Terrain Minerals Ltd
ABN: 45 116 153 514

Annual Report 30 June 2010

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Corporate Directory

Terrain Board
Richard Sandner
Chairman

Jonathan Lim
Vice Chairman

Chris Tomich
Managing Director

Paul Dickson
Keith Wells
Non Executive Directors

Ian Hobson
Company Secretary

Share register
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Subiaco WA 6008

Solicitor
Hilary McDonald
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Nedlands WA 6009

Banker
National Australia Bank
Business Banking Centre
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Stock Exchange
Terrain Minerals Ltd shares are
listed on the Australian Securities Exchange

Ordinary fully paid shares (ASX code TMX)

Listed options (ASX code TMXOA)

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Chairman's Letter

Dear Shareholders,

Welcome to the end of the 2010 year, this has been an eventful year in the life of your Group.

During the year funds have been raised from separate fund raising events. Placements raised $1,014,092 and a rights issue raised $1,091,471. This money has allowed your Group to continue operation.

Further fund raising and other measures will be necessary in the future.

Bundarra (100% owned tenements) - Mining Studies

Celtic – Mine studies have delineated that 6,000 ounces of gold at a mine cost of below A$700/ounce can be achieved, generating some $2-3m in net earnings. All permits and clearances to allow mining have now been obtained and quotes obtained to allow mining and processing to take place in Q4 2010. Final contracts are being finalised. Financing for this project will be by way of a Convertible Note.

Wonder North – An underground mining study has delineated 96,000 ounces of gold at a head grade of 4.8g/t (cut off grade of 3.0g/t) with the exploration potential for bonanza grades along strike. A 35,000 ounce open pit at a head grade of 2.56g/t would generate net cash earnings of $10m-$12m (at a gold price of A$1,350/ounce).

Great Western - An underground retreat mining plan has envisaged that 45,000 ounces of gold are recoverable at a head grade of about 6.5g/t at an estimated mine cost of A$750/ounce. A further 10,000 ounces is potentially available from an open cut at breakeven to allow the development of a mine portal.

Bundara (100% owned tenements) - Exploration

A number of sites provide genuine exploration targets, especially along strike and down dip at Wonder North and Great Western, with one consultant suggesting bonanza grades are possible along strike at Wonder North.

Black Cat (60% Joint Venture earning to 75% interest)

The area remains prospective and has potential drill targets planned for the future, in this highly encouraging area.

Dodgers Well

A first round RC drilling program has provided encouraging high grade results, with follow up drilling planned in the future.

Aztec Dome

The drilling activity during the year has added confidence to the theory that the Aztec Dome nickel prospect has geological similarities to the nearby Kambalda Dome.

During the year Keith Wells stepped down as Managing Director and remains as a non executive director. Keith is to be thanked for his efforts in guiding the Group through some difficult times. All staff are to be congratulated on their efforts. Chris Tomich has taken over as Managing Director and is carrying out that role with great poise and enthusiasm. It remains to thank all directors and the secretary for their input and effort to see that shareholders interests are protected.

Yours Faithfully

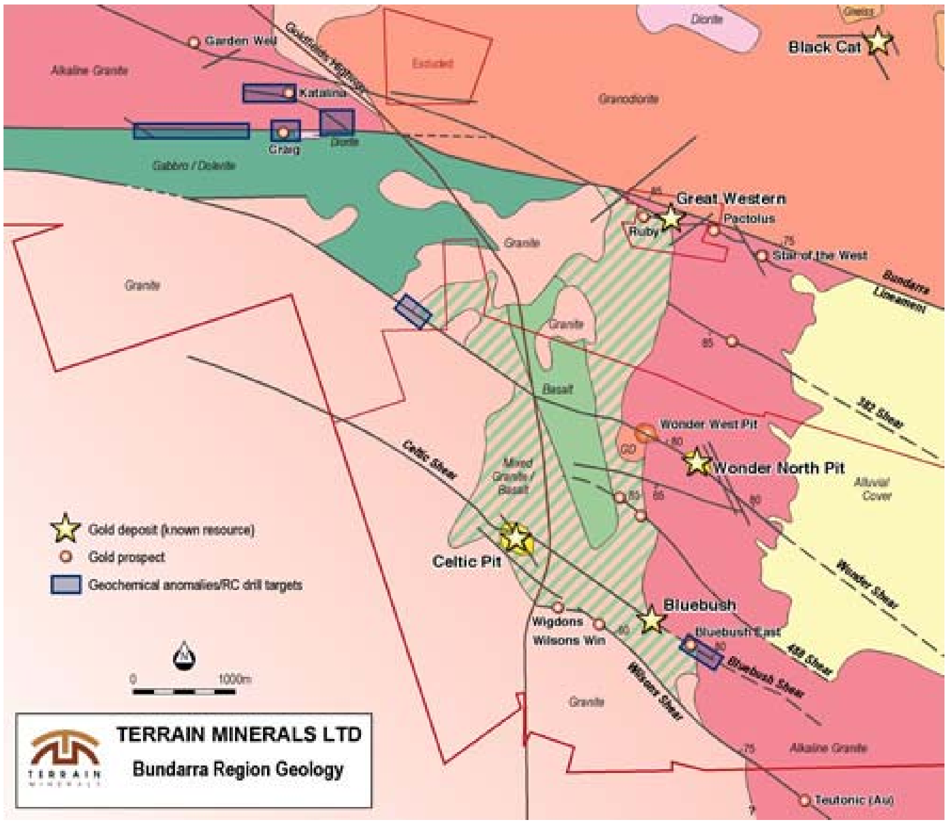
Richard Sandner
Chairman

Review of Operations

Bundarra Region

The Bundarra project covers approximately 100kms² and encompasses all the major gold deposits and prospects in the Bundarra region. The project area includes the Celtic and Great Western projects (both 100% Terrain) and the Black Cat joint venture, where Terrain earned 60% equity in late 2009 and is currently increasing its equity from 60% to 75% through the expenditure of $750,000.

Bundarra: Geology & Prospects



A JORC compliant resource estimate of 4.96mt @ 2.0g/t gold (321,000 ounces) was announced in August 2008, covering the Wonder North, Celtic, Bluebush, Great Western, and Black Cat deposits. Since that time Terrain has been investigating various mining options. During the past year open pit mine planning has been completed on the Celtic deposit and scoping studies have generated open pit mine plans for the Wonder North and Great Western deposits. In addition a conceptual underground mine study has been undertaken on the Great Western deposit. These studies indicate a potential cash surplus of up to A$40m from all deposits (at a gold price of A$1,350/ounce), assuming commercial toll treatment rates at a nearby mill.

Celtic

At the Celtic deposit the pre-existing block model and mine plan have been discarded and a new mine study has identified approximately 6,000 ounces of gold that can be extracted from beneath the floor of the existing open cut for a cash cost below A$700 per ounce. All statutory approvals to mine the deposit have been received from the WA State Government and negotiations to toll treat the ore are currently in progress. Mining is expected to commence before the end of 2010 and is anticipated to generate a cash surplus of approximately $2-3m.

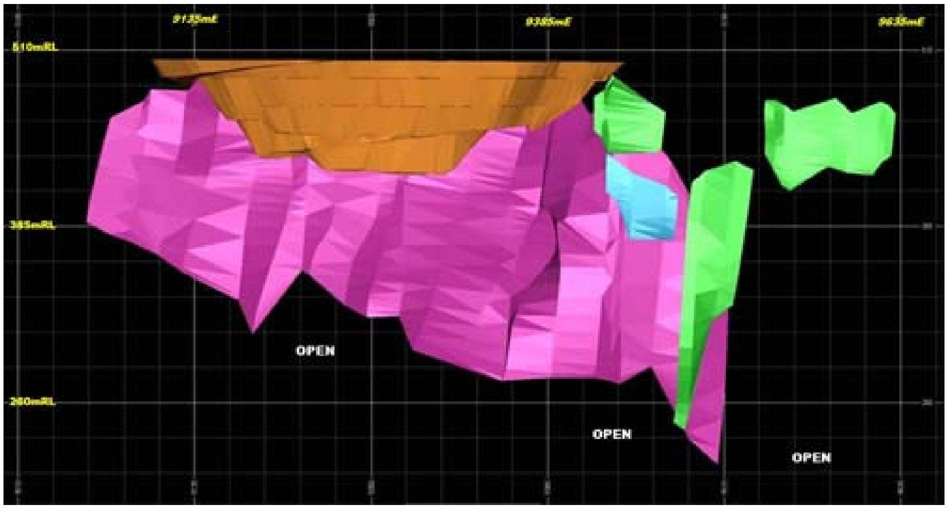
Wonder North

At A$1,200/ounce gold price the Wonder North conceptual "small pit" contains 449,000t @ 2.56g/t gold with 35,100 recoverable ounces (at a 1g/t gold cut-off). There is also a conceptual "big pit" which contains 697,200t @ 2.45g/t gold with 55,300 recoverable ounces (at a 1g/t gold cut-off); however, scoping studies on this pit design are less detailed than those for the "small pit" design.

A further study of the high grade (+3g/t gold) core of the deposit has identified a resource of 621,600t @ 4.8g/t gold (96,080 ounces) extending below the floor of the proposed open cut.

The deposit remains open down dip and down plunge, plus a number of satellite lodes have been identified with potential for "bonanza" grades. Further drilling programs are planned.

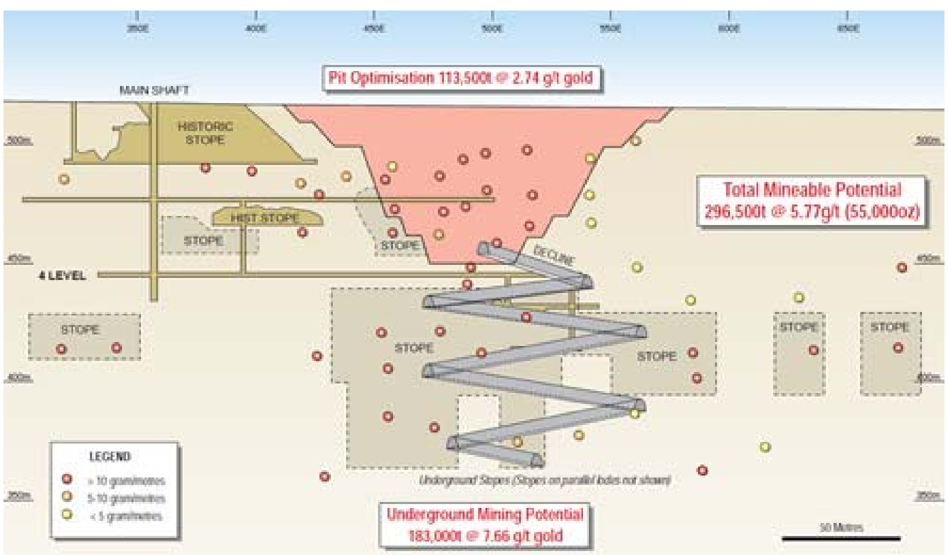
Long Section of Wonder North showing current pit (orange), main +3g/t gold zone (magenta) up to 250m below surface, and satellite lodes (green) to the grid east.



Great Western

At Great Western the conceptual mine plan involves an open cut, generating in the order of 10,000 ounces of gold, to provide access to an underground operation with the potential to mine around 45,000 ounce, at a cash cost in the vicinity of A$750 per ounce. The deposit is open at depth and further drilling will be required to establish the full size of the potential underground mining operation.

Great Western Gold Deposit Longitudinal Section
Proposed Mine Plan



There are also a number of other gold targets in the Bundarra region exhibiting similar geological features to the known deposits, plus strong geochemical anomalies, including –

Craig-Katalina (part of Black Cat Joint Venture – 60% earning to 75%)

- Two major soil anomalies up to 160m wide and 1,000m long, with gold values up to 50X background, are untested;
- Craig workings - historic shallow drill intersections below and along strike from the old workings, including 2m @ 82.67g/t gold and 1m @ 9.42g/t gold, require follow-up drilling;

- Katalina workings - historic drill intersections below the old workings, including 2m @26.58g/t gold, 6m @ 3.83g/t gold, and 2m @ 9.05g/t gold, require follow-up drilling.

