400,000 – 600,000 oz **(#)** of gold. In addition to the gold resource upgrade, the Company's exploration team has also outlined a very exciting nickel project at the Aztec Dome 12 kms north east of Kambalda. A more comprehensive outline of exploration progress has been included in the newsletter distributed to all shareholders and accessible on Terrain's web site at www.terrainminerals.com.au

In May 2008, Uranium Oil & Gas Ltd (ASX: UOG) acquired 19.77% of Terrain's issued capital and later that same month a new Board of Directors were appointed. With the stability now provided by the new major investor UOG, along with the establishment of an experienced united Board and the support of our staff, the Company is determined to build on its exploration success.

I take this opportunity to thank my fellow directors and pay particular thanks to the Company's staff for their continuing efforts during a difficult year.

On behalf of the board, I would also like to express our appreciation to all Terrain shareholders for their continuing support.

The Board expects the gold price to strengthen in 2008-09, along with improvements in the stock market we look forward to the Company's share price more truly reflecting the value of its exploration assets.

Yours sincerely,

Keith Wells

Keith Wells
Managing Director

(#) *The target is conceptual in nature, there has been insufficient exploration to define a Mineral Resource and it is uncertain that further exploration will result in a Mineral Resource.*

Terrain Minerals Ltd
ABN: 45 116 153 514
Financial Report

Year ended 30 June 2008

Terrain Minerals Ltd ABN 45 116 153 514

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TERRAIN MINERALS LTD

Corporate directory

Directors
Ross Gillon
Chairman

Keith Wells
Managing Director

David Zohar

William Bannister

Secretary
Ian Hobson

Share register
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45 St Georges Terrace
Perth WA 6000
Telephone +61 8 9323 2000
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BDO Kendalls Audit & Assurance (WA) Pty Ltd
128 Hay Street
Subiaco WA 6008

Solicitors
Pullinger Readhead Lucas
Level 2 Forstecue House
50 Kings Park Road
West Perth WA 6005

Bankers
National Australia Bank
Business Banking Centre
1234 Hay Street
West Perth WA 6005

Stock exchange listings
Terrain Minerals Ltd shares are
listed on the Australian Securities Exchange

Ordinary fully paid shares (ASX code TMX)
Listed options (ASX code TMXO)

Principal registered office in Australia
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Directors' Report

Your directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Terrain Minerals Ltd ("Terrain" or "Company") and the entities it controlled at the end of, or during, the year ended 30 June 2008.

Directors

The following persons were directors of Terrain Minerals Ltd during the financial year and up to the date of this report:

K Wells was a director from the beginning of the financial year until his resignation on 3 March 2008. K Wells was then re-appointed as a director on 22 May 2008 and continues to be in office at the date of this report.

J Lee and C Brown were directors from the beginning of the financial year until their resignation on 22 May 2008.

D Zohar and W Bannister were appointed as directors on 22 May 2008 and R Gillon was appointed as a director and non-executive chairman on 27 May 2008 and continue to be in office at the date of this report.

D Tucker was a director from the beginning of the financial year until his resignation on 27 May 2008.

J Brewer was appointed as a director on 13 December 2007 and was in office until his resignation on 22 May 2008.

Principal activities

During the period the principal activities of the consolidated entity consisted of exploration for gold and other mineral resources.

Dividends

No dividends were paid to members during the financial period and the directors do not recommend the payment of a dividend.

Review of operations

Information on the operations and financial position of the Group and its business strategies and prospects is set out in the review of operations and activities below:

Financial Position

During the period the Company had a net increase in contributed equity of $2,594,626 (from $8,740,296 to $11,334,922) as a result of:

- a placement of 15,495,804 ordinary shares at a value of 18 cents each, to sophisticated and professional investors;
- a placement of 298,941 ordinary shares at a deemed value of 16.72 cents each, as consideration for the purchase of mineral tenements;
- a placement of 312,500 ordinary shares at a deemed value of 20 cents each, as consideration for the purchase of mineral tenements;
- a placement of 3 ordinary shares at a value of 25 cents each, pursuant to an exercise of options;
- a placement of 130,000 ordinary shares at a deemed value of 20 cents each, as consideration for the purchase of mineral tenements;
- payment of capital raising and share issue costs of $333,102.

At the end of the financial period the consolidated entity had net cash balances of $1,146,245 and net assets of $9,162,031.

Directors' report

Total liabilities amounted to $213,125 being trade and other creditors.

Exploration
Bundarra (Celtic, Great Western, Black Cat JV):
Ongoing exploration programs discovered a new gold deposit at Bluebush in July 2007. Follow up drilling was included in a 16,000m combined Diamond and RC drilling program undertaken between September 2007 and May 2008 targeted at defining new resources at the Wonder North, Bluebush, Great Western and Black Cat deposits. A new JORC compliant resource estimation was in progress at years end.

Redcastle:
New reversion prospecting licences were granted to replace the older expired tenements; but only minimal field work was completed due to the priority given to the Bundarra programs.

Euro:
The tenement was granted in November 2007; only minimal field work was completed due to the priority given to the Bundarra programs.

East Kambalda:
A number of gold targets north of the Coogee gold deposit were tested during the year. A review of historical data indicates that the Aztec Dome prospect could be a repeat of the Kambalda Dome. A detailed gravity survey was completed to compliment the existing magnetic data and outline drill targets for nickel.

Earnings per share	**2008 Cents**	**2007 Cents**
Basic and diluted earnings (loss) per share	**(2.00)**	**(1.92)**

Significant changes in the state of affairs

Significant changes in the state of affairs of the Group during the financial year were as follows:

		2008 $
(a)	An increase in contributed equity of $2,594,626 (from $8,740,296 to $11,334,922) as a result of:	
	Issue of 298,941 fully paid ordinary shares @ 16.72 cents per share pursuant to a tenement acquisition agreement.	49,983
	Issue of 442,500 fully paid ordinary shares @ 20 cents per share pursuant to a tenement acquisition agreement.	88,500
	Issue of 15,495,804 fully paid ordinary shares at 18 cents per share to sophisticated and professional investors	2,789,244
	Issue of 3 fully paid ordinary shares on exercise of options	1
		2,927,728
	Less: Transaction costs arising from the share issues	(333,102)
	Net increase in contributed capital	2,594,626
(b)	The net increase in contributed equity amounting to $2,594,626 was used primarily to fund the Group's exploration activities and to provide working capital.	

Other than those matters shown above, no significant changes in the state of affairs of the consolidated entity occurred during the financial period.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2008 that has significantly affected, or may significantly affect:

(a) the Group's operations in future financial years, or
(b) the results of those operations in future financial years, or
(c) the Group's sate of affairs in future financial years.

Likely developments and expected results of operations
Other than likely developments contained in the "Review of operations and activities", further information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

Environmental regulation
The consolidated entity is subject to the environmental laws and regulations imposed under the Mining Act 1978 (Western Australia), depending on the activities being undertaken. The group is currently engaged in exploration activities which are governed by conditions or recommendations imposed through the granting of a license or permit to explore. Compliance with these laws and regulations is regarded as a minimum standard for the consolidated entity to achieve. There were no known breaches of any environmental laws or regulations during the year.

Information on directors

ROSS GILLON *Chairman – Non-executive (Appointed 27 May 2008)*
Experience and expertise
Mr Gillon is a solicitor and a partner in the Perth legal practice of Lawton Gillon.

Other directorships
Mr Gillon's directorships of publically listed companies over the past three years isRed River Resources Limited and Wedgetail Mining Limited.

KEITH WELLS BSc, MSc, Grad Dip Bus, MAIG *Managing Director (Appointed 22 May 2008)*
Experience and expertise
Keith Wells is a geologist with over thirty years experience in the mining industry, including over twenty years at senior management level. He also worked extensively as a consultant. He has worked in most states of Australia as well as overseas and has been involved with a number of successful exploration finds including: Henty gold deposit, Tasmania, Mt Coolon gold deposit, Queensland, Hamata gold deposit, PNG and Magellan lead deposit, WA.

Other directorships
Mr Wells held no other directorships of ASX listed companies during the last three years

DAVID ZOHAR *Director – Non-executive (Appointed 22 May 2008)*
Experience and expertise
David Zohar has undertaken undergraduate studies in Geology and post graduate studies in Accountancy and Commercial Law. He has been active in the exploration industry for over 20 years. He has been a director and/or CEO of a number of exploration companies and has also negotiated numerous agreements with various companies and other participants within the mining industry. He has been involved in the formation and/or listing on the ASX of several public mining companies.

Other directorships
Directorships of other listed public companies over the past three years are Red River Resources Ltd, Uranium Oil and Gas Limited, Iron Mountain Mining Limited, Actinogen Ltd and Eagle Nickel Ltd.

WILLIAM BANNISTER *Director – Non-executive (Appointed 22 May 2008)*
Experience and expertise
Mr Bannister has over 40 years experience in exploration and mining geology. He has extensive experience with uranium exploration in Western Australia as well as experience in precious metals. Mr Bannister worked in Western Mining Corporation in a number of locations and positions, including senior geologist, and then joined the Tenneco group of companies to rise to the position of Australian Exploration Manager – Minerals. For the past 20 years he has been an independent geologist and consultant. Companies consulted to include WMC, Outokompu Mining (Australia) Pty Ltd and numerous participants in the mining industry.

Other directorships
Mr Bannister is the Managing Director of Uranium Oil & Gas Ltd.

DANIEL TUCKER *Chairman – Non-executive (Resigned 27 May 2008)*
Experience and expertise
Daniel Tucker is a qualified mechanical fitter, has studied geology at Curtin University and accumulated over 20 years' experience in the mining industry. He is a non-executive director of View Resources Ltd and the managing director of Carey Mining Pty Ltd, a contract mining company which he founded in 1995. He won the Outstanding Manager award in the 2003 Corporate Leaders for Indigenous Employment Awards, presented in Canberra by the Hon. Kevin Andrews MP. This award is an initiative of the Commonwealth Department of Employment and Workplace Relations, in partnership with a number of Australia's leading businesses and Indigenous leaders, to improve the employment prospects of Indigenous and Torres Strait Islander people.

Other directorships
During the last three years Mr Tucker had held a directorship of View Resources Ltd (until 1 June 2007), an ASX listed company.

