

TERRANE METALS CORP.
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NEWS RELEASE

**TERRANE EXPANDS GOLD RESERVE TO SIX MILLION OUNCES
COMPLETES FEASIBILITY UPDATE STUDY AT MT. MILLIGAN**

October 13, 2009

TSX-V: TRX

Vancouver, British Columbia: Robert Pease, President and CEO of Terrane Metals Corp. ("Terrane" or the "Company") (TRX: TSX-V) is pleased to announce results of the Feasibility Update Study (the "2009 Study") for the Company's 100%-owned Mt. Milligan Copper-Gold Project (the "Project"), British Columbia, Canada. The 2009 Study was prepared by Wardrop, a Tetra Tech Company (Wardrop) to update a 2008 Feasibility Study (the "2008 Study") to construct a 60,000 tonnes per day copper flotation process plant and open pit mine at Mt. Milligan (see Press Release dated March 31, 2008). The 2009 Study is a key component of a 14 month - \$21.5 million Modified Project Execution Plan to advance the Project through the completion of key pre-construction-related activities (see Press Release dated December 8, 2008).

The 2009 Study is based on Proven and Probable reserves of 482 million tonnes averaging 0.20% Cu and 0.39 g/t Au. It incorporates additional mine planning, engineering, detailed design, updated cost estimation and purchase orders for long-lead equipment into the 2008 Study. Recommendations from the British Columbia Environmental Assessment Certificate, as issued on March 18, 2009, and a federal Environmental Assessment approval, which is expected in Q4 2009, are included in the cost estimates. Several critical path components of the Project including Tailing Storage Facility, access road and power line are now construction-ready. Subject to financing and receipt of certain permits and approvals, the Project is positioned for a Q1 2010 construction decision.

HIGHLIGHTS

- Gold in reserves +31% to 6.0 million oz
- Copper in reserves +33% to 2.1 billion lb
- Mine life +45% to 22 years
- Life-of-Mine strip ratio steady at 0.84/1
- Capital cost steady at \$915 million
- Payback 4.1 years
- Pre-Tax Internal Rate of Return 17.2%
- Net Present Value (5%) \$1.05 billion

All figures in CDN\$ unless otherwise noted. The NI 43-101 Technical Report for the 2009 Study will be filed on SEDAR by October 23, 2009. An Executive Summary of the 2009 Study is available at <http://www.terrane.com/i/pdf/2009study.pdf>.

The first six years of the mine plan have been designed to accelerate the extraction of near-surface and higher-grade gold reserves (Table 1). Gold production will average 262,100 oz per year and account for 55% of the revenue. Net of a copper credit, gold production cash cost is negative US\$ 8 per oz.

Over the 22 year life-of-mine (LOM) gold production will average 194,500 oz per year and account for 51% of the revenue. Net of a copper credit, LOM gold production cash cost is US\$ 51 per oz.

Table 1 Metal Production, Revenue and Cash Cost

BASE CASE Milling Rate 60,000 tonnes/day (US\$800/oz Au, US\$2.00/lb Cu, FX 0.85)	Years 1 – 6	LOM 1 – 22
AVERAGE ANNUAL		
<u>Metal Production</u>		
Gold (oz)	262,100	194,500
Copper (lb, million)	89	81
<u>Revenue (%)</u>		
Gold	55	51
Copper	45	49
<u>Cash Cost Net of Credit</u>		
Gold 1 oz (US\$/oz)	-8	51
Copper 1 lb (US\$/lb)	-0.40	0.17

Robert Pease, President and CEO, Terrane stated: "Fourteen months ago Mt. Milligan was a great project. Today, with reduced technical and capital cost risk, increased mine life and enhanced sustainability for the region, it is even better. Backed by six million "shovel-ready" ounces and a 22 year reserve base, it is one of the largest undeveloped gold reserves in Canada. With a market capitalization of approximately US\$44 per reserve ounce, Mt. Milligan and Terrane are well-positioned for growth."

