

**Terrain Minerals Ltd**

**Interim Financial Report  
31 December 2006**

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## TERRAIN MINERALS LTD

### Directors' report

Your directors present their report on the consolidated entity ("Group") consisting of Terrain Minerals Ltd ("Terrain" or "Company") and the entity it controlled at the end of, or during, the half-year ended 31 December 2006.

#### Directors

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

D Tucker  
K Wells  
J K L Lee  
C Brown

#### Review of operations

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

	Revenue	Results	Revenue	Results
	31 December	31 December	Unaudited	Unaudited
	2006	2006	4 months to 31	4 months to 31
	December	December	December 2005	December 2005
	2006	2006	2005	2005
	\$	\$	\$	\$
Revenue from continuing operations	<u>117,564</u>		<u>1</u>	
Loss before income tax expense		(189,929)		(29,311)
Income tax expense				-
Loss attributable to members of Terrain Minerals Ltd		<u>(189,929)</u>		<u>(29,311)</u>

#### Financial Position

At the end of the half-year the consolidated entity had net cash balances of \$3,123,221 and net assets of \$6,887,986.

Total liabilities amounted to \$171,974 and were limited to trade and other creditors and employee entitlements.

#### Exploration

##### East Kambalda (Coogee)

A number of nickel targets have been identified in the western half of the project area. Other gold targets have been located north of the Coogee gold deposit.

**Bundarra (Celtic):** The second drilling program commenced late in September 2006.

Successful exploration programs have been completed on all the accessible projects in accordance with the prospectus forecast. The emphasis has now shifted to expanding the known 200,000 oz resource base at Bundarra.

**Redcastle:** a detailed aeromagnetic survey flown in August 2006 has defined extensions of known mineralisation under cover.

**Euro:** a Native Title agreement has been reached which will enable the tenement to be granted. Drilling will be undertaken early in 2007.

**TERRAIN MINERALS LTD**

**Directors' report**

**Review of operations (continued)**

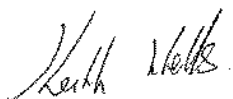
In November 2006 Terrain announced a joint venture agreement with St Barbara Ltd over the adjoining Black Cat Project. The agreement triples Terrain's tenement holdings in the prospective Bundarra area.

In December 2006 Terrain completed its regional ground acquisition strategy, through the purchase of the Great Western gold project.

**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 5.

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

A handwritten signature in black ink that reads "Keith Wells". The signature is written in a cursive style with a period at the end.

K Wells  
Managing Director  
Perth, Western Australia

15 March 2007



**Horwath Audit (WA) Pty Ltd**

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15 March 2007

The Directors  
Terrain Minerals Ltd  
PO Box 1330  
WEST PERTH WA 6872

**AUDITOR'S INDEPENDENCE DECLARATION**

This declaration is made in connection with my half-year review of the financial report of Terrain Minerals Ltd and controlled entities for the half-year ended 31 December 2006 and in accordance with the provisions of the Corporations Act 2001.

As lead auditor 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 this review;
- No contraventions of the Code of Professional Conduct of the Institute of Chartered Accountants in Australia in relation to this review.

Yours sincerely

**HORWATH AUDIT (WA) PTY LTD**

A handwritten signature in black ink that reads "Horwath" on the top line and "Peter Toll" on the bottom line.

**PETER TOLL**

Director

**TERRAIN MINERALS LTD**

**Consolidated Income Statements**  
**For the half-year ended 31 December 2006**

	<b>Half-year 2006 \$</b>	<b>Unaudited 4 months to 31 December 2005 \$</b>
<b>Revenue from continuing operations</b>	<b>117,654</b>	<b>1</b>
Employee benefits expense	(143,714)	-
Depreciation expense	(11,137)	-
Consultancy costs	(41,300)	(21,918)
Insurance costs	(10,694)	-
Office accommodation expenses	(33,390)	(3,680)
Stock exchanges fees	(16,537)	-
Bank fees	(18,048)	(57)
Printing & stationery	(12,491)	-
Share registry fees	(5,389)	-
Travel expenses	(1,800)	-
Other expenses from ordinary activities	(13,083)	(3,656)
<b>Loss before income tax</b>	<b>(189,929)</b>	<b>(29,310)</b>
Income tax expense	-	-
<b>Loss attributable to members of Terrain Minerals Ltd</b>	<b>(189,929)</b>	<b>(29,310)</b>
<b>Earnings per share for loss attributable to the ordinary equity holders of the company:</b>		
	<b>Cents</b>	<b>Cents</b>
Basic and diluted earnings per share	<b>(0.36)</b>	<b>(0.17)</b>

*The above consolidated Income Statements should be read in conjunction with the Notes to the Financial Statements*

**TERRAIN MINERALS LTD**

**Consolidated Balance Sheets**

As at 31 December 2006

	<b>31 December 2006</b>	30 June 2006
	\$	\$
<b>Current assets</b>		
Cash and cash equivalents	3,123,221	4,369,620
Trade and other receivables	119,152	138,685
<b>Total current assets</b>	<b>3,242,373</b>	<b>4,508,305</b>
<b>Non-current assets</b>		
Plant and equipment	58,411	66,512
Exploration and evaluation expenditure	3,759,176	2,777,067
<b>Total non-current assets</b>	<b>3,817,587</b>	<b>2,843,579</b>
<b>Total assets</b>	<b>7,059,960</b>	<b>7,351,884</b>
<b>Current liabilities</b>		
Trade and other payables	171,974	238,386
Borrowings	-	35,583
<b>Total current liabilities</b>	<b>171,974</b>	<b>273,969</b>
<b>Total liabilities</b>	<b>171,974</b>	<b>273,969</b>
<b>Net assets</b>	<b>6,887,986</b>	<b>7,077,915</b>
<b>Equity</b>		
Contributed equity	7,289,166	7,289,166
Reserves	72,720	72,720
Accumulated losses	(473,900)	(283,971)
<b>Total equity</b>	<b>6,887,986</b>	<b>7,077,915</b>

