TERRAIN
MINERALS

ANNUAL REPORT 2007

TERRAIN MINERALS LTD
ACN: 116 153 514

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CORPORATE DIRECTORY

DIRECTORS

Daniel Tucker
Chairman

Keith Wells
Managing Director

Jimmy Kong Leng Lee

Clive Brown

SECRETARY
Desmond Kelly

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West Perth WA 6005

BANKERS

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

STOCK EXCHANGE LISTINGS

Terrain Minerals Ltd shares are
listed on the Australian Securities Exchange
Ordinary fully paid shares (ASX code TMX)
Listed options (ASX code TMXO)

PRINCIPAL REGISTERED OFFICE IN AUSTRALIA

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CHAIRMAN'S LETTER

Dear Fellow Shareholder,

Terrain Minerals is truly a company 'on the move' – building a comprehensive resource portfolio as we advance towards establishing a long-term production profile.

The past twelve months represents a time of accomplishments, successful drilling campaigns and record gold prices, as well as challenges for your Company. Throughout this period, we have remained focused and committed to expanding our existing resources through exploration and selective acquisitions.

When the Company listed on ASX in March 2006, the board indicated that work would be undertaken on all accessible projects before determining priorities for 2007 and beyond. The Bundarra (Celtic) project has now been confirmed as the Company's highest priority and the ground holding has been expanded through the acquisition of the Black Cat Joint Venture in November 2006 and the purchase of the Great Western Mining Lease in February 2007. Your Company now controls 100kms^2 - covering all the significant gold deposits in the Bundarra area. and looks forward to continuing strong exploration results, which will add gold to the current resource inventory.

Encouraging results have also been acquired from limited drilling at Redcastle, but planned programs at both Redcastle and Euro have unfortunately been deferred due to the Court decision on the former Wongatha Native Title Claim and delays relating to new Native Title applications. It is expected that the delays will be resolved before the end of 2007. An outline of the work completed is included in the Review of Projects in this report.

The positive exploration results enabled Terrain to attract $4 million through a share placement in June 2007. A rights issue in the form of options was also completed in September 2007. Your Company is now well-funded with total cash at the end of September 2007 in the order of $5.5 million. This strong financial position will facilitate aggressive exploration programs during 2007-08 and the proposed exploration budget for the financial year is in excess of $3 million. The Company is confident that our targeted exploration programs will continue to yield positive results.

I would like to take the opportunity to pay particular thanks to the Company's management team, lead by Managing Director Keith Wells, for their efforts throughout the year as well as thank my fellow directors for their support

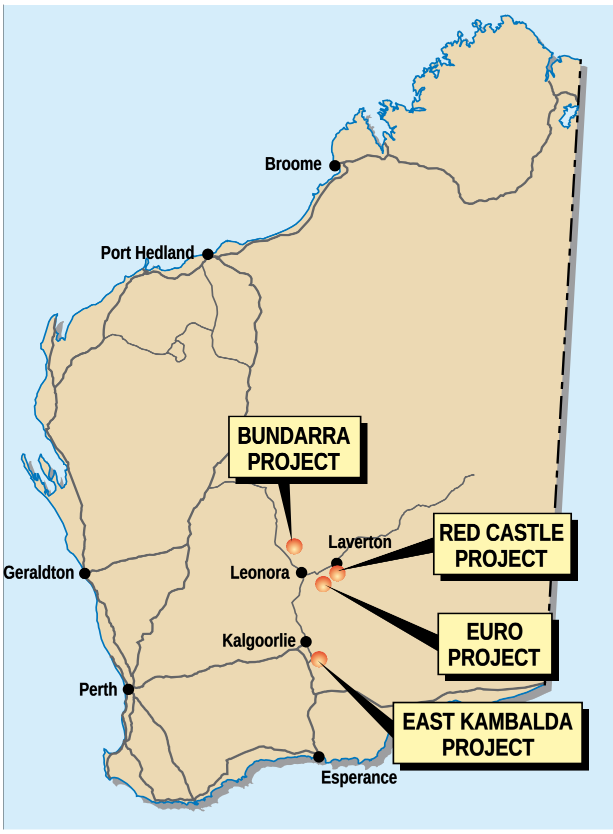
On behalf of the Board, I would also like to thank all of our shareholders for their support. Many of you have been on-board since the Company listed and we are working hard to ensure that your patience and faith in Terrain will be rewarded.

Yours sincerely,

Daniel Tucker
Chairman

Terrain holds four projects in the Eastern Goldfields of Western Auatralia: Bundarra, Redcastle, East Kambalda and Euro.

Exploration and assessment undertaken throughout 2006 confirmed that the Bundarra project should have the highest priority and the majority of the work completed in 2006-07 and proposed for 2007-08 will be on the Bundarra tenements.



Projects Location Map

Bundarra Project

Bundarra

RC drilling at Wonder North continued to generate a steady stream of ore grade intercepts, including:

Wonder North: Drill Intercepts

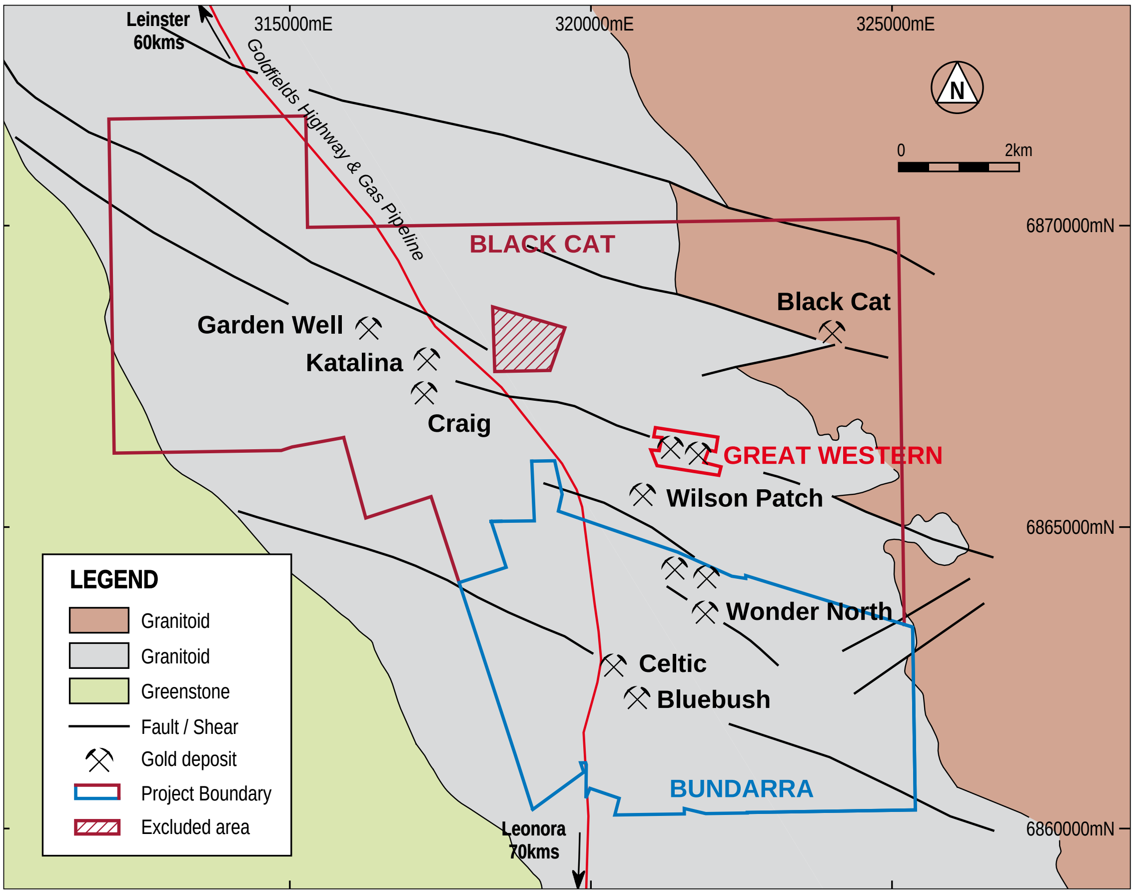
WNRC 210	**14m @ 2.56g/t gold; including 4m @ 5.22g/t gold**
WNRC 211	**52m @ 1.50g/t gold; including 4m @ 11.09g/t gold**
WNRC 212	**10m @ 3.27g/t gold**
WNRC 215	**6m @ 6.99g/t gold**
WNRC 228	**8m @ 3.23g/t gold**

The strike length of the deposit has been increased to around 500m and within the deposit there are a number of high grade shoots. The mineralised zone and the high grade shoots remain open down dip and down plunge towards the southeast.

Despite positive results, the original RC drilling program was terminated when high water flows preventing the effective use of RC drilling below 150m vertical depth. A diamond drill rig has been sourced and drilling will recommence at Wonder North in October 2007 to drill out the deposit to a vertical depth of at least 200m from the surface.

Data compilation and geological mapping which identified other areas of interest in the Bundarra region, prompted the Company to expand its tenement area. The Black Cat joint venture was signed with St Barbara Ltd in November 2006. Terrain can earn an initial 60% interest by spending $750,000. In February 2007 the Great Western mining lease was purchased through the issue of shares to the value of $227,000. Terrain now controls tenements totalling 100km², covering all the significant gold deposits in the Bundarra area.

