

TERRA VENTURES INC.

CONSOLIDATED FINANCIAL STATEMENTS
For the years ended February 28, 2010 and 2009



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Auditors' Report

To the Shareholders of Terra Ventures Inc.

We have audited the consolidated balance sheets of Terra Ventures Ltd. as at February 28, 2010 and 2009 and the consolidated statements of operations and deficit, cash flows and comprehensive loss and accumulated other comprehensive income for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at February 28, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(signed) "BDO Canada LLP"

Chartered Accountants

Vancouver, British Columbia
June 28, 2010

TERRA VENTURES INC.
CONSOLIDATED BALANCE SHEETS
February 28, 2010 and 2009

ASSETS

	<u>2010</u>	<u>2009</u>
Current		
Cash and cash equivalents	\$ 5,166,302	\$ 9,356,615
GST recoverable	86,157	144,930
Marketable securities – Note 3	2,625,000	-
Other receivables	113,287	28,478
Prepaid expenses	147,091	7,151
	8,137,837	9,537,174
Property, plant and equipment – Note 4	1,250,182	3,924
Mineral properties – Schedule 1 and Note 5	7,793,610	14,920,131
Deposits in trust	13,670	13,670
	\$ 17,195,299	\$ 24,474,899

LIABILITIES

Current		
Accounts payable and accrued liabilities – Note 8	\$ 390,632	\$ 404,410
Asset retirement obligation – Note 6	515,913	-
	906,545	404,410

SHAREHOLDERS' EQUITY

Share capital – Note 7	34,355,225	33,268,333
Contributed surplus – Note 7	6,447,446	6,156,506
Deficit	(25,274,877)	(15,354,350)
Accumulated other comprehensive income, net of tax	760,960	-
	16,288,754	24,070,489
	\$ 17,195,299	\$ 24,474,899

Organization and Nature of Operations – Note 1
 Commitments – Notes 5, 6, 7 and 14
 Subsequent Events – Notes 1, 15 and 16

APPROVED BY THE DIRECTORS:

“Gunther Roehlig” Director
 Gunther Roehlig

“Robert McMorran” Director
 Robert McMorran

SEE ACCOMPANYING NOTES

TERRA VENTURES INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
For the years ended February 28, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Expenses		
Amortization	\$ 785	\$ 980
Bank charges and interest	4,971	2,567
Consulting fees – Note 8	94,375	204,259
Legal, audit and accounting fees – Note 8	286,456	165,423
Management fees – Note 8	287,500	282,000
Office expenses and miscellaneous – Note 8	145,832	129,775
Part XII.6 tax and goods and services tax	47,884	71,089
Rent – Note 8	84,369	84,344
Shareholder’s communications	123,187	209,929
Stock-based compensation – Note 7(e)	837,832	1,309,252
Tradeshaw and marketing	124,305	238,180
Transfer agent and filing fees	40,293	70,354
Travel and accommodation	91,594	92,359
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Loss before other items	(2,169,383)	(2,860,511)
Other items:		
Interest income	83,470	203,413
Other loss – Note 15	(10,886)	-
Mineral property investigation expense	-	(6,346)
Mineral property written-down or written-off – Note 5	(8,182,728)	(1,736,454)
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Loss before income taxes	(10,279,527)	(4,399,898)
Future income tax recovery – Note 9	359,000	619,000
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Net loss for the year	(9,920,527)	(3,780,898)
Deficit, beginning of the year	(15,354,350)	(11,573,452)
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Deficit, end of the year	\$(25,274,877)	\$(15,354,350)
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Basic and diluted loss per share	\$ (0.19)	\$ (0.08)
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Weighted average number of shares outstanding	53,157,721	47,257,721
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SEE ACCOMPANYING NOTES

TERRA VENTURES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended February 28, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Operating Activities		
Net loss for the year	\$ (9,920,527)	\$ (3,780,898)
Items not affecting cash		
Depletion, depreciation and amortization expense	10,247	980
Stock-based compensation	837,832	1,309,252
Mineral properties written-down or written-off	8,182,728	1,736,454
Future income tax recovery	(359,000)	(619,000)
	(1,248,720)	(1,353,212)
Changes in non-cash working capital items:		
GST recoverable	58,773	(8,071)
Other receivables	(84,809)	62,800
Prepaid expenses	(139,940)	(7,151)
Accounts payable and accrued liabilities	186,143	66,972
	(1,228,553)	(1,238,662)
Cash used in operating activities	(1,228,553)	(1,238,662)
Investing Activities		
Acquisition of mineral properties	(225,000)	(2,723,570)
Deferred exploration expenditures	(2,609,527)	(2,109,292)
Expenditures on property, plant and equipment	(667,233)	-
	(3,501,760)	(4,832,862)
Cash used in investing activities	(3,501,760)	(4,832,862)
Financing Activities		
Issuance of securities, net	540,000	7,450,125
	540,000	7,450,125
Cash provided by financing activities	540,000	7,450,125
(Decrease) increase in cash and cash equivalents during the year	(4,190,313)	1,378,601
Cash and cash equivalents, beginning of the year	9,356,615	7,978,014
	\$ 5,166,302	\$ 9,356,615
Cash and cash equivalents, end of the year	\$ 5,166,302	\$ 9,356,615
Cash paid for interest	\$ -	\$ -
Cash paid for income taxes	\$ -	\$ -
Cash and cash equivalents are comprised of :		
Cash	\$ 1,165,836	\$ 58,953
Short-term investments	4,000,466	9,297,662
	\$ 5,166,302	\$ 9,356,615
	\$ 5,166,302	\$ 9,356,615