(JIMMY) KONG LENG LEE *Director – Non-executive (Resigned 22 May 2008)*
Experience and expertise
Jimmy Lee is a mining engineer with over 25 years experience in the mining industry and is currently the General Manager of Carey Mining Pty Ltd. He has previously held senior positions with a number of leading mining companies, including North, WMC Resources and Dominion Mining, and is a former board member of the Northern Territory Mining Board and Northern Territory Chamber of Mines. Jimmy has a wealth of knowledge and experience in business development, contract management, and strategic planning in the resources industry. He is a current member of the Australasian Institute of Mining and Metallurgy and holds First Class Mine Manager's and Quarry Manager's Certificates of Competency.

Other directorships
Mr Lee held no other directorships of ASX listed companies during the last three years.

CLIVE BROWN *Director – Non-executive (Resigned 22 May 2008)*
Experience and expertise
Clive Brown was the Western Australian Minister for State Development from 2001-2005. He was responsible for the most significant changes to the Mining Act in the previous twenty five years. He provides strategic advice on business and government relations to a number of mining companies and Chairs a national steering committee of Australian government and mining industry organizations on developing a national framework for occupational health and safety in the mining industry.

Other directorships
Mr Brown is a director of CI Resources Limited, an ASX listed company. Mr Brown has held no other directorships of ASX listed companies in the last three years.

JASON BREWER *Director – Non-executive (Appointed 13 December 2007 – Resigned 22 May 2008)*
Experience and expertise
Jason Brewer has over 15 years international experience in the minerals industry and investment banking. He is a mining engineer with a Masters degree in mining engineering with Honours from the Royal School of Mines, London. He has experience in gold and base metal mines, having worked at the Kidd Creek Copper and Zinc mine in Canada for Falconbridge, the Lanfranchi Nickel Mine in Western Australia for WMC and the Kinross Gold Mine in South Australia for Gencor.

Mr Brewer is currently a Director and Head of the Perth Office for New Holland Capital Pty Ltd, a corporate advisory business focused on providing corporate, strategic and project debt advisory services to the natural resources industry and its sister company Taurus Funds Management Limited, a private equity fund focused on investing in small to medium resources companies.

Other directorships
Mr Brewer is a director of Universal Resources Ltd.

Company secretary
IAN HOBSON *Company Secretary (Appointed 1 May 2008)*
Ian Hobson is a sole practitioner Chartered Accountant specialising in providing company secretarial services and non-executive director positions to small ASX listed companies. Prior to commencing his own practice, Mr Hobson had in excess of 20 years professional accounting experience working for large chartered accounting firms in Australia, London and Toronto. Mr Hobson has had experience in a variety of industries and is experienced in capital raisings, due diligence, compliance, transaction support and general accounting services.

DESMOND KELLY BCom, CPA, MAICD *Company Secretary (Resigned 1 May 2008)*
Des Kelly has over 30 years financial and corporate management experience focused mainly in the resources sector. He was Dominion Mining's Group Chief Accountant in that company's key growth phase in the mid-eighties and, between 1994 and 1998 held the roles of Finance Director and Managing Director of Horizon Mining NL before establishing his own corporate management consulting business. Mr Kelly now contributes corporate and administration management expertise to several listed groups including Universal Resources Limited, CI Resources Limited, Midwest Corporation Limited, Nylex Limited and Avalon Minerals Limited.

Directors' interests in shares and options
As at the date of this report the interests of the Directors in the shares and options of the company were:

2008	Ordinary Shares		Options over Ordinary Shares	
	Direct	Indirect	Direct	Indirect
K Wells		3,312,000	-	3,275,000

2007	Ordinary Shares		Options over Ordinary Shares	
	Direct	Indirect	Direct	Indirect
D Tucker	-	4,030,000	-	3,515,000
K Wells	-	3,190,000	-	3,095,000
J Lee	-	3,030,000	-	3,015,000
C Brown	-	-	200,000	-

Directors' report

Meetings of directors

The number of meetings of the company's board of directors held during the period ended 30 June 2008 and the number of meetings attended by each director were:

	Full meetings of Directors	
	Held	Attended
D Tucker	9	8
K Wells	6	6
J Lee	9	9
C Brown	9	9
J Brewer	6	5
R Gillon	1	0
D Zohar	1	1
W Bannister	1	1

Held – denoted the number of meetings held during the time the director held office.

Remuneration report

The remuneration report is set out under the following main headings:

A Principles used to determine the nature and amount of remuneration
B Details of remuneration
C Service agreements
D Share-based compensation
E Additional information

The information provided in this remuneration report has been audited as required by section 308(3C) of the Corporations Act 2001.

A Principles used to determine the nature and amount of remuneration

The objective of the consolidated entity'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 with 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 consolidated entity 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.

Directors' report

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.

The overall level of executive reward takes into account the performance of the consolidated entity. The consolidated entity 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 28 May 2008. Directors' remuneration is inclusive of committee fees.

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 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. All existing options have an exercise price of 20c.

Company performance, shareholder wealth and director's and executives' remuneration
The fees paid to directors have not increased since the Company listed on the ASX in March 2006. Increases in executive's pay are being limited to indexation and executive remuneration remains in the bottom quartile of remuneration for comparable positions in the minerals industry.

Executive pay
The executive pay and reward framework has three components:
• base pay and benefits
• long-term incentives through participation in the Employee Share Option Scheme and
• other remuneration such as superannuation.

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

• *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 are no guaranteed base pay increases included in any senior executives' contracts.

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

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

B Details of remuneration

Details of the remuneration of the directors and the key management personnel of Terrain Minerals Ltd are set out in the following tables.

2008	**Short-term benefits**		**Post-employment benefits**	**Share-based payments**			
Name	**Cash salary and fees $**	**Non-monetary benefits $**	**Superannuation $**	**Options $**	**Total $**	**Value of Share based payments as a % of total remuneration**	**Proportion of remuneration relating to performance**
Directors of Terrain Minerals Ltd							
<u>*Executive*</u>							
K Wells	344,271	2,251	13,684	-	360,206	0%	0%
<u>*Non - Executive*</u>							
D Tucker	18,997	2,725	2,981	-	24,703	0%	0%
J Lee	126,672	2,725	14,829	-	144,226	0%	0%
C Brown	11,920	2,725	1,847	-	16,492	0%	0%
R Gillon	-	237	-	-	237	0%	0%
D Zohar	-	237	-	-	237	0%	0%
W Bannister	-	237	-	-	237	0%	0%
J Brewer	9,745	1,303	1,076	-	12,124	0%	0%
Company Secretaries							
D J Kelly	76,698	2,488	-	-	79,186	0%	0%
I Hobson	4,000	474	-	-	4,474	0%	0%
Other key management personnel							
C Tomich	112,352	-	11,946	-	124,298	0%	11%
Total	**704,655**	**15,402**	**46,363**	**-**	**766,420**	**0%**	**11%**

Included in the cash salary and fees paid to Mr Tomich was a sign on bonus of $20,000 paid in consideration of the extension of Mr Tomich's employment contract which was executed on 7 December 2007. There were no other parameters required to be met by Mr Tomich in order to be entitled to this bonus payment.

Directors' report

2007	Short-term benefits		Post-employment benefits	Share-based payments			
Name	Cash salary and fees $	Non-monetary benefits $	Superannuation $	Options $	Total $	Value of Share based payments as a % of total remuneration	Proportion of remuneration relating to performance
Directors of Terrain Minerals Ltd							
Executive							
K Wells	70,281	12,764	100,000	-	183,045	0%	0%
Non-Executive							
D Tucker	34,403	2,987	3,096	-	40,486	0%	0%
J Lee	-	2,987	36,250	-	39,237	0%	0%
C Brown	22,935	2,987	2,064	-	27,986	0%	0%
Company Secretary							
D J Kelly	46,200	2,987	-	-	49,187	0%	0%
Other key management personnel							
C Tomich	113,113	-	13,659	35,880	162,652	22.06%	0%
Total	**286,932**	**24,712**	**155,069**	**35,880**	**502,593**	**22.06%**	**0%**

C Service Agreements

Remuneration and other terms of employment for the Managing Director and Exploration Manager are formalised in service agreements.

The agreements for the Managing Director and Exploration Manager provide for the provision of other benefits and participation, when eligible, in the Employee Share Option Scheme.

Other major provisions of the agreements relating to remuneration are set out below.

K Wells, *Managing Director*

- Term of agreement – For a period of 1 year.
- Base salary, inclusive of superannuation and other benefits, as at 30 June 2008 of $150,000 plus 9% superannuation, to be reviewed annually. Directors fee of $30,000 plus 9% superannuation is paid in addition. Provision of four weeks annual leave. Payment of a termination benefit on early termination by the company other than for gross misconduct, equal to the base salary for the remaining term of the agreement.

C Tomich, *Exploration Manager*

- Term of agreement – For a period of 1 year.
- Base salary, inclusive of superannuation and other benefits, as at 30 June 2008 of $156,500, to be reviewed annually. Provision of four weeks annual leave. Payment of a termination benefit on early termination by the company other than for gross misconduct, equal to the base salary for the remaining term of the agreement.

D Share-based compensation

Options are granted under the Employee Share Option Scheme. All staff are eligible to participate in the scheme (including executive directors) at the absolute discretion of the directors.

Options are granted under the scheme for no consideration. Options are granted for a period of up to 5 years. Entitlements to the options are vested as soon as they become exercisable.

Directors' report

The terms and conditions of each grant of options affecting remuneration are as follows:

Grant date	Expiry date	Exercise price	Fair value per option at grant date	Date exercisable
23 March 2007	22 March 2012	20 cents	$0.1196	At any time during the option period

Options granted under the scheme carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share.

The exercise price of options is determined by the directors which shall be not less than 20 cents or 80% of market price on the date upon which the directors first resolved to grant the options.

The amounts disclosed for emoluments relating to options above are the assessed fair values at grant date of options granted to directors and other key management personnel, allocated equally over the period from grant date to vesting date. Fair values at grant date are independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The model inputs for options granted during the period ended 30 June 2007 included:

Grant date	23 March 2007
Expiry date	22 March 2012
Exercise price	$0.20
Consideration	Nil
Share price at grant date	18 cents
Expected price volatility of the company's shares	80%
Expected dividend yield	Nil
Risk-free interest rate	6%

Further details relating to options are set out below.