Bundarra Project Area



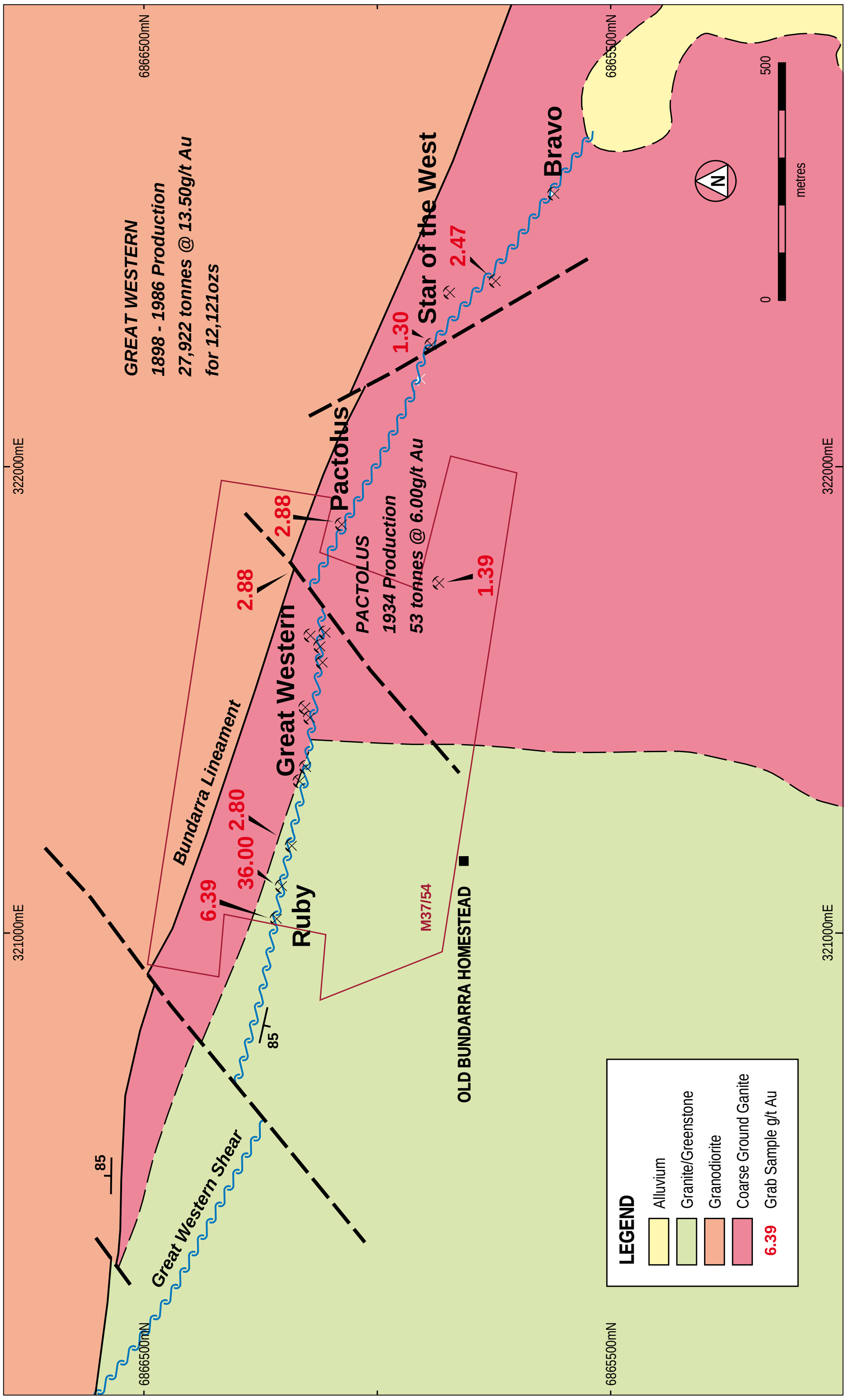
Black Cat

A number of targets have been identified within the Black Cat joint venture area and a first pass drilling program targeted at the mineralised quartz vein beneath the historic Black Cat workings intersected:

BRC 004	**3m @ 10.00g/t gold**
BRC 005	**6m @ 5.65g/t gold; including 2m @ 13.47g/t gold**
BRC 006	**6m @ 3.69g/t gold; including 1m @ 10.30g/t gold**

The Great Western deposit is another high grade, gold bearing quartz vein hosted in a major structure, the Great Western Shear. Mapping and sampling by Terrain has traced the structure - which is marked by historic workings, anomalous rock chip values and "dry blowings" for 2.5kms. Previous drilling had been limited to a strike length of 300m around the old mine workings.

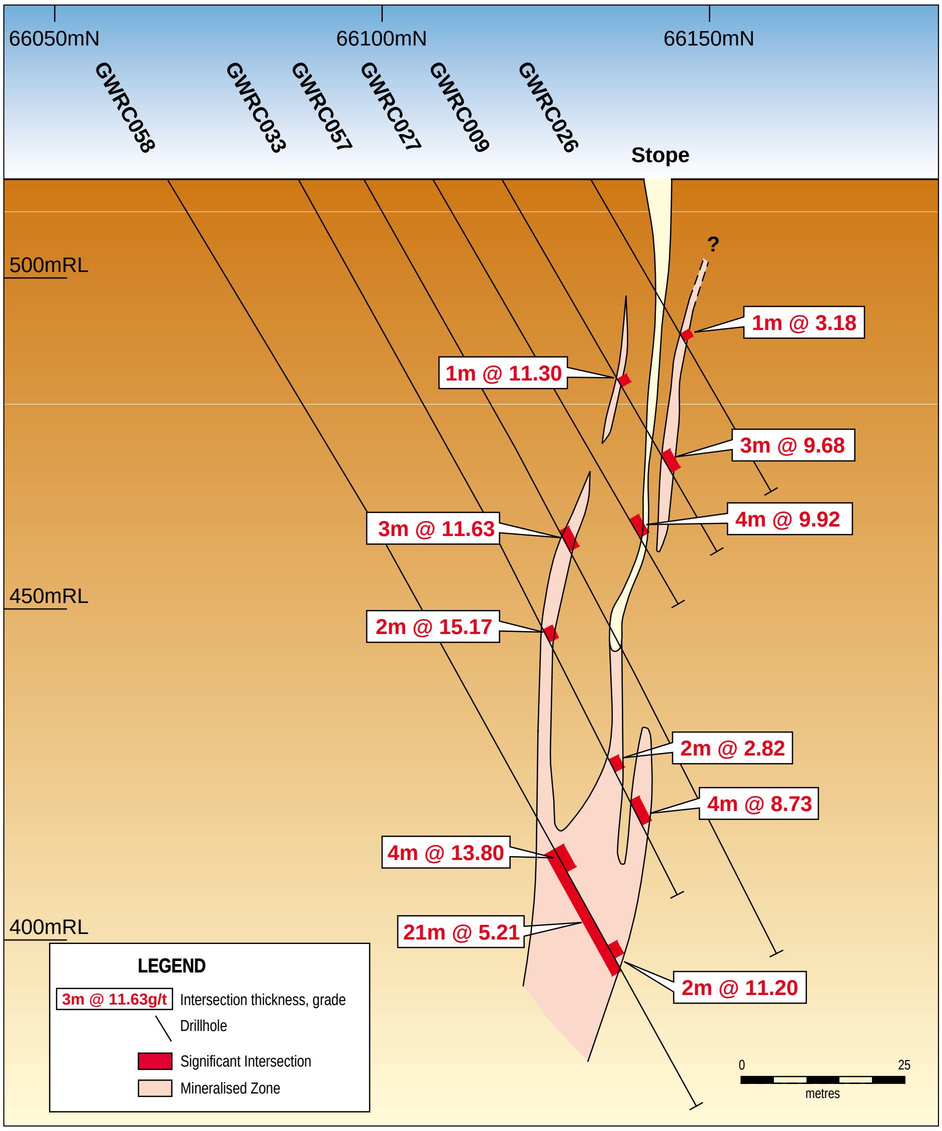
Great Western Prospect - Geology Map



Drilling programs were targeted at both extensions to the known Great Western deposit and to upgrade the resource estimate to JORC compliance.

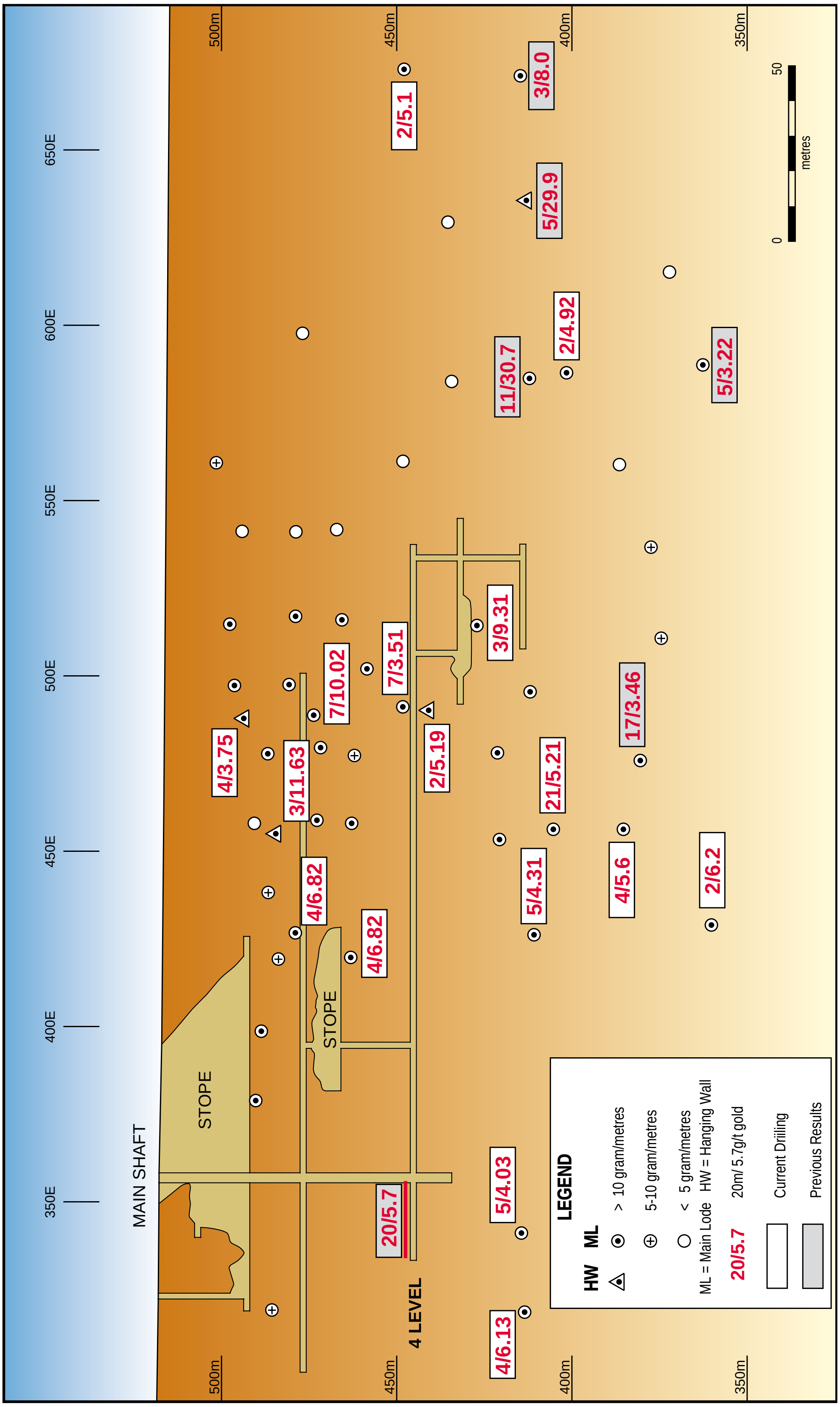
The drilling detected multiple quartz veins, with a number of high grade drill intercepts:

Great Western Prospect - Cross Section



The Great Western deposit remains open along strike to the east, at depth and down plunge to the south east.

