

TERRAIN MINERALS LIMITED
ABN 45 116 153 514

RIGHTS ISSUE OFFER DOCUMENT

For a non-renounceable pro rata entitlements issue to Shareholders of 11,064,250 New Shares at an issue price of 5 cents per Share on the basis of one New Share for every seven Existing Shares held to raise \$553,212 before issue costs

Underwriter

Bligh Capital Melbourne Pty Ltd
ABN 98 131 734 971

Important Notice

This document is not a prospectus. This document does not contain all of the information that an investor may require in order to make an informed investment decision regarding the New Shares offered by this document.

This document should be read in its entirety. If after reading this Offer Document you have any questions about the New Shares being offered under this Offer Document then you should consult your stockbroker, accountant or other professional adviser.

The New Shares offered by this Offer Document should be considered as speculative.

The offer opens on 19 January 2009 and closes at 5:00pm WDST on 9 February 2009. Valid acceptances must be received before that time.

IMPORTANT NOTES

This Offer Document is dated 19 January 2009 and is for a rights issue of continuously quoted securities (as defined in the Corporations Act) of the Company. The rights issue under this Offer Document falls within section 708AA of the Corporations Act and does not require disclosure. Accordingly, the level of disclosure in this Offer Document is significantly less than that required under a prospectus and Eligible Shareholders should rely on their own knowledge of the Company, refer to disclosures made by the Company to ASX and consult their professional advisers before deciding whether to accept the Offer.

No person is authorised to give information or to make any representation in connection with this Offer Document which is not contained in the Offer Document. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Offer Document.

Eligible Shareholders will receive an Acceptance Form with this Offer Document. The Offer may only be accepted by Eligible Shareholders and does not constitute an offer in any place in which or to any person to whom, it would be unlawful to make such an offer.

This Offer Document including each of the documents attached to it and which form part of this Offer Document is important and should be read in its entirety prior to making an investment decision. If you do not fully understand this Offer Document or are in any doubt as to how to deal with it, you should consult your professional adviser.

If you complete an Application Form, you will be providing personal information to the Company (directly or by the Company's share registry). The Company collects, holds and will use that information to assess your application, service your needs as a Shareholder, facilitate distribution payments and corporate communications to you as a Shareholder and carry out administration. The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Company's share registry.

You can access, correct and update the personal information that we hold about you. Please contact the Company or its registry if you wish to do so at the relevant contact numbers set out in this Offer Document.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act 1988 (Cth) (as amended), the Corporations Act and certain rules such as the SCH Business Rules. You should note that if you do not provide the information required on the Application Form, the Company may not be able to accept or process your application.

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1 MANAGING DIRECTOR'S LETTER

19 January 2009

Dear Shareholder,

In these difficult economic times Terrain like most companies has been looking at its funding requirements and ways to conserve cash without compromising its goals. Terrain has cut costs by: reducing the size of the office, reducing staff numbers, introducing a wages freeze, minimising exploration expenditure and relinquishing lower priority tenements at the Redcastle and Euro projects.

Terrain has also been considering the possibility of increasing its cash reserves by selling non-core assets and has recently reached agreement to sell the Coogee gold deposit at East Kambalda for \$3.25million. The sale agreement involves a series of staged payments, which means some additional funds are still required in the short term to maintain your Company as a going concern and enable effective exploration programs to continue on the exciting projects at Bundarra and East Kambalda.

At Bundarra a recent soil sampling program; targeting a series of prospective shear zones, in the western half of the tenement area; has outlined a number of strong, gold anomalies, including one over 1,000m in length extending west from the historic Craig prospect. These anomalies, together with the potential depth extensions of the established gold resources represent immediate drilling targets and the opportunity to build on the resource base announced in August 2008.

At East Kambalda work completed during 2008 including: geological mapping, a gravity survey and EM/IP geophysical surveys have progressively strengthened the comparisons between the Aztec Dome and the Kambalda Dome, with its associated nickel deposits. Further EM/IP geophysical surveys are required ahead of drilling programs to test for high grade, nickel sulphide deposits.

The Board of Terrain commends this rights issue, which together with the proceeds from the sale of the Coogee gold deposit will enable your Company to build on past successes. The Board would also like to take this opportunity to thank shareholders for their past support and looks forward to a return to more normal stock market conditions and a Terrain share price reflecting the value of its high quality exploration assets.