Great Western Deeps (100% Terrain)

- High grade underground mineralisation remains open at depth and down plunge with good potential for a series of stacked ore zones - deeper core drilling is planned to increase this resource.

Wonder North Deeps (100% Terrain)

- High grade lenses (+3g/t gold) remain open down plunge - deeper core drilling is planned to increase this resource.

Bluebush (100% Terrain)

- During mid-2010 shallow RC drilling around an existing resource (38,900 ounce) returned up to 11m @ 1.98g/t gold (hole BBRC025), with a maximum single assay of 1m @ 9.47g/t gold (hole BBRC026). Mineralisation remains open at depth down plunge.

Dodgers Well Project

The Dodgers Well project is located 30 kms north of Leonora and covers all the known workings of the historic Dodgers Well mining camp. The main licence was acquired in December 2009 (via an option to purchase agreement) with two additional smaller licences granted in November 2009.

First pass exploration RC drilling in mid-2010 returned encouraging results beneath old workings including –

DWRC013:

- 9m @ 17.04g/t gold from 76m; including
- 4m @ 36.10g/t gold from 76m; including
- 1m @ 115.7g/t gold from 76m (reassay 1m @ 220.5g/t gold)

DWRC014:

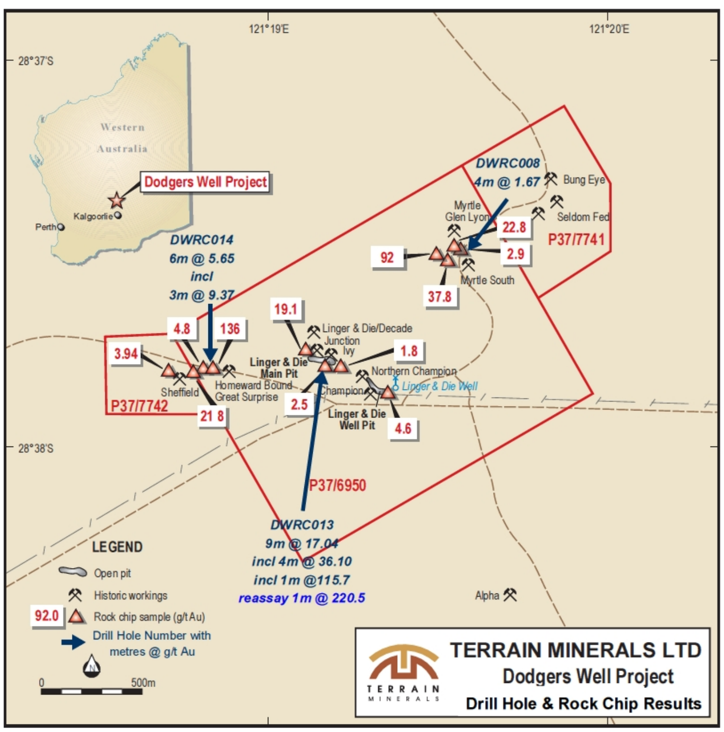
- 6m @ 5.65g/t gold from 0m; including
- 3m @ 9.37g/t gold from 0m

DWRC008:

- 4m @ 1.67g/t gold from 0m.

Quartz vein mineralisation in all of these holes is very encouraging and follow-up drilling is planned.

Dodgers Well: Significant Drill Hole & Rock Chip Locations

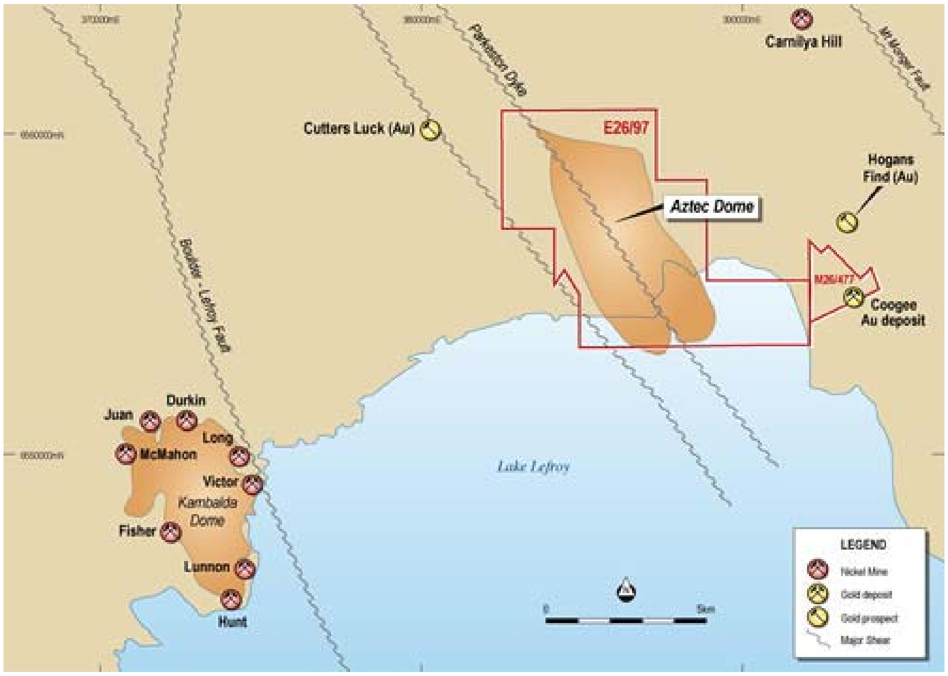


Review of Operations

East Kambalda Project

The East Kambalda project includes two prospects: the Coogee gold deposit and the Aztec Dome nickel prospect.

Location Map: East Kambalda Project



Coogee Gold Deposit

A sale agreement with an unlisted company was entered in to in May 2010 to sell mining lease M26/477 (containing the Coogee gold deposit) and the mineral exploration rights for two adjoining sub-blocks on E26/97 for a mixture cash and shares. To the end of June 2010 Terrain had received non-refundable cash payments totaling $100,000. This agreement lapsed on 31 August 2010 and Terrain now retains full ownership of the Coogee gold deposit and surrounding ground.

Aztec Dome

Work completed on the Aztec Dome prospect indicates that it has the potential to be a repeat of the Kambalda Dome, with its associated high grade nickel deposits, located about 15 kms to the south-west.

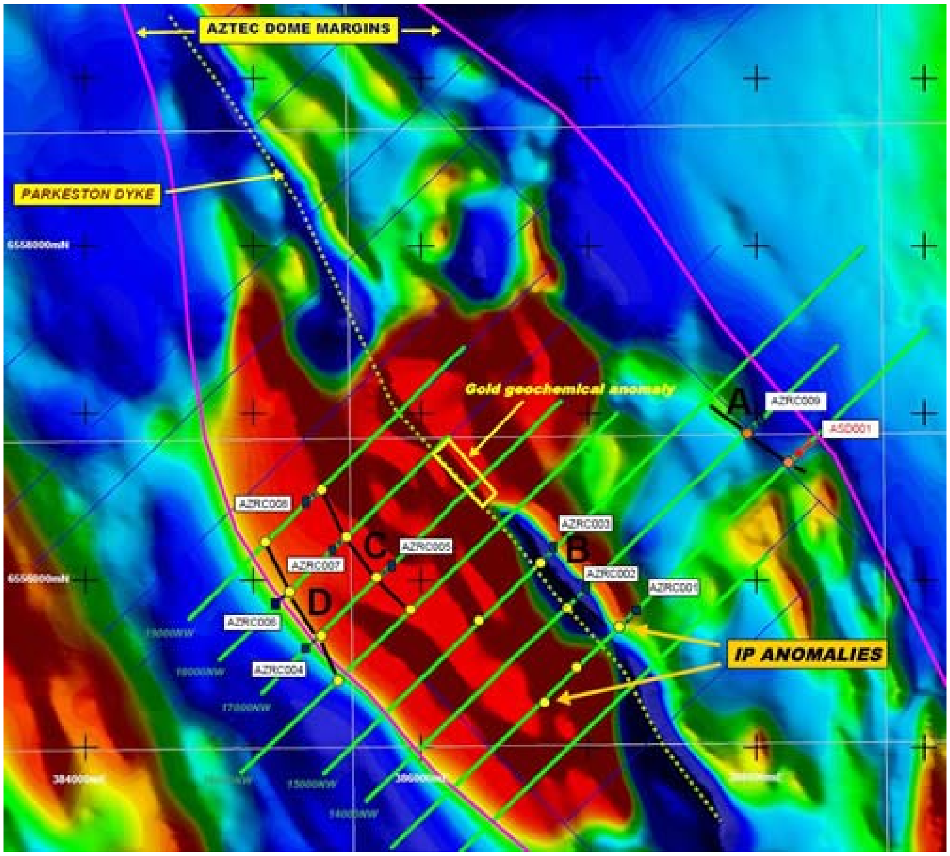
During the past year exploration activities have comprised ground induced polarisation (IP) and electromagnetic (EM) surveys, and RC drilling of four IP targets. This work has confirmed that the Aztec Dome has similar rock types, geochemistry, and geophysical responses to the Kambalda Dome.

A nine hole RC drilling program in late 2009 confirmed the presence of a sheared ultramafic/mafic sequence in RC hole AZRC009 on the eastern edge of the Aztec Dome and anomalous nickel (up to 0.32%) and chrome (up to 0.35%) values were recorded in the mafic sequence within this same hole.

Further encouragement is provided by the presence of disseminated nickel and copper sulphide minerals (pentlandite, millerite, and chalcopyrite). All of these factors suggest that nickel sulphides have been mobilised from a nearby deeper buried source.

An EM survey just north of hole AZRC009 in mid-2010, on the eastern edge of the Aztec Dome, highlighted the presence of two strong and distinct conductive anomalies which may reflect nickel sulphides at depth. These prospective nickel sulphide targets, plus other geological/geophysical targets, require deep diamond core drill testing.

Aztec Dome: Aeromagnetic Image Showing 2009 IP Anomalies & Drill Holes



Competent Persons Statement

The information in this report that relates to Exploration Results is based on information compiled by Mr Chris Tomich, who is a full time employee of Terrain Minerals Ltd. Mr Tomich is a member of the Australian Institute of Geoscientists (MAIG) and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' Mr Tomich consents to the inclusion in the report of the matters based on information in the form and context in which it appears.