2008 **Name**	**A** **Remuneration consisting of options**	**B** **Value at grant date** **$**	**C** **Value at exercise date** **$**	**D** **Value at lapse date** **$**	**E** **Total of columns B-D** **$**
-	-	-	-	-	-
2007 **Name**	**A** **Remuneration consisting of options**	**B** **Value at grant date** **$**	**C** **Value at exercise date** **$**	**D** **Value at lapse date** **$**	**E** **Total of columns B-D** **$**
C Tomich	22.06%	35,880	-	-	35,880

A = The percentage of the value of remuneration consisting of options, based on the value at grant date set out in column B.

B = The value at grant date calculated in accordance with AASB 2 *Share-based Payments* of options granted during the year as part of remuneration.

C = The value at exercise date of options that were granted as part of remuneration and were exercised during the year.

D = The value at lapse date of options that were granted as part of remuneration and that lapsed during the year.

Directors' report

	Number of Options Granted During the period		Number of Options Vested During the period	
	2008	2007	2008	2007
Directors of Terrain Minerals Ltd				
Executive				
K Wells	-	-	-	-
Non-Executive				
D Tucker	-	-	-	-
J Lee	-	-	-	-
C Brown	-	-	-	-
R Gillon	-	-	-	-
D Zohar	-	-	-	-
J Brewer	-	-	-	-
W Bannister	-	-	-	-
Company Secretaries				
D J Kelly	-	-	-	-
I Hobson	-	-	-	-
Other key management personnel				
C Tomich	-	300,000	-	300,000

There were no ordinary shares issued as a result of the exercise of options.

E Additional information

The table below sets out the performance of the company and the consequences on the shareholders' wealth for the period from listing on the Australian Stock Exchange on 21 March 2006 until the end of the current financial period.

	2008	2007	2006
Quoted price of ordinary shares at period end (cents)	6.3	17.5	15.5
Quoted price of options at period end (cents)	1.2	-	-
Loss per share	2.00	1.92	0.99
Dividends paid	-	-	-

End of Audited Remuneration Report

Loans to directors and executives
There are no loans to directors or executives.

Share options granted to directors and the most highly remunerated officers
No options were granted during or since the end of the financial period.

Shares under option

Unissued ordinary shares of Terrain Minerals Ltd under option at the date of this report are as follows:

Date options granted	Expiry date	Issue price of shares	Number under option
19 May 2006	24 March 2011	20 cents	400,000
27 March 2007	22 March 2010	30 cents	320,000
23 March 2007	24 March 2011	20 cents	200,000
2 May 2007	22 March 2012	20 cents	500,000
20 June 2007	31 July 2010	25 cents	3,570,398
30 June 2007	9 September 2008	20 cents	200,000
31 July 2007	31 July 2010	25 cents	7,747,902
21 September 2007	31 July 2010	25 cents	31,558,602
27 September 2007	31 July 2010	25 cents	6,747,239
31 December 2007	31 July 2010	25 cents	2,000,000
5 June 2008	23 March 2011	10 cents	70,000
			53,314,141

Shares issued on the exercise of options

Their were no ordinary shares of Terrain Minerals Ltd issued during the period ended 30 June 2008 on the exercise of options granted under the Terrain Minerals Ltd Employee Share Option Scheme.

Insurance of officers

During the period the Company paid a premium to insure the directors and officers of the Company. Under the terms of the policy the Company cannot publish amounts paid for premiums or the extent of the liabilities insured.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001*.

Non-audit services

The consolidated entity may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the consolidated entity are important.

Details of the amounts paid or payable to the auditor for audit and non-audit services provided during the period are set out below.

The board of directors has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the board to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in Professional Statement F1, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the consolidated entity, acting as advocate for the consolidated entity or jointly sharing economic risk and rewards.

	2008 $
During the period the following fees were paid or payable for services provided by the auditor of the Company, its related practices and non-related audit firms.	
Assurance services	
Audit services	
BDO Kendalls Audit & Assurance (WA) Pty Ltd:	
Audit and review of financial report and other audit work under the *Corporations Act 2001*	**21,579**

Auditors' Independence Declaration
A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 17.

Auditor
BDO Kendalls Audit & Assurance (WA) Pty Ltd continues in office in accordance with section 327 of the *Corporations Act 2001*.

This report is made in accordance with a resolution of the directors.

K Wells
Managing Director
Perth, Western Australia

24 September 2008

AUDITORS INDEPENDENCE DECLARATION

BDO Kendalls

BDO Kendalls Audit & Assurance (WA) Pty Ltd
128 Hay Street
SUBIACO WA 6008
PO Box 700
WEST PERTH WA 6872
Phone 61 8 9380 8400
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aa.perth@bdo.com.au
www.bdo.com.au

ABN 79 112 284 787

24 September 2008

The Directors
Terrain Minerals Limited
PO Box 1170
WEST PERTH WA 6872

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 2008, 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.

This declaration is in respect of Terrain Minerals Limited and the entities it controlled during the period.

C Burton

Chris Burton
Director

BDO Kendalls

BDO Kendalls Audit & Assurance (WA) Pty Ltd
Perth, Western Australia

Income Statements
For the year ended 30 June 2008

	Notes	Consolidated		Parent entity	
		2008	2007	**2008**	2007
		$	$	**$**	$
Revenue from continuing operations	5	**233,424**	174,865	**233,424**	174,865
Employee benefits expense	6	**(912,219)**	(343,655)	**(912,219)**	(343,655)
Depreciation expense	6	**(42,225)**	(24,425)	**(42,225)**	(24,425)
Consultancy costs		**(47,863)**	(116,401)	**(47,863)**	(116,401)
Insurance costs		**(26,340)**	(24,467)	**(26,340)**	(24,467)
Office accommodation expenses		**(64,984)**	(71,082)	**(64,984)**	(71,082)
Travel expenses		**(19,146)**	(11,378)	**(19,146)**	(11,378)
Shareholder expenses		**(63,677)**	(49,514)	**(63,677)**	(49,514)
Professional fees		**(122,781)**	(30,219)	**(122,781)**	(30,219)
Bank charges		**(12,609)**	(30,279)	**(12,609)**	(30,279)
Exploration expenditure written off		**(331,688)**	(457,298)	**(331,688)**	(457,298)
Other expenses		**(101,155)**	(43,097)	**(101,155)**	(43,096)
Loss before income tax		**(1,511,263)**	(1,040,702)	**(1,511,263)**	(1,040,702)
Income tax expense	8	**-**	-	**-**	-
Net loss for the year		**(1,511,263)**	(1,040,702)	**(1,511,263)**	(1,040,702)
Loss attributable to members of Terrain Minerals Ltd		**(1,511,263)**	(1,040,702)	**(1,511,263)**	(1,040,702)
		Cents	Cents		
Basic and diluted loss per share	28	**(2.00)**	(1.92)		

The above Income Statements should be read in conjunction with the accompanying notes.

Balance Sheets
As at 30 June 2008

	Notes	Consolidated 2008 $	Consolidated 2007 $	Parent entity 2008 $	Parent entity 2007 $
Current assets					
Cash and cash equivalents	9	**1,146,245**	3,194,047	**1,146,243**	3,194,045
Trade and other receivables	10	**407,437**	1,550,142	**407,437**	1,550,142
Total current assets		**1,553,682**	4,744,189	**1,553,680**	4,744,187
Non-current assets					
Other financial assets	11	**-**	**-**	**420,000**	420,000
Plant & equipment	12	**98,450**	59,532	**98,450**	59,532
Exploration and evaluation	13	**7,723,024**	4,603,486	**7,303,026**	4,183,488
Total non-current assets		**7,821,474**	4,663,018	**7,821,476**	4,663,020
Total assets		**9,375,156**	9,407,207	**9,375,156**	9,407,207
Current liabilities					
Trade and other payables	14	**213,125**	278,466	**213,125**	278,466
Other liabilities	15	**-**	1,544,446	**-**	1,544,446
Total current liabilities		**213,125**	1,822,912	**213,125**	1,822,912
Total liabilities		**213,125**	1,822,912	**213,125**	1,822,912
Net assets		**9,162,031**	7,584,295	**9,162,031**	7,584,295
Equity					
Contributed equity	16	**11,334,922**	8,740,296	**11,334,922**	8,740,296
Reserves	17	**649,293**	154,920	**649,293**	154,920
Accumulated losses	18	**(2,822,184)**	(1,310,921)	**(2,822,184)**	(1,310,921)
Total equity		**9,162,031**	7,584,295	**9,162,031**	7,584,295

The above Balance Sheets should be read in conjunction with the accompanying notes.

Statements of Changes in Equity
For the year ended 30 June 2008

Consolidated	Notes	Contributed Equity $	Accumulated (Losses) $	Reserves $	Total $
2007					
Balance as at 1 July 2006		7,289,166	(283,971)	72,720	7,077,915
Effect of correction of error:					
Correction of error	7	-	13,752	-	13,752
Net income recognised directly in equity:		**-**	**13,752**	**-**	**13,752**
(Loss) for the year	18	-	(1,040,702)	-	(1,040,702)
Total recognised income and expense for the year		**-**	**(1,026,950)**	**-**	**(1,026,950)**
Transactions with equity holders in their capacity as equity holders:					
Shares issued during the year	16(b)	1,538,343			1,538,343
Capital raising costs	16(b)	(87,213)	-	-	(87,213)
Options issued during the year		-	-	82,200	82,200
Balance as at 30 June 2007		**8,740,296**	**(1,310,921)**	**154,920**	**7,584,295**
2008					
Balance at 1 July 2007		8,740,296	(1,310,921)	154,920	7,584,295
(Loss) for the year	18	-	(1,511,263)	-	(1,511,263)
Total recognised income and expense for the year		**-**	**(1,511,263)**	**-**	**(1,511,263)**
Transactions with equity holders in their capacity as equity holders:					
Shares issued during the year	16(b)	2,927,728	-	-	2,927,728
Capital raising costs	16(b)	(333,102)	-	-	(333,102)
Options issued during the year		-	-	494,373	494,373
Balance as at 30 June 2008		**11,334,922**	**(2,822,184)**	**649,293**	**9,162,031**

The above Statements of Changes in Equity should be read in conjunction with the accompanying notes.

