



QUARTERLY REPORT

For the period ending 31 December 2006

HIGHLIGHTS

- Resource expansion drilling and regional exploration was focussed on the Bundarra Project and surrounding areas
- At the Wonder North prospect a steady stream of encouraging drill results included:
 - 10m @ 3.27g/t gold, from 38m; including 4m @ 4.53g/t gold, from 41m
 - 14m @ 2.56g/t gold, from 120m; including 4m @ 5.22g/t gold, from 126m
 - 4m @ 11.09g/t gold, from 224m
 - 6m @ 6.99g/t gold, from 63m; including 2m @ 16.90g/t gold, from 63m
 - 8m @ 3.23g/t gold, from 171m

The drilling has extended the strike length of the deposit to 0.5 kms and is expected to lead to a significant expansion in the size of the existing resource.

- In November 2006 Terrain announced a joint venture agreement with St Barbara Ltd over the adjoining Black Cat Project. The agreement triples Terrain's tenement holdings in the prospective Bundarra area.
- Within the Black Cat area are number of prospects with attractive near surface drill intercepts including 15m @ 5.58g/t gold at the Black Cat prospect. The first follow up drilling program intersected:
 - 3m @ 10.00g/t gold , from 91m
 - 6m @ 5.65g/t gold, from 127m; including 2m @ 13.70g/t gold, from 131m
 - 6m @ 3.69g/t gold, from 126m, including 1m @ 10.30g/t gold, from 130m
- In December 2006 Terrain completed its regional ground acquisition strategy, through the purchase of the Great Western gold project. Mineralisation at Great Western consists of a series of sub-parallel sulphidic quartz veins. Existing drill intercepts include: 11m @ 30.7g/t gold, 8m @ 22.3g/t gold and 5m @ 29.9g/t gold.

- **Terrain now controls all the significant gold deposits in the highly prospective Bundarra area and includes a number of non JORC compliant resources. Diamond drilling and RC drilling programs will commence in March 2007 to confirm and expand the resources at Wonder North, Black Cat and Great Western and add to the existing resource base of 195,000 oz of gold at Bundarra. Drill testing of other prospects in the area will commence in the second half of the year.**
- **Cash balance of A\$3.12 million, with 52.8m shares on issue.**

Ground Acquisition

During the quarter Terrain concluded two agreements to complete its ground acquisition strategy in the Bundarra area:

➤ Black Cat

Terrain can earn an initial 60% interest from St Barbara Ltd by spending \$0.75m, on exploration, within a 4 year period. St Barbara can then contribute proportionally or Terrain can increase its interest to 75% by spending a further \$0.75m. Once Terrain has earned 75% interest St Barbara can contribute proportionally or Terrain can further increase its interest to 90% by spending an additional \$0.75m; for a total expenditure of \$2.25m. At a 10% interest St Barbara can either contribute proportionally or withdraw from the Joint Venture retaining only the right to a royalty payment of \$10 per oz of gold produced.

➤ Great Western

Terrain can acquire 100% interest in M37/54 from Uranium Equities Ltd and Peninsula Minerals Ltd by means of a series of staged payments in shares and/or cash; the combined first payments to the value of \$107,000 to be paid by 30 April 2007 and the combined second payments totaling \$120,000 to be paid by 31 December 2007. The total purchase price has a value of \$227,000.

Terrain's tenement holdings now amount to more than 100 kms² and include all the major gold deposits and prospects in the Bundarra area.

Wonder North Deposit (Bundarra Project) – Terrain 100%

Drilling at Wonder North has produced a steady stream of ore grade intercepts. The deposit has now been closed off to the southeast, but extends for 0.5kms, before breaking up into a series of narrower zones extending north-westwards towards the Wonder West mineralisation.. The drilling has confirmed the presence of high grade shoots within the deposit (4m @ 11.09g/t gold, 6m @ 6.99g/t gold) and further diamond drill testing of the down dip extensions will commence in April 2007.

(A full list of significant drill intercepts can be found in Terrain's ASX releases on 18 October 2006 and 17 January 2007).

Black Cat (Black Cat Project) – Terrain earning 60%

The Black Cat mineralisation consists of a steeply north dipping, 15m wide zone of quartz veins and stringers hosted by basic volcanics. The zone has been traced for 160m, before it disappears under cover to the east. Within the mineralised zone are high grade ore shoots, up to 2m wide, with gold grades in excess of 10g/t. Drilling to commence in March 2006 will target the high grade ore shoots. (A full list of significant drill intercepts can be found in Terrain's ASX release on 17 January 2007)

Great Western Project – Terrain right to acquire 100%

The Great Western mine was the largest historical producer in the Bundarra area (27,000t @ 13.7g/t gold (12,000 oz)). More recent exploration was constrained by the limited tenement holding, with drill testing confined to only 400m of the strike length. Terrain has now consolidated the tenement position and the mineralised zone, which is marked by historic workings, laminated quartz veins and areas of gold nugget production can be traced for 2.5kms.