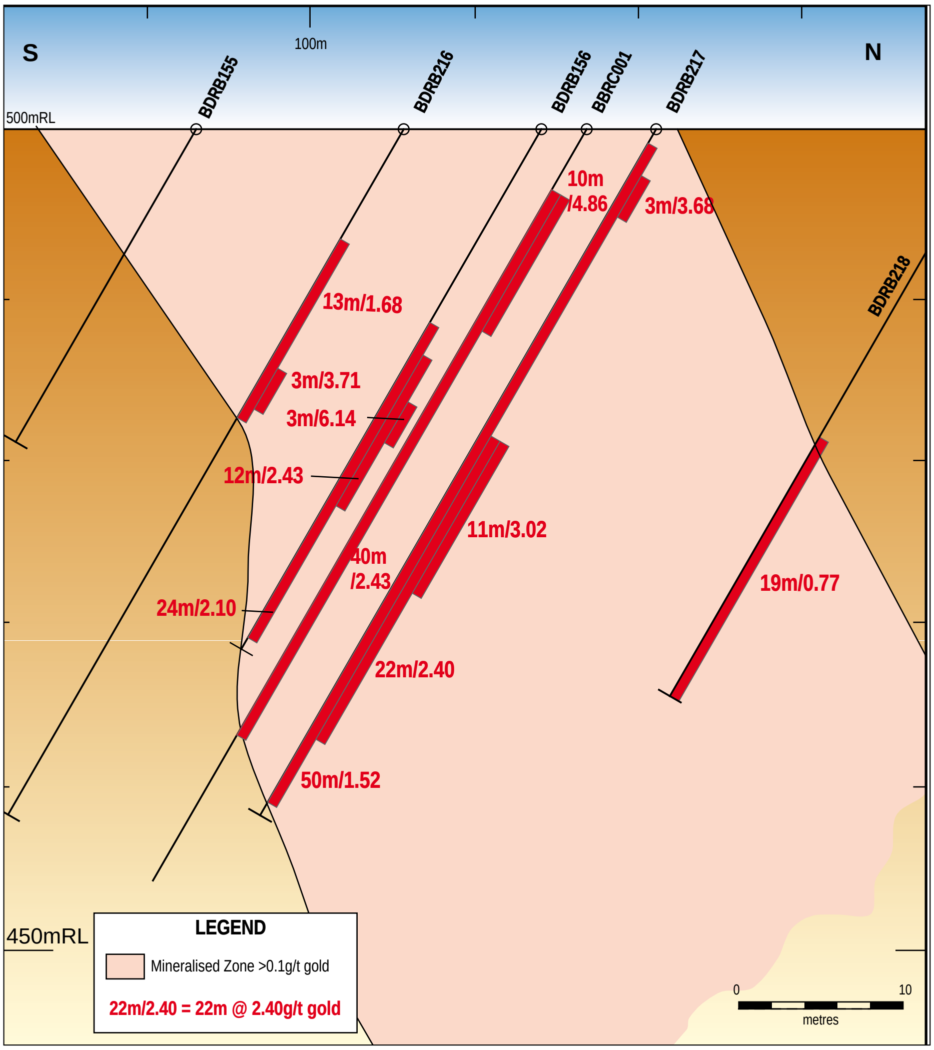
Great Western Prospect - Cross Section



Other Prospects

Gold mineralisation in the Bundarra area is controlled by a series of northwest trending shears. RAB drilling undertaken late in the year intersected anomalous gold values in all seven of the shears tested. Of particular interest are the new discoveries at Bluebush and Bluebush East.

Bluebush Prospect: RAB Drill Section



Follow up RC drilling commenced at Bluebush in September 2007.

Redcastle

The interpretation of the aeromagnetic survey flown in August 2006, together with detailed geological mapping identified a major east-west structure, associated with the mineralised shear zones exposed in the historic workings at Redcastle. Other parts of the area were considered to have only limited potential and the Company withdrew from agreements to acquire a number of the peripheral tenements in March 2007.

A limited RAB drilling program undertaken in June 2007 detected significant mineralisation on the north dipping major east-west shear structure:

RR 069	**3m @ 3.09g/t gold**
RR 070	**2m @ 5.36g/t gold**
RR 071	**2m @ 2.12g/t gold**

Further RAB drilling is planned to test the full strike extent of the shear zone, when the Reversion PL Applications are granted.

East Kambalda

Only limited work has been completed on the East Kambalda project, as efforts were focussed on Bundarra. A number of gold targets North of the Coogee deposit (277,500t @ 3.9glt gold (34,870oz)) and nickel targets associated with the Aztec Dome remain to be tested. Further drilling is planned before the end of 2007.

Euro

Terrain has met all the requirements to enable the tenement to be granted; but this has been delayed by the DOIR due to legal issues associated with Native Title Applications.

It is anticipated that the tenement will be granted before the end of 2007 and drilling of the existing gold targets will be undertaken in the first half of 2008.

INTEREST IN TENEMENTS

PROJECT	TENEMENT NUMBER	TERRAIN'S INTEREST	COMMENTS
Bundarra (Celtic)	E37/251	100%	
	M37/350	100%	
	M37/488	100%	
	M37/489	100%	
	M37/513	100%	
	M37/514	100%	
	M37/638	100%	
	P37/6029	100%	
Black Cat	E37/667	00%	Earning 60% equity through expenditure
	M37/326	00%	
	M37/382	00%	
	M37/480	00%	
	M37/3917	00%	
	M37/3918	00%	
	M37/3920	00%	
	P37/4058	00%	
	P37/4260	00%	
	P37/4296	00%	
Great Western	M37/54	100%	Subject to an additional share issue by 31/12/07
East Kambalda (Coogee)	E26/97	100%	
	M26/477	100%	
	M26/478	100%	
	M26/485	100%	
Redcastle	M39/318	100%	Subject to an additional share issue at a Decision to mine
	P39/4104	100%	
	P39/4229	100%	
	P39/4280	100%	
	P39/4319	100%	
	P39/4467	100%	
	P39/4468	100%	
	P39/4469	100%	
Euro	M35/585	100%	

Your directors present their report on the consolidated entity ("Group") consisting of Terrain Minerals Ltd and the entities it controlled at the end of, or during, the period ended 30 June 2007.

Directors

The following persons were directors of Terrain Minerals Ltd during the year and up to the date of this report, unless otherwise stated:

D Tucker
K Wells
J K L Lee
C Brown

Principal activities

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

Dividends

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

Review of operations

A summary of consolidated revenues and results is set out below:

	Revenues 2007 $	Results 2007 $
Revenue from continuing operations	**174,865**	-
Loss before income tax expense		**(1,040,702)**
Income tax expense		-
Loss attributable to members of Terrain Minerals Ltd		**(1,040,702)**

Financial Position

During the period the Company had a net increase in contributed equity of $1,451,130 (from $7,289,166 to $8,740,296) as a result of:

- a placement of 730,000 ordinary shares at a deemed value of 20 cents each, as consideration for the purchase of mineral tenements;
- a placement of 231,140 ordinary shares at a deemed value of 16 cents each, as consideration for the purchase of mineral tenements;
- a placement of 360,454 ordinary shares at a deemed value of 19.42 cents each, as consideration for the purchase of mineral tenements;
- a placement of 7,140,796 ordinary shares at 18 cents each and 3,570,398 free attaching options, to sophisticated and professional investors; and
- payment of capital raising and share issue costs of $87,213.

At the end of the financial period the consolidated entity had net cash balances of $3,194,047 and net assets of $7,570,543.

Review of operations (continued)

Total liabilities amounted to $1,836,664 being, trade and other creditors of $278,466 and a deferred liability to issue further shares of $1,558,198.

Exploration

Bundarra (Celtic):

In November 2006 the Company announced a joint venture agreement with St Barbara Ltd over the Black Cat Project. The agreement tripled Terrain's holdings in the Bundarra area. In January 2007 the Company announced the acquisition of the Great Western gold prospect, which completed the Company's ground acquisition strategy in the area. A 5,000 metre RC drilling program commenced in early April 2007 to test the Great Western Prospect. The first half of the program has been designed to confirm and upgrade the current resource estimate to JORC compliance, before testing the down dip and strike extensions of the deposit.

Redcastle:

A detailed aeromagnetic survey was flown in August 2006 and has defined extensions of known mineralisation under cover. In February 2007 the Company committed to an initial 2,000 metre RAB drilling program to test a major mineralised shear zone. Drilling commenced In June 2007.

Euro:

Granting of the mining lease has been deferred by the DOIR due to legal issues relating to Native Title applications. It is expected that the tenement will be granted before the end of 2007 and a drilling program is planned for early 2008.

East Kambalda (Coogee):

Only minimal work has been completed during the year, due to the priority given to the Bundarra Project. A drilling program is scheduled for late 2007.

Corporate

On 23 March 2007, 730,000 ordinary shares and 320,000 options over ordinary shares were issued to vendors as consideration for the purchase of mineral tenements.

On 1 May 2007, 231,250 ordinary shares were issued to vendors as consideration for the purchase of mineral tenements.

On 1 May 2007, 500,000 options over ordinary shares were allotted under the Terrain Minerals Ltd Employee Share Option Scheme as incentives to the Exploration Manager and other staff.

On 4 May 2007, 360,454 ordinary shares were issued to vendors as consideration for the purchase of mineral tenements.

On 20 June 2007, 7,140,796 ordinary shares and 3,570,398 free attaching options were issued to sophisticated and professional investors to raise a total of $1,285,343. Funds raised are to be used for the Company's major drilling programs.

Earnings per share

	2007 Cents
Basic and diluted earnings per share	**(1.94)**

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial year

On 2 August 2007 the Company completed a placement of 15,495,804 ordinary shares and 7,747,804 free attaching options to raise a total of $2,789,243. The placement was made pursuant to shareholder approval granted at a general meeting held on 26 July 2007.

On 24 August 2007 the Company completed an entitlement issue of options to all existing shareholders. Shareholders were offered one option exercisable at 25 cents and expiring 31 July 2010 for every two shares held, at a price of 1 cent per option. A total of 38,353,852 options were allotted to raise a total of $383,538.