Statements of Changes in Equity
For the year ended 30 June 2008

Parent Entity	Notes	**Contributed Equity $**	**Accumulated (Losses) $**	**Reserves $**	**Total $**
2007					
Balance as at 1 July 2006		7,289,166	(283,971)	72,720	7,077,915
Effect of correction of error:					
Correction of error	7	-	13,752	-	13,752
Net income recognised directly in equity:		**-**	**13,752**	**-**	**13,752**
(Loss) for the year	18	-	(1,040,702)	-	(1,040,702)
Total recognised income and expense for the year		**-**	**(1,026,950)**	**-**	**(1,026,950)**
Transactions with equity holders in their capacity as equity holders:					
Shares issued during the year		1,538,343	-	-	-
Capital raising costs		(87,213)	-	-	(87,213)
Options issued during the year		-	-	82,200	82,200
Balance as at 30 June 2007		**8,740,296**	**(1,310,921)**	**154,920**	**7,584,295**
2008					
Balance at 1 July 2007		8,740,296	(1,310,921)	154,920	7,584,295
(Loss) for the year	18	-	(1,511,263)	-	(1,511,263)
Total recognised income and expense for the year		**-**	**(1,511,263)**	**-**	**(1,511,263)**
Transactions with equity holders in their capacity as equity holders:					
Shares issued during the year	16(b)	2,927,728	-	-	2,927,728
Capital Raising Costs		(333,102)	-	-	(333,102)
Options issued during the year		-	-	494,373	494,373
Balance as at 30 June 2008		**11,334,922**	**(2,822,184)**	**649,293**	**9,162,031**

The above Statements of Changes in Equity should be read in conjunction with the accompanying notes.

Cash Flow Statements

For the year ended 30 June 2008

	Notes	Consolidated 2008 $	Consolidated 2007 $	Parent entity 2008 $	Parent entity 2007 $
Cash flows from operating activities					
Payments to suppliers and employees (inclusive of goods and services tax)		**(1,718,106)**	(673,380)	**(1,718,106)**	(673,380)
Other – security deposits		-	(1,381,000)	-	(1,381,000)
Interest received		**232,120**	200,910	**232,120**	200,910
Net cash (outflow) from operating activities	27	**(1,485,986)**	(1,853,470)	**(1,485,986)**	(1,853,470)
Cash flows from investing activities					
Payments for other financial assets		-	-	-	-
Payments for plant and equipment		**(81,143)**	(45,153)	**(81,143)**	(45,153)
Payments for exploration properties		-	(414,211)	-	(414,211)
Exploration and evaluation expenditure		**(3,184,609)**	(1,660,605)	**(3,184,609)**	(1,660,605)
Net cash (outflow) from investing activities		**(3,265,752)**	(2,119,969)	**(3,265,752)**	(2,119,969)
Cash flows from financing activities					
Proceeds from issues of securities		**3,037,038**	1,285,344	**3,037,038**	1,285,344
Proceeds for securities pending issue		-	1,558,197	-	1,558,197
Securities issue costs		**(333,102)**	(10,092)	**(333,102)**	(10,092)
Net cash inflow from financing activities		**2,703,936**	2,833,449	**2,703,936**	2,833,449
Net (decrease) in cash and cash equivalents held		**(2,047,802)**	(1,139,990)	**(2,047,802)**	(1,139,990)
Cash and cash equivalents at the beginning of the financial year		**3,194,047**	4,334,037	**3,194,045**	4,334,035
Cash and cash equivalents at the end of the financial year	9	**1,146,245**	3,194,047	**1,146,243**	3,194,045

The above Cash Flow Statements should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to the year ended 30 June 2008, unless otherwise stated. The financial report includes separate financial statements for Terrain Minerals Limited as an individual entity.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the Corporations Act 2001.

Compliance with IFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report of Terrain Minerals Limited complies with International Financial Reporting Standards (IFRS).

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and investment property. These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

Critical accounting estimates and significant judgements

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

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(b) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

(c) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid.

Note 1. Summary of Significant Accounting Policies (continued)

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

(d) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(e) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease (refer to note 22).

(f) Acquisition of assets

The purchase method of accounting is used to account for all acquisitions of assets (including business combinations) regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the consolidated entity's identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(g) Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(h) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(i) Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than 120 days from the date of recognition.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

(j) Investments and other financial assets

The consolidated entity classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired.

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

(i) Financial assets at fair value through profit or loss
This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss on initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. The policy of management is to designate a financial asset if there exists the possibility it will be sold in the short term and the asset is subject to frequent changes in fair value. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

(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. They arise when the consolidated entity provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in receivables in the balance sheet.

(iii) Held-to-maturity investments
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the consolidated entity's management has the positive intention and ability to hold to maturity.

(iv) Available-for-sale financial assets
Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of investments are recognised on trade-date - the date on which the consolidated entity commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non monetary securities classified as available-for-sale are recognised in equity in the available-for-sale investments revaluation reserve.

Note 1. Summary of Significant Accounting Policies (continued)

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the consolidated entity establishes fair value by using valuation techniques. These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The consolidated entity assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss - is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

(k) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the consolidated entity is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

(l) Plant and equipment

Plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the consolidated entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Note 1. Summary of Significant Accounting Policies (continued)

Depreciation is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

- Exploration equipment	5 years
- Vehicles	5 years
- Furniture, fittings and equipment	5 years
- Computer and electronic equipment	3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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 are included in the income statement.

(m) Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(n) Provisions

Provisions for legal claims are recognised when: the consolidated entity has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

(o) Employee benefits

(i) Wages and salaries, annual leave and sick leave
Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) Retirement benefit obligations
The consolidated entity contributes to various defined contribution funds for its employees.

Contributions to the defined contribution funds are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Note 1. Summary of Significant Accounting Policies (continued)

(iv) Share-based payments
Share-based compensation benefits are provided to employees via the Employee Share Option Scheme.

The fair value of options granted under the Employee Share Option Scheme is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital.

The market value of shares issued to employees for no cash consideration under the employee share scheme is recognised as an employee benefits expense with a corresponding increase in equity when the employees become entitled to the shares.

(p) Contributed equity

Ordinary shares are classified as equity.

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) Earnings per share

(i) Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to equity holders of the consolidated entity, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share
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 shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(r) Exploration and evaluation expenditure

Exploration and evaluation expenditure incurred by or on behalf of the consolidated entity is accumulated separately for each area of interest. Such expenditure comprises net direct costs and an appropriate portion of related overhead expenditure, but does not include general overheads or administrative expenditure not having a specific nexus with a particular area of interest.

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

Each area of interest is limited to a size related to a known or probable mineral resource capable of supporting a mining operation.

Exploration and evaluation expenditure for each area of interest, other than that acquired from the purchase of another mining consolidated entity, is carried forward as an asset provided that one of the following conditions is met:

- such costs are expected to be recouped through successful development and exploitation of the area of interest or, alternatively, by its sale; or
- exploration and evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing.

Expenditure which fails to meet at least one of the conditions outlined above is written off, furthermore, the directors regularly review the carrying value of exploration and evaluation expenditure and make write downs if the values are not expected to be recoverable.

Identifiable exploration assets acquired from another mining consolidated entity are recognised as assets at their cost of acquisition, as determined by the requirements of AASB 6 *Exploration for and evaluation of mineral resources*. Exploration assets acquired are reassessed on a regular basis and these costs are carried forward provided that at least one of the conditions referred to in AASB 6 is met.

Exploration and evaluation expenditure incurred subsequent to acquisition in respect of an exploration asset acquired, is accounted for in accordance with the policy outlined above for exploration expenditure incurred by or on behalf of the entity.

Acquired exploration assets are not written down below acquisition cost until such time as the acquisition cost is not expected to be recovered.

When an area of interest is abandoned, any expenditure carried forward in respect of that area is written off.

Expenditure is not carried forward in respect of any area of interest/mineral resource unless the consolidated entity's rights of tenure to that area of interest are current.

(s) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the Australian Taxation Office. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the Australian Taxation Office, are presented as operating cash flow.

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

(t) Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Terrain Minerals Limited ("company" or "parent entity") as at 30 June 2008 and the results of all the subsidiaries for the financial period then ended.

Terrain Minerals Limited and its subsidiaries together are referred to in this financial report as the Group or consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interests in the results and equity of subsidiaries are shown separately in the consolidated income statement and balance sheet respectively.

(u) Business combinations

The purchase method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given plus costs directly attributable to the acquisition.

Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair value at the acquisition date, irrespective of the extent of any minority interest.

(v) Borrowings

Borrowings are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in the income statement over the period of the borrowing using the effective interest rate method.

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

Borrowings are classified as current liabilities, unless the entity has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs
Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings and amortisation of ancillary costs incurred in connection with arrangement of borrowings. Borrowing costs are expensed as incurred except when it related to a qualifying asset in which case it would be capitalised.

(w) Going Concern

For the period ended 30 June 2008, the company recorded a loss of $1,511,263. At 30 June 2008, the cash balance was $1,146,245.

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

The ability of the company to continue as a going concern is dependent upon the company raising further capital or realising funds from the sale of assets sufficient to meet the company's 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 sale of assets, the outcome of which is uncertain.

In the event that sufficient capital raising or asset sales at an amount and timing necessary to meet the future budgeted operational and investing activities of the company is unfavorable 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.

In the unlikely 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.

Note 1. Summary of Significant Accounting Policies (continued)

(x) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2008 reporting periods. The Company's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8

AASB 8 and AASB 2007-3 are effective for annual reporting periods commencing on or after 1 January 2009. AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a 'management approach' to reporting on financial performance. The information being reported will be based on what the key decision makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The Consolidated entity has not yet decided when to adopt AASB 8. Application of AASB 8 may result in different segments, segment results and different types of information being reported in the segment note of the financial report. However, at this stage, it is not expected to affect any of the amounts recognised in the financial statements.