The Mineral Resource estimates (at 1g/t gold cut-off) for the Wonder North, Bluebush, Great Western and Black Cat deposits at Bundarra were completed by consultant Mr Shane Fieldgate of CSA Global Pty Ltd, who is a Member of the Australian Institute of Geoscientists (MAIG) and is a Competent Person as defined by the Australasian Code for the Reporting of Exploration Result Mineral Resources and Ore Reserves (JORC Code) 2004 Edition and who consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

The Mineral Resource estimate (at +3g/t gold cut-off) for the Wonder North deposit at Bundarra was completed by consultant Mr Steve Le Brun of LBC Resources Pty Ltd, who is a Member of the Australasian Institute of Mining and Metallurgy (MAusIMM) and is a Competent Person as defined by the Australasian Code for the Reporting of Exploration Result Mineral Resources and Ore Reserves (JORC Code) 2004 Edition and who consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

The Mineral Resource estimate for the Coogee deposit was reviewed by consultant Mr. Malcolm Castle, who is a Member of the Australian Institute of Mining & Metallurgy (MAusIMM)) and is a Competent Person as defined by the Australasian Code for the Reporting of Exploration Results Mineral Resources and Ore Reserves (JORC Code) 2004 Edition and who consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

RESOURCE TABLES

Resource Table (at 1g/t Au cut-off)

Deposit	Resources	Measured	Indicated	Inferred	Totals
Bundarra Project					
Wonder North	Tonnes	354,000	872,000	1,314,000	2,540,000
	Grade g/t	2.3	2.4	1.9	2.1
	Ounces	26,000	66,500	80,200	172,600
Bluebush	Tonnes			726,000	726,000
	Grade			1.7	1.7
	Ounces			38,900	38,900
Black Cat	Tonnes			134,000	134,000
	Grade			2.5	2.5
	Ounces			10,600	10,600
Great Western	Tonnes	58,000	284,000	131,000	473,000
	Grade	3.0	2.8	2.3	2.7
	Ounces	5,600	25,800	9,500	40,900
SubTotals	Tonnes	412,000	1,156,000	2,305,000	3,873,00
	Grade	2.4	2.5	1.9	2.1
	Ounces	31,600	92,300	139,200	263,100
Celtic	Tonnes	683,900	199,400	204,400	1,087,700
	Grade	1.8	1.5	1.5	1.7
	Ounces	39,300	9,300	9,500	58,100
TOTALS	**Tonnes**	**1,095,900**	**1,355,400**	**2,509,400**	**4,960,700**
	Grade	**2.0**	**2.4**	**1.9**	**2.0**
	Ounces	**70,900**	**101,600**	**148,700**	**321,200**
East Kambalda Project					
Coogee	Tonnes		137,800	139,700	277,500
	Grade g/t		4.12	3.70	3.91
	Ounces		18,250	16,620	34,870
Total Resources					
All Deposits	**Tonnes**	**1,095,900**	**1,493,200**	**2,649,100**	**5,238,200**
	Grade	**2.00**	**2.56**	**1.99**	**2.10**
	Ounces	**70,900**	**119,850**	**165,320**	**356,070**

Wonder North High Grade Resource Table (at 3g/t Au cut-off) within the +1g/t Au resource above

CLASSIFICATION	TONNES	GRADE g/t GOLD	GOLD OUNCES
Measured	0	0	0
Indicated	494,450	4.9	78,080
Inferred	127,150	4.4	18,000
TOTAL	**621,600**	**4.8**	**96,080**

Directors' Report

Your directors present their report on Terrain Minerals Ltd ("Terrain" or "Group") and the entity it controlled during the year ended 30 June 2010.

Directors

The names of the directors of the Group in office during the year and until the date of this report are as follows. The directors were in office for the entire period unless otherwise stated.

Keith Wells	
Paul Dickson	
Richard J Sandner	
Jonathan Lim	(Appointed 11 September 2009 and continues in office)
Christopher Tomich	(Appointed 1 June 2010 and continues in office)
William Bannister	(Appointed 22 May 2008, resigned 18 November 2009)

Principal activities

During the period the principal activities of the Group 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 Group incurred a net loss of $1,633,765 (2009: loss of $1,871,866) and had a net increase in contributed equity of $2,208,918 ($13,110,389 to $15,319,307) as a result of:

- a rights issue of 28,216,249 ordinary shares at a deemed value of $0.038 each plus a 1 for 2 free attaching option;
- a placement of 8,323,000 ordinary shares at a value of 5 cents each to a sophisticated investor;
- a placement of 10,459,387 ordinary shares at a value of 5 cents each to Mr J Lim, a director of the Group;
- a placement of 5,500,000 ordinary shares in lieu of corporate advisory fees;
- a placement of 588,235 ordinary shares on the exercise of the Dodgers Wells tenement option;
- a placement of 875,040 ordinary shares at 8.57 cents each pursuant to an Equity Facility;
- payment for capital raising and share issue costs of $130,804.

At the end of the financial period the Group had net cash balances of $1,071,622 and net assets of $10,195,754.

Total liabilities amounted to $246,747 being trade and other creditors and accruals.

Review of Exploration

The review of operations follows the Chairman's letter at the beginning of the annual report.

Significant changes in the state of affairs

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

1. A placement of 8,323,000 shares on 23 October 2009 at 5 cents per share raised $416,150;
2. 588,235 shares (value of $50,000) were issued in December 2009 to exercise the option to purchase 100% of P37/6950 – Dodgers Wells Prospect;
3. 875,040 shares were issued to raise $74,973 pursuant to the Fortrend Working Capital Facility;
4. A placement of 10,459,387 shares at 5 cents each to raise $522,969 was concluded on 5 January 2010; and
5. A rights issue at 3.8 cents per share with a 1 for 2 free attaching option exercisable at 8 cents expiring 31 December 2012 was concluded on 17 August 2010 allotting 28,722,916 shares and 17,141,940 options to raise $1,091,471.

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

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2010 that has significantly affected, or may significantly affect:

- the Group's operations in future financial years;
- the results of those operations in future financial years;
- the Group's state 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 Group 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 Group. The Company is planning to mine the Celtic Pit in the near term.

Environmental regulation

The Group 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 Group to achieve. There were no known breaches of any environmental laws or regulations during the year.

The Directors have considered compliance with the National Greenhouse and Energy Reporting Act 2007 which requires entities to report annual greenhouse gas emissions and energy use. For the first measurement period 1 July 2009 to 30 June 2010 the directors have assessed that there are no current reporting requirements, but may be required to do so in the future.

To the Best of the Director's knowledge, Terrain Minerals Ltd has adequate systems in place to ensure compliance with the requirements of the environmental legislation described above and is not aware of any breach of those requirements during the financial year and up to the date of the Director's Report.

Information on directors

RICHARD J SANDNER *Chairman – Non-executive*

Experience and expertise

Mr. Sandner is a lawyer with experience in the resources arena and has thirty years senior managerial and corporate experience in the mining industry; having previously been the Managing Director and a founding director of Bendigo Mining NL, Reef Mining NL, and Purus Energy Ltd. Mr. Sandner successfully transformed Reef Mining from an explorer to a mining company. He is the past president of the Minerals Council of Australia – Victorian Division and is currently involved with a Victorian based unlisted gold and base metal explorer.

Other directorships

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

JONATHAN LIM *Vice Chairman – Non-executive (Appointed 11 September 2009)*

Experience and expertise

Mr. Lim is an entrepreneur having founded Romar Positioning Equipment Pty Ltd in 1984. Since then, Mr. Lim has grown Romar to a leading global heavy automation equipment manufacturer, principally in the energy, alternative energy, and oil & gas sector. Romar also has distribution facilities and associates in over 30 countries globally and was ranked 3rd place in the Singapore Enterprise E50 Awards in 2007. In 2008, Romar was acquired by a UK-based MNC.

In addition to being an entrepreneur, Mr. Lim is also an avid investor, promoter and venture capitalist in various listed and unlisted companies in advanced materials, oil sands, heavy oil, electric cars and its allied industries, green industries, electronics and LEDs, mineral business and manufacturing businesses in both North and South America, Australia and North and SE Asia. Mr. Lim currently sits on the Board of 2 Singapore SGX listed Catalist companies as Non Executive director of Vallianz Holdings Limited and Executive Chairman of ADVENTUS.

Other directorships

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

KEITH WELLS BSc, MSc, Grad Dip Bus, MAIG Non-Executive Director

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.

PAUL DICKSON B.Econ Director – Non-executive

Experience and expertise

Mr Dickson has over 20 years experience in the Securities and Finance Industries since 1988, with an initial 3 years in banking followed by approximately 13 years in stock broking with the majority of his career spent at tier one firm Ord Minnett Ltd. In the past 6 years as a corporate advisor, with the majority of his time as a principal and co-founder of Paradigm Capital, Paul has originated IPO's and equity placements across the industrial and mining sectors for listed entities and been involved in seed capital raisings, and sub-underwritings during this time.

Other directorships

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

CHRISTOPHER TOMICH – Managing Director (Appointed 1 June 2010)

Experience and expertise

Mr Tomich was the Exploration Manager, a position he has held since Terrain Minerals first listed. He has a BSc (Honors) degree from the University of Western Australia and is a Member of the Australian Institute of Geoscientists. Mr Tomich has been a member of the Terrain Executive Committee for several years and is a geologist who has been involved in the resources sector for over 30 years and has extensive experience in gold, uranium and base metal exploration. Mr Tomich has been involved in grass roots project generation to advanced resource evaluation and mining projects; during this time he has worked with a number of Australian and international companies, including PNC Exploration, Hunter Resources, Worsley Alumina, Herald Resources and Anglo American Exploration. He has been involved in several exploration discoveries and resource evaluations, including the Nimary, Mertondale and Boddington Gold Mines, and the Mulga Rocks Uranium Deposit in Western Australia.

Other directorships

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

Information on Company secretary

IAN HOBSON B.Bus, FCA, ACIS, MAICD Company Secretary

Experience and expertise

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.

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:

2010	**Ordinary Shares**		**Options over Ordinary Shares**	
	Direct	**Indirect**	**Direct**	**Indirect**
K Wells	-	4,471,535	1,500,000	3,230,000
R Sandner	-	2,000,001	-	-
P Dickson	-	1,208,558	-	1,236,445
C Tomich	45,000	-	10,000	-
J Lim	16,459,387	17,690,815	1,000,000	-

2009	**Ordinary Shares**		**Options over Ordinary Shares**	
	Direct	Indirect	Direct	Indirect
K Wells	-	3,421,535	1,500,000	1,775,000
R Sandner	-	-	-	-
P Dickson	-	735,668	-	51,000
W Bannister	-	38,104	-	-
J Lim	-	17,690,815	-	-

Meetings of directors

The number of meetings of the company's board of directors held during the period ended 30 June 2010 and the number of meetings attended by each director were:

2010	**Full meetings of Directors**	
	Held	**Attended**
C Tomich	3	3
K Wells	25	23
P Dickson	25	25
R Sandner	25	25
J Lim (appointed 11 September 2009)	22	17
W Bannister (resigned 18 November 2009)	9	9

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

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

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

Alignment to shareholders' interests:

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

Alignment to program participants' interests:

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

The framework currently consists of fixed salaries and options.

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

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

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

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. Please refer to page 18 for details of employee share option scheme.

Group 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. 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:

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

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

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

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

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

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

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

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

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:

2010	Short-term benefits		Post-employment benefits	Share based payments		Value of Share based payments as a % of total remuneration	Proportion of remuneration relating to performance
Name	Cash salary and fees $	Non monetary benefits $	Superannuation $	Options $	Total $		
Executive Directors							
*K Wells	173,508		15,278	161,617	350,403	46%	0%
**C Tomich	146,613		12,933	42,482	202,028	21%	0%
Non-Executive Directors							
R Sandner	38,307		3,448	64,647	106,402	61%	0%
P Dickson	30,000		2,700	64,647	97,347	66%	0%
J Lim	27,250			64,647	91,897	70%	0%
Company Secretary							
# I Hobson	57,440	-	-	16,993	74,433	23%	0%
Total	**473,118**		**34,359**	**415,033**	**922,510**	**28%**	**0%**

*K Wells — Executive director 1 July 2009 to 31 May 2010; non-executive director 1 June to 30 June 2010

**C Tomich — Exploration Manager 1 July 2009 to 31 May 2010; executive director 1 June to 30 June 2010

Churchill Services — The company associated to I Hobson was paid $57,440.

The five highest paid executives are included in key management personnel above.
$36,541 was paid to Bligh Capital as a placement fee for a capital raising at commercial rates. Paul Dickson was a director of Bligh Capital at the time.
The key management personnel are the Directors, Group Secretary and Mr Christopher Tomich who was the Exploration Manager to 31 May 2010 and managing director from 1 June 2010.

2009	Short-term benefits		Post-employment benefits	Share based payments		Value of Share based payments as a % of total remuneration	Proportion of remuneration relating to performance
Name	Cash salary and fees $	Non monetary benefits $	Superannuation $	Options $	Total $		
Executive Directors							
K Wells	118,153	6,171	92,449	40,947	257,719	16%	0%
Non-Executive Directors							
R Sandner	8,308	-	748	-	9,056	0%	0%
P Dickson	10,000	-	900	-	10,900	0%	0%
W Bannister	-	-	33,135	-	33,135	0%	0%
*R Gillon	-	-	-	-	26,911	0%	0%
D Zohar	23,135	-	2,082	-	25,217	0%	0%
Group Secretary							
# I Hobson	-	-	-	-	54,780	0%	0%
Other Key Management Personnel							
C Tomich	141,476	16,831	12,922	-	171,229	0%	0%
Total	**301,072**	**23,002**	**142,236**	**40,947**	**588,948**	**16%**	**0%**

*Lawton Gillon — The company associated to R Gillon was paid Directors Fees amounting to $26,911.
Churchill Services — The company associated to I Hobson was paid $54,780.