No other matter or circumstance has arisen since 30 June 2007 that has significantly affected, or may significantly affect:

(a) the consolidated entity's operations in future financial years, or

(b) the results of those operations in future financial years, or

(c) the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations

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

Environmental regulation

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

Information on directors

DANIEL TUCKER *Chairman – Non-executive*

Experience and expertise

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

Other directorships

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

KEITH WELLS BSc, MSc, Grad Dip Bus, MAIG *Managing 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

(JIMMY) KONG LENG LEE *Director – Non-executive*

Experience and expertise

Jimmy Lee is a mining engineer with over 25 years experience in the mining industry and is currently the General Manager of Carey Mining Pty Ltd. He has previously held senior positions with a number of leading mining companies, including North, WMC Resources and Dominion Mining, and is a former board member of the Northern Territory Mining Board and Northern Territory Chamber of Mines. Jimmy has a wealth of knowledge and experience in business development, contract management, and strategic planning in the resources industry. He is a current member of the Australasian Institute of Mining and Metallurgy and holds First Class Mine Manager's and Quarry Manager's Certificates of Competency.

Other directorships

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

CLIVE BROWN *Director – Non-executive*

Experience and expertise

Clive Brown was the Western Australian Minister for State Development from 2001-2005. He was responsible for the most significant changes to the Mining Act in the previous twenty five years. He provides strategic advice on business and government relations to a number of mining companies and Chairs a national steering committee of Australian governments and mining industry organizations on developing a national framework for occupation health and safety in the mining industry.

Other directorships

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

Company secretary

DESMOND KELLY BComm, CPA, MAICD *Company Secretary*

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

Directors' interests in shares and options

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

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

Meetings of directors

The number of meetings of the company's board of directors held during the period ended 30 June 2007 and the number of meetings attended by each director were:

	Full meetings of Directors	
	Held	Attended
D Tucker	9	8
K Wells	9	9
J Lee	9	9
C Brown	9	9

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

Retirement, election and continuation in office of directors

Mr J Lee was appointed as a director on 8 September 2005. In accordance with the Constitution Mr Lee will retire, in rotation, as a director at the Annual General Meeting to be held in November 2007 and, being eligible, will offer himself for re-election.

Remuneration report

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

A Principles used to determine the nature and amount of remuneration (audited)

B Details of remuneration (audited)

C Service agreements (audited)

D Share-based compensation (audited)

E Additional information (unaudited)

The information provided under headings A to D includes remuneration disclosures that are required under Accounting Standard AASB 124 Related Party Disclosures. These disclosures have been transferred from the financial report and have been audited. The disclosures in section E are additional disclosures required by the Corporations Act 2001 which have not been audited.

A Principles used to determine the nature and amount of remuneration (audited)

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

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

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

Alignment to shareholders' interests:

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

Alignment to program participants' interests:

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

The framework currently consists of fixed salaries.

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

Non-executive directors

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Board. The Board also has agreed to the advice of independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The Chairman's fees are determined independently to the fees of non-executive directors based on comparative roles in the external 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 6 July 2006. Directors' remuneration is inclusive of committee fees.

Remuneration report (continued)

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

Retirement allowances for directors

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

The executive pay and reward framework has three components:

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

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

- *Base pay*

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

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

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

- *Benefits*

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

- *Retirement benefits*

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

- *Employee Share Option Scheme*

  Information on the Employee Share Option Scheme is set out on pages 46 – 47.

B Details of remuneration (audited)

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

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

2006	Short-term benefits		Post-employment benefits	Share-based payments	
Name	Cash salary and fees $	Non-monetary benefits $	Superannuation $	Options $	Total $
Directors of Terrain Minerals Ltd					
D Tucker	6,881	516	619	-	8,016
K Wells	58,865	5,516	17,802	-	82,183
J Lee	-	516	6,250	-	6,766
C Brown	5,733	516	517	12,560	19,326
Other key management personnel					
D J Kelly	40,925	516	-	7,410	48,851
C Tomich	40,833	-	5,492	14,820	61,145
Total	**286,932**	**7,580**	**30,680**	**34,790**	**226,287**

Remuneration report (continued)

C Service Agreements (audited)

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

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

The agreement for the Company Secretary provides for the provision of consulting fees and participation, when eligible, in the Employee Share Option Scheme.

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

K Wells, *Managing Director*

- Term of agreement – For a period of 3 years with a notice period of the remainder of the term.
- Base salary, inclusive of superannuation and other benefits, for the year ended 30 June 2007 of $190,000, to be reviewed annually. Provision of four weeks annual leave.

C Tomich, *Exploration Manager*

- Term of agreement – For a period of 2 years with a notice period of the remainder of the term.
- Base salary, excluding superannuation, for the year ended 30 June 2007 of $125,000, to be reviewed annually. Provision of four weeks annual leave.

D Kelly, *Company Secretary*

- Term of agreement – twelve months, notice period of two months
- Annual consulting fees of $48,000 for the 12 months from 8 September 2006, renegotiable at the end of the contract period.

D Share-based compensation (audited)

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

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

The terms and conditions of each grant of options affecting remuneration in this or future reporting periods are as follows:

Grant date	Expiry date	Exercise price	Value per option at grant date	Date exercisable
22 March 2006	8 September 2008	20 cents	$0.062	At any time during the option period
24 March 2006	24 March 2011	20 cents	$0.074	At any time during the option period
23 March 2007	22 March 2012	20 cents	$0.1196	At any time during the option period

Options granted under the scheme carry no dividend or voting rights.

When exercisable, each option is convertible into one ordinary share.

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

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

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

Employee options

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

The model inputs for options granted during the period ended 30 June 2006 included:

Director's options

Grant date	22 March 2006
Expiry date	8 September 2008
Quantity	200,000
Exercise price	$0.20
Consideration	Nil
Share price at grant date	20 cents
Expected price volatility of the company's shares	70%
Expected dividend yield	Nil
Risk-free interest rate	5.65%

Remuneration report (continued)

Employee options

Grant date	24 March 2006
Expiry date	24 March 2011
Quantity	600,000
Exercise price	$0.20
Consideration	Nil
Share price at grant date	20 cents
Expected price volatility of the company's shares	70%
Expected dividend yield	Nil
Risk-free interest rate	5.65%

Further details relating to options are set out below.

2007

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

2006

Name	A Remuneration consisting of options	B Value at grant date $	C Value at exercise date $	D Value at lapse date $	E Total of columns B-D $
C Brown	64.99%	12,560	-	-	12,560
D Kelly	15.16%	7,410	-	-	7,410
C Tomich	24.23%	14,820	-	-	14,820

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.

	Number of Options Granted During the period		Number of Options Vested During the period	
	2007	2006	2007	2006
Directors of Terrain Minerals Ltd				
D Tucker	-	-	-	-
K Wells	-	-	-	-
J Lee	-	-	-	-
C Brown	-	200,000	-	200,000
Other key management personnel				
D J Kelly	-	100,000	-	100,000
C Tomich	300,000	200,000	300,000	200,000

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

E Additional information (unaudited)

Given Terrain Minerals Ltd is involved in mineral exploration and performance is measured by exploration success, the remuneration of the persons referred to above is not dependent on the satisfaction of a performance condition.

Loans to directors and executives

There are no loans to directors or executives.

Remuneration report (continued)

Share options granted to directors and the most highly remunerated officers

Options over unissued ordinary shares of Terrain Minerals Ltd granted during or since the end of the financial period under the Employee Share Option Scheme to any of the directors and the most highly remunerated officers of the consolidated entity as part of their remuneration were as follows:

	Date of grant	Options granted
Other key management personnel of Terrain Minerals Ltd		
C Tomich, *Exploration Manager*	23 March 2007	300,000

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
8 September 2005	8 September 2008	20 Cents	4,500,000
4 November 2005	8 September 2008	20 cents	2,550,000
17 November 2005	8 September 2008	20 cents	1,000,000
18 November 2005	8 September 2008	20 cents	1,000,000
28 November 2005	8 September 2008	20 cents	25,000
22 March 2006	8 September 2008	20 cents	450,000
24 March 2006	24 March 2011	20 cents	600,000
23 March 2007	22 March 2010	30 cents	320,000
23 March 2007	23 March 2012	20 cents	500,000
20 June 2007	31 July 2010	25 cents	3,570,398
26 July 2007	31 July 2010	25 cents	7,747,902
31 August 2007	31 July 2010	25 cents	31,558,605
24 September 2007	31 July 2010	25 cents	7,717,239
			61,539,144

No option holder has any right under the options to participate in any other share issue of the company or of any other entity.

Shares issued on the exercise of options

Their were no ordinary shares of Terrain Minerals Ltd issued during the period ended 30 June 2007 on the exercise of options granted under the Terrain Minerals Ltd Employee Share Option Scheme.

Insurance of officers

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

Proceedings on behalf of the company

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

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

Non-audit services

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

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

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

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

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

Auditors' Independence Declaration

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 24.

Auditor

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

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

Keith Wells

K Wells
Managing Director
Perth, Western Australia

27 September 2007

BDO Kendalls

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Phone 61 8 9380 8400
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www.bdo.com.au

ABN 79 112 284 787

27th September 2007

The Directors
Terrain Minerals Limited
Unit 5
1327 Hay Street
West Perth WA 6005

Dear Sirs

DECLARATION OF INDEPENDENCE BY BDO KENDALLS TO THE DIRECTORS OF TERRAIN MINERALS LIMITED

As lead auditor of Terrain Minerals Limited for the year ended 30 June 2007, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

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

Yours faithfully
BDO Kendalls Audit & Assurance (WA) Pty Ltd

BDO Kendalls
Peter Toll

Peter Toll
Director

Contents

Terrain Minerals Ltd is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Terrain Minerals Ltd
1327 Hay Street
West Perth WA 6005

A description of the nature of the consolidated entity's operations and its principal activities is included in the directors' report, which is not part of this financial report.

The financial report was authorised for issue by the directors on 27 September 2007. The consolidated entity has the power to amend and reissue the financial report.