(ii) Revised AASB 123 Borrowing Costs and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]

The revised AASB 123 is applicable to annual reporting periods commencing on or after 1 January 2009. It has removed the option to expense all borrowing costs and - when adopted - will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. There will be no impact on the financial report of the Consolidated entity, as the Consolidated entity already capitalises borrowing costs relating to qualifying assets.

(iii) AASB-I 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction

AASB-I 14 will be effective for annual reporting periods commencing on or after 1 January 2008. It provides guidance on the maximum amount that may be recognised as an asset in relation to a defined benefit plan and the impact of minimum funding requirements on such an asset. None of the Consolidated entity's defined benefit plans are subject to minimum funding requirements and none of them is in a surplus position. The Consolidated entity will apply AASB-I 14 from 1 July 2008, but it is not expected to have any impact on the Consolidated entity's financial statements.

(iv) Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101

Note 1. Summary of Significant Accounting Policies (continued)

A revised AASB 101 was issued in September 2007 and is applicable for annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. The Consolidated entity intends to apply the revised standard from 1 July 2009.

Note 2. Financial Risk Management

The Consolidated entity's activities expose it to a variety of financial risks: market risk (including interest rate risk and price risk), credit risk and liquidity risk. The Consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Consolidated entity.

Risk management is carried out by the Board in their day to day function as the overseers of the business. The Board provides written principles for overall risk areas, as well as defined policies for specific risks such foreign exchange and credit risk.

The Consolidated entity holds the following financial instruments:

	2008 $	2007 $
Financial Assets		
Cash and cash equivalents	1,146,245	3,194,047
Other receivables	407,437	1,550,142
	1,553,682	4,744,189
Financial Liabilities		
Trade and other payables	213,125	278,466
	213,125	278,466

(a) Market Risk

(i) Foreign Exchange Risk

The Consolidated entity's operations are limited to domestic activities within Australia.

Company sensitivity

The Consolidated entity's profit would not be materially different due to changes in exchange rates.

(ii) Price risk

The Consolidated entity is not exposed to equity securities price risk as it holds no investments in securities classified on the balance sheet as either available-for-sale or at fair value through profit or loss. The Consolidated entity is not exposed directly to commodity price risk.

(iii) Cash flow and fair value interest rate risk

As the Consolidated entity's major assets are cash deposits held in fixed interest rate deposits, the Consolidated entity's income and operating cash flows are

Note 2. Financial Risk Management (continued)

materially exposed to changes in market interest rates. The Consolidated entity manages this risk by only investing in AAA rated institutions.

As at the reporting date, the Consolidated entity had the following variable rate funds on deposit:

	30 June 2008		30 June 2007	
	Weighted average interest rate	Balance	Weighted average interest rate	Balance
	%	$	%	$
Funds on deposit	6.48	1,146,245	4.20	3,194,047

The Consolidated entity has assessed that the impact of movements in interest rates does not have a material impact on the net profit after tax. Accordingly the Consolidated entity's funds on deposit are managed according to the cash flow requirements of the Consolidated entity rather than impact of interest rate risk.

Company sensitivity
At 30 June 2008, if interest rates had changed by -/+ 80 basis points from the year-end rates with all other variables held constant, post-tax profit for the year would have been $26,461 lower/higher, mainly as a result of higher/lower interest income from cash and cash equivalents. Equity would have been $26,461 lower/higher mainly as a result of higher/lower interest income from cash and cash equivalents.

At 30 June 2007, if interest rates had changed by -/+ 60 basis points from the year-end rates with all other variables held constant, post-tax profit for the year would have been $28,701 lower/higher, mainly as a result of higher/lower interest income from cash and cash equivalents. Equity would have been $28,701 lower/higher mainly as a result of higher/lower interest income from cash and cash equivalents.

(b) Credit risk

Credit risk is managed on a Company basis. Credit risk arises from cash and cash equivalents, derivative financial instruments, deposits with banks and financial institutions and receivables from Joint Venture and Farm-In operations.

The carrying amount of the Consolidated entity's financial assets represents the maximum credit exposure. The Consolidated entity's maximum exposure to credit risk at the reporting date was:

	2008	2007
	$	$
Financial Assets		
Cash and cash equivalents	1,146,245	3,194,047
Other receivables	407,437	1,550,142
Total	1,553,682	4,744,189

The Directors believe that there is no credit risk with the cash and cash equivalents, as the consolidated entity trades only with recognised, credit worthy third parties.

Note 2. Financial Risk Management (continued)

The other receivables relate to accounting prepayment adjustments, and amounts owing from government agencies and employees, and accordingly the Directors' believe there to be negligible credit risk with these receivables.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Consolidated entity manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Surplus funds are generally only invested in bank bills that are highly liquid and with maturities of less than six months.

Financing arrangements
The Consolidated entity does not have any financing arrangements.

Maturities of financial liabilities
The Consolidated entity's debt is with other entities relating to trade payables where payments are generally within 30 days.

(d) Fair Value Estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, investments in unlisted subsidiaries) is determined using valuation techniques.

(e) Fair Value versus Carrying Amounts

The fair value of financial assets and liabilities is not materially different to carrying value.

Note 3. Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the consolidated entity and that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions
The consolidated entity makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. There were no estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Note 3. Critical accounting estimates and judgments (continued)

Exploration and evaluation expenditure

The Consolidated Entity has carrying balances for exploration and evaluation. Each year the Group assesses whether these balances have suffered any impairment, in accordance with the accounting policy stated in Note 1(g). The recoverable amounts are based on the assumption that the assets are being explored to determine there are economic mining properties or salable to a potential third party.

Note 4. Segment information

(a) Business segments

The consolidated entity operates predominantly in one industry. Its principal activities are those of prospecting and mineral exploration.

(b) Geographical segments

The consolidated entity operates only in Australia.

	Consolidated		Parent entity	
	2008	2007	**2008**	2007
	$	$	**$**	$

Note 5. Revenue

Revenue from continuing operations				
Other revenue				
Interest received	**232,120**	174,865	**232,120**	174,865
Other Income	**1,304**	-	**1,304**	-
	233,424	174,865	**233,424**	174.865

Note 6. Expenses

Loss before income tax includes the following expenses:

Employee benefits expense				
Salaries, fees and other benefits	**1,213,013**	465,532	**1,213,013**	465,532
Amount capitalised	**(300,794)**	(108,125)	**(300,794)**	(108,125)
Net employee benefit expense	**912,219**	357,407	**912,219**	357,407
Depreciation	**42,225**	24,425	**42,225**	24,425
Rental expense relating to operating leases	**39,861**	41,579	**39,861**	41,579
Exploration expenditure written off	**331,688**	457,298	**331,688**	457,298

Note 7. Correction of error

Correction of error in recording the expenses in the previous financial year.

Due to an error in the calculation of annual leave provision, the Employee benefits expense was overstated by $13,752. This error had the effect of overstating consolidated total liabilities by $13,752, and understating consolidated accumulated losses by $13,752. This error also had the effect of overstating consolidated loss before income tax and consolidated loss after income tax by $13,752.

The error has been corrected by restating each of the affected financial statement line items for the prior year, as described above.

Basic and diluted earnings per share for the prior year have also been restated. The amount of correction for both basic and diluted earnings per share was an increase of $0.02 cents per share.

Note 8. Income tax

	Consolidated		Parent Entity	
	2008	**2007**	**2008**	**2007**
	$	**$**	**$**	**$**
(a) Income tax expense				
Loss from continuing operations	**(1,511,263)**	(1,040,702)	**(1,511,263)**	(1,040,702)
Tax at the Australian tax rate of 30%	**(453,379)**	(312,211)	**(453,379)**	(312,211)
Tax effect of amounts that are not tax deductible (taxable) in calculating taxable income				
Employee share options	**-**	17,940	**-**	17,940
Exploration expenditure	**(901,295)**	(1,229,386)	**(901,295)**	(1,229,386)
Other items	**(31,440)**	1,228	**(31,440)**	1,228
Deferred tax assets relating to tax losses and temporary differences not recognised	**1,386,114**	1,522,429	**1,386,114**	1,522,429
	-	-	**-**	-

The franking account balance at year end was nil.

Notes to the Financial Statements

	Notes	Consolidated 2008 $	Consolidated 2007 $	Parent entity 2008 $	Parent entity 2007 $
(b) Deferred tax assets and liabilities not recognised relate to the following:					
Deferred tax assets					
Tax losses		**2,890,798**	1,504,684	**2,890,798**	1,504,684
Other temporary differences		**208,930**	17,745	**208,930**	17,745
Deferred tax liabilities					
Other temporary differences		**(2,230,188)**	(1,229,386)	**(2,230,188)**	(1,229,386)
Net deferred tax assets		**869,540**	293,043	**869,540**	293,043

Net deferred tax assets have not been brought to account as it is not probable within the immediate future that tax profits will be available against which deductible temporary differences and tax losses can be utilised.

The benefit for tax losses will only be obtained if:

(i) the company derives future assessable income of a nature and amount sufficient to enable the benefit from the tax losses to be realised;

(ii) the company continues to comply with the conditions for deductibility imposed by tax legislation; and

(iii) no changes in tax legislation adversely affect the company realising the benefit from the deductions for the losses.

Note 9. Cash and cash equivalents

	Consolidated 2008 $	Consolidated 2007 $	Parent entity 2008 $	Parent entity 2007 $
Cash at bank and on hand	**1,146,245**	3,154,297	**1,146,243**	3,154,295
Deposits at call	**-**	39,750	**-**	39,750
	1,146,245	3,194,047	**1,146,243**	3,194,045

Note 10. Trade and other receivables

	Consolidated 2008 $	Consolidated 2007 $	Parent entity 2008 $	Parent entity 2007 $
Other receivables	**49,166**	91,261	**49,166**	91,261
Security deposits	**334,000**	1,426,000	**334,000**	1,426,000
Prepayments	**24,271**	32,881	**24,271**	32,881
	407,437	1,550,142	**407,437**	1,550,142

Refer to Note 2 for financial management risk.