Chuck Jeannes, President and CEO, Goldcorp Inc. stated: "We are very pleased with the Feasibility Update Study. Not only did it hold the line on costs but it also significantly boosted reserve ounces and mine life. Terrane has clearly grown Mt. Milligan into a major, construction-ready, copper-gold project with an opportunity for outstanding net operating margins. Goldcorp, as majority shareholder, remains committed to working closely with the Terrane Board of Directors to unlock value for all shareholders at Mt. Milligan."

CONFERENCE CALL

Terrane will host a conference call on Thursday October 15, 2009 at 8:00am PDT to discuss the 2009 Study. A recording of the call will be available on the Company's website. Toll Free Dial-in Numbers (within the US and Canada): **1 800 918 9482**. International Dial-in Number: **1 212 231 2919**.

KEY 2009 STUDY UPDATES

- Optimized open pit Reserves with updated net smelter return (NSR) cut-off, metal prices and foreign exchange rate (FXR) as shown below:

BASE CASE	NSR cut-off (US\$/t)	Gold (US\$/oz)	Copper (US\$/lb)	FXR (US\$/C\$)
2009 Study	4.10	690	1.60	0.85
2008 Study	4.20	550	1.60	0.89

- Increased gold in reserves by 31% to 6.0 million oz, copper in reserves by 33% to 2.1 billion lb and mine life by 45% to 22.1 years with no significant change in Project footprint or initial capital cost
- Optimized design of the open pit, Tailing Storage Facility (TSF), process plant and site layouts. Completed basic engineering of the open pit and process plant
- Completed Issue for Construction (IFC) documentation for access road, power line, plant site and initial phase of the TSF
- Placed purchase orders on long-lead mills, crushers, mill motors and the main transformer, representing 15% of total initial Project capital cost
- Updated cost estimates to Q3 2009, which confirmed capital cost and reduced operating cost
- A recommendation to proceed with detailed engineering, procurement, construction and commissioning to target commercial production in Q1 2013.

MINERAL RESOURCE AND MINERAL RESERVE ESTIMATES

The Mt. Milligan copper-gold porphyry deposits contain a Measured and Indicated Mineral Resource of 706.7 Mt at 0.18% Cu and 0.33 g/t Au, containing 2.84 billion lb copper and 7.50 million oz gold (Table 2). The Mineral Resource was tabulated within a conceptual open pit at a US\$4.10/t NSR cut-off value using US\$2.00/lb Cu and US\$800/oz Au.

The Mineral Resource estimate is NI 43-101 compliant and is based upon a geologic block model that incorporated over 180,000 individual assays from 220,200 m of core drilling in 969 drill holes. Assay data density is sufficient for feasibility-level estimation with drill hole spacing of 25 m to 50 m within both the Main and SS Zones. The drill hole database is supported by some 35,000 quality assurance/quality control (QA/QC) check assays.

Table 2 Mineral Resource Estimate¹ (Inclusive of Mineral Reserve)

Category	Mt	Cu (%)	Au (g/t)	In-Situ Cu lb (Million)	In-Situ Au oz (Million)
Measured	334.6	0.197	0.398	1,453	4.28
Indicated	372.1	0.169	0.269	1,386	3.22
Total Measured + Indicated	706.7	0.182	0.330	2,840	7.50
Inferred	20.5	0.154	0.205	70	0.14

Note: (1) Mineral Resources are not Mineral Reserves and do not have economic viability

The Mineral Reserve estimate was developed through the design of an ultimate open pit within the Mineral Resource model. The Proven and Probable Mineral Reserve totals 482.4 Mt at 0.20% Cu and 0.39 g/t Au, containing 2.12 billion lb Cu and 6.02 million oz gold (Table 3). The open pit was optimized at a US\$4.10/t NSR cut-off and incorporates costing for milling, plant services, tailing services and general and administrative (G&A) charges and at US\$1.60/lb copper, US\$690/oz gold and 0.85 US\$/C\$ exchange rate.

Table 3 Mineral Reserve Estimate

Category	Tonnes (M)	Cu (%)	Au (g/t)	In-Situ Cu lb (Million)	In-Situ Au oz (Million)
Proven	274.6	0.210	0.438	1,273	3.87
Probable	207.8	0.187	0.322	851	2.16
Total	482.4	0.200	0.388	2,124	6.02

The near-surface and tabular configuration of the reserves make them well-suited to low unit cost open pit development with a life-of-mine waste/ore ratio of 0.84/1.