Through the use of the internet, we have ensured that our corporate reporting is timely, complete and available globally at minimum cost to the consolidated entity. All press releases, financial reports and other information are available on our website: www.terrainminerals.com.au

For queries in relation to our reporting please call +61 8 9481 2455 or e-mail **info@terrainminerals.com.au**

INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2007

		Consolidated		Parent entity	
	Notes	**2007** **$**	2006 $	**2007** **$**	2006 $
Revenue from continuing operations	5	**174,865**	73,822	**174,865**	73,822
Employee benefits expense	6	**(357,407)**	(154,524)	**(357,407)**	(154,524)
Depreciation expense	6	**(24,425)**	(5,752)	**(24,425)**	(5,752)
Consultancy costs		**(116,401)**	(84,092)	**(116,401)**	(84,092)
Insurance costs		**(24,467)**	(6,377)	**(24,467)**	(6,377)
Office accommodation expenses		**(71,082)**	(21,134)	**(71,082)**	(21,134)
Travel expenses		**(11,378)**	(14,681)	**(11,378)**	(14,681)
Shareholder expenses		**(49,514)**	(851)	**(49,514)**	(851)
Professional fees		**(30,219)**	(9,000)	**(30,219)**	(9,000)
Bank charges		**(30,279)**	(1,013)	**(30,279)**	(1,013)
Exploration expenditure written off		**(457,298)**	-	**(457,298)**	-
Other expenses		**(43,097)**	(60,369)	**(43,096)**	(60,369)
Loss before income tax		**(1,040,702)**	(283,971)	**(1,040,702)**	(283,971)
Income tax expense	7	**-**	-	**-**	-
Net loss for the year		**(1,040,702)**	(283,971)	**(1,040,702)**	(283,971)
Loss attributable to members of Terrain Minerals Ltd		**(1,040,702)**	(283,971)	**(1,040,702)**	(283,971)

		Cents	Cents
Basic and diluted loss per share	29	**(1.94)**	(0.99)

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

BALANCE SHEETS

AS AT 30 JUNE 2007

	Notes	Consolidated 2007 $	Consolidated 2006 $	Parent entity 2007 $	Parent entity 2006 $
Current assets					
Cash and cash equivalents	8	**3,194,047**	4,369,620	**3,194,045**	4,369,618
Trade and other receivables	9	**1,550,142**	138,685	**1,550,142**	138,685
Total current assets		**4,744,189**	4,508,305	**4,744,187**	4,508,303
Non-current assets					
Other financial assets	10	**-**	-	**420,000**	420,000
Plant & equipment	11	**59,532**	66,512	**59,532**	66,512
Exploration and evaluation	12	**4,603,486**	2,777,067	**4,183,488**	2,357,069
Total non-current assets		**4,663,018**	2,843,579	**4,663,020**	2,843,581
Total assets		**9,407,207**	7,351,884	**9,407,207**	7,351,884
Current liabilities					
Trade and other payables	13	**278,466**	238,386	**278,466**	238,386
Borrowings	14	**-**	35,583	**-**	35,583
Other liabilities	15	**1,558,198**	-	**1,558,198**	-
Total current liabilities		**1,836,664**	273,969	**1,836,664**	273,969
Total liabilities		**1,836,664**	273,969	**1,836,664**	273,969
Net assets		**7,570,543**	7,077,915	**7,570,543**	7,077,915
Equity					
Contributed equity	16	**8,740,296**	7,289,166	**8,740,296**	7,289,166
Reserves	17	**154,920**	72,720	**154,920**	72,720
Accumulated losses	18	**(1,324,673)**	(283,971)	**(1,324,673)**	(283,971)
Total equity		**7,570,543**	7,077,915	**7,570,543**	7,077,915

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2007

		Consolidated		Parent entity	
	Notes	**2007** **$**	2006 $	**2007** **$**	2006 $
Total equity at the beginning of the financial year		**7,077,915**	-	**7,077,915**	-
Loss for the year	18	**(1,040,702)**	(283,971)	**(1,040,702)**	(283,971)
Total recognised income and expense for the year		**(1,040,702)**	(283,971)	**(1,040,702)**	(283,971)
Transactions with equity holders in their capacity as equity holders:					
Contributions of equity net of transaction costs	16(b)	**1,451,130**	7,289,166	**1,451,130**	7,289,166
Issues of options as purchase consideration		**22,400**	16,700	**22,400**	16,700
Employee options		**59,800**	56,020	**59,800**	56,020
Total equity at the end of the financial year		**7,570,543**	7,077,915	**7,570,543**	7,077,915

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

CASHFLOW STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

		Consolidated		Parent entity	
	Notes	**2007 $**	2006 $	**2007 $**	2006 $
Cash flows from operating activities					
Payments to suppliers and employees (inclusive of goods and services tax)		**(673,380)**	(301,259)	**(673,380)**	(301,259)
Other – security deposits		**(1,381,000)**	(45,000)	**(1,381,000)**	(45,000)
Interest received		**200,910**	45,160	**200,910**	45,160
Net cash outflow from operating activities	28	**(1,853,470)**	(301,099)	**(1,853,470)**	(301,099)
Cash flows from investing activities					
Payments for other financial assets		**-**	-	**-**	(420,000)
Payments for plant and equipment		**(45,153)**	(69,557)	**(45,153)**	(69,557)
Payments for exploration properties		**(414,211)**	(498,537)	**(414,211)**	(78,537)
Exploration and evaluation expenditure		**(1,660,605)**	(365,936)	**(1,660,605)**	(365,938)
Net cash outflow from investing activities		**(2,119,969)**	(934,030)	**(2,119,969)**	(934,032)
Cash flows from financing activities					
Proceeds from issues of securities		**1,285,344**	6,069,000	**1,285,344**	6,069,000
Proceeds for securities pending issue		**1,558,197**	-	**1,558,197**	-
Securities issue costs		**(10,092)**	(499,834)	**(10,092)**	(499,834)
Net cash inflow from financing activities		**2,833,449**	5,569,166	**2,833,449**	5,569,166
Net increase (decrease) in cash and cash equivalents held		**(1,139,990)**	4,334,037	**(1,139,990)**	4,334,037
Cash and cash equivalents at the beginning of the financial year		**4,334,037**	-	**4,334,035**	-
Cash and cash equivalents at the end of the financial year	8	**3,194,047**	4,334,037	**3,194,045**	4,334,037

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

Note 1. Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to the year ended 30 June 2007, unless otherwise stated.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Equivalents to International Financial Accounting Standards (AIFRS), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issued Group Interpretations and the Corporations Act 2001.

The Company was incorporated on 8 September 2005, accordingly the comparative information in the report is for the period from incorporation to 30 June 2006.

Compliance with IFRSs

Australian Accounting Standards include AIFRSs. Compliance with AIFRSs ensures that the financial statements and notes of Terrain Minerals Ltd comply with International Financial Reporting Standards (IFRSs).

Historical cost convention

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

Critical accounting estimates

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

(b) Segment reporting

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

(c) Revenue recognition

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

(d) Income tax

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

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

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

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

(e) Leases

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

(f) Acquisition of assets

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

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

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

(g) Impairment of assets

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

(h) Cash and cash equivalents

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

(i) Trade receivables

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

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

(j) Investments and other financial assets

The consolidated entity classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, and available for sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re evaluates this designation at each reporting date.

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

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

(ii) **Loans and receivables**

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the consolidated entity provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non current assets. Loans and receivables are included in receivables in the balance sheet.

Note 1. Summary of Significant Accounting Policies (continued)

(iii) **Held to maturity investments**

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

(iv) **Available-for-sale financial assets**

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

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

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

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

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

(k) Fair value estimation

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

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

(l) Plant and equipment

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

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

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

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

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

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the income statement.

(m) Trade and other payables

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

(n) Provisions

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

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

(o) Employee benefits

(i) **Wages and salaries, annual leave and sick leave**

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

(ii) **Retirement benefit obligations**

The consolidated entity contributes to various defined contribution funds for its employees.

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

(iv) **Share based payments**

Share based compensation benefits are provided to employees via the Employee Share Option Scheme.

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

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

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

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

(p) Contributed equity

Ordinary shares are classified as equity.

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

(q) Earnings per share

(i) **Basic earnings per share**

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

(ii) **Diluted earnings per share**

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(r) Exploration and evaluation expenditure

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

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

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

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

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

(s) Goods and services tax (GST)

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

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

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

(t) Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Terrain Minerals Limited ("company" or "parent entity") as at 30 June 2007 and the results of all the subsidiaries for the financial period then ended.

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

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

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

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

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

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

(u) Business combinations

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

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

(v) Borrowings

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

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

Borrowing costs

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

(w) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2007 reporting periods. The Group's and the parent entity's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 7 *Financial Instruments: Disclosures and AASB 2005-10 Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038]*

AASB 7 and AASB 2005-10 are applicable to annual reporting periods beginning on or after 1 January 2007. The Group has not adopted the standards early. Application of the standards will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Group's and the parent entity's financial instruments.

(ii) AASB-I 10 Interim Financial Reporting and Impairment

AASB-I 10 is applicable to reporting periods commencing on or after 1 November 2006. The Group has not recognised an impairment loss in relation to goodwill, investments in equity instruments or financial assets carried at cost in an interim reporting period but subsequently reversed the impairment loss in the annual report. Application of the interpretation will therefore have no impact on the Group's or the parent entity's financial statements.

(iii) AASB 2007-4 (issued April 2007) - Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments [AASB 1, 2, 3, 4, 5, 6, 7, 102, 107, 108, 110, 112, 114, 116, 117, 118, 119, 120, 121, 127, 128, 129, 130, 131, 132, 133, 134, 136, 137, 138, 139, 141, 1023 & 1038]

Applicable to periods commencing on or after 1 July 2007

This exposure draft inserts accounting treatment options that currently exist under IFRSs back into AIFRSs and removes Australian-specific disclosures that were originally added into AIFRSs on first-time adoption from 1 January 2005. Most changes relate to certain Australian-specific disclosures not being required. The entity does not intend to adopt any reinstated options for accounting treatment when the standard is adopted. As such. There will be no future financial impacts on the financial statements. There will be no impact in relation to the discount rate used to measure employee benefit obligations as the entity considers that there is no deep market in corporate bonds in Australia and will continue to use the relevant national government bond rates.

(iv) AASB Interpretation 12 (issued February 2007) – Service Concession Arrangements (recognition & measurement)

Applicable to periods commencing on or after 1 January 2008.

This is guidance for accounting by operators for public-to-private service concession arrangements. This will have no impact on the group as it is not engaged in any public-private service arrangements.

(v) AASB Interpretation 13 – Customer Loyalty Programmes

Applicable to periods commencing on or after 1 July 2008.

There will be no impact as the group does not have a customer loyalty programme

(vi) AASB 123 (revised June 2007) – Borrowing Costs

Applicable to periods commencing on or after 1 January 2009.

The transitional provisions of this standard only require capitalisation of borrowing costs on qualifying assets where commencement date for capitalisation is on or after 1 January 2009. As such, there will be no impact on prior period financial statements when this standard is adopted.

(vii) AASB 7 (issued August 2005) – Financial Instruments :Disclosures

Applicable to periods commencing on or after 1 January 2007.

Replaces the disclosure requirements relating to financial instruments currently included in AASB 132: Disclosure and Presentation (and AASB 130: Disclosures in the Financial Statements of Banks and Similar Financial Institutions). As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements.

(viii) AASB 101 – (revised October 2006) – Presentation of Financial Statements

Applicable to periods commencing on or after 1 January 2007.