Non-Cash Transactions – Note 12

SEE ACCOMPANYING NOTES

TERRA VENTURES INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS AND ACCUMULATED OTHER
COMPREHENSIVE INCOME
For the years ended February 28, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Net loss for the year	\$ (9,920,527)	\$ (3,780,898)
Other comprehensive income in the year, net of tax		
Unrealized gain on marketable securities	1,119,960	-
Future income tax	(359,000)	-
Comprehensive loss for the year	\$ (9,159,567)	\$ (3,780,898)
Accumulated other comprehensive income, beginning of the year	\$ -	\$ -
Other comprehensive income in the year, net of tax		
Unrealized gain on marketable securities	1,119,960	-
Future income tax	(359,000)	-
Accumulated other comprehensive income, end of the year	\$ 760,960	\$ -

SEE ACCOMPANYING NOTES

TERRA VENTURES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
February 28, 2010 and 2009

Note 1 Organization and Nature of Operations

Terra Ventures Inc. (the “Company”) is a public company listed on the TSX Venture Exchange (the “Exchange”) and is in the business of acquiring, exploring and evaluating mineral resource properties and interests, and either joint venturing or developing these properties and interests further or disposing of them when the evaluation is completed. At February 28, 2010, the Company was in the exploration stage and had interests in properties located in Canada.

Further to the Company’s announcement on November 26, 2009 of its intention to complete a spin-off transaction by way of a plan of arrangement under the *Business Corporations Act* (British Columbia) (“the Plan of Arrangement”), the Company incorporated a wholly-owned subsidiary, Terrex Energy Inc. (“Terrex”), under the laws of the Province of Alberta on January 19, 2010. On February 1, 2010, Terrex entered into a purchase and sale agreement to acquire a 100% interest in a basal quartz oil pool in central Alberta from a private oil and gas company, for a purchase price of \$650,000. Subsequently, the Company and Terrex sought regulatory approval to complete the spin-out of Terrex to Terra’s shareholders by the Plan of Arrangement (Note 15). As the spin-off transaction was not completed by February 28, 2010 these consolidated financial statements include the assets, liabilities and results of operations of Terrex from January 19, 2010, which include its oil and gas interests. The spin-off transaction was approved by the shareholders on June 4, 2010 and will be effective June 11, 2010 and accordingly thereafter the Company’s accounts will not include any of Terrex’s interests as described in Note 13, segmented information.

The Company is currently exploring its mineral properties and has not yet determined the existence of economically recoverable reserves. The recoverability of amounts shown for mineral properties and its investments is dependent upon the existence of economically recoverable reserves in its mineral properties, confirmation of the Company’s interest in the underlying mineral claims, the ability of the Company to obtain the necessary financing to complete their development, and the attainment and maintenance of future profitable production or disposition thereof.

Note 2 Summary of Significant Accounting Policies

The consolidated financial statements of the Company have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”) and are stated in Canadian dollars.

The consolidated financial statements have, in management’s opinion, been properly prepared within reasonable limits of materiality and reflect the following adoption of new accounting pronouncements and significant accounting policies:

Note 2 Summary of Significant Accounting Policies – (cont'd)

Recently adopted accounting pronouncements

Goodwill and intangible assets

On March 1, 2009, the Company adopted CICA Handbook Section 3064, “Goodwill and Intangible Assets”, which replaces Section 3062, “Goodwill and Other Intangible Assets”. The new standard establishes revised standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The new standard also provides guidance for the treatment of preproduction and start-up costs and requires that these costs be expensed as incurred.

In February 2008, the CICA amended portions of Section 1000, “Financial Statement Concepts”, which the CICA concluded permitted deferral of costs that did not meet the definition of an asset.

The new standards apply to annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008 and accordingly, the Company adopted these standards on March 1, 2009. Adoption of these new accounting standards did not have a significant impact on the Company’s consolidated financial statements.

Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

In January 2009, the CICA approved EIC-173 Credit Risk and the Fair Value of Financial Assets and Financial Liabilities. This guidance clarified that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities including derivative instruments. This guidance is applicable to the Company’s fiscal year ending on February 28, 2011. The Company has evaluated the impact of EIC-173 on adoption and determined that no adjustments were required.

Significant accounting policies

Principles of consolidation

These financial statements include the accounts of the Company and its wholly-owned subsidiaries, Terra Uranium USA Inc. and Terrex. All significant inter-company balances and transactions have been eliminated.

Measurement uncertainty

The timely preparation of financial statements requires that management make estimates and assumptions and use judgment regarding the measurement of assets, liabilities, revenues, and expenses. Such estimates relate primarily to transactions and events that have not settled as of the date of the financial statements. Accordingly, actual results may materially differ from estimated amounts as future confirming events occur.

Note 2 Summary of Significant Accounting Policies – (cont'd)

Measurement uncertainty – (cont'd)

Amounts recorded for depletion and depreciation, and amounts used in impairment test calculations are based upon estimates of petroleum and natural gas reserves and future costs to develop those reserves. By their nature, these estimates of reserves, costs, and related future cash flows are subject to uncertainty, and the impact on the financial statements of future periods could be material.

The calculation of asset retirement obligations include estimates of the ultimate settlement amounts, inflation factors, credit adjusted discount rates, and timing of settlement. The impact of future revisions to these assumptions on the financial statements of future periods could be material.

Tax interpretations, regulations and legislation in which the Company and its subsidiaries operate are subject to change. As such, income taxes are subject to measurement uncertainty.

Revenue recognition

Revenue associated with the production and sale of crude oil, natural gas, and natural gas liquids owned by the Company is recognized when title passes to the customer and delivery has taken place. Revenue, as reported, represents the Company's share and is presented before royalty payments to governments and other mineral interest owners.

Cash and cash equivalents

Cash and cash equivalents include cash and highly liquid investments held in the form of certificates of deposit and bankers' acceptances that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Mineral properties

The Company defers the cost of acquiring, maintaining its interest, exploring and developing mineral properties until such time as the properties are placed into production, abandoned, sold or considered to be impaired in value. Costs of producing properties will be amortized on a unit of production basis and costs of abandoned properties are written-off. Proceeds received on the sale of interests in mineral properties are credited to the carrying value of the mineral properties, with any excess included in operations. Write-downs due to impairment in value are charged to operations.

The Company is in the process of exploring and developing its mineral properties and has not yet determined the amount of reserves available. Management reviews the carrying value of mineral properties on a periodic basis and will recognize impairment in value based upon current exploration results, the prospect of further work being carried out by the Company, the assessment of future probability of profitable revenues from the property or from the sale of the property. Amounts shown for properties represent costs incurred net of write-downs and recoveries, and are not intended to represent present or future values.

Note 2 Summary of Significant Accounting Policies – (cont'd)

Oil and gas properties

The Company follows the full cost method of accounting for its petroleum and natural gas operations within one Canadian cost centre. Under this method all costs related to the exploration for and development of petroleum and natural gas reserves are capitalized. Costs include lease acquisition costs, geological and geophysical expenses, costs of drilling both producing and non-producing wells, production facilities, and future asset retirement costs.

Proceeds from the sale of properties are applied against capitalized costs, without any gain or loss being realized, unless such sale would significantly alter the rate of depletion and depreciation.

Expenditures related to renewals or betterments that improve the productive capacity or extend the life of an asset are capitalized. Maintenance and repairs, other than major turnaround costs, are expensed as incurred. Major turnaround costs are included in property and equipment when incurred and charged to depletion and depreciation in the consolidated statements of operations and deficit over the estimated period of time to the next scheduled turnaround.

Depletion, depreciation and amortization

Depletion and depreciation of oil and gas property and equipment is provided using the unit-of-production method based upon estimated proved petroleum and natural gas reserves. The costs of significant undeveloped properties are excluded from costs subject to depletion until it is determined whether or not proved reserves are attributable to the properties or impairment has occurred. Estimated future costs to be incurred in developing proved reserves are included in costs subject to depletion and estimated salvage values are excluded from costs subject to depletion. For depletion and depreciation purposes, relative volumes of natural gas production and reserves are converted at the energy equivalent conversion rate of six thousand cubic feet of natural gas to one barrel of crude oil.

The Company records its acquisition of equipment at cost. Amortization of equipment is provided for on a declining balance basis using a rate of 20% per year.