A comprehensive and systematic metallurgical test work program on composite samples representative of the mine development plan determined that, on average, 84.1% of the copper and 71.4% of the gold will be recovered into a clean and marketable copper concentrate grading 26.4% Cu and 43.7 g/t Au with a minor silver credit.

Both the Mineral Resource and Mineral Reserve take into consideration metallurgical recoveries, concentrate grades, transportation costs and smelter treatment charges in determining NSR values. In addition, the Mineral Reserve incorporates allowances for grade dilution, mining dilution and ore losses.

ENVIRONMENT & PERMITTING

The Project is in the final stages of regulatory approval. It was reviewed under the British Columbia *Environmental Assessment Act*; provincial Environmental Assessment (EA) approval was received in March 2009. In addition, a provincial *Mines Act* Permit was received in September 2009. The Project is currently being reviewed under the *Canadian Environmental Assessment Act*; federal EA approval is expected in Q4 2009. Certain permits required to proceed to construction are anticipated by Q1 2010. All regulatory applications and approvals have been based on the 2008 Study with a 15

year mine life. Terrane will seek appropriate regulatory amendments if required for additional mine life, but this is not expected to impact commencement of construction.

Approximately 400 permanent jobs will be created at the Project. The construction workforce will average 400 workers and peak at 700 workers. Terrane is committed to maximizing local employment and contracting opportunities and will work with community partners on training programs to prepare local residents for employment.

INITIAL CAPITAL COST

The initial capital cost as described within this 2009 Study is \$915 million, as shown in Table 4.

The 2009 Study incorporates additional mine planning, engineering, detailed design, updated cost estimation and purchase orders of \$137 million for long-lead equipment. The initial capital cost includes requirements of regulatory approvals. Final designs of several critical path components including access road, plant site, power line and initial phase of the TSF are now construction-ready.

Table 4 Initial Capital Cost

Description	\$ Million
Direct Costs	
Plant Site Infrastructure	26
Mining and Pre-Production Development	169
Process Plant	276
Ancillaries	22
Power Supply and Distribution	70
Tailing and Water Reclaim	77
Total Direct Costs	640
Indirect Costs	
Owner's Costs	26
EPCM	52
Other Indirect Costs	101
Total Indirect Costs	179
Subtotal	819
Contingency (11.8%)	96
Total Project	915

OPERATING COST

On site operating costs were estimated at \$6.96/t of ore milled as shown in Table 5. The 2009 Study incorporates additional mine planning, engineering, detailed design, and updated cost estimation. The operating cost includes requirements of regulatory approvals.

Table 5 Operating Cost

Area	Unit Cost (\$/t milled)
Mining	2.35
Processing	3.89
General and Administrative	0.57
Plant Services	0.15
Total Operating Cost	6.96

Offsite costs contemplate delivery of copper concentrate to Pacific Rim Asian smelters. Concentrate from the Project site will be trucked 82 km to a storage and loadout facility at Fort St. James and transferred onto railcars for transport to port storage facilities at Vancouver Wharves in North Vancouver. The concentrate is expected to be highly marketable and below penalty levels for deleterious elements.

FINANCIAL EVALUATION

An economic evaluation was prepared for the Project based on a pre-tax financial model. For the 22.1 year mine life and 482 Mt Mineral Reserve, the following Base Case financial parameters were calculated:

- 17.2% IRR
- 4.1 year payback on \$915 million initial capital cost
- \$1.05 billion NPV at 5.0% discount.

Three metal price scenarios and a constant FXR of 0.85 (US\$/C\$) were used in the pre-tax model to evaluate sensitivity of NPV, IRR and payback. Base Case, Base Case minus 10% and Current Case metal prices are shown in Table 6. Project NPV, IRR and payback for all three metal price scenarios are presented in Table 7.