This removes Australian specific disclosure requirements. As these changes result in a reduction of Australian-specific disclosures, there will be no impact on amounts recognised in the financial statements.

(ix) AASB Int 129 (issued February 2007) – Services Concession Arrangements Disclosures [revised]

Note 1. Summary of Significant Accounting Policies (continued)

Applicable to periods commencing on or after 1 January 2008.

This increases disclosure requirements for service concession arrangements. This will have no impact on the group as it is not engaged in any public-private service arrangements.

(x) AASB 8 (issued February 2007) - Operating Segments

Applicable to periods commencing on or after 1 January 2009.

This standard replaces the disclosure requirements of AASB 114: Segment Reporting. As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements. However, disclosures required for the operating segments will be significantly different to what is currently reported (business and geographical segment).

(xi) AASB 2007-5 – (issued May 2007) - Amendments to Australian Accounting Standard – Inventories Held for Distribution by Not-for-Profit Entities [AASB 102]

Applicable to periods commencing on or after 1 January 2007.

Under this standard inventories held for distribution by not-for-profit entities are to be measured at cost, adjusted when applicable for any loss of service potential. These changes will be applied on a prospective basis from the beginning of the annual reporting period to which this revised standard applies

Note 2. Financial risk management

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

Risk management is carried out by the full Board of Directors. The board identifies and evaluates financial risks in close co-operation with management and provides written principles for overall risk management.

(i) **Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash, prudent oversight of future funding requirements and maintaining ongoing contact to facilitators of further funding.

(ii) **Cash flow and fair value interest rate risk**

As the consolidated entity's major assets are cash deposits held in fixed interest rate deposits, the consolidated entity's income and operating cash flows are materially exposed to changes in market interest rates. The consolidated entity manages this risk by only investing in AAA rated institutions.

Note 3. Critical accounting estimates and judgments

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

Critical accounting estimates and assumptions

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

Exploration and evaluation expenditure

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

Note 4. Segment information

(a) Business segments

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

(b) Geographical segments

The consolidated entity operates only in Australia.

	Consolidated		Parent entity	
	2007 $	2006 $	**2007 $**	2006 $
Note 5. Revenue				
Revenue from continuing operations				
Other revenue				
Interest received	**174,865**	73,822	**174,865**	73,822
Note 6. Expenses				
Loss before income tax includes the following expenses:				
Employee benefits expense				
Salaries, fees and other benefits	**465,532**	271,411	**465,532**	271,411
Amount capitalised	**(108,125)**	(125,887)	**(108,125)**	(125,887)
Net employee benefit expense	**357,407**	154,254	**357,407**	154,254
Depreciation	**24,425**	5,752	**24,425**	5,752
Rental expense relating to operating leases	**41,579**	21,134	**41,579**	21,134
Exploration expenditure written off	**457,298**	-	**457,298**	-
Note 7. Income tax				
(a) Income tax expense				
Loss from continuing operations	**(1,040,702)**	(283,971)	**(1,040,702)**	(283,971)
Tax at the Australian tax rate of 30%	**(312,211)**	(85,191)	**(312,211)**	(85,191)
Tax effect of amounts that are not tax deductible (taxable) in calculating taxable income				
Employee share options	**17,940**	17,106	**17,940**	17,106
Exploration expenditure	**(1,229,386)**	(167,559)	**(1,229,386)**	(167,614)
Other items	**1,228**	849	**1,228**	849
Deferred tax assets relating to tax losses and temporary differences not recognised	**1,522,429**	234,795	**1,522,429**	234,850
	-	-	-	-

The franking account balance at year end was nil.

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$	$	**$**	$
Note 7. Income tax (continued)				
(b) Deferred tax assets and liabilities not recognised relate to the following:				
Deferred tax assets				
Tax losses	**1,504,684**	223,109	**1,504,684**	223,164
Other temporary differences	**17,745**	11,686	**17,745**	11,686
Deferred tax liabilities				
Other temporary differences	**(1,229,386)**	-	**(1,229,386)**	-
Net deferred tax assets	**293,043**	234,795	**293,043**	234,850

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

	Consolidated 2007	Consolidated 2006	Parent 2007	Parent 2006
Note 8. Current assets – Cash and cash equivalents				
Cash at bank and on hand	**3,154,297**	226,428	**3,154,295**	226,426
Deposits at call	**39,750**	4,143,192	**39,750**	4,143,192
	3,194,047	4,369,620	**3,194,045**	4,369,618
Note 9. Current assets – Trade and other receivables				
Other receivables	**91,261**	77,825	**91,261**	77,825
Security deposits	**1,426,000**	45,000	**1,426,000**	45,000
Prepayments	**32,881**	15,860	**32,881**	15,860
	1,550,142	138,685	**1,550,142**	138,685
Note 10. Non-current assets – Other financial assets				
Investment in controlled entity (see note 26)	-	-	**420,000**	420,00
Note 11. Non-current assets – Plant and equipment				
Plant & equipment				
Plant & equipment – at cost	**89,709**	72,264	**89,709**	72,264
Less: accumulated depreciation	**(30,177)**	(5,752)	**(30,177)**	(5,752)
	59,532	66,512	**59,532**	66,512

Reconciliation

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

	Consolidated 2007	Consolidated 2006	Parent 2007	Parent 2006
Plant & equipment				
At the beginning of the year	**66,512**	-	**66,512**	-
Additions	**17,445**	72,264	**17,445**	72,264
Depreciation expense (Note 6)	**(24,425)**	(5,752)	**(24,425)**	(5,752)
Closing net book amount	**59,532**	66,512	**59,532**	66,512

	Consolidated		Parent entity	
	2007 **$**	2006 $	**2007** **$**	2006 $
Note 12. Non-current assets – Exploration and evaluation				
Exploration and evaluation				
Exploration and evaluation – at cost less amounts written off	**4,603,486**	2,777,067	**4,183,488**	2,357,069
Reconciliation				
At the beginning of the year	**2,777,067**	-	**2,357,069**	-
Purchases of mineral tenements	**436,611**	2,234,237	**436,611**	1,814,237
Expenditure during the year	**1,847,106**	542,830	**1,847,106**	542,832
Amounts written off	**(457,298)**	-	**(457,298)**	-
	4,603,486	2,777,067	**4,603,486**	2,357,069

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.

	Consolidated 2007 $	Consolidated 2006 $	Parent entity 2007 $	Parent entity 2006 $
Note 13. Current liabilities – Trade and other payables				
Trade payables	**111,713**	224,634	**111,713**	224,634
Other payables	**166,753**	13,752	**166,753**	13,752
	278,466	238,386	**278,466**	238,386
Note 14. Current liabilities – Borrowings				
Unsecured				
Bank overdraft	-	35,583	-	35,583
Note 15. Current liabilities – Other liabilities				
Deferred subscription funds	**1,558,198**	-	**1,558,198**	-

Note 16. Contributed equity

(a) Share capital	**Number of shares**	**$**
Ordinary shares – fully paid	**61,212,500**	**8,740,296**

Note 16. Contributed equity (continued)

(b) Movements in ordinary share capital

Date	Details	Number of shares	Issue price $	$
8 September 2005	Placement of shares	4,000,000	0.013	52,000
8 September 2005	Placement of shares	6,000,000	0.017	102,000
4 November 2005	Placement of shares	5,100,000	0.10	510,000
17 November 2005	Placement of shares	2,000,000	0.10	200,000
18 November 2005	Placement of shares	2,000,000	0.10	200,000
28 November 2005	Placement of shares	50,000	0.10	5,000
22 March 2006	Issue of shares pursuant to a prospectus	25,000,000	0.20	5,000,000
22 March 2006	Shares issued pursuant to tenement purchase agreements	8,600,000	0.20	1,720,000
	Less: Transaction costs arising on placement of shares			(499,834)
		52,750,000		7,289,166
23 March 2007	Shares issued pursuant to tenement purchase agreements	730,000	0.20	146,000
1 May 2007	Shares issued pursuant to tenement purchase agreements	231,250	0.16	37,000
4 May 2007	Shares issued pursuant to tenement purchase agreements	360,454	0.1942	70,000
20 June 2007	Placement of shares to sophisticated and professional investors	7,140,796	0.18	1,285,343
	Less: Transaction costs arising on issue of shares			(87,213)
30 June 2007		**61,212,500**		**8,740,296**

(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.

(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:

- 9,525,000 options exercisable at 20 cents and expiring 8 September 2009
- 600,000 options exercisable at 20 cents and expiring 24 March 2011
- 500,000 options exercisable at 20 cents and expiring 22 March 2012
- 320,000 options exercisable at 30 cents and expiring 23 March 2010
- 3,570,398 quoted options exercisable at 25 cents and expiring 31 July 2010

(f) Movements in options

Date	Details	Number of options
8 September 2005	Allotment of options to directors	4,500,000
4 November 2005	Allotment of options to seed capitalists	2,550,000
17 November 2005	Allotment of options to seed capitalists	1,000,000
18 November 2005	Allotment of options to seed capitalists	1,000,000
28 November 2005	Allotment of options to seed capitalists	25,000
22 March 2006	Options allotted pursuant to a tenement purchase agreement	250,000
22 March 2006	Options allotted to a director	200,000
24 March 2006	Options allotted under the Terrain Minerals Limited ESOP	600,000
		10,125,000
23 March 2007	Options allotted pursuant to a tenement purchase agreement	320,000
1 May 2007	Options allotted under the Terrain Minerals Limited ESOP	500,000
20 June 2007	Placement of free attaching options on a one for two basis, to sophisticated and professional investors	3,570,398
		14,515,398

	Notes	Consolidated 2007 $	Consolidated 2006 $	Parent entity 2007 $	Parent entity 2006 $
Note 17. Reserves					
Share-based payments reserve		**154,920**	72,720	**154,920**	72,720
Movements in reserves					
Share-based payments reserve					
Balance at the beginning of the year		**72,720**	-	**72,720**	-
Option expense		**82,200**	72,720	**82,200**	72,720
Balance at the end of the year		**154,920**	72,720	**154,920**	72,720

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.