The mineralisation consists of multiple quartz/sulphide veins: previous drilling has been targeted at the main vein and defined a high grade (>10g/t gold), plunging shoot, with a lower grade (>2g/t gold) halo. Drilling to commence in March 2007 will be directed at upgrading the existing resource to become JORC compliant, as well as testing the down plunge and larger strike extents.

Finance

Exploration expenditure in the December quarter was \$661,000. At the end of the quarter the company had cash resources of A\$3.12 million.

CONTACT US

For further information regarding Terrain's projects and exploration programs can be found on the Company's website, www.terrainminerals.com.au

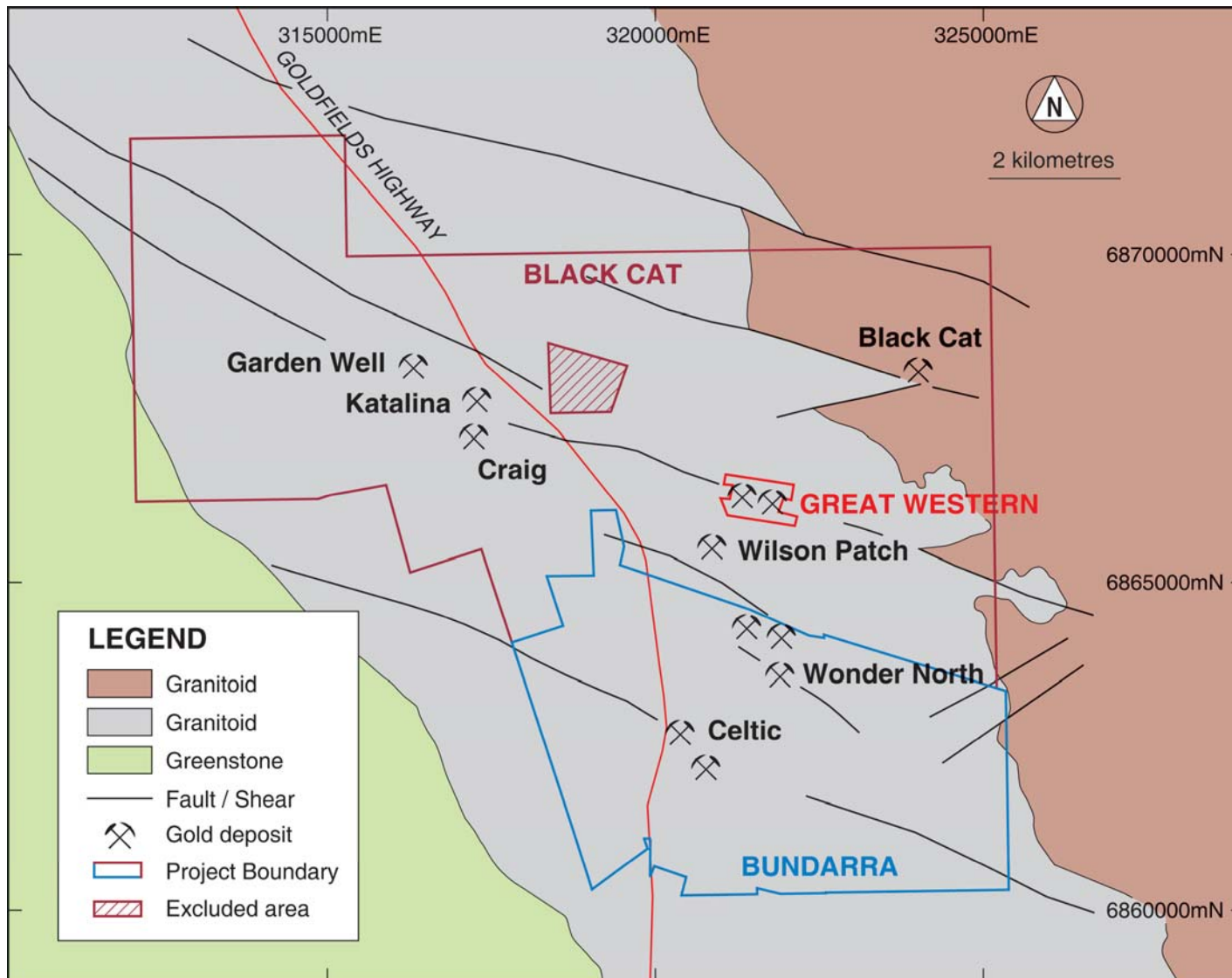
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The information in this report that relates to Exploration Results is based on information compiled by Mr. Keith Wells, who is a full-time employee of Terrain Minerals Ltd. Mr. Wells is a member of The Australian Institute of Geoscientists and has 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.



Bundarra/Black Cat/ Great Western Project