Table 6 Metal Price Scenarios

Case	Copper (US\$/lb)	Gold (US\$/oz)	Silver (US\$/oz)
Base	2.00	800	11.00
Base -10%	1.80	720	9.90
Current	2.80	1000	16.50

Note: Current prices are as of September 15, 2009

Table 7 Pre-Tax NPV, IRR and Payback by Metal Price Scenario

Case	NPV at Selected Discount Rates (Million \$)			IRR (%)	Payback (Years)
	8%	5%	0%		
Base	619	1,047	2,392	17.2	4.1
Base -10%	313	632	1,644	13.0	5.1
Current	1,630	2,415	4,877	28.6	2.4

The financial models include working capital of \$42 million, sustaining capital of \$264 million, reclamation and closure costs of \$32 million and a 2% NSR royalty.

A matrix illustrating the sensitivity of the Project economics over a range of metal prices is shown in Table 8. All other parameters including exchange rate, capital cost and operating costs were fixed.

Table 8 Pre-Tax Matrix

		Copper Price (US\$/lb)			
		1.50	2.00	2.50	3.00
Gold Price (US\$/oz)	700	1,025	1,911	2,798	3,783
		295	773	1,250	1,781
		9.1%	14.4%	18.8%	23.3%
		6.3	4.7	3.7	3.0
	800	1,505	2,392	3,279	4,264
		570	1,047	1,525	2,055
		12.5%	17.2%	21.4%	25.6%
		5.2	4.1	3.3	2.7
	900	1,986	2,873	3,760	4,745
		844	1,322	1,799	2,329
		15.5%	19.8%	23.8%	27.8%
		4.4	3.6	2.9	2.4
	1000	2,467	3,354	4,241	5,226
		1,119	1,596	2,073	2,604
		18.2%	22.3%	26.1%	30.0%
		3.9	3.2	2.7	2.2

Legend

NPV 0% (million C\$)

NPV 5% (million C\$)

IRR (%)

Payback (Years)

QUALIFIED PERSONS

Ms. Karla Mills, P. Eng., of Wardrop is an independent Qualified Person as defined by NI 43-101. Ms. Mills has reviewed and approved the contents of this news release.

Mr. Jianhui Huang, Ph.D., P. Eng., of Wardrop is an independent Qualified Person as defined by NI 43-101. Mr. Huang has reviewed and approved the contents of this news release.

Mr. Scott Cowie, B. Eng, MAusIMM., of Wardrop is an independent Qualified Person as defined by NI 43-101. Mr. Cowie has reviewed and approved the contents of this news release.

Mr. Grant Bosworth, P. Eng., of Wardrop is an independent Qualified Person as defined by NI 43-101. Mr. Bosworth has reviewed and approved the contents of this news release.

Mr. Herb Welhener, MMSA-QPM, of Independent Mining Consultants, Inc. is an independent Qualified Person as defined by NI 43-101. Mr. Welhener has reviewed and approved the contents of this news release.

Mr. Darin Labrenz, P. Geo., of Terrane Metals Corp. is a Qualified Person as defined by NI 43-101. Mr. Labrenz has reviewed and approved the contents of this news release.

Mr. Jay Collins, P. Eng., of Merit Consultants International Inc. is an independent Qualified Person as defined by NI 43-101. Mr. Collins has reviewed and approved the contents of this news release.

Mr. Bruno Borntraeger, P. Eng., of Knight Piesold Ltd. is an independent Qualified Person as defined by NI 43-101. Mr. Borntraeger has reviewed and approved the contents of this news release.

Mr. Tim Bekhuys, RPBio., of AMEC Earth and Environmental Inc. is an independent Qualified Person as defined by NI 43-101. Mr. Bekhuys has reviewed and approved the contents of this news release.

ABOUT THE COMPANY

Terrane Metals Corp. is an exploration and mine development company focused on the Mt. Milligan copper-gold and Berg copper-molybdenum-silver projects in British Columbia, Canada. Goldcorp Inc. (GG: NYSE; G: TSX) owns a 60% equity interest in Terrane on a fully diluted basis.

TERRANE METALS CORP.

Signed "Robert Pease"

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