	Consolidated 2007 $	Consolidated 2006 $	Parent entity 2007 $	Parent entity 2006 $
Note 18. Accumulated losses				
Accumulated losses at the beginning of the year	**(283,971)**	-	**(283,971)**	-
Net loss attributable to members of Terrain Minerals Ltd	**(1,040,702)**	(283,971)	**(1,040,702)**	(283,971)
Accumulated losses at the end of the financial year	**(1,324,673)**	(283,971)	**(1,324,673)**	(283,971)

Note 19. Key management personnel disclosures

(a) Directors
The following persons were directors of Terrain Minerals Ltd during the whole of the financial year:

Chairman - non-executive

D Tucker

Executive directors

K Wells, Managing Director

Non-executive directors

J Lee

C Brown

(b) Other key management personnel
The following persons also had authority and responsibility for planning, directing and controlling the activities of the consolidated entity, directly or indirectly, during the financial period:

Name	**Position**
D J Kelly	Company Secretary/Chief Financial Officer
C Tomich	Exploration Manager

		Consolidated		Parent entity	
	Notes	**2007 $**	2006 $	**2007 $**	2006 $
(c) Key management personnel compensation					
Short term employee benefits		**311,644**	160,817	**311,644**	160,817
Post employment benefits		**155,069**	30,680	**155,069**	30,680
Share based payments		**35,880**	34,790	**35,880**	34,790
		502,593	226,287	**502,593**	226,287

The consolidated entity has taken advantage of the relief provided by Corporations Regulations 2M.6.04 and has transferred the detailed remuneration disclosures to the Directors' Report. The relevant information can be found in sections A to D of the remuneration report.

(d) Equity instrument disclosures relating to key management personnel

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

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.

2007 **Name**	**Balance at the start of the period**	**Granted during the period as remuneration**	**Exercised during the period**	**Other changes during the period**	**Balance at the end of the period**	**Vested and exercisable at the end of the period**
Directors of Terrain Minerals Ltd						
D Tucker	1,500,000	-	-	-	1,500,000	1,500,000
K Wells	1,500,000	-	-	-	1,500,000	1,500,000
J Lee	1,500,000	-	-	-	1,500,000	1,500,000
C Brown	200,000	-	-	-	200,000	200,000
Other key management personnel						
D J Kelly	100,000	-	-	-	100,000	100,000
C Tomich	200,000	300,000	-	-	500,000	500,000

2006 **Name**	**Balance at the start of the period**	**Granted during the period as remuneration**	**Exercised during the period**	**Other changes during the period**	**Balance at the end of the period**	**Vested and exercisable at the end of the period**
Directors of Terrain Minerals Ltd						
D Tucker	-	-	-	1,500,000	1,500,000	1,500,000
K Wells	-	-	-	1,500,000	1,500,000	1,500,000
J Lee	-	-	-	1,500,000	1,500,000	1,500,000
C Brown	-	200,000	-	-	200,000	200,000
Other key management personnel						
D J Kelly	-	100,000	-	-	100,000	100,000
C Tomich	-	200,000	-	-	200,000	200,000

No options were vested and unexercisable at the end of the financial year.

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

Note 19. Key management personnel disclosures (continued)

2007 Name	Balance at the start of the period	Received during the period on the exercise of options	Other changes during the period	Balance at the end of the period
Directors of Terrain Minerals Ltd				
D Tucker	4,030,000	-	-	4,030,000
K Wells	3,120,000	-	70,000	3,190,000
J Lee	3,030,000	-	-	3,030,000
C Brown	-	-	-	-
Other key management personnel				
D J Kelly	-	-	-	-
C Tomich	80,000	-	-	80,000

2006 Name	Balance at the start of the period	Received during the period on the exercise of options	Other changes during the period	Balance at the end of the period
Directors of Terrain Minerals Ltd				
D Tucker	-	-	4,030,000	4,030,000
K Wells	-	-	3,120,000	3,120,000
J Lee	-	-	3,030,000	3,030,000
C Brown	-	-	-	-
Other key management personnel				
D J Kelly	-	-	-	-
C Tomich	-	-	80,000	80,000

(e) Loans to key management personnel

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

(f) Other transactions with key management personnel

Directors of Terrain Minerals Ltd

During the 2006 financial year the Company paid $420,000 to secure tenure to minerals tenements. This amount was paid to View Resources Limited, a company of which Mr D Tucker is a director.

Aggregate amounts of each of the above types of other transactions with directors of Terrain Minerals Ltd:

		Consolidated		Parent entity	
	Notes	**2007** **$**	2006 $	**2007** **$**	2006 $
Amounts recognised as non-current assets – other financial assets Purchase costs		-	-	-	420,000

	Notes	Consolidated 2007 $	Consolidated 2006 $	Parent entity 2007 $	Parent entity 2006 $
Note 20. Remuneration of auditors					
During the period the following fees were paid or payable for services provided by the auditor of the Company, its related practices and non-related audit firms.					
Assurance services					
Audit services					
BDO Kendalls Audit & Assurance (WA) Pty Ltd: Audit and review of financial report and other audit work under the *Corporations Act 2001*		**30,219**	9,000	**30,219**	9,000
Other services					
BDO Kendalls Audit & Assurance (WA) Pty Ltd: Preparation of Investigating Accountant's Report		-	7,177	-	7,177
		30,219	16,177	**30,219**	16,177

Note 21. Contingent liabilities

Bundarra Project

Four of the tenements; M37/488, 489 and E37/251 are the subject of plaints relating to under expenditure by the previous tenement holder, St Barbara Ltd.
St Barbara is committed to defending the plaints at no cost to Terrain. The Company expects the issue to be successfully concluded and anticipates no material losses.

Black Cat Joint Venture

Five of the tenements; M37/326, P37/3917, 3918, 3919 and 3920 are the subject of plaints relating to under-expenditure by the tenement holder, St Barbara Ltd.
As part of the joint venture terms Terrain is required to defend the plaints. The Company expects the issue to be successfully concluded and anticipates no material losses.

Corporate

In accordance with the Great Western Gold Project Tenement Sale Agreement with Peninsula Minerals Limited the Company is required to issue 312,500 ordinary shares at an issue price of 16 cents by 31 December 2007. Non-payment will result in forfeiture of any legal or beneficial entitlement to the tenement.
In accordance with the Great Western Gold Project Tenement Sale Agreement with GE Resources Pty Ltd the Company is required to either issue ordinary shares to the value of, or make a cash payment of $50,000 by 31 December 2007. Determination of the number of shares will be made by reference to the volume weighted average price of the shares in the previous five days trading on ASX, The decision on whether to pay and the method of payment lies with Terrain, however non-payment will result in forfeiture of any legal or beneficial entitlement to the tenement.

Note 22. Commitments for expenditure

Capital commitments
Commitments for minimum expenditure on mining tenements contracted for at the reporting date but not recognised as liabilities, payable:

	Consolidated 2007 $	Consolidated 2006 $	Parent entity 2007 $	Parent entity 2006 $
Within one year	**624,280**	510,668	**594,280**	483,668
Later than one year but not later than 5 years	**2,425,120**	1,959,702	**2,365,120**	1,899,702
Later than 5 years	-	-	-	-
	3,049,400	2,470,370	**2,959,400**	2,383,370

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

Note 22. Commitments for expenditure (continued)

	Notes	Consolidated 2007 $	Consolidated 2006 $	Parent entity 2007 $	Parent entity 2006 $
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		**8,123**	5,603	**8,123**	5,603
Later than one year but not later than 5 years		-	-	-	-
Later than 5 years		-	-	-	-
		8,123	5,603	**8,123**	5,603

Salaries

The service contracts for the Managing Director and Exploration Manager allow for a notice period of the remainder of the contract. In the event of termination of the contracts the remainder of the contract amount is to be paid. The commitment for this expenditure as at 30 June 2007 is $435,000.

Note 23. Share-based payments

a) Employee Share Option Scheme

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

Shares and options are issued on the following terms:

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

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

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

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

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

Fair value of options granted

Employee options

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

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

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

The assessed fair value at grant date of options granted during the year ended 30 June 2006 was 7.41 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 2006 included:

Grant date	24 March 2006
Expiry date	24 March 2011
Quantity	600,000
Exercise price	$0.20
Consideration	Nil
Share price at grant date	20 cents
Expected price volatility of the company's shares	70%
Expected dividend yield	Nil
Risk-free interest rate	5.65%

b) Vendor options

During the year 320,000 options were issued to vendors as part-consideration for the purchase of mineral tenements.

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

Note 23. Share-based payments (continued)

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

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

The assessed fair value at grant date of options granted during the year ended 30 June 2006 was 6.28 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 2006 included:

Grant date	22 March 2006
Expiry date	22 March 2011
Quantity	250,000
Exercise price	$0.20
Consideration	Nil
Share price at grant date	21 cents
Expected price volatility of the company's shares	70%
Expected dividend yield	Nil
Risk-free interest rate	5.5%

See pages 11 – 13 of the Directors Report for details of share options issued to directors during the period.

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

Employee options	$59,800
Vendor options	$22,400
Total	**$82,200**

Note 24. Related party transactions

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

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

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

Ownership interests in related parties
Interests held in the following classes of related parties are set out in the following Notes:
Controlled entities – Note 27

Note 25. Events occurring after reporting date

On 2 August 2007 the Company completed a placement of 15,495,804 ordinary shares and 7,747,804 free attaching options to raise a total of $2,789,243. The placement was made pursuant to shareholder approval granted at a general meeting held on 26 July 2007.
On 24 August 2007 the Company completed an entitlement issue of options to all existing shareholders. Shareholders were offered one option exercisable at 25 cents and expiring 31 July 2010 for every two shares held, at a price of 1 cent per option. A total of 38,353,852 options were allotted to raise a total of $383,538.
Other than as shown above, there are no matters or circumstances that have arisen since 30 June 2007 that has significantly affected, or may significantly affect:

(d) the consolidated entity's operations in future financial years, or

(e) the results of those operations in future financial years, or

(f) the consolidated entity's state of affairs in future financial years.

		Consolidated		Parent entity	
	Notes	**2007 $**	2006 $	**2007 $**	2006 $
Note 26. Business combination					
On 1 May 2006 the Company acquired 100% of the issued share capital of Arocom Pty Ltd. Details of the fair value of assets and liabilities acquired are as follows:					
(a) Summary of acquisition					
Purchase consideration – cash paid		-	-	-	420,000
Fair value of assets acquired (b)		-	-	-	2
Exploration goodwill		-	-	-	419,998
(b) Assets acquired					
Cash		-	-	-	2

Note 27. Subsidiaries

Name of entity	Country of incorporation	Class of shares	Equity holding 2007
Arocom Pty Ltd	Australia	Ordinary	100%

This controlled entity has been granted relief from the necessity to prepare financial reports in accordance with Class Order 98/1418 issued by the Australian Securities and Investments Commission.