*The above consolidated Balance Sheets should be read in conjunction with the Notes to the Financial Statements*

TERRAIN MINERALS LTD

**Consolidated Statements of Changes in Equity**

For the half - year ended 31 December 2006

	<b>Half-year 2006 \$</b>	Unaudited 4 months to 31 December 2005 \$
<b>Total equity at the beginning of the financial period</b>	<b>7,077,915</b>	-
Net income recognised directly in equity	-	-
Loss for the financial period	<u>(189,929)</u>	<u>(29,310)</u>
<b>Total recognised income and expense for the period</b>	<b>(189,929)</b>	<b>(29,310)</b>
Contributions of equity – net of transactions costs	<u>-</u>	<u>1,051,787</u>
<b>Total equity at the end of the half - year</b>	<b><u>6,887,986</u></b>	<b><u>1,022,476</u></b>

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

**TERRAIN MINERALS LTD**

**Consolidated Cash Flow Statement**

For the half – year ended 31 December 2006

	<b>Half-year 2006 \$</b>	Unaudited 4 months to 31 December 2005 \$
<b>Cash flows from operating activities</b>		
Payments to suppliers and employees (inclusive of goods and services tax)	(279,300)	(15,699)
Other – security deposits	45,000	-
Interest received	124,196	1
<b>Net cash (outflows) from operating activities</b>	<b>(110,104)</b>	<b>(15,698)</b>
<b>Cash flows from investing activities</b>		
Payments for plant & equipment	(30,743)	-
Payments for exploration properties	(32,312)	(190,000)
Exploration and evaluation expenditure	(1,037,657)	(3,539)
<b>Net cash (outflows) from investing activities</b>	<b>(1,100,712)</b>	<b>(193,539)</b>
<b>Cash flows from financing activities</b>		
Proceeds from share issues	-	955,000
Capital raising expenses	-	(17,213)
<b>Net cash inflows from investing activities</b>	<b>-</b>	<b>937,787</b>
<b>Net increase in cash and cash equivalents held</b>	<b>(1,210,816)</b>	<b>728,550</b>
Cash and cash equivalents at the beginning of the half-year	4,334,037	-
<b>Cash and cash equivalents at the end of the half-year</b>	<b>3,123,221</b>	<b>728,550</b>

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

## Notes to the Financial Statements

### Note 1. Basis of preparation

This general purpose financial report for the interim half-year reporting period ended 31 December 2006 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2006 and any public announcements made by Terrain Minerals Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year.

#### *Comparatives*

Comparative figures are unaudited. The period covered by these comparatives is 1 September to 31 December 2005.

### Note 2. 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.

### Note 3. Contingencies

#### *Bundarra Project*

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

St Barbara is committed to defending the complaints at no cost to Terrain. The Company expects the issue to be successfully concluded and anticipates no material losses.

#### *Redcastle Project*

In accordance with the Redcastle Agreement and in order to maintain ownership, the Company must issue 1,530,000 fully paid ordinary shares and 320,000 options with a three year term and exercisable at 30 cents to the vendors. The issue is contingent on the Company wishing to retain the tenements.

#### *Euro Project*

In accordance with the Euro Agreement and in order to maintain ownership, the Company must issue 300,000 fully paid ordinary shares. The issue is contingent on the Company wishing to retain the tenements.

**Notes to the Financial Statements**

**Note 4. Dividends**

There were no dividends declared or paid during the half-year.

**Note 5. Equity securities issued**

There were no shares or options issued during the half-year.

**Note 6. Events occurring after balance sheet date**

No matters or circumstances have arisen since the end of the half-year which have significantly affected, or may affect the operations of the entity, the results of those operations, or the state of affairs of the entity in financial years subsequent to the half-year ended 31 December 2006

**Directors' Declaration**

In the directors' opinion:

- (a) The financial statements and notes set out on pages 6 to 11 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 31 December 2006 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the half-year 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.

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



**K Wells**  
Managing Director

Perth  
15 March 2007

## **Independent auditors' review report to members of Terrain Minerals Limited**

We have reviewed the accompanying half-year financial report of Terrain Minerals Ltd which comprises the consolidated balance sheet at 31 December 2006, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration.

### ***Directors' Responsibility for the Consolidated Half-Year Financial Report***

The directors of the company are responsible for the preparation and fair presentation of the consolidated half-year financial report in accordance with Accounting Standards in Australia and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the consolidated half-year 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.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements (ASRE) 2410 *Review of an Interim Financial Report Performed by the Auditor of an Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the consolidated financial report is not fairly presented, in all material respects, in accordance with AASB 134 *Interim Financial Reporting*. As the auditor of Terrain Minerals Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### ***Independence***

In conducting our review, we have complied with the independence requirements of the Australian professional accounting bodies.



### **Conclusion**

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the consolidated half-year financial report of Terrain Minerals Limited does not fairly present, in all material respects the financial position of the group at 31 December 2006, and of its financial performance and its cash flows for the half-year ended on that date, in accordance with AASB 134 *Interim Financial Reporting*.

Dated the 15<sup>th</sup> day of March 2007.

**HORWATH AUDIT (WA) PTY LTD**

A handwritten signature in black ink, consisting of the word "Horwath" in a cursive script above the name "Peter Toll" in a similar cursive script.

**PETER TOLL**  
Director