The key management personnel are the Directors, Company Secretary and Mr Christopher Tomich who is the Exploration Manager.

C Service Agreements
Remuneration and other terms of employment for the Managing Director (formerly the Exploration Manager) are formalised in service agreements.

The agreements for the Managing Director (formerly the Exploration Manager) provide for the provision of other benefits and participation, when eligible, in the Employee Share Option Scheme. All other directors are retained on an on-going basis with no termination benefits.

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

C Tomich, Managing Director (formerly Exploration Manage)

- Term of agreement – expiring 31 January 2011. Renewable by negotiation.
- Base salary, inclusive of superannuation and other benefits, as at 30 June 2010 of $196,200, to be reviewed annually. Provision of four weeks annual leave. Payment of a termination benefit on early termination by the Group other than for gross misconduct, equal to the base salary for the remaining term of the agreement.
- 500,000 options exercisable at 8 cents expiring 31 December 2012, subject to shareholder approval.

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 and based on individual performance.

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.

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

Grant date	Expiry date	Exercise price	Fair value of options at grant date	Date exercisable
8 October 2009	8 October 2014	11 cents	$80,715	At any time during the option period
30 November 2009	30 November 2014	18 cents	$355,557	At any time during the option period

There is no vesting period for these options. The options are vested and exercisable on issue.

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 2010 included:

Grant date	8-Oct-09	30-Nov-09
Expiry date	8-Oct-14	30-Nov-14
Exercise price	$0.11	$0.18
Consideration	Nil	Nil
Share price at grant date	5.4 cents	8.8 cents
Expected price volatility of the Group's shares	120%	113%
Expected dividend yield	Nil	Nil
Risk-free interest rate	3.8%	3.8%
Option Valuation	4.25 cents	6.46 cents
Vesting Period	Nil	Nil

Further details relating to options are set out below.

2010 **Name**	**A** **Remuneration** **% consisting** **of options**	**B** **Value at** **Grant date** **$**	**C** **Value at** **exercise date** **$**	**D** **Value at** **lapse date** **$**	**E** **Total of** **columns B - D** **$**
K Wells	46.12%	161,616	-	-	161,616
R Sandner	60.76%	64,647	-	-	64,647
P Dickson	66.41%	64,647	-	-	64,647
J Lim	70.35%	64,647	-	-	64,647
C Tomich	21.03%	42,482	-	-	42,482
I Hobson	22.83%	16,993	-	-	16,993

2009 **Name**	**A** **Remuneration** **% consisting** **of options**	**B** **Value at** **Grant date** **$**	**C** **Value at** **exercise date** **$**	**D** **Value at** **lapse date** **$**	**E** **Total of** **columns B - D** **$**
Keith Wells	16%	40,947	-	-	-

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.

2010	Number of Options Granted During the period		Number of Options Vested During the period	
	2010	2009	**2010**	2009
Directors of Terrain Minerals Ltd				
Executive				
C Tomich	**1,000,000**	-	**1,000,000**	-
Non-Executive				
R Sandner	**1,000,000**	-	**1,000,000**	-
L Lim	**1,000,000**	-	**1,000,000**	-
P Dickson	**1,000,000**	-	**1,000,000**	-
K Wells	**2,500,000**	1,500,000	**2,500,000**	1,500,000
Company Secretary				
I Hobson	**400,000**	-	400,000	-

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 Group 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.

	2010	2009	2008	2007
Quoted price of ordinary shares at period end (cents)	**2.50**	5.50	6.39	17.50
Quoted price of options at period end (cents)	**-**	-	1.20	-
Loss per share	**1.24**	2.25	2.00	1.92
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 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-06	24-Mar-11	20 cents	400,000
23-Mar-07	24-Mar-11	20 cents	200,000
2-May-07	22-Mar-12	20 cents	500,000
5-Jun-08	23-Mar-11	10 cents	70,000
9-Sep-08	10-Sep-13	20 cents	500,000
1-Dec-08	30-Nov-13	20 cents	1,500,000
8-Oct-09	8-Oct-14	11 cents	1,900,000
30-Nov-10	30-Nov-2014	18 cents	5,500,000
25-May -10	31-12-2012	8 cents	6,395,483
9-June -10	31-12-2012	8 cents	10,493,139
			27,458,622

Shares issued on the exercise of options

There were no ordinary shares of Terrain Minerals Ltd issued during the period ended 30 June 2010 on the exercise of options.

There were no ordinary shares of Terrain Minerals Ltd issued during the period ended 30 June 2010 on the exercise of options granted under the Terrain Minerals Ltd Employee Share Option Scheme.

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

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

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

Non-audit services
The Group may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group 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 APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the Group, acting as advocate for the Group or jointly sharing economic risk and rewards.

During the period the following fees were paid or payable for services provided by the auditor of the Group, its related practices and non-related audit firms.

Non-Assurance services	**2010** **$**
Corporate Tax services	
BDO Corporate Tax (WA) Pty Ltd:	
Preparation of Income Tax Return	**7,071**

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

Auditor
BDO Audit (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.

C S Tomich

C Tomich
Managing Director
Perth, Western Australia
21 September 2010

BDO

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38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

21st September 2010

Terrain Minerals Limited
Board of Directors
PO Box 1702
SUBIACO WA 6904

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 2010, 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
- any applicable code of professional conduct in relation to the audit.

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

C Burton

Chris Burton
Director

BDO AUDIT
BDO Audit (WA) Pty Ltd

Perth, Western Australia

Corporate Governance Statement

This statement outlines the main corporate governance practices in place throughout the period, which comply with the ASX Corporate Governance Council recommendations, except where noted. The Group's Corporate Governance policy is provided on the Group's website.

In accordance with the recommendations of the ASX, information published on the Group's website includes charters (for the board and its sub-committees), codes of conduct and other policies and procedures relating to the board and its responsibilities.

Board of Directors

Currently two directors (Richard Sandner and Paul Dickson) satisfy the criteria for independence as outlined in the ASX recommendations.

Role of the Board

The Board guides and monitors the business and affairs of the Group on behalf of the shareholders by whom they are elected and to whom they are accountable. To fulfil this role, the Board is responsible for the overall corporate governance of the Group including formulating its strategic direction, approving and monitoring capital expenditure, setting remuneration, appointing, removing and creating succession policies for directors and senior executives, establishing and monitoring the achievement of management's goals and ensuring the integrity of internal control and management information systems. It is also responsible for approving and monitoring financial and other reporting.

Board processes

The Board has established a framework for the management of the Group including a system of internal control, a business risk management process and appropriate ethical standards. The full Board schedules meetings, including strategy meetings and any extraordinary meetings, as necessary to address any specific significant matters that may arise. The agenda for meetings is prepared in conjunction with the Chairman and Managing Director. Standing items include the management report, financial reports, strategic matters, governance and compliance. Submissions are circulated in advance.

The Group has not established separate Board committees during the year as it is not currently considered to be of a size, nor is its affairs of such complexity to justify the establishment of separate Board committees, including a Nomination Committee, Remuneration Committee or an Audit Committee. Accordingly, all matters that may be considered by such committees are dealt with by the full Board. Details of the Board's procedures in respect to each of these areas are further outlined within the Corporate Governance Statement below – see Nomination Committee, Remuneration Committee and Audit committee respectively.

Evaluations of the board, committees, directors and senior executives

The Group has a formal process to educate new directors about the nature of the business, current issues, the corporate strategy and the expectations of the Group concerning performance of directors. Directors also have the opportunity to visit Group facilities and meet with management to gain a better understanding of business operations. Directors are given access to continuing education opportunities to update and enhance their skills and knowledge. The process of evaluations of the board, committees, directors and senior executives involves an annual formal review. These reviews have not occurred during the year.

Independent professional advice and access to Group information

Each Director has the right of access to all relevant Group information and to the Group's executives and, subject to prior consultation with the Chairman, may seek independent professional advice from a suitably qualified adviser at the Group's expense. The director must consult with an advisor suitably qualified in the relevant field, and obtain the chairman's approval of the fee payable for the advice before proceeding with the consultation. A copy of the advice received by the director is made available to all other members of the Board.

Corporate Governance Statement

Composition of the Board

The following information on each of the Directors of the Group in office at the date of this report is set out in the Directors' Report:

- names, skills, experience and expertise relevant to the position of director;
- the names of the independent directors and the Group's materiality thresholds;
- the existence of any relationships that may impact the independent director's independence; and
- the period of office held by each director in office at the date of the annual report.

The composition of the Board is determined using the following principles:

A minimum of three directors, with a broad range of expertise both nationally and internationally;
Directors having extensive knowledge of the Group's industries, and those which do not, have expertise in significant aspects of auditing and financial reporting, or risk management and financing of public companies;
The roles of Chairman and Managing Director are not to be exercised by the same individual; and re-election in accordance with the Group's constitution.

Board members have experience in the management of public companies. The Board currently has two independent directors. The directors consider that the current number of independent directors in the Group is appropriate for the effective execution of the Board's responsibilities. The directors periodically monitor the need to appoint additional independent directors. Materiality thresholds are assessed on a case-by-case basis, taking into account the relevant directors' circumstances.

Nomination Committee

The Board considers that a formally constituted Nomination Committee is not appropriate given the size of the Group. As part of its usual role, the committee would oversee the appointment and induction process for directors, and the selection, appointment, evaluation and succession planning process of the Group's directors and senior executives. The Board considers the appropriate skill mix, personal qualities, expertise and diversity of each position. When a vacancy exists or there is a need for particular skills, the Board determines the selection criteria based on the skills deemed necessary. The Board identifies potential candidates and may take advice from an external consultant. The Board then appoints the most suitable candidate. Board candidates must stand for election at the next general meeting of shareholders.

Remuneration Committee

The Board considers that a formally constituted Remuneration Committee is not appropriate given the size of the Group. As part of its usual role, the committee would oversee the appointment and remuneration of directors and the Group's executive officers. Remuneration levels are competitively set to attract and retain appropriately qualified and experienced directors and senior executives. The Board may seek independent advice on the appropriateness of remuneration packages, given trends in comparative companies both locally and internationally. Remuneration packages include a mix of fixed remuneration, performance-based remuneration, and equity-based remuneration.

The remuneration structures explained below are designed to attract suitably qualified candidates, and to affect the broader outcome of maximising the Group's profitability. The remuneration structures take into account:

- Overall level of remuneration for each director and executive;
- The executive's ability to control the performance of the relevant area; and
- The amount of incentives within each executive's remuneration.

Shares and options can only be issued to Group Directors under a resolution at a general meeting of shareholders.

Non executive Directors may receive a base fee and can be remunerated by way of share and option issues approved under a resolution at a general meeting of shareholders. The Board has not established retirement or redundancy schemes.

Audit Committee

The Group has not formally constituted an Audit Committee.

Risk Management

Overview of the Risk Management System
The Board adopts practices designed to identify significant areas of business risk and to effectively manage those risks in accordance with the Group's risk profile. This includes assessing, monitoring and managing operational, financial reporting and compliance risks for the Group. The Group is not of a size nor are its affairs of such complexity to justify the establishment of a formal system for reporting risk management and associated compliance and controls. Instead, a director, in accordance with Group policy, approves all expenditure, is intimately acquainted with all operations and reports all relevant issues to the other directors at the directors' meetings. The managing director has declared to the board, that the aforementioned system is working efficiently and effectively.

The Group is not currently considered to be of a size, nor are its affairs of such complexity to justify the establishment of a separate Risk Management Committee. Instead, the board, as part of its usual role and through direct involvement in the management of the Group's operations ensures risks are identified, assessed and appropriately managed. Where necessary, the board draws on the expertise of appropriate external consultants to assist in dealing with or mitigating risk.