Note 11. Other financial assets

	Consolidated 2008 $	Consolidated 2007 $	Parent entity 2008 $	Parent entity 2007 $
Investment in controlled entity (see note 26)	**-**	-	**420,000**	420,000

Notes to the Financial Statements

Note 12. Plant and equipment

	Notes	Consolidated 2008 $	Consolidated 2007 $	Parent entity 2008 $	Parent entity 2007 $
Plant & equipment					
Plant & equipment – at cost		**170,853**	89,709	**170,853**	89,709
Less: accumulated depreciation		**(72,403)**	(30,177)	**(72,403)**	(30,177)
		98,450	59,532	**98,450**	59,532

Reconciliation

Reconciliation of the carrying amounts of plant and equipment at the beginning and end of the current financial period is set out below.

	Consolidated 2008 $	Consolidated 2007 $	Parent entity 2008 $	Parent entity 2007 $
Plant & equipment				
At the beginning of the year	**59,532**	66,512	**59,532**	66,512
Additions	**81,143**	17,445	**81,143**	17,445
Depreciation expense (Note 6)	**(42,225)**	(24,425)	**(42,225)**	(24,425)
Closing net book amount	**98,450**	59,532	**98,450**	59,532

Note 13. Exploration and evaluation

	Consolidated 2008 $	Consolidated 2007 $	Parent entity 2008 $	Parent entity 2007 $
Exploration and evaluation				
Exploration and evaluation – at cost less amounts written off	**7,723,024**	4,603,486	**7,303,026**	4,183,488
Reconciliation				
At the beginning of the year	**4,603,486**	2,777,067	**4,183,488**	2,357,069
Purchases of mineral tenements	**253,702**	436,611	**253,702**	436,611
Expenditure during the year	**3,197,524**	1,847,106	**3,197,524**	1,847,106
Amounts written off	**(331,688)**	(457,298)	**(331,688)**	(457,298)
	7,723,024	4,603,486	**7,303,026**	4,183,488

The ultimate recoupment of exploration and evaluation costs carried forward is dependent upon the successful development and/or commercial exploitation, or alternatively sale, of the respective areas of interest.

Note 14. Trade and other payables

	Consolidated 2008 $	Consolidated 2007 $	Parent entity 2008 $	Parent entity 2007 $
Trade payables	**23,347**	111,713	**23,347**	111,713
Other payables	**189,778**	166,753	**189,778**	166,753
	213,125	278,466	**213,125**	278,466

Note 15. Other liabilities

	Consolidated 2008 $	Consolidated 2007 $	Parent entity 2008 $	Parent entity 2007 $
Deferred subscription funds	-	1,544,446	-	1,544,446

Note 16. Contributed equity

(a) Share capital	2008 Number of shares	2008 $	2007 Number of shares	2007 $
	Consolidated and Parent Entity Shares			
Ordinary shares – fully paid	**77,449,748**	**11,334,922**	61,212,500	8,740,296

(b) Movements in ordinary share capital

Date	Details	Number of shares	Issue price $	$
1 July 2006	Opening balance	52,750,000		7,289,166
23 March 2007	Shares issued pursuant to tenement purchase agreements	730,000	0.20	146,000
1 May 2007	Shares issued pursuant to tenement purchase agreements	231,250	0.16	37,000
4 May 2007	Shares issued pursuant to tenement purchase agreements	360,454	0.1942	70,000
20 June 2007	Placement of shares to sophisticated and professional investors	7,140,796	0.18	1,285,343
	Less: Transaction costs arising on issue of shares			(87,213)
30 June 2007	Balance	61,212,500		8,740,296
5 July 2007	Placement of shares to sophisticated and professional investors	15,495,804	0.18	2,789,244
27 December 2007	Shares issued pursuant to tenement purchase agreement	298,941	0.1672	49,983
27 December 2007	Shares issued pursuant to tenement purchase agreement	312,500	0.20	62,500
27 December 2007	Shares issued pursuant to option exercise	3	0.25	1
5 June 2008	Shares issued pursuant to tenement purchase agreement	130,000	0.20	26,000
	Less: Transaction costs arising on issue of shares			(333,102)
		77,449,748		11,334,922

(c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote. Ordinary shares have no par value.

(d) Employee share option scheme

Information relating to the Employee Share Option Scheme, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year are set out in Note 23.

Notes to the Financial Statements

(e) Options

At the end of the financial year, options over ordinary shares on issue are as shown below:

- 9,525,000 options exercisable at 20 cents and expiring 9 September 2008
- 200,000 options exercisable at 20 cents and expiring 22 March 2011
- 400,000 options exercisable at 20 cents expiring 24 March 2011
- 500,000 options exercisable at 20 cents and expiring 22 March 2012
- 320,000 options exercisable at 30 cents and expiring 23 March 2010
- 70,000 options exercisable at 10 cents and expiring 23 March 2011
- 51,624,141 quoted options exercisable at 25 cents and expiring 31 July 2010

(f) Movements in options

Date	Details	Number of options
1 July 2006	Opening balance	10,125,000
23 March 2007	Options allotted pursuant to a tenement purchase agreement	320,000
1 May 2007	Options allotted under the Terrain Minerals Limited ESOP	500,000
20 June 2007	Placement of free attaching options on a one for two basis, to sophisticated and professional investors	3,570,398
30 June 2007	Balance	14,515,398
1 July 2007	Options issued to Directors in prior period	50,000
31 July 2007	Placement of free attaching options on a one for two basis, to sophisticated and professional investors	7,747,902
21 September 2007	Options allotted pursuant to an option entitlement issue to existing shareholders	31,558,605
27 September 2007	Options allotted pursuant to an option entitlement issue to existing shareholders	6,697,239
31 December 2007	Options allotted in satisfaction of capital raising costs.	2,000,000
31 December 2007	Options exercised for fully paid ordinary shares	(3)
5 June 2008	Options allotted pursuant to a tenement purchase agreement	70,000
		62,639,141

	Notes	Consolidated **2008** $	Consolidated 2007 $	Parent entity **2008** $	Parent entity 2007 $
Note 17. Reserves					
Share-based payments reserve		**649,293**	154,920	**649,293**	154,920

Notes to the Financial Statements

	Consolidated		Parent entity	
	2008	2007	**2008**	2007
	$	$	**$**	$
Movements in reserves				
Share-based payments reserve				
Balance at the beginning of the year	**154,920**	72,720	**154,920**	72,720
Option expense / Option assets	**494,373**	82,200	**494,373**	82,200
Balance at the end of the year	**649,293**	154,920	**649,293**	154,920

Nature and purpose of reserves

Share-based payments reserve
The share-based payments reserve is used to recognise the fair value of options issued and not exercised.

Note 18. Accumulated losses

Accumulated losses at the beginning of the year	**(1,310,921)**	(283,971)	**(1,310,921)**	(283,971)
Net loss attributable to members of Terrain Minerals Ltd	**(1,511,263)**	(1,040,702)	**(1,511,263)**	(1,040,702)
Correction of error	-	13,752	-	13,752
Accumulated losses at the end of the financial year	**(2,822,184)**	(1,310,921)	**(2,822,184)**	(1,310,921)

Note 19. Key management personnel disclosures

(a) Directors

The following persons were directors of Terrain Minerals Ltd during the whole of the financial year:

Chairman – non-executive
D Tucker (until 27 May 2008)
R Gillon (from 27 May 2008)

Executive directors
K Wells, Managing Director (until 3 March 2008 and from 22 May 2008)
J Lee, Managing Director (from 3 March 2008 to 22 May 2008)

Note 19. Key management personnel disclosures (continued)

Non-executive directors

J Lee (until 3 March 2008)

C Brown (until 22 May 2008)

D Zohar (from 22 May 2008)

W Bannister (from 22 May 2008)

J Brewer (from 13 December to 22 May 2008)

(b) Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the consolidated entity, directly or indirectly, during the financial period:

Name	Position
D J Kelly	Company Secretary/Chief Financial Officer (until 1 May 2008)
C Tomich	Exploration Manager
I Hobson	Company Secretary (from 1 May 2008)

	Notes	Consolidated 2008 $	Consolidated 2007 $	Parent entity 2008 $	Parent entity 2007 $
(c) Key management personnel compensation					
Short term employee benefits		**720,057**	311,644	**720,057**	311,644
Post employment benefits		**46,363**	155,069	**46,363**	155,069
Share based payments		**-**	35,880	**-**	35,880
		766,420	502,593	**766,420**	502,593

The consolidated entity has chosen to disclose the detailed remuneration disclosures in the Directors' Report. The relevant information can be found in sections A to D of the remuneration report.

(d) Equity instrument disclosures relating to key management personnel

Options provided as remuneration and shares issued on exercise of such options

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in the Remuneration Report.

Option holdings

The numbers of options over ordinary shares in the company held during the financial year by each director of Terrain Minerals Limited and other key management personnel of the company, including their personally-related parties, are set out below.

Notes to the Financial Statements

Note 19. Key management personnel disclosures (continued)

2008 Name	Balance at the start of the period	Granted during the period as remuneration	Other changes during the period	Balance at the end of the period	Vested and exercisable at the end of the period
D Tucker	1,507,500	-	(1,507,500)	-	-
K Wells	1,500,000	-	1,775,000	3,275,000	3,275,000
J Lee	3,007,500	-	(3,007,500)	-	-
C Brown	200,000	-	(200,000)	-	-
R Gillon	-	-	-	-	-
D Zohar	-	-	-	-	-
J Brewer	-	-	-	-	-
W Bannister	-	-	-	-	-
D J Kelly	100,000	-	(100,000)	-	-
C Tomich	500,000	-	346,295	846,295	846,295
I Hobson	-	-	-	-	-
2007 **Name**	**Balance at the start of the period**	**Granted during the period as remuneration**	**Other changes during the period**	**Balance at the end of the period**	**Vested and exercisable at the end of the period**
D Tucker	1,507,500	-	-	1,507,500	1,507,500
K Wells	1,500,000	-	-	1,500,000	1,500,000
J Lee	3,007,500	-	-	3,007,500	3,007,500
C Brown	200,000	-	-	200,000	200,000
D J Kelly	100,000	-	-	100,000	100,000
C Tomich	200,000	300,000	-	500,000	500,000

All options were vested and exercisable at the end of the financial year.

No shares are held nominally.