	Notes	Consolidated 2007 $	Consolidated 2006 $	Parent entity 2007 $	Parent entity 2006 $
Note 28. Reconciliation of profit(loss) from ordinary activities after income tax to net cash outflow from operating activities					
Operating profit (loss) after income tax		**(1,040,702)**	**(283,971)**	**(1,040,702)**	**(283,971)**
Depreciation		**24,425**	**5,752**	**24,425**	**5,752**
Non-cash employee benefits expense – share based payments		**59,800**	**57,020**	**59,800**	**57,020**
Exploration expenditure written off		**457,298**	-	**457,298**	-
Change in operating assets and liabilities					
(Increase) in other receivables		**(1,411,457)**	**(138,579)**	**(1,437,502)**	**(138,579)**
Increase in trade creditors and provisions		**57,166**	**58,679**	**57,166**	**58,679**
Net cash (outflow) from operating activities		**(1,853,470)**	**(301,099)**	**(1,853,470)**	**(301,099)**

Non-cash investing and financing activities

During the financial year the Company issued 1,321,704 ordinary shares and 320,000 options to acquire ordinary shares to vendors as consideration for the purchase of mineral tenements.

Note 29. Earnings per share

	2007 $
Basic and diluted earnings per share	**(1.94)**

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

There were a further 10,125,000 potential ordinary shares (options) not considered to be dilutive.

	2007 $
Losses used in calculating basic and diluted losses per share	
Net loss	(1,040,702)

Note 30. Financial instruments and financial risk management

The Company's activities expose it to a variety of financial risks; market risk (including fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate 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 of directors under policies approved by the Board.
The board identifies and evaluates financial risks and provides written principles for overall risk management.

(i) Market Risk
Price risk - The Company is not exposed to equity securities price risk as it holds no investments in securities classified on the balance sheet either as available for sale or at fair value through profit or loss. The Company is not exposed directly to commodity price risk.

(ii) Credit Risk
The Company's maximum exposures to credit risk at the reporting date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the balance sheet.

The Company trades only with recognised, credit worthy third parties. The Company has no significant concentrations of credit risk.

(iii) Liquidity Risk
Prudent liquidity risk management implies maintaining sufficient cash to meet commitments as and when they fall due.

(iv) Fair Values
All assets and liabilities recognised on the balance sheet, whether they are carried at cost or at fair value, are recognised at amounts that represent a reasonable approximation of fair value unless otherwise stated in the applicable notes.

(v) Interest Rate Risk
The following table sets out the carrying amount, by maturity, of the financial instruments exposed to interest rate risk.

2007 **Financial Instruments**	**Floating interest rate**	**Fixed interest rate maturing in: 1 year or less**	**Non-interest bearing**	**Total**	**Weighted average effective interest rate**
Consolidated Entity and Parent	**$**	**$**	**$**	**$**	**$**
(i) Financial assets					
Cash assets	3,194,047	-	-	3,194,047	**4.2**
Trade and other receivables	-	-	1,550,142	1,550,142	-
Total financial assets	**3,194,047**	-	1,550,142	**4,744,189**	
(ii) Financial liabilities					
Trade and other payables	-	-	278,466	278,466	
Total financial liabilities	-	-	**278,466**	**278,466**	

2006 **Consolidated Entity and Parent**	**$**	**$**	**$**	**$**	%
(i) Financial assets					
Cash assets	4,369,620	-	-	4,369,620	**4.2**
Trade and other receivables	-	-	138,685	138,685	-
Total financial assets	**4,369,620**	-	138,685	**4,508,305**	
(ii) Financial liabilities					
Trade and other payables	-	-	238,386	238,386	
Total financial liabilities	-	-	**238,386**	**238,386**	

DIRECTORS' DECLARATION

In the directors' opinion:

(a) The financial statements and notes set out on pages 25 to 51 are in accordance with the Corporations Act 2001, including:

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

(ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2007 and of its performance, as represented by the results of its operations, changes in equity and their cash flows, for the financial period ended on that date; and

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

(c) the audited remuneration disclosures set out on pages 8 to 14 of the directors' report comply with Accounting Standards AASB 124 Related Party Disclosures and the Corporations Regulations 2001; and

The directors have been given the declarations by the chief executive officer and the chief financial officer required by section 295A of the Corporations Act 2001.

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

Keith Wells

K Wells
Managing Director

Perth
27 September 2007

BDO Kendalls

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INDEPENDENT AUDITOR'S REPORT

To the members of Terrain Minerals Limited

Report on the Financial Report and AASB 124 Remuneration Disclosures Contained in the Directors' Report

We have audited the accompanying financial report of Terrain Minerals Limited, which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

We have also audited the remuneration disclosures contained in the directors' report. As permitted by the *Corporations Regulations 2001,* the consolidated entity has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), required by Accounting Standard AASB 124 *Related Party Disclosures,* under the heading "Remuneration Report".

Directors' Responsibility for the Financial Report and the AASB 124 Remuneration Disclosures Contained in the Directors' 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 control 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.

The directors of the company are also responsible for the remuneration disclosures contained in the directors' report.

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. Our responsibility is to also express an opinion on the remuneration disclosures contained in the directors' report based on our audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and the remuneration disclosures contained in the directors' report. The procedures selected depend on the auditor's judgement, including the assessment of

BDO Kendalls

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 and the remuneration disclosures contained in the directors' report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Terrain Minerals Limited on 27th September 2007, would be in the same terms if provided to the directors as at the date of this auditor's report.

Auditor's Opinion on the Financial Report

In our opinion the financial report of Terrain Minerals Limited is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2007 and of their performance for the year ended on that date; and

(b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001.*

Auditor's Opinion on the AASB 124 Remuneration Disclosures Contained in the Directors' Report.

In our opinion the remuneration disclosures that are contained in the directors' report comply with Accounting Standard AASB 124.

BDO Kendalls Audit & Assurance (WA) Pty Ltd

BDO Kendalls

Peter Toll

Peter Toll
Director

Subiaco, 27th September 2007

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

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

Additional information required by the Australian Stock Exchange Limited Listing Rules and not disclosed elsewhere in this report.

SHAREHOLDINGS

Substantial shareholders

The following substantial shareholders have lodged notices with the Company as at 5 October 2007:

Holders	Ordinary shares
St Barbara Limited	9,000,000
David Vincent	7,250,000
Denton Pty Ltd	4,000,000

Class of shares and voting rights

At 28 September 2007 there were 547 holders of ordinary shares on the Company. The voting rights attaching to the ordinary shares, set out in 10.10 of the Company's Constitution, are:

- On a show of hands, every person present who is a shareholder or a proxy, attorney or representative of a shareholder has one vote; and
- On a poll, every person present who is a shareholder or a proxy, attorney or representative of a shareholder shall, in respect of each fully paid share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for the share, but in respect of partly paid shares, shall have a fraction of a vote for each partly paid share. The fraction shall be equivalent to the proportion which the amount paid is of the total amounts paid and payable, excluding amounts credited, provided that the amounts paid in advance of a call are ignored when calculating a true portion.

At 28 September 2007, there were options over 62,212,533 unissued ordinary shares. There are no voting rights attached to the unissued ordinary shares. Voting rights will be attached to the unissued ordinary shares when the options have been exercised.

Distribution of share and option holders

Category	Ordinary shares	Options expiring 9 September 2008	Options expiring 23 March 2010
1 - 1,000	3	-	-
1,001 - 5,000	27	-	-
5,001 - 10,000	70	-	-
10,001 - 100,000	353	11	1
100,001 - and over	94	11	2
	547	**22**	**3**

Category	Options expiring 31 July 2010	Options expiring 22 March 2011	Options expiring 24 March 2011	Options expiring 22 March 2012
1 - 1,000	1	-	-	-
1,001 - 5,000	41	-	-	-
5,001 - 10,000	29	-	-	-
10,001 - 100,000	253	2	-	-
100,001 - and over	71	-	2	2
	395	**2**	**2**	**2**

There were 14 holders of less than a marketable parcel of ordinary shares.

Unquoted equity securities

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

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

Holders of more than 20%

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

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

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

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

Restricted securities

(a) 9,230,000 ordinary shares restricted until 23 March 2008.

(b) 4,500,000 options expiring 8 September 2008 restricted until 23 March 2008.

On-market buy back

There is no current on-market buy back.

Twenty largest holders of ordinary shares (as at 28 September 2007)

	Ordinary shares	
Holder name	**Number**	**%**
ANZ Nominees Limited	10,886,906	14.19
St Barbara Limited	9,000,000	11.73
Denton Pty Ltd	4,000,000	5.21
Skycross Pty Ltd	3,176,000	4.14
Razi Pty Ltd	3,010,000	3.92
M8 Holdings Pty Ltd	3,000,000	3.91
JDE Equities Pty Ltd	1,850,000	2.41
Mr Ah Gaw Lean	1,500,000	1.96
Anren Investments Pty Ltd	1,400,000	1.83
Vietnam Industrial Investments Limited	1,250,000	1.63
Mr Hon Kwong Lee	1,020,000	1.33
Chimaera Capital Limited	994,444	1.30
Martinick Investments Pty Ltd	750,000	0.98
Turnquest Investments Limited	502,000	0.65
Goldstream Mining NL	500,000	0.65
Mahsor Holdings Pty Ltd	500,000	0.65
Ms Loo Wuan Ng	500,000	0.65
Arnold Grover Nominees Pty Ltd	417,460	0.54
Walsal Nominees Pty Ltd	410,000	0.53
Winterset Investments Pty Ltd	409,000	0.53
	45,075,810	**58.74**

Twenty largest holders of listed options expiring 31 July 2010 (as at 28 September 2006)

	Ordinary shares	
Holder name	**Number**	**%**
ANZ Nominees Limited	7,522,511	14.67
St Barbara Limited	5,330,100	10.39
Skycross Pty Ltd	2,098,000	4.09
Denton Pty Ltd	2,000,000	3.90
Razi Pty Ltd	1,505,000	2.93
M8 Holdings Pty Ltd	1,500,000	2.92
Mr Hon Kwong Lee	1,010,000	1.97
Opes Prime Paradigm Pty Ltd	1,000,000	1.95
Cygnet Investments Pty Ltd	1,000,000	1.95
Cyberspace Investments Pty Ltd	939,082	1.83
Mr Ah Gaw Lean	750,000	1.46
Chimaera Capital Limited	733,444	1.43
Anren Investments Pty Ltd	700,000	1.36
Martinick Investments Pty Ltd	514,000	1.00
Mahsor Holdings Pty Ltd	455,220	0.88
Walsal Nominees Pty Ltd	410,000	0.80
Winterset Investments Pty Ltd	409,000	0.79
Arnold Grover Nominees Pty Ltd	308,730	0.60
Bizzell Nominees Pty Ltd	300,000	0.58
Deck Chair Holdings Pty Ltd	300,000	0.58
	28,785,087	**56.08**

Other information

Terrain Minerals Ltd, incorporated and domiciled in Australia, is a publicly listed company limited by shares.

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