The financial controller and managing director have declared to the Board that the Group's financial reports are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board.

Internal Audit
The Group does not have a formally established internal audit function. The Board ensures compliance with the internal controls and risk management procedures previously mentioned.

Ethical Standards
All directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Group.

Conflict of Interest
Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Group. The Board has developed procedures to assist directors to disclose potential conflicts of interest.

Where the Board believes that a significant conflict exists for a director on a Board matter, the director concerned is not present at the meeting whilst the item is considered.

Code of Conduct
The Group has established a Code of Conduct (Code) which aims to develop a consistent understanding of, and approach to, the desired standards of conduct and behaviour of the directors, officers, employees and contractors (collectively, the Employees) in carrying out their roles for the Group. Through this Code, the Group seeks to encourage and develop a culture of professionalism, honesty and responsibility in order to maintain and enhance our reputation as a valued employer, business operator and "corporate citizen".

Trading in Group Securities by Directors and Employees
The Group has established a Security Trading Policy that is provided to all Directors and employees on commencement. The constitution permits directors to acquire shares in the Group. Group policy prohibits directors from dealing in shares whilst in possession of price sensitive information. Directors must notify the Group secretary once they have bought or sold shares in the Group or exercised options over ordinary shares. In accordance with the provisions of the Corporations Act 2001 and the Listing Rules of the Australian Securities Exchange, the Group on behalf of the directors, must advise the Australian Securities Exchange of any transactions conducted by the directors in shares and / or options in the Group.

Communication with Shareholders
The Board has formally documented the Group's continuous disclosure procedures and established a communications strategy. The Board, as part of its usual role, provides shareholders with information using comprehensive continuous disclosure processes which includes identifying matters that may have a material effect on the price of the Group's securities, notifying the ASX and issuing media releases.

In summary, the continuous disclosure processes operate as follows:

- The Chairman and the company secretary are responsible for all communications with the ASX. Matters that may have an effect on the price of the Group's securities are advised to the ASX on the day they are discovered. Senior executives monitor all areas of the Group's internal and external environment;
- The full annual financial report is made available to all shareholders, and includes relevant information about the operations of the Group during the year, changes in the state of affairs and details of future developments;
- The half-yearly report contains summarised financial information and a review of the operations of the Group during the period. The half-year reviewed financial report is lodged with the Australian Securities and Investments Commission and the ASX, and sent to any shareholder who requests it;
- Proposed major changes in the Group which may impact on share ownership rights are submitted to a vote of shareholders;
- All announcements made to the market, and related information (including information provided to analysts and the media), are released to the ASX; and
- The external auditor attends the Annual General Meeting to answer any questions concerning the audit and the content of the Auditor's Report.

The Board encourages full participation of shareholders at the Annual General Meeting, to ensure a high level of accountability and identification with the Group's strategy and goals. Important issues are presented to the shareholders as single resolutions.

The shareholders are requested to vote on the appointment and aggregate remuneration of directors, the granting of options and shares to directors and changes to the constitution. Copies of the constitution are available to any shareholder on request.

Non-Compliance with ASX Principles and Recommendations
The Group has not complied with the ASX Principles and Recommendations as specified below.

Ref	Notification of Departure	Explanation for Departure
1.3 2.6	Performance Evaluations	Evaluations of the Board, committees and executives did not occur during the year as set out above.
2.1	A majority of the Board should be independent directors.	Two of the five directors are considered to be independent. In view of the size of the Group and its activities the board considers that the current board is a cost effective and practical way method of directing and managing the Group.
2.4	The Board should establish a nomination committee.	Currently, the Group has decided not to have a nomination committee given its size and scope. The Board, as a whole, serves to identify, appoint and review Board membership through an informal assessment process, facilitated by the Chairman in consultation with the Group's external professional advisors.
4.1 4.2 4.3	The Board should establish an audit committee. The audit committee should be structured so that it: Consists only of non-executive directors Consists of a majority of independent directors Is chaired by an independent chair, who is not chair of the Board; and Have at least three members. The audit committee should have a formal charter	The directors do not consider the Group'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 will carry out any necessary audit committee functions.
7.2	The Board should require management to design and implement the risk management and internal control system to manage the Group's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Group's management of its material business risk.	The Group has a small management team who interact with the directors on a regular basis and ensures constant communication of material business risks.
8.1	The Board should establish a remuneration committee	The Group does not have a remuneration committee due its size.

Terrain Minerals Ltd ABN 45 116 153 514
Statement of Comprehensive Income

For the year ended 30 June 2010

	Notes	Consolidated 2010 $	2009 $
Revenue from continuing operations	5	**26,468**	49,746
Employee benefits expense	6	**(900,223)**	(443,720)
Depreciation expense	6	**(39,679)**	(44,818)
Consultancy costs		**(366,946)**	(145,529)
Insurance costs		**(34,592)**	(26,317)
Office accommodation expenses		**(99,024)**	(65,832)
Travel expenses		**(24,476)**	(25,406)
Shareholder expenses		**(25,713)**	(29,273)
Professional fees		**(53,239)**	(164,458)
Bank charges		**(1,384)**	(1,155)
Exploration expenditure written off		**(27,304)**	(866,862)
Other expenses		**(87,654)**	(108,242)
Loss before income tax		**(1,633,765)**	(1,871,866)
Income tax expense	7	**-**	-
Loss for the year		**(1,633,765)**	(1,871,866)
Other comprehensive income		**-**	-
Total comprehensive income attributable for members of Terrain Minerals Ltd		**(1,633,765)**	(1,871,866)
Loss per share from continuing operations attributable to the owners of the Company:			
		Cents	Cents
Basic and diluted loss per share	28	(1.24)	(2.25)

The above Statement of Comprehensive Income should be read in conjunction with the Notes to the Financial Statements

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Statement of Financial Position

For the year ended 30 June 2010

	Notes	Consolidated 2010 $	2009 $
Current assets			
Cash and cash equivalents	8	**1,071,622**	1,310,523
Trade and other receivables	9	**382,671**	350,925
Non-current assets classified as held for sale	10	**426,977**	393,099
Total current assets		**1,881,270**	2,054,547
Non-current assets			
Plant & equipment	12	**35,223**	55,904
Exploration and evaluation	13	**8,526,008**	7,390,240
Total non-current assets		**8,561,230**	7,446,144
Total assets		**10,442,500**	9,500,691
Current liabilities			
Trade and other payables	14	**146,747**	376,952
Other liabilities	15	**100,000**	-
Total current liabilities		**246,747**	376,952
Total liabilities		**246,747**	376,952
Net assets		**10,195,754**	9,123,740
Equity			
Contributed equity	16	**15,319,307**	13,110,389
Reserves	17	**1,204,261**	707,401
Accumulated (losses)	18	**(6,327,814)**	(4,694,050)
Total equity		**10,195,754**	9,123,740

The above Statement of Financial Position should be read in conjunction with the Notes to the Financial Statements.

Terrain Minerals Ltd ABN 45 116 153 514
Statements of Change in Equity

For the year ended 30 June 2010

2009 Consolidated	Notes	Contributed Equity $	Accumulated Losses $	Share Based Payment Reserve $	Total $
Balance as at 1 July 2008		**11,334,922**	**(2,822,184)**	**649,293**	**9,162,031**
Loss for the year	18	-	(1,871,866)	-	(1,871,866)
Total comprehensive income for the year		**-**	**(1,871,866)**		**(1,871,866)**
Transactions with equity holders in their capacity as equity holders:					
Shares issued during the year	16(b)	1,918,952	-		1,918,952
Capital raising costs	16(b)	(143,485)	-		(143,485)
Options issued during the year				57,269	57,269
Balance as at 30 June 2009		**13,110,389**	**4,694,050**	**707,401**	**9,123,740**

2010 Consolidated	Notes	Contributed Equity $	Accumulated Losses $	Share Based Payment Reserve $	Total $
Balance at 1 July 2009		**13,110,389**	**4,694,050**	**707,401**	**9,123,740**
Loss for the year	18		1,633,765		1,633,765
Total comprehensive income for the year			**(1,633,765)**		**(1,633,765)**
Transactions with equity holders in their capacity as equity holders:					
Shares issued during the year	16(b)	2,400,310			2,400,310
Capital raising costs	16(b)	(191,392)			(191,392)
Options issued during the year				496,860	496,860
Balance as at 30 June 2010		**15,319,307**	**6,327,815**	**1,204,261**	**10,195,753**

The above Statement of Changes in Equity should be read in conjunction with the Notes to the Financial Statements

Statement of Cash Flow

For the year ended 30 June 2010

	Notes	Consolidated 2010 $	2009 $
Cash flows from operating activities			
Payments to suppliers and employees (inclusive of goods and services tax)		**(999,941)**	(915,476)
Interest received		**24,534**	49,746
Interest paid		**(10,014)**	-
Net cash (outflow) from operating activities	27	**(985,421)**	(865,731)
Cash flows from investing activities			
Payments for plant and equipment		**(18,998)**	(2,272)
Deposit from sale of tenement		**100,000**	-
Exploration and evaluation expenditure		**(1,289,989)**	(743,184)
Net cash (outflow) from investing activities		**(1,208,987)**	(743,184)
Cash flows from financing activities			
Proceeds from issues of securities		**2,086,310**	1,918,952
Share issue costs		**(130,803)**	(143,485)
Net cash inflow from financing activities		**1,955,507**	1,775,467
Net (decrease) in cash and cash equivalents held		**(238,901)**	164,281
Cash and cash equivalents at the beginning of the financial year		**1,310,523**	1,146,245
Cash and cash equivalents at the end of the financial year	8	**1,071,622**	1,310,523

The above Statement of Cash Flow should be read in conjunction with the Notes to the Financial Statements

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to the year ended 30 June 2010, unless otherwise stated. The financial statements are for Terrain Minerals Limited and its subsidiary.

1.1 Basis of preparation

These general purpose financial statements have 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. The Financial Statements have been prepared on a going concern basis.

Compliance with IFRS

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

Historical cost convention

These financial statements have been prepared under the historical cost convention.

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 Group'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.

Adoption of new and revised accounting standards

All of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2009 have been reviewed. It has been determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the operations of the Consolidated Entity and, therefore, no change is necessary to the accounting policies.

The Consolidated Entity has adopted the following new mandatory Standards issued by the AASB.

Presentation of Financial Statements

AASB 101 prescribes the contents and structure of the financial statements. Changes reflected in this financial report include:

- the replacement of income statement with statement of comprehensive income, Items of income and expense not recognised in profit or loss are now disclosed as components of 'other comprehensive income'. In this regard, such items are no longer reflected as equity movements in the statement of changes in equity; and
- other financial statements are renamed in accordance with the Standard.

Segment Reporting

The Group has applied AASB 8 Operating Segments from 1 July 2009. AASB 8 requires a management approach under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are now reported in a manner that is consistent with the internal reporting to the chief operating decision maker ("CODM"), which has been identified by the Group as the Managing Director and other members of the Board of Directors.

1.2 Segment reporting

Operating segments are reported in a manner that is consistent with the internal reporting to the chief operating decision maker ("CODM"), which has been identified by the company as the Managing Director and other members of the Board of Directors. The Group operates in Australia in mining exploration which the CODM considers to be one segment.

1.3 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.

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

1.4 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 at reporting date 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.

1.5 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 profit or loss on a straight-line basis over the period of the lease (refer to note 22).

1.6 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).

1.7 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 Statement of Financial Position.

1.8 Trade and other receivables

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

Collectability 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 Group 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 profit or loss.

1.9 Investments and other financial assets

The Group 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 financial assets were acquired.

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

(i) 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 Group 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 Statement of Financial Position.

The Group 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 Statement of Comprehensive Income. Impairment losses recognised in the Statement of Comprehensive Income on equity instruments are not reversed through the Statement of Comprehensive Income.

1.10 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.
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 Group 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.

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

- Exploration equipment	3 years
- Furniture, fittings and equipment	5 years
- Computer and electronic equipment	3 years
- Software	2 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 profit or loss.