Share holdings

The numbers of shares in the company held during the financial year by each director and the key management personnel of the consolidated entity, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

2008 Name	Balance at the start of the period	Received during the period on the exercise of options	Other changes during the period	Balance at the end of the period
Directors of Terrain Minerals Ltd				
D Tucker	4,015,000	-	(4,015,000)	-
K Wells	3,190,000	-	45,000	3,235,000
J Lee	3,015,000	-	(3,015,000)	-
C Brown	-	-	-	-
R Gillon	-	-	-	-
D Zohar	-	-	-	-
J Brewer	-	-	-	-
W Bannister	-	-	-	-
Other key management personnel				
D J Kelly	100,000	-	(100,000)	-
C Tomich	80,000	-	-	80,000
I Hobson	-	-	-	-

Note 19. Key management personnel disclosures (continued)

2007 Name	Balance at the start of the period	Received during the period on the exercise of options	Other changes during the period	Balance at the end of the period
Directors of Terrain Minerals Ltd				
D Tucker	4,015,000	-	-	4,015,000
K Wells	3,120,000	-	70,000	3,190,000
J Lee	3,015,000	-	-	3,015,000
C Brown	-	-	-	-
Other key management personnel				
D J Kelly	-	-	100,000	100,000
C Tomich	80,000	-	-	80,000

Adjustments have been made to the 2007 figures for ordinary shares and options where appropriate to reflect the correct balances at the end of the period.

(e) Loans to key management personnel

There are no loans made to directors or other key management personnel of Terrain Minerals Ltd.

(f) Other transactions with key management personnel

Directors of Terrain Minerals Ltd
There are no other transactions with directors or other key management personnel of Terrain Minerals Ltd.

	Notes	Consolidated 2008 $	Consolidated 2007 $	Parent entity 2008 $	Parent entity 2007 $
Note 20. Remuneration of auditors					
During the period the following fees were paid or payable for services provided by the auditor of the Company, its related practices and non-related audit firms.					
Assurance services					
Audit services					
BDO Kendalls Audit & Assurance (WA) Pty Ltd:					
Audit and review of financial report and other audit work under the *Corporations Act 2001*		**21,579**	30,219	**21,579**	30,219
		$ 21,579	$ 30,219	**$ 21,579**	$ 30,219

Note 21. Contingent liabilities

Bundarra Project

Four of the tenements; M37/488, 489 and E37/251 are the subject of plaints relating to under-expenditure by the previous tenement holder, St Barbara Ltd.

Applications for exemptions from expenditure for the 2005-06 year have been approved by the Mining Warden and the plaints are expected to be dismissed.

Black Cat Joint Venture

Five of the tenements; M37/326, P37/3917, 3918 and 3920 are the subject of plaints relating to under-expenditure by the tenement holder, St Barbara Ltd.

Applications for exemptions from expenditure for the 2005-06 year have been approved by the Mining Warden and the plaints are expected to be dismissed.

Corporate

There are currently no share issue commitments due in the next 12 months.

Note 22. Commitments for expenditure

	Notes	Consolidated		Parent entity	
		2008	2007	**2008**	2007
		$	$	**$**	$
Capital commitments					
Commitments for minimum expenditure on mining tenements contracted for at the reporting date but not recognised as liabilities, payable:					
Within one year		**689,915**	624,280	**689,915**	594,280
Later than one year but not later than 5 years		**2,038,460**	2,425,120	**2,038,460**	2,365,120
Later than 5 years		**-**	-	**-**	-
		2,728,375	3,049,400	**2,728,375**	2,959,400

The above commitments may be reduced by tenement withdrawals, concessions, exemptions, reductions and joint venture arrangements with third parties.

	Consolidated 2008 $	Consolidated 2007 $	Parent entity 2008 $	Parent entity 2007 $
Lease commitments				
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable, representing non-cancellable operating leases:				
Within one year	**78,727**	8,123	**78,727**	8,123
Later than one year but not later than 5 years	**17,204**	-	**17,204**	-
Later than 5 years	**-**	-	**-**	-
	95,930	8,123	**95,930**	8,123

Note 22. Commitments for expenditure (Continued)

Salaries

The service contracts for the Managing Director, Exploration Manager and Chief Geologist allow for a notice period of the remainder of the contract. In the event of termination of the contracts the remainder of the contract amount is to be paid. The commitment for this expenditure as at 30 June 2008 is $345,000.

Note 23. Share-based payments

a) Employee Share Option Scheme

All staff (including executive directors) are eligible to participate in the scheme.

Shares and options are issued on the following terms:

- The entitlement from time to time of each Eligible Participant shall be determined by the directors in their absolute discretion based on the directors' assessment of length of service, remuneration level and the contribution the Eligible Participant will make to the long term performance of the consolidated entity, together with such other criteria as the directors consider appropriate in the circumstances.
- The maximum number of securities which may be issued pursuant to the scheme shall not be greater than 5% of the issued shares of the consolidated entity, from time to time.
- Options are granted under the plan for no consideration.
- Options granted under the plan carry no dividend or voting rights.
- When exercisable, each option is convertible into one ordinary share.

The exercise price of options is determined by the directors which is not less than 80% of market price on the date upon which the directors first resolved to grant the options. Amounts receivable on the exercise of options are recognised as share capital.

Set out below are summaries of options granted under the scheme.

Grant date	Expiry date	Exercise price	Balance at start of the period	Issued during the period	Exercised during the period	Lapsed during the period	Balance at end of the period
		$	Number	Number	Number	Number	Number
2008							
24 March 2006	24 March 2011	0.20	600,000	-	-	-	600,000
23 March 2007	22 March 2012	0.20	500,000	-	-	-	500,000
			1,100,000	-	-	-	1,100,000

Note 23. Share-based payments (Continued)

Grant date	Expiry date	Exercise price	Balance at start of the period	Issued during the period	Exercised during the period	Lapsed during the period	Balance at end of the period
		$	Number	Number	Number	Number	Number
2007							
24 March 2006	24 March 2011	0.20	600,000	-	-	-	600,000
23 March 2007	22 March 2012	0.20	-	500,000	-	-	500,000
			600,000	500,000	-	-	1,100,000

There were no shares issued during the period as a result of the exercise of options.

Fair value of options granted
Employee options
There were no options granted during the year ended 30 June 2008.

The assessed fair value at grant date of options granted during the year ended 30 June 2007 was 11.96 cents per option. The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The model inputs for options granted during the period ended 30 June 2007 included:

Grant date	23 March 2007
Expiry date	22 March 2012
Quantity	500,000
Exercise price	$0.20
Consideration	Nil
Share price at grant date	18 cents
Expected price volatility of the company's shares	80%
Expected dividend yield	Nil
Risk-free interest rate	6%

b) Vendor options

During the year 70,000 options were issued to vendors as part-consideration for the purchase of mineral tenements and 2,000,000 options were granted as part of capital raising costs for the capital raising made during the year.

The assessed fair value at grant date of options granted during the year ended 30 June 2008 were 3.69 cents and 5.59 cents per option respectively. The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

Notes to the Financial Statements

Note 23. Share-based payments (Continued)

The model inputs for options granted during the period ended 30 June 2008 included:

Grant date	5 June 2007
Expiry date	23 March 2011
Quantity	70,000
Exercise price	$0.10
Consideration	Nil
Share price at grant date	7.6 cents
Expected price volatility of the company's shares	105.4%
Expected dividend yield	Nil
Risk-free interest rate	7.25%

Grant date	21 September 2007
Expiry date	31 July 2010
Quantity	2,000,000
Exercise price	$0.25
Consideration	Nil
Share price at grant date	15.5 cents
Expected price volatility of the company's shares	70%
Expected dividend yield	Nil
Risk-free interest rate	6%

The assessed fair value at grant date of options granted during the year ended 30 June 2007 was 7.04 cents per option. The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The model inputs for options granted during the period ended 30 June 2007 included:

Grant date	24 March 2007
Expiry date	23 March 2010
Quantity	320,000
Exercise price	$0.30
Consideration	Nil
Share price at grant date	17 cents
Expected price volatility of the company's shares	70%
Expected dividend yield	Nil
Risk-free interest rate	6%

Note 23. Share-based payments (continued)

See pages 11 – 14 of the Directors Report for details of share options issued to directors during the period.

c) Expenses arising from share-based payment transactions
Total expenses arising from share-based payment transactions recognised during the period was:

Employee options	-
Vendor/supplier options	$114,381
Vendor shares	$138,483
Total	**$252,864**

Note 24. Related party transactions

Directors and other key management personnel
Disclosures relating to directors and other key management personnel are set out in note 19.

Other related party transactions
There were no other related party transactions during the year.

Controlling entities
The ultimate parent entity in the wholly-owned group is Terrain Minerals Ltd

Ownership interests in related parties
Interests held in the following classes of related parties are set out in the following Notes:
Controlled entities – Note 26

Note 25. Events occurring after the balance sheet date

No matter or circumstance has arisen since 30 June 2008 that has significantly affected, or may significantly affect:

(d) the Group’s operations in future financial years, or
(e) the results of those operations in future financial years, or
(f) the Group’s sate of affairs in future financial years.

Note 26. Subsidiaries

Name of entity	Country of incorporation	Class of shares	Equity holding 2008
Arocom Pty Ltd	Australia	Ordinary	100%

Notes to the Financial Statements

Note 27. Reconciliation of profit(loss) from ordinary activities after income tax to net cash outflow from operating activities

	Notes	Consolidated 2008 $	Consolidated 2007 $	Parent entity 2008 $	Parent entity 2007 $
Operating profit (loss) after income tax		**(1,511,263)**	(1,040,702)	**(1,511,263)**	(1,040,702)
Depreciation		**42,225**	24,425	**42,225**	24,425
Non-cash employee benefits expense – share based payments		**-**	59,800	**-**	59,800
Exploration expenditure written off		**331,688**	457,298	**331,688**	457,298
Change in operating assets and liabilities					
(Increase) in other receivables		**(283,295)**	(1,411,457)	**50,705**	(1,411,457)
(Decrease) in trade creditors and provisions		**(65,341)**	57,166	**(65,341)**	57,166
Net cash (outflow) from operating activities		**(1,485,986)**	(1,853,470)	**(1,485,986)**	(1,853,470)

Non-cash investing and financing activities
During the financial year the Company issued 741,441 ordinary shares and 70,000 options to acquire ordinary shares to vendors as consideration for the purchase of mineral tenements.