Yours faithfully,



Keith Wells
Managing Director

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

2 CORPORATE DIRECTORY

Directors

Ross Gillon (Non-Executive Chairman)
Keith Wells (Managing Director)
David Zohar (Non-Executive Director)
William Bannister (Non-Executive Director)

Company Secretary

Ian Hobson

Principal and Registered Office

Suite 5, First Floor
1327 Hay Street
West Perth WA 6005
Telephone: +61 8 9481 2455
Facsimile: +61 8 9481 2566
Email: terrain@terrainminerals.com.au
Website: www.terrainminerals.com.au

Auditor

BDO Kendalls Audit & Assurance (WA) Pty Ltd
128 Hay Street
Subiaco WA 6008

Solicitor

Pullinger Readhead Lucas
Commercial Lawyers
Level 2, 50 Kings Park Road
West Perth WA 6005

Banker

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

Share Register

Computershare Investor Services Pty Ltd
Level 2, Reserve Bank Building
45 St George's Terrace
PERTH WA 6000
Telephone (08) 9323 2000
Facsimile (08) 9323 2033

ASX Codes

TMX
TMXO

3 DETAILS OF THE OFFER

3.1 Introduction

A non-renounceable pro rata entitlements issue to Shareholders of 11,064,250 New Shares on the basis of one New Share for every seven Existing Shares held as at the Record Date at an issue price of 5 cents each to raise \$553,212 before issue costs.

The number of New Shares to which you are entitled is calculated as at the Record Date and is shown on the Application Form which accompanies this Offer Document.

The Directors may at any time in conjunction with the Underwriter decide to withdraw this Offer Document and the offer of New Shares made under this Offer Document in which case the Company will return all application monies (without interest) within 28 days of giving such notice of withdrawal.

3.2 Underwriting

The Issue is fully underwritten by the Underwriter. A summary of the Underwriting Agreement is set out in section 5.2. Subject to the terms of the Underwriting Agreement, the Underwriter will subscribe for the New Shares which have not been accepted under the Issue.

3.3 Timetable for the Issue

Announcement and Application to ASX for official quotation of the New Shares	6 January 2009
Ex Date	12 January 2009
Record Date	16 January 2009
Section 708AA notice given to ASX	19 January 2009
Dispatch of Offer Document and Application Form	19 January 2009
Offer Opening Date	19 January 2009
Closing Date for acceptance and payment (5 p.m. WST)	9 February 2009
Statements for New Shares despatched	17 February 2009

The Company, in conjunction with the Underwriter, reserves the right to vary the above dates, subject to the Corporations Act and Listing Rules.

3.4 No Rights Trading

The rights to the New Shares pursuant to the Issue are non-renounceable. Accordingly, there will be no trading of these rights. If you do not take up your entitlement the Offer will lapse and the New Shares will be dealt with by the Underwriter.

3.5 Acceptances and Entitlements

This Offer may be accepted in whole or in part prior to the Closing Date subject to the rights of the Company and the Underwriter to extend the Offer period or close the Offer early.

Fractional entitlements or allocations (as the case may be) to New Shares will be rounded up to the nearest whole number. Acceptance cannot exceed your entitlement as shown on the Application Form. If it does, acceptance will be deemed to be for your maximum entitlement and any surplus subscription funds will be returned.

3.6 Action required by Shareholders

- (a) Acceptance in Full
If you wish to take up all of your entitlement, please complete the Application Form and forward it, together with your cheque for the amount shown, to the address shown below by the Closing Date.
- (b) Partial Acceptance
If you wish to take up part of your entitlement, please complete the Application Form by inserting the number of New Shares for which you wish to accept and forward it with your cheque for the total amount payable to the address shown below by the Closing Date.

- (c) Non Acceptance
If you do not wish to take up any part of your entitlement you are not required to take any action.

If you have any queries concerning your entitlement, please contact:

Ian Hobson, Company Secretary
Terrain Minerals Limited
Tel: (08) 9481 2455 Fax: (08) 9481 2566

or contact your stockbroker or professional adviser.

3.7 Cheques

Cheques should be made payable to Terrain Minerals Limited and crossed "Not Negotiable" and sent to Terrain Minerals Ltd, PO Box 1170, West Perth, WA 6872.

3.8 Rights and Liabilities attaching to New Shares

The New Shares will rank equally in respect of dividends and have the same rights in all other respects (eg voting, bonus issues) as Existing Shares.

Full details of the rights and liabilities attaching to Shares are set out in the Company's Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

3.9 No Offer to Overseas Shareholders

In accordance with Listing Rule 7.7, sections 9A and 615 of the Corporations Act, no Offer is being made to Shareholders resident outside Australia and New Zealand. The Company has determined that it would be unreasonable to make the Offer of New Shares to Non-participating Shareholders having regard to the number of Non-participating Shareholders, the number and value of the New Shares that would otherwise be offered and the costs in complying with the legal and regulatory requirements of those jurisdictions. No action has been taken to comply with legal and regulatory requirements of jurisdictions outside Australia and New Zealand to permit an offer of the New Shares in any jurisdiction outside Australia and New Zealand.