1.11 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. They are recognised initially at fair value and subsequently at amortised cost.

1.12 Provisions

Provisions for legal claims are recognised when: the Group 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.

1.13 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 Group 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.

(iii) 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.

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.

1.14 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.

1.15 Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Group, 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.

1.16 Exploration and evaluation expenditure

Exploration and evaluation expenditure incurred by or on behalf of the Group 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.

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 Group, 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 Group 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 Group's rights of tenure to that area of interest are current.

1.17 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 Statement of Financial Position.

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.

1.18 Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Terrain Minerals Limited ("Group" or "parent entity") as at 30 June 2010 and the results of all the subsidiaries for the financial period then ended.

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.

Intergroup transactions, balances and un-realised 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 Statement of Comprehensive Income and Statement of Financial Performance respectively.

1.19 Going Concern

For the period ended 30 June 2010, the Group recorded a loss of $1,633,765. At 30 June 2010, the cash balance was $1,071,622.

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 unfavourable the Directors believe that they will be able to contain the operating and investment activities sufficiently to ensure that Terrain Minerals Ltd can meet its debts as and when they become due and payable.

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

The financial 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.

1.20 New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2010 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

(i) *AASB 2009-8 Amendments to Australian Accounting Standards – Company Cash-Settled Share based Payment Transactions [AASB 2] (effective from 1 January 2010)*

The amendments made by the AASB to AASB 2 confirm that an entity receiving goods or services in a Company share-based payment arrangement must recognise an expense for those goods or services regardless of which entity in the Company settles the transaction or whether the transaction is settled in shares or cash. They also clarify how the Company share-based payment arrangement should be measured, that is, whether it is measured as an equity- or a cash-settled transaction. The Company will apply these amendments retrospectively for the financial reporting period commencing on 1 July 2010. There will be no impact on the Company's or the parent entity's financial statements.

(ii) *AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues[AASB 132] (effective from 1 February 2010)*

In October 2009 the AASB issued an amendment to AASB 132 *Financial Instruments: Presentation* which addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment must be applied retrospectively in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. The Company will apply the amended standard from 1 July 2010. As the Company has not made any such rights issues, the amendment will not have any effect on the Company's or the parent entity's financial statements.

(iii) *AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 (effective from 1 January 2013)*

AASB 9 *Financial Instruments* addresses the classification and measurement of financial assets and is likely to affect the Company's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The Company is yet to assess its full impact. However, initial indications are that it may affect the Company's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss. In the current reporting period, the Company recognised $15,000 of such gains in other comprehensive income. The Company has not yet decided when to adopt AASB 9.

(iv) *Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards (effective from 1 January 2011)*

In December 2009 the AASB issued a revised AASB 124 *Related Party Disclosures*. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities and clarifies and simplifies the definition of a related party. The Group will apply the amended standard from 1 July 2011. When the amendments are applied, the Group and the parent will need to disclose any transactions between its subsidiaries and its associates. However, it has yet to put systems into place to capture the necessary information. It is therefore not possible to disclose the financial impact, if any, of the amendment on the related party disclosures.

(v) AASB Interpretation 19 Extinguishing financial liabilities with equity instruments and AASB 2009-13 Amendments to Australian Accounting Standards arising from Interpretation 19 (effective from 1 July 2010)

AASB Interpretation 19 clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the debtor issuing its own equity instruments to the creditor (debt for equity swap). It requires a gain or loss to be recognised in profit or loss which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. The Group will apply the interpretation from 1 July 2010. It is not expected to have any impact on the Group or the parent entity's financial statements since it is only retrospectively applied from the beginning of the earliest period presented (1 July 2009) and the Group has not entered into any debt for equity swaps since that date.

Note 2. Financial Risk Management

The Company'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 Company'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 Company.

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 Company holds the following financial instruments:

	2010	2009
Financial Assets	**$**	$
Cash and cash equivalents	**1,071,622**	1,310,523
Other receivables	**382,671**	350,925
	1,454,293	1,661,448
Financial Liabilities		
Trade and other payables	**246,747**	376,952
	246,747	376,952

i. Market Risk

(i) *Foreign Exchange Risk*
The Group's and operations are limited to domestic activities within Australia, therefore not subject to foreign currency.

(ii) *Price risk*
The Group and the is not exposed to equity securities price risk as it holds no investments in securities classified on the Statement of Financial Position as either available-for-sale or at fair value through profit or loss. The Group is not exposed directly to commodity price risk.

(iii) *Cash flow and fair value interest rate risk*
As the Group's major assets are cash deposits held in fixed interest rate deposits, the Group's income and operating cash flows are materially exposed to changes in market interest rates.

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

	30 June 2010		30 June 2009	
	Weighted average interest rate %	**Balance $**	Weighted average interest rate %	Balance $
Funds on deposit	**3.65**	**1,071,622**	3.07	1,645,344

The Group has assessed that the impact of movements in interest rates. The Group's funds on deposit are managed according to the cash flow requirements of the Group rather than impact of interest rate risk.

Sensitivity
At 30 June 2010, 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 $8,573 lower/higher, mainly as a result of higher/lower interest income from cash and cash equivalents. Equity would have been $8,573 lower/higher mainly as a result of higher/lower interest income from cash and cash equivalents.

ii. Credit Risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions and receivables from Joint Venture and Farm-In operations. The Group manages this risk by only investing in AAA rated institutions.

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

Financial Assets	**2010 $**	2009 $
Cash and cash equivalents	**1,071,622**	1,310,523
Other receivables	**334,000**	350,925
Total	**1,454,293**	1,661,448

The above financial assets are held by a AAA rate Australian bank. The Directors believe that there is no credit risk with the cash and cash equivalents, as the Group trades only with recognised, credit worthy third parties.

iii. Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows. Surplus funds are generally only invested in bank bills that are highly liquid and with maturities of less than six months.

Financing arrangements
The Group has entered into a Standby Subscription Agreement with Fortrend Small Cap and Fortrend Securities, under which the Group may call for Fortrend Small Cap to subscribe for Facility Shares at an aggregate subscription price up to $5,000,000 ("the Facility Amount") during the three years following the date of the Standby Subscription Agreement.
The key terms of the Standby Subscription Agreement provide that:

(a) the number of Facility Shares and Facility Options that may be issued will be limited to 15% of the Group's securities on issue, in accordance with its 15% capacity available from time to time under Listing Rule 7.1;

(b) any funds raised if any draw downs are made by the Group will be applied to working capital and meeting the Group's additional expenditure requirements arising directly out of the announced takeover by IRM;

(c) To access some or all of funds available under the Standby Subscription Agreement, the Group must submit a draw down notice specifying the amount required ("the Notice" and "the Drawing" respectively). In exchange for payment of the Drawing, Fortrend Small Cap will be issued a number of Shares and Options in the Group equal to the amount of the Drawing divided by the Issue Price, being 90% of the Volume Weighted Average Price for Shares for the 5 trading days following the day the Notice is given;

(d) The number of Facility Options to be issued will be one quarter of the number of Facility Shares issued. Each Facility Option has an exercise price equal to the Issue Price for the Facility Shares;

(e) The Standby Subscription Agreement may be terminated in certain circumstances including if a material adverse change occurs in relation to the Group. Fortrend Small Cap is entitled to a placement fee of 1% of the Facility Amount which is payable on the first two draw down dates or on the first anniversary of execution of the Standby Subscription Agreement, whichever is the earliest, whether or not a draw down is made by the Group. The Group has agreed to certain usual and appropriate representations and warranties which are repeated on each drawdown date;

(f) The Facility Shares will be allotted and issued to Fortrend Small Cap in a three year period after the date of Shareholder approval, as and when a Notice is given by the Group to Fortrend Securities. The Group issued 875,040 shares on 22 December 2009. However, the Group is not obliged to submit any Notice and accordingly it is possible that no further Facility Shares will be allotted and issued during the remainder of the three year period for which the Facility Amount will be in place.

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

iv. 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 Group and that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions
The Group 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.

Exploration and evaluation expenditure
The Group 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 1.6. The recoverable amounts are based on the assumption that the assets are being explored to determine there are economic mining properties or saleable to a potential third party.

Note 4. Segment information

The CODM has determined that the Group has no individual segments. As the Group is focused on mineral exploration, the Board monitors the Group based on actual versus budgeted exploration expenditure incurred by the Group as a whole. This reporting framework is the most relevant to assist the Board with making decisions regarding the Group and its ongoing exploration activities, while also taking into consideration the results of exploration work that has been performed to date.

Note 5. Revenue

	Consolidated	
	2010	2009
	$	$
Revenue from continuing operations		
Interest received	**24,534**	49,746
Other income	**1,934**	-
	26,468	49,746

Note 6. Expenses

Loss before income tax includes the following expenses:		
Employee benefits expense		
Salaries, fees and other benefits	**1,131,395**	735,880
Amount capitalised	**(231,172)**	(292,160)
Net employee benefit expense	**900,223**	443,720
Depreciation	**39,679**	44,818
Rental expense relating to operating leases	**99,024**	65,832
Exploration expenditure written off	**27,304**	866,862

Note 7. Income tax

(a) Income tax expense

Loss from continuing operations	**1,633,765**	1,871,866
Tax at the Australian tax rate of 30% (2009: 30%)	**(490,129)**	(561,560)
Tax effect of amounts that are not tax deductible (taxable) in calculating taxable income		
Employee share options and share based payments	**246,434**	16,362
Exploration expenditure	**(365,894)**	(275,107)
Other items	**(109,021)**	(9,748)
Deferred tax assets relating to tax losses and temporary differences not recognised	**718,610**	830,053
	-	-

The Company is no longer a consolidated group for tax purposes following deregistration of Arocom Pty Ltd. The franking account balance at year end was nil.

	Consolidated	
	2010	2009
	$	$
(b) Deferred tax assets and liabilities not recognised relate to the following:		
Deferred tax assets		
Tax losses	**4,506,182**	**3,787,572
Other temporary differences	**107,102**	116,445
Deferred tax liabilities		
Other temporary differences	**(2,871,189)**	(2,505,295)
Net deferred tax assets	**1,742,095**	1,398,722

** Upon completion of the 2009 tax returns, the identified carry forward losses were $12,625,242 which identified a variance of $222,410 in estimated tax losses (or tax effected amount of $66,723) as disclosed in the 2009 financial statements.

Net deferred tax assets have not been brought to account as it is not yet 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 8. Cash and cash equivalents

Cash at bank and on hand	**1,071,622**	1,310,523
Deposits at call	**-**	-
	1,071,622	1,310,523

Refer to Note 2 for financial management risk.

Note 9. Trade and other receivables

Other receivables	**-**	(5,219)
Security deposits	**334,000**	334,000
Prepayments	**48,671**	22,144
	382,671	350,925

Refer to Note 2 for financial management risk.

Note 10. Non-current Assets classified as held for sale

Mining Tenement – Coogee Gold deposit	**426,977**	393,099
	426,977	393,099

On 6 May 2010 the Group signed an agreement with New Global Mining Ltd (“NGM”) to sell the Coogee Gold Deposit for up to A$1.15M in cash and script. NGM is a new company which has entered into agreements to acquire interests in a broad range of projects throughout WA, including an extensive land holding east of Kambalda. NGM was preparing an IPO with plans to list on the ASX in September 2010. However, those plans have been put on hold indefinitely.

The agreement involves sale of M26/477, which hosts the Coogee Gold Deposit, and the grant of rights to explore for minerals in relation to two adjoining sub-blocks of E26/97, which Terrain will continue to own and deal with subject only to the NGM mineral exploration rights over the two sub-blocks.

The sale agreement involved payment of $400,000 cash and up to 3,000,000 NGM shares and is subject to NGM obtaining conditional approval to be admitted to the ASX by 31 August 2010. $100,000 of the cash payment has been received with the balance of the cash and up to 3,000,000 shares anticipated to be paid when NGM lists on the ASX.