Note 28. Earnings per share

	2008 cents	2007 cents
Basic and diluted earnings per share	**(2.00)**	(1.92)

	2008 Number	2007 Number
Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share.	**75,748,465**	53,524,853

Potential ordinary shares (options) are not considered to be dilutive.

	2008 $	2007 $
Losses used in calculating basic and diluted losses per share		
Net loss	**(1,511,263)**	(1,026,950)

Directors' Declaration

In the directors' opinion:

(a) The financial statements and notes set out on pages 18 to 52 are in accordance with the *Corporations Act 2001*, including:

(i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2008 and of its performance, as represented by the results of its operations, changes in equity and their cash flows, for the financial period ended on that date; and

(b) there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable; and

(c) The remuneration disclosures set out on pages 8 to 14 of the directors' report comply with Section 300A of the Corporations Act 2001; and

(d) The Directors' have been given the declarations by the managing director, Keith Wells, as required by Section 295A of the *Corporations Act 2001.*

This declaration is made in accordance with a resolution of the directors and is signed for and on behalf of the directors by:

Keith Wells

K Wells
Managing Director

Perth
24 September 2008

Perth, Western Australia

Audit Report

BDO Kendalls

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

We have audited the accompanying financial report of Terrain Minerals Limited, which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements,* that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies 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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 entity's preparation and fair presentation of the financial report 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 entity'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 opinions.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

BDO Kendalls

Auditor's 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 and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our opinion, we draw attention to Note 1(w) in the financial report which indicates that the Group incurred a net loss of $1,511,263 during the year ended 30 June 2008 (2007: $1,040,702). This condition along with the matter set forth in Note 1(w), indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern and realise its assets and extinguish its liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2008. The directors of the company and the consolidated entity 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.

Auditor's Opinion

In our opinion, the Remuneration Report of Terrain Minerals Limited for the year ended 30 June 2008, complies with section 300A of the *Corporations Act 2001*.

BDO Kendalls Audit & Assurance (WA) Pty Ltd

BDO Kendalls

C Burton

Chris Burton
Director

Perth, Western Australia
Dated this 24th day September 2008

Corporate Governance Statement

During The Consolidated Entity's financial period the Group has complied with the ASX Principles and Recommendations other than in relation to the matters specified below:

Principle Ref.	Recommendation Ref.	Notification of Departure	Explanation for Departure
2	2.1	A majority of board members are independent directors	Following the changes to the board of directors in May 2008, three of the four directors are considered to be independent in accordance with the ASX definition. In view of the size of the company and the nature of its activities the board considers that the current board is a cost effective and practical method of directing and managing the company.
2	2.2	The Chairman is now an independent director	Following the changes to the board of directors in May 2008, the new Chairman Mr. Ross Gillon is considered to be independent in accordance with the ASX definition. In view of the size of the company and the nature of its activities the board considers that the current board is a cost effective and practical method of directing and managing the company.
2	2.4	The board has not establish a nomination committee	The board has no formal nomination committee. Acting in its ordinary capacity from time to time as required, the board carries out the process of determining the need for, screening and appointing new directors. In view of the size of the company and resources available, it is not considered that a separate nomination committee would add any substance to this process.
4	4.2, 4.3, 4.4	The board has not established an audit committee The Structure of audit committees should be such that it consists of: • Only non-executive directors • A majority of independent directors • An independent chairperson, who is not chairperson of the board, and • At least three members Audit committees should have a formal charter	Terrain's directors do not consider that the Company's affairs are of such a size and complexity as to merit the establishment of a separate audit committee. Until this situation changes the full Board of Terrain will carry out any necessary audit committee functions.
5	5.1	The Group has not established written policies and procedures designed to ensure compliance with ASX Listing Rule Disclosure requirements and to ensure accountability at a senior management level for that compliance.	Due to its size and structure the board is able to meet on a regular basis for both management and board meetings to ensure compliance with ASX Listing Rules disclosure requirements. The full board is accountable for ASX compliance.
7	7.1	The board has not established policies on risk oversight and management	While the company does not have formalized policies on risk management the board recognises its responsibility for identifying areas of significant business risk and for ensuring that arrangements are in place for adequately managing these risks. This issue is regularly reviewed at board meetings and risk management culture is encouraged amongst employees and contractors.
9	9.2	The board has not established a remuneration committee	The full board is responsible for setting remuneration levels and individual performance targets. Due to the size of the company it is considered to be efficient and cost effective. Advice from professional independent advisors will be sought where necessary.

ASX Information

Substantial shareholders

The substantial shareholders as at 29 August 2008 were:

	Number Held	Percentage
Uranium Oil & Gas Limited	15,281,596	19.73
St Barbara Limited	9,000,000	11.62
Denton Pty Ltd	4,000,000	5.16

Distribution of shareholders as at 29 August 2008

Range of Holding	Holders	Shares
1-1,000	5	862
1,001-5,000	31	116,429
5,001-10,000	73	663,426
10,001 - 100,000	283	11,841,027
100,001 – 9,999,999,999	91	64,828,004
	483	77,449,748
Share holders with less than a marketable parcel.	120	897,841

Distribution of Listed Option Holders as at 29 August 2008

Range of Holding	Holders	Options
1-1,000	1	128
1,001-5,000	36	149,345
5,001-10,000	24	203,455
10,001 - 100,000	135	5,244,274
100,000 - over	76	46,026,939
	272	51,624,141
Option holders with less than a marketable parcel.	146	35,715

Voting Rights

Each fully paid ordinary share carries voting rights of one vote per share.

Twenty Largest Shareholders as at 29 August 2008

	Ordinary Shares	
	Number Held	**Percentage of Issued Shares**
Uranium Oil & Gas Ltd	15,281,596	19.73
St Barbara Limited	9,000,000	11.62
Denton Pty Ltd	4,000,000	5.16
Skycross Pty Ltd	3,176,000	4.10
Razi Pty Ltd	3,010,000	3.89
M8 Holdings Pty Ltd	3,000,000	3.87
Ah Gaw Lean	1,500,000	1.94
JDE Equities Pty Ltd	1,028,237	1.33
Hon Kwong Lee	1,020,000	1.32
Lonart Pty Ltd	1,001,069	1.29
Vietnam Industrial Investments Limited	940,000	1.21
Toltec Holdings Pty Ltd	833,000	1.08
Goffacan Pty Ltd	815,000	1.05

ASX Information

	Ordinary Shares	
	Number Held	Percentage of Issued Shares
Martinick Investments Pty Ltd	750,000	0.97
GE Resources Pty Ltd	659,395	0.85
Winterset Investments Pty Ltd	609,000	0.79
Peninsular Minerals Limited	543,750	0.70
Trevor Dixon	500,000	0.65
David Creighton Gellatly	500,000	0.65
Goldstream Mining NL	500,000	0.65

Twenty Largest Quoted Option Holders as at 29 August 2008

	Options	
	Number of Options	Percentage of Options
Uranium Oil & Gas Ltd	7,014,238	13.59
St Barbara Limited	5,330,000	10.32
Goffacan Pty Ltd	4,422,400	8.57
Skycross Pty Ltd	2,018,000	3.91
Denton Pty Ltd	2,000,000	3.87
Keith Wells	1,505,000	2.92
International Business Network (Services) Pty Ltd	1,500,000	2.91
M8 Holdings Pty Ltd	1,500,000	2.91
Richard Keller	1,000,000	1.94
Fitsen Pty Ltd	974,000	1.89
Hon Kwong Lee	909,000	1.76
Denis Frank Cooling	800,000	1.55
Onyx Pty Ltd	800,000	1.55
Goffacan Pty Ltd	750,000	1.45
David Christopher Kemp	732,377	1.42
Paula Moretti	700,000	1.36
Fang Hua Ding	653,700	1.27
Paul Notholt	575,000	1.11
Vincenzo Brizzi	554,161	1.07
Desmond John Kelly	500,000	0.97

Unquoted equity securities

(a) There were 22 holders of 9,525,000 options to acquire ordinary shares at an exercise price of 20 cents and expiring 8 September 2008.

(b) There were 3 holders of 320,000 options to acquire ordinary shares at an exercise price of 30 cents and expiring 23 March 2010.

Holders of more than 20%

	Options expiring 23 March 2010	
Holder name	**Number**	**%**
Trevor Dixon	175,000	54.68
Russell McKnight	125,000	39.06

ASX Information

(c) There were 2 holders of 200,000 options to acquire ordinary shares at an exercise price of 20 cents and expiring 22 March 2011, issued under the Terrain Minerals Ltd Employee Share Option Plan.

(d) There were 2 holders of 400,000 options to acquire ordinary shares at an exercise price of 20 cents and expiring 24 March 2011, issued under the Terrain Minerals Ltd Employee Share Option Plan.

(e) There were 2 holders of 500,000 options to acquire ordinary shares at an exercise price of 20 cents and expiring 22 March 2012, issued under the Terrain Minerals Ltd Employee Share Option Plan.

ASX Rule 4.10.19

The Company has used its cash and assets in a form readily convertible to cash that it had at time of admission that is consistent with its business objectives.

Tenement Schedule

The company has an interest in the following tenements

PROJECT	TENEMENT NUMBER	TERRAIN'S INTEREST	COMMENTS
Bundarra	E37/251 M37/350 M37/488 M37/489 M37/513 M37/514 M37/638 P37/6029	100% 100% 100% 100% 100% 100% 100% 100%	
Black Cat	E37/667 M37/326 M37/382 M37/480 P37/3917 P37/3918 P37/3919 P37/3920 P37/4058 P37/4260 P37/4296	0% 0% 0% 0% 0% 0% 0% 0% 0% 0% 0%	Earning 60% equity through expenditure
Great Western	M37/54	100%	
East Kambalda	E26/97 M26/477 M26/478 M26/485	100% 100% 100% 100%	
Redcastle	M39/318 P39/4104 P39/4467 P39/4468 P39/4469 P39/4541 P39/4542	100% 100% 100% 100% 100% 100% 100%	Subject to an additional share issue at a Decision To Mine
Euro	M38/585	100%	