The Company will send a copy of this Offer Document to each Non-participating Shareholder in order to inform all Non-participating Shareholders that the Offer is not being made to them.

In order to ensure that exception 10 to section 611 of the Corporations Act extends to the Underwriter and all sub-underwriters to the Issue, the Company states that the Underwriter has been appointed as the nominee on behalf of Non-participating Shareholders for the purposes of section 615(a) of the Corporations Act. No further action needs to be taken by or in relation to Non-participating Shareholders.

4 RISK FACTORS

An investment in New Shares should be regarded as speculative. In addition to the general risks applicable to all investments in listed securities, the following is a summary of specific risks associated with an investment in the Company:

4.1 Economic Risks

General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's exploration, development and future production activities, as well as on its ability to fund those activities.

4.2 Security Investments

Mineral exploration and mining are speculative operations that may be hampered by circumstances beyond the control of the Company. Profitability depends on successful exploration

and/or acquisition of reserves, design and construction of efficient processing facilities, competent operation and management and proficient financial management.

Exploration in itself is a speculative endeavour, while mining operations can be hampered by force majeure circumstances and cost overruns for unforeseen events.

4.3 Exploration and Evaluation Risks

The success of the Company depends on the delineation of economically minable reserves and resources, access to required development capital, movement in the price of commodities, securing and maintaining title to the Company's exploration and mining tenements and obtaining all consents and approvals necessary for the conduct of its exploration activities.

Exploration on the Company's existing exploration and mining tenements may be unsuccessful, resulting in a reduction of the value of those tenements, diminution in the cash reserves of the Company and possible relinquishment of the exploration and mining tenements.

4.4 Commodity Price and Exchange Rate Risks

To the extent the Company is involved in mineral production the revenue derived through the sale of commodities may expose the potential income of the Company to commodity price and exchange rate risks. Commodity prices fluctuate and are affected by many factors beyond the control of the Company. Such factors include supply and demand fluctuations for precious and base metals, technological advancements, forward selling activities and other macro-economic factors.

Furthermore, international prices of various commodities are denominated in United States dollars, whereas the income and expenditure of the Company are and will be taken into account in Australian currency, exposing the Company to the fluctuations and volatility of the rate of exchange between the United States dollar and the Australian dollar as determined in international markets.

4.5 Environmental Risks

The operations and proposed activities of the Company are subject to State and Federal laws and regulation concerning the environment. As with most exploration projects and mining operations, the Company's activities are expected to have an impact on the environment, particularly if advanced exploration or mine development proceeds. The Company's attempts to conduct its activities to the highest standard of environmental obligation, including compliance with all environmental laws.

4.6 Native Title and Title Risks

Interests in tenements in Australia are governed by the respective State legislation and are evidenced by the granting of licences or leases. Each licence or lease is for a specific term and carries with it annual expenditure and reporting commitments, as well as other conditions requiring compliance. Consequently, the Company could lose title to or its interest in tenements if licence conditions are not met or if insufficient funds are available to meet expenditure commitments.

It is also possible that, in relation to tenements which the Company has an interest in or will in the future acquire such an interest, there may be areas over which legitimate common law native title rights of Aboriginal Australians exist. If native title rights do exist, the ability of the Company to gain access to tenements (through obtaining consent of any relevant landowner), or to progress from the exploration phase to the development and mining phases of operations may be affected.

The Directors closely monitor the potential effect of native title claims involving tenements in which the Company has or may have an interest.

4.7 Joint Venture Parties, Agents and Contractors

The Directors are unable to predict the risk of financial failure or default by a participant in any joint venture to which the Company is or may become a party or the insolvency or managerial failure by any of the contractors used by the Company in any of its activities or the insolvency or other managerial failure by any of the other service providers used by the Company for any activity.

4.8 Future Capital Requirements

The Company's activities will require substantial expenditures. There can be no assurances that the Company will have sufficient capital resources, or that it will be able to obtain additional resources on terms acceptable to the Company or at all. Any additional equity financing may be dilutive to shareholders and any debt financing if available may involve restrictive covenants, which limit the Company's operations and business strategy.

The Company's failure to raise capital if and when needed could delay or suspend the Company's business strategy and could have a material adverse effect on the Company's activities.

4.9 Potential Acquisitions

As part of its business strategy, the Company may make acquisitions of or significant investments in companies, products, technologies or resource projects. Any such future transactions would be accompanied by the risks commonly encountered in making acquisitions of companies, products, technologies or resource projects.

4.10 Resource Estimations

Resource estimates are expressions of judgment based on knowledge, experience and resource modelling. As such, resource estimates are inherently imprecise and rely to some extent on interpretations made. Despite employing qualified professionals to prepare resource estimates, such estimates may nevertheless prove to be inaccurate. Furthermore, resource estimates may change over time as new information becomes available. Should the Company encounter mineralisation or geological formations different from those predicted by past drilling, sampling and interpretations, resource estimates may need to be altered in a way that could adversely affect the Company's operations.