Note 11. Other financial assets

	Note	Consolidated 2010 $	Consolidated 2009 $	Parent 2010 $	Parent 2009 $
Investment in controlled entity	26	-	-	-	420,000
Write-off investment	26	-	-	-	(420,000)
Total		-	-	-	-

During the 2009 financial year, tenements were transferred from the Company's wholly owned subsidiary Arocom Pty Ltd to the Company. Arocom Pty Ltd was deregistered on 30 September 2009.

Note 12. Plant and equipment

	Note	Consolidated 2010 $	Consolidated 2009 $
Plant & equipment			
Plant & equipment – at cost		**192,123**	173,125
Less: accumulated depreciation		**(156,900)**	(117,221)
		35,223	55,904

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

	2010	2009
Plant & equipment		
At the beginning of the year	**55,904**	98,450
Additions	**18,998**	2,272
Depreciation expense (Note 6)	**(39,679)**	(44,818)
Closing net book amount	**35,223**	55,904

Note 13. Exploration and evaluation

	Note	2010	2009
Exploration and evaluation			
Exploration and evaluation – at cost less amounts written off		**8,526,008**	7,390,240
Reconciliation			
At the beginning of the year		**7,817,217**	7,723,024
Non-current asset classified as held for sale	10	**(426,977)**	(393,099)
Purchases of mineral tenements		**50,000**	-
Expenditure during the year		**1,113,072**	917,246
Amounts written off		**(27,304)**	(856,931)
		8,526,008	7,390,240

The amounts written off relate to tenements which have lapsed or earn in arrangements have ceased. 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

Trade payables	**98,532**	146,315
Other payables	**48,215**	230,637
	146,747	376,952

Note 15. Other liabilities

Unearned revenue	100,000	-

This amount relates to part payment for sale of the Coogee Gold deposit. See note 10 – Non-current assets held for re-sale.

Note 16. Contributed equity

(a) Share capital

Consolidated and Parent Entity Shares	**2010**		2009	
	Number of shares	**$**	**Number of Shares**	**$**
Ordinary shares – fully paid	**171,228,249**	**15,319,307**	117,266,338	13,110,389

(b) Movements in ordinary share capital

Date	Details	Number of shares	Issue price $	$
1 July 2008	Opening balance	77,449,748		11,334,922
13 February 2009	Shares issued pursuant to Rights Issue	11,064,250	0.0500	553,213
13 February 2009	Shares issued pursuant to option exercise	9	0.2500	2
29 May 2009	Placement of shares to sophisticated and professional investors	13,999,996	0.0475	665,000
17 June 2009	Shares issued pursuant to Rights Issue	3,096,520	0.0475	147,085
17 June 2009	Placement Shares issued pursuant to Rights Issue shortfall	11,655,815	0.0475	553,652
2008-2009	Less: Transaction costs arising on issue of shares			(143,485)
		117,266,338		13,110,389
23 October 2009	Placement	8,323,000	0.050	416,150
14 December 2009	Placement on exercise of Dodgers Wells option	588,235	0.085	50,000
23 December 2009	Placement pursuant to Fortrend Equity Facility	875,040	0.0857	74,973
31 December 2009	Placement	10,459,387	0.05	522,969
19 April 2010	In Lieu of corporate advisory fee	5,500,000	0.048	264,000
25 May 2010	Rights Issue	12,790,944	0.038	486,056
9 June 2010	Shortfall – rights issue	15,425,305	0.038	586,162
2009-2010	Less: Transaction costs arising on issue of shares			(191,392)
		171,228,249		15,319,307

(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.

(e) Options

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

200,000	options exercisable at 20 cents and expiring 22 March 2011
70,000	options exercisable at 10 cents and expiring 23 March 2011
400,000	options exercisable at 20 cents and expiring 24 March 2011
500,000	options exercisable at 20 cents and expiring 22 March 2012
500,000	options exercisable at 20 cents and expiring 10 September 2013
1,500,000	options exercisable at 20 cents and expiring 31 November 2013
51,624,132	quoted options exercisable at 25 cents and expiring 31 July 2010
1,900,000	options exercisable at 11 cents and expiring 8 October 2014
5,500,000	options exercisable at 18 cents and expiring 30 November 2014
16,888,622	quoted options exercisable at 8 cents and expiring 31 December 2012

(f) Movements in options

Date	Details	Number of Options
1 July 2008	Opening balance	62,689,141
9 September 2008	Options allotted under the Terrain Minerals Limited ESOP	500,000
9 September 2008	Options Expired 9 September 2008	(9,575,000)
1 December 2008	Options allotted under the Terrain Minerals Limited ESOP	1,500,000
13 February 2009	Options exercised for fully paid ordinary shares	(9)
		55,114,132
8 October 2009	Options allotted under the Terrain Minerals Limited ESOP	1,900,000
10 December 2009	Options allotted under the Terrain Minerals Limited ESOP to directors	5,500,000
23 March 2010	Expiry of options exercisable at 30 cents and expiring 23 March 2010	(320,000)
25 May 2010	Free attaching options allotted under the rights issue prospectus	6,395,483
9 June 2010	Free attaching options allotted under the rights issue prospectus – shortfall	7,712,657
9 June 2010	Options allotted as part consideration of capital raising	2,780,482
	Balance at 30 June 2010	**79,082,754**

(g) Capital Risk Management

The company's objectives when managing capital are to safeguard its ability to continue as a going concern so that the company can provide returns to shareholders and benefits for other stakeholder's whiles maintaining an optimal capital structure to reduce the cost of capital. The Group considers capital to consist of cash reserves on hand.

The company monitors its working capital position against expenditure requirements to undertake its planned exploration program and maintain its ongoing operations. Where required the company will sell assets, issue new securities, raise debt or modify its exploration program to ensure the Group's working capital requirements are met.

Note 17. Reserves

	Consolidated 2010 $	2009 $
Share-based payments reserve	**1,204,261**	707,401
Movements in reserves		
Share-based payments reserve		
Balance at the beginning of the year	**707,401**	650,132
Option expense / Option assets	**496,860**	57,269
Balance at the end of the year	**1,204,261**	707,401

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

	Consolidated 2010 $	2009 $
Accumulated losses at the beginning of the year	**(4,694,050)**	(2,822,184)
Net loss attributable to members of Terrain Minerals Ltd	**(1,633,764)**	(1,871,866)
Accumulated losses at the end of the financial year	**(6,327,814)**	(4,694,050)

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
R J Sandner

Vice Chairman – Non Executive
J Lim (from 11 September 2009)

Executive Directors
K Wells, Managing Director (until 31 May 2010)
C Tomich, Managing Director (from 1 June 2010)

Non-Executive Directors
W Bannister (resigned 18 November 2009)
P Dickson
K Wells, (from 31 May 2010)

(b) Other key management personnel

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

Name	Position
I Hobson	Group Secretary

Key management personnel compensation

	Consolidated	
	2010	2009
	$	$
Short term employee benefits	**473,118**	405,765
Post employment benefits	**34,359**	142,236
Share based payments	**415,033**	40,947
	922,510	588,948

The Group has disclosed the detailed remuneration disclosures in the Directors' Report. The relevant information can be found in sections A to D of the remuneration report.

(c) 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.

2010 **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**
R Sandner	-	1,000,000	400,000	1,400,000	1,400,000
J Lim	-	1,000,000	-	1,000,000	1,000,000
K Wells	3,275,000	2,500,000	(1,045,000)	4,730,000	4,730,000
P Dickson	51,000	1,000,000	185,445	1,236,445	1,236,445
W Bannister (resigned 18 November 2009)	-	-	-	-	-
C Tomich	1,046,295	1,000,000	(2,036,295)	10,000	10,000
I Hobson	-	400,000	-	400,000	400,000

2009 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
R Sandner	-	-	-	-	-
K Wells	3,275,000	1,500,000	(1,500,000)	3,275,000	3,275,000
P Dickson	13,000		38,000	51,000	51,000
W Bannister	-	-	-	-	-
R Gillon	-	-	-	-	-
D Zohar	-	-	-	-	-
C Tomich	846,295	-	200,000	1,046,295	1,046,295
I Hobson	-	-	-	-	-

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 Group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

2010 **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**	**Percentage Nominally Held**
Directors of Terrain Minerals Ltd					
R Sander	-	-	2,000,001	2,000,001	100%
K Wells	3,235,000	-	1,236,535	4,471,535	100%
P Dickson	735,668	-	472,890	1,208,558	100%
W Bannister (resigned 18 November 2009)	38,104	-	-	38,104	100%
J Lim	-	-	34,150,202	34,150,202	52%
C Tomich	378,000	-	(333,000)	45,000	0%
Other key management personnel					
I Hobson	-	-	-	-	

2009 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	Percentage Nominally Held
Directors of Terrain Minerals Ltd					
R Sander	-	-	-	-	
K Wells	3,235,000	-	186,535	3,421,535	100%
P Dickson	202,000	-	533,668	735,668	100%
W Bannister	-	-	38,104	38,104	100%
R Gillon	-	-	-	-	
D Zohar	-	-	-	-	
Other key management personnel	-	-	-	-	
C Tomich	80,000	-	298,000	378,000	100%
I Hobson	-	-	-	-	

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

(e) Other transactions with key management personnel
Directors of Terrain Minerals Ltd
Churchill Services Pty Ltd, of which Ian Hobson is associated, was paid $57,440 for Group Secretary Services.

$36,541 was paid to Bligh Capital Pty Ltd as a placement fee for a capital raising at commercial rates. Paul Dickson was a director of Bligh Capital Pty Ltd at the time.

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.

	Consolidated	
	2010	2009
	$	$
Assurance services		
Audit services		
BDO Audit (WA) Pty Ltd:		
Audit and review of financial report and other audit work under the Corporations Act 2001	**38,421**	24,806
	38,421	24,806
Non-Assurance Services		
BDO Kendalls Corporate Tax (WA) Pty Ltd:		
Preparation of Income Tax Return	**7,071**	15,685
	7,071	15,685

Note 21. Contingent Liabilities

There are currently no contingent liabilities.

Note 22. Commitments for expenditure

Capital commitments		
Commitments for minimum expenditure on exploration/mining tenements contracted for at the reporting date but not recognised as liabilities, payable:		
Within one year	**534,330**	490,776
Later than one year but not later than 5 years	**2,137,320**	2,287,861
Later than 5 years	**1,272,805**	3,294,947
	3,944,455	6,073,584
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	**113,623**	98,545
Later than one year but not later than 5 years	**122,783**	211,274
Later than 5 years		
	236,405	309,819

Salaries
The service contract for the Managing Director allows for a notice period of the remainder of the contract to 31 January 2011. In the event of termination of the contract the remainder of the contract amount is to be paid. The commitment for this expenditure as at 30 June 2010 is $114,450.

The Directors and Employees salaries and wages were frozen in December 2008 and remain in force.

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 Company, 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 Company, 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.

2010 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**
24 March 2006	24 March 2011	0.20	600,000	-	-	-	600,000
23 March 2007	22 March 2012	0.20	500,000	-	-	-	500,000
9 September 2008	10 September 2013	0.20	-	500,000	-	-	500,000
1 December 2008	30 November 2013	0.20	-	1,500,000	-	-	1,500,000
8 October 2009	8 October 2014	0.11	-	1,900,000	-	-	1,900,000
30 November 2009	30 November 2014	0.18	-	5,500,000	-	-	5,500,000
			1,100,000	9,400,000	-	-	10,500,000

2009 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
24 March 2006	24 March 2011	0.20	600,000	-	-	-	600,000
23 March 2007	22 March 2012	0.20	500,000	-	-	-	500,000
9 September 2008	10 September 2013	0.20	-	500,000	-	-	500,000
1 December 2008	30 November 2013	0.20	-	1,500,000	-	-	1,500,000
			1,100,000	2,000,000	-	-	3,100,000

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

Fair value of options granted

(b) Employee options
Options were granted to three employees and four directors during the year ended 30 June 2010.