4.11 Reliance on Key Personnel

The Company's success depends largely on the core competencies of its directors and management, and their familiarisation with, and ability to operate, in the metals and mining industry and the Company's ability to retain its key executives.

5 ADDITIONAL INFORMATION

5.1 Disclosing Entity and Enhanced Disclosure Securities

The Company is a disclosing entity for the purposes of the Corporations Act and its Shares are enhanced disclosure securities quoted on ASX, and as such are subject to regular reporting and disclosure obligations.

This Offer Document is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include information that would be included in a disclosure document or which investors ought to have regard to in deciding whether to subscribe for New Shares under the Offer. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

Copies of the Company's announcements can be obtained from www.asx.com.au or www.terrainminerals.com.au.

5.2 Underwriting Agreement

The Company has entered into the Underwriting Agreement with the Underwriter. Pursuant to the Underwriting Agreement, the Underwriter will be entitled to an underwriting fee equalling 6% of the dollar amount underwritten.

The Underwriting Agreement provides that the Underwriter may terminate the Underwriting Agreement and be relieved of its obligations if certain events occur, which are usual and appropriate for agreements of this nature in the circumstances.

The Sub-Underwriter has entered into the Sub-Underwriting Agreement with the Underwriter. The terms of the Sub-Underwriting Agreement are that a fee of 3% will be payable to the Sub-Underwriter in consideration for the sub-underwriting.

The effect of control on the Company will be as follows:

- (a) If all shareholders of the Company on the Record Date take up their entitlements under the Offer, then the Offer will have no effect on the control of the Company.
- (b) If the shareholders take up only some of their entitlements under the Offer then the Offer will have an effect on control of the Company because the shortfall will be taken up by the Underwriter and allocated to the Sub-Underwriter.

The interests of the Sub-Underwriter in shares in the Company will change as a result of sub-underwriting the Offer. As at the date of this Offer Document it is not possible to determine the precise changes that will occur, because the number of shortfall shares is not yet known. The following table sets out two alternative scenarios demonstrating the potential change in control of the Company following the underwriting of a 50% shortfall, and an 85% shortfall, that may occur to the Sub-Underwriter:

% Control on the Record Date	50% Shortfall: Total Number after Shortfall Shares are Acquired	85% Shortfall: Total Number after Shortfall Shares are Acquired	% Control following Issue, assuming 50% shortfall	% Control following Issue, assuming 85% shortfall
0%	5,532,125	9,404,613	6.25%	10.62%

5.3 Rights Issue Notice

The Company has lodged with ASX a notice in accordance with section 708AA Corporations Act which sets out, amongst other information, the effect of the Offer on the control of the Company, taking into account the identity and current shareholdings of the sub-underwriters to the Offer. This notice may be reviewed on the websites of the Company and ASX.

GLOSSARY

Application Form means the entitlement and acceptance form accompanying this Offer Document.

ASX means ASX Limited (ABN 51 008 624 691).

Business Day means a day on which trading takes place on the stock market of ASX.

CHESS means ASX Clearing House Electronic Sub-registry System.

Closing Date means 9 February 2009, or such other date as may be determined by the Directors and the Underwriters under this Offer Document.

Company means Terrain Minerals Limited (ABN 45 116 153 514).

Constitution means the Company's Constitution as at the date of this Offer Document.

Corporations Act means the Corporations Act 2001 (Commonwealth).

Directors means directors of the Company at the date of this Offer Document.

Dollar or \$ means Australian dollars.

Eligible Shareholders means a Shareholder on the Record Date other than a Non-participating Shareholder.

Existing Share means a fully paid ordinary share in the capital of the Company.

Issue or **Offer** means the offer and issue of Securities under this Offer Document.

Listing Rules or **ASX Listing Rules** means the Listing Rules of the ASX.

New Shares means a fully paid ordinary share in the capital of the Company to be issued under this Offer Document.

Non-participating Shareholder means Shareholders on the Record Date who are resident outside Australia and New Zealand.

Offer Document means this document.

Record Date means 16 January 2009.

SCH Business Rules means the business rules of the securities clearing house which operates CHESS.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means the holder of a Share.

Sub-Underwriter means Manna Resources Pte Ltd.

Sub-Underwriting Agreement means the sub-underwriting agreement dated 5 January 2009 between the Sub-Underwriter and the Underwriter.

Underwriter means Bligh Capital Melbourne Pty Ltd (ABN 98 131 734 971).

Underwriting Agreement means the underwriting agreement dated 5 January 2009 between the Underwriter and the Company.

WST means Western Standard Time.