The assessed fair value at grant date of options granted during the year ended 30 June 2010 were 4.25 cents and 6.46 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 2010 included:

Grant date	8-Oct-09	30-Nov-09
Expiry date	8-Oct-14	30-Nov-14
Exercise price	$0.11	$0.18
Consideration	Nil	Nil
Share price at grant date	5.4 cents	8.8 cents
Expected price volatility of the company's shares based on prior 12 month volatility	124%	113%
Expected dividend yield	Nil	Nil
Risk-free interest rate	3.8%	3.8%
Option Valuation	4.25 cents	6.46 cents
Vesting Period	Nil	Nil

(c) Vendor / supplier options

No vendor options were issued during the period. 2,780,482 options exercisable at 8 cents and expiring 31 December 2012 were issued to Greenday Corporate Pty Ltd as part payment of brokerage fees for placing part of the shortfall on 9 June 2010.

The model inputs for options granted during the period ended 30 June 2010 included:

Grant date	9-June-10
Expiry date	31-Dec-12
Exercise price	$0.08
Consideration	Nil
Share price at grant date	3 cents
Expected price volatility of the company's shares based on prior 12 month volatility	140%
Expected dividend yield	Nil
Risk-free interest rate	4.71%
Option Valuation	2.18 cents
Vesting Period	Nil

See pages 19 – 20 of the Directors Report for details of share options issued to directors during the period.

(d) Expenses arising from share-based payment transactions

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

Employee options	177,685
Directors options	258,587
Vendor/supplier options	60,588
Total	**$496,860**

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. In additional to director remuneration, $36,541 was paid to Bligh Capital Pty Ltd as a placement fee for a capital raising at commercial rates. Paul Dickson was a director of Bligh Capital Pty Ltd at the time.

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:
Subsidiaries – Note 26.

Note 25. Events occurring after the balance sheet date

No matter or circumstance has arisen since 30 June 2010 that has significantly affected, or may significantly affect:

- the Group's operations in future financial years, or
- the results of those operations in future financial years, or
- the Group's state of affairs in future financial years.

Note 26. Subsidiaries

Arocom Pty Ltd was a wholly owned subsidiary of the Group but was deregistered on 30 September 2009 as it no longer served any useful purpose. The tenement held by Arocom Pty Ltd was transferred to Terrain Minerals Ltd during the 2009 financial year and de-registration of Arocom Pty Ltd was lodged with ASIC on the 23 July 2009. Arocom Pty Ltd had no assets or liabilities as at 1 July 2009 and therefore the deregistration has had no financial impact on the Group.

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

	Consolidated	
	2010	2009
	$	$
Operating profit (loss) after income tax	**(1,633,765)**	(1,871,866)
Depreciation	**39,679**	44,818
Non-cash employee benefits expense – share based payments	**436,272**	54,541
Exploration expenditure written off	**27,304**	866,862
Issue of options in satisfaction of corporate advisory fee	**264,000**	-
Sundry write-offs		4,708
Change in operating assets and liabilities		
(Increase) in other receivables	**(5,574)**	56,512
(Decrease) in trade creditors and provisions	**(113,338)**	(21,306)
	(985,421)	(865,731)

Non-cash investing and financing activities
During the 2010 financial year the Group issued 588,235 ordinary shares to vendors as consideration for the purchase of mineral tenements.

Note 28. Earnings per share

	2010 cents	2009 Cents
Basic and diluted earnings per share	**(1.24)**	**(2.25)**

	2010 Number	2009 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.	**132,119,227**	**83,105,940**

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

	2010 $	2009 $
Losses used in calculating basic and diluted losses per share		
Net loss	**(1,633,765)**	**(1,871,866)**

Note 29. Interest in Joint Venture

The Group is a party to a Joint Venture agreement and has expended $750,000.00 to earn a 60% interest in the Black Cat Joint Venture with St Barbara Mines.

Note 30. Parent entity disclosures

There are no separate parent entity disclosures because the Group comprised the Group for the financial year, due to the numbers in the parent and consolidated entity being the same.

Arocom Pty Ltd was a wholly owned subsidiary of the Group but was deregistered on 30 September 2009 as it no longer served any useful purpose. The tenement held by Arocom Pty Ltd was transferred to Terrain Minerals Ltd during the 2009 financial year and de-registration of Arocom Pty Ltd was lodged with ASIC on the 23 July 2009.

Directors' Declaration

In the Directors' opinion:

The financial statements and notes set out on pages 31 to 53 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 Group's financial position as at 30 June 2010 and of their 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 there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable; and

(iii) The remuneration disclosures set out in sections A-D of the directors' report comply with Section 300A of the Corporations Act 2001; and

(iv) The Directors' have been given the declarations by the equivalent of the Chief Executive and Chief Financial Office for the year ended 30 June 2010 as required by Section 295A of the Corporations Act 2001.

(v) The Group has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.

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

C S Tomich

C Tomich
Managing Director
Perth, Western Australia

21 September 2010

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

Report on the Financial Report

We have audited the accompanying financial report of Terrain Minerals Limited, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows 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 entity 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 1.1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements,* that the financial statements comply with *International Financial Reporting Standards.*

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. 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*. We confirm that the independence declaration required by the *Corporations Act 2001* would be in the same terms if it had been given to the directors at the time that this auditor's report was made.

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 consolidated entity's financial position as at 30 June 2010 and of its 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

(a) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.1.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Terrain Minerals Limited for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

BDO AUDIT

C Burton

Chris Burton
Director

Perth, Western Australia
Dated this 21st day of September 2010

Terrain Minerals Ltd ABN 45 116 153 514
ASX Information

The following additional information is current as at 13 September 2010.

Substantial shareholders

Name	Units	% of Units
Jonathan Lim / Grande Pacific Ltd	34,150,202	19.88
Iron Mountain Mining Limited	17,539,682	10.21
Mr Jonathan Keng Hock Lim	16,459,387	9.58
Mr Johannes Y Lin	10,541,084	6.14

Range of Holding – ordinary shares	Holders	Shares
1-1,000	21	2,685
1,001-5,000	31	109,574
5,001-10,000	64	575,795
10,001 - 100,000	312	14,270,208
100,001 – 9,999,999,999	140	156,780,613
	568	171,738,875

There are 158 share holders with less than a marketable parcel.

Distribution of Listed Option Holders exercisable at 8 cents expiring 31 December 2012

Range of Holding – listed options	Holders	Options
1-1,000	6	90
1,001-5,000	14	46,169
5,001-10,000	9	84,416
10,001 - 100,000	36	1,748,194
100,000 – over	39	15,259,129
	104	17,137,998

There are 52 option holders with less than a marketable parcel.

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

The top 20 holders of ordinary shares are:

Rank	Name	Units	% of Units
1.	Grande Pacific Ltd	17,690,815	10.30
2.	Iron Mountain Mining Limited	17,539,682	10.21
3.	Mr Jonathan Keng Hock Lim	16,459,387	9.58
4.	Mr Johannes Y Lin	10,541,084	6.14
5.	Mr Boon Kheng Ong	8,070,569	4.70
6.	Austock Investments Pty Ltd	6,504,547	3.79
7.	Armco Barriers Pty Ltd	6,006,000	3.50
8.	National Nominees Limited	4,738,684	2.76
9.	Mr Anthony Guan Cheow Soh	4,422,858	2.58
10.	Razi Pty Ltd	3,735,642	2.18
11.	Skycross Pty Ltd <The Skycross Super Fund A/C>	3,176,000	1.85
12.	Denton Pty Ltd	3,000,000	1.75
13.	Alternative Advisors Pte Ltd	2,081,000	1.21
14.	Mr Richard Keller <The Keller Super Fund A/C>	2,000,000	1.16
15.	HSBC Custody Nominees (Australia) Limited	1,626,540	0.95
16.	Mr David Creighton Gellatly	1,500,000	0.87
17.	Mr Peter Nelson <P Nelson No 2 Account>	1,500,000	0.87
18.	Winterset Investment Pty Ltd	1,353,334	0.79
19.	Mr Richard John Sandner + Mrs Judith Joan Sandner	1,333,334	0.78
20.	Martinick Investments Pty Ltd (Martinick Super Fund)	1,250,000	0.73
Totals: Top 20 holders of ORDINARY SHARES (GROUPED)		**114,529,476**	**66.69**

ASX Information

Listed options exercisable at 8 cents expiring 31 December 2012

NAME	Units	% of Units
Austock Investments Pty Ltd	3,289,474	19.19
Greenday Corporate Pty Ltd	1,280,482	7.47
Armco Barriers Pty Ltd	1,152,500	6.72
Zaman Perak Pty Ltd<Andrew Fleischer S/F.A/C>	725,000	4.23
Murdoch Capital Pty Ltd <The Glovac Super Fund A/C>	634,879	3.70
Syracuse Capital Pty Ltd <The Tenacity A/C>	561,727	3.28
Mr Richard Keller <The Keller Super Fund A/C>	500,000	2.92
Peninsula Investments (WA) Pty Ltd	500,000	2.92
Mr & Mrs A Paterniti	394,737	2.30
Razi Pty Ltd	362,821	2.12
Mrs Laura Vera De Tunjano	300,000	1.75
Mr Timothy James Howe	300,000	1.75
Top Plain Properties Pty Ltd	281,112	1.64
Togolosh Pty Ltd	275,000	1.60
Winterset Investment Pty Ltd	270,667	1.58
Mr & Mrs R Sandner	266,667	1.56
Mr Mark Paterniti <M P Family Account>	263,158	1.54
Quincy Nominees Pty Ltd <Superannuation A/C>	263,158	1.54
Grimwood Pty Ltd <Grimwood Super Fund A/C>	250,000	1.46
Martinick Investments Pty Ltd <Martinick Super Fund A/C	250,000	1.46
TOTAL	**12,121,382**	**70.73**

Unquoted equity securities

The following unlisted options have been issued under the Terrain Minerals Ltd Employee Share Option Plan

(a) 2 holders of 400,000 options to acquire ordinary shares at an exercise price of 20 cents and expiring 22 March 2011.

(b) 1 holder of 500,000 options to acquire ordinary shares at an exercise price of 20 cents and expiring 10 September 2013.

(c) 3 holders of 1,900,000 options to acquire ordinary shares at an exercise price of 11 cents and expiring 8 October 2014.

(d) 6 holders of 5,500,000 options to acquire ordinary shares at an exercise price of 18 cents and expiring 30 November 2014.

(e) 1 holder of 1,500,000 options to acquire ordinary shares at an exercise price of 20 cents and expiring 30 November 2013.

(f) 2 holders of 500,000 options to acquire ordinary shares at an exercise price of 20 cents and expiring 22 March 2012.

Other unlisted options:
There were 2 holders of 70,000 options to acquire ordinary shares at an exercise price of 10 cents and expiring 23 March 2011.

Holders of more than 20%	Options expiring 23 March 2011	
Holder name	**Number**	**%**
Trevor Dixon	50,000	71.42%

Interests in Tenements

The Group has an interest in the following tenements:

Project	Tenement	Interest	Comment
East Kambalda	E26/97	100%	Renewed for two years.
	M26/477	100%	
Bundarra	M37/350	100%	
	M37/488	100%	
	M37/489	0%	Hold the right to carry Exploration and prospecting activities for hard rock deposit pursuant to an agreement with the holders.
	M37/513	100%	
	M37/514	100%	
	M37/638	100%	
	P37/7199	100%	
	P37/7212	100%	
	P37/7213	100%	
	P37/7214	100%	
	P37/7215	100%	
	P37/7216	100%	
	L37/201	100%	
Black Cat	E37/667	60%	Earned 60% during the year. Earning 75% equity through expenditure.
	L37/126	60%	
	M37/326	60%	
	M37/382	60%	
	M37/480	60%	
	P37/7200	60%	
	P37/7201	60%	
	P37/7202	60%	
	P37/7203	60%	
	P37/7204	60%	
	P37/7205	60%	
	P37/7206	60%	
	P37/7207	60%	
	P37/7208	60%	
	P37/7210	60%	
	P37/7211	60%	
Great Western	M37/54	100%	
	P37/6950	100%	Acquired 100% in December 2009 via exercise of the option to purchase.
Dodgers Well	P37/7741	100%	
	P37/7742	100%	