Impairment of long-lived assets

Canadian generally accepted accounting principles require that long-lived assets and intangibles to be held and used by the Company be reviewed for possible impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If changes in circumstances indicate that the carrying amount of an asset that an entity expects to hold and use may not be recoverable, future cash flows expected to result from the use of the asset and its disposition must be estimated. If the undiscounted value of the future cash flows is less than the carrying amount of the asset, impairment is recognized. During the years ended February 28, 2010 and 2009, the Company wrote-off and wrote-down certain of its mineral properties (Note 5 and Schedule 1).

Note 2 Summary of Significant Accounting Policies – (cont'd)

Asset retirement obligations (“ARO”)

The Company records a liability for the fair value of the statutory, contractual or legal asset retirement obligations associated with the retirement and reclamation of tangible long-lived assets when it is incurred and when a reasonable estimate of fair value can be made with a corresponding increase to the carrying amount of the related assets. This corresponding increase to capitalized costs is amortized to earnings on a basis consistent with depreciation, depletion, and amortization of the underlying assets.

Subsequent changes in the estimated fair value of the ARO are capitalized and amortized over the remaining useful life of the underlying asset. The ARO liabilities are carried on the consolidated balance sheet at their discounted present value and are accreted over time for the change in their present value, with this accretion charge included as an operating item in the consolidated statements of operations and deficit.

In connection with Terrex’s acquisition of oil and gas interests the Company has recorded a provision for ARO as at February 28, 2010. There was no ARO at February 28, 2009.

Basic and diluted loss per share

Basic loss per share is calculated by dividing the net loss for the year available to common shareholders by the weighted average number of shares outstanding during the year. Diluted earnings per share reflect the potential dilution of securities that could share in earnings of an entity. In a loss period, potentially dilutive common shares are excluded from the loss per share calculation as the effect would be anti-dilutive. Basic and diluted loss per share are the same for the years presented.

At February 28, 2010, potentially dilutive common shares (relating to share purchase options, warrants outstanding and shares to be issued on mineral property option agreements) totalling 12,817,989 (2009: 17,519,239) were not included in the computation of loss per share because their effect was anti-dilutive.

Foreign currency translation

Monetary items denominated in a foreign currency, other than Canadian dollars, are translated into Canadian dollars at exchange rates prevailing at the balance sheet date and non-monetary items are translated at exchange rates prevailing when the assets are acquired or obligations incurred. Foreign currency denominated revenue and expense items are translated at exchange rates prevailing at the transaction dates. Gains or losses arising from the translations are recognized in the current period.

Income taxes

The Company accounts for income taxes using the asset and liability method. Under this method, current income taxes are recognized for the estimated income taxes payable for the current period. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting basis of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes only if it is more likely than not that they can be realized.

Note 2 Summary of Significant Accounting Policies – (cont'd)

Stock-based compensation plan

The Company has a stock-based compensation plan (Note 7(e)), whereby stock options are granted in accordance with the policies of regulatory authorities. The Company records a compensation cost attributable to all share purchase options granted at fair value at the grant date using the Black-Scholes valuation model and the fair value of all share purchase options are expensed over their vesting period with a corresponding increase to contributed surplus. Upon exercise of share purchase options, the consideration paid by the option holder, together with the amount previously recognized in contributed surplus, is recorded as an increase to share capital.

Flow-through shares

Mineral expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. The tax effect related to renounced expenditures is recorded as a reduction of share capital and an increase in future income tax liabilities. Recognition of previously unrecorded future income tax assets are credited to income tax expense.

Broker warrants and warrants

Warrants issued to agents or brokers in connection with a financing are recorded at fair value and charged to issue costs associated with the offering with an offsetting credit to contributed surplus in shareholders' equity.

Warrants included in units offered to subscribers in connection with financings are recorded at relative fair value in contributed surplus in shareholders' equity with an offsetting reduction in the value ascribed to the shares issued in the units.

Proceeds of the exercise of these warrants are credited to share capital together with the corresponding amount, if any, of the original warrant charge included in contributed surplus.

Comprehensive income

Comprehensive income includes both net loss and other comprehensive income ("OCI"). OCI is the change in shareholders' equity from non-owner sources which is not included in the calculation of net loss until realized. Cumulative changes in OCI are included in Accumulated Other Comprehensive Income ("AOCI"), which is presented as a new category of shareholders' equity on the consolidated balance sheet. The Company had incurred OCI transactions during the years ended February 28, 2010 as disclosed in the consolidated statements of comprehensive loss and accumulated other comprehensive loss.

Note 2 Summary of Significant Accounting Policies – (cont'd)

Financial instruments recognition, measurement, disclosure and presentation

The Company has made the following designations of its financial instruments: cash and cash equivalents as held-for trading; marketable securities as available-for-sale; other receivables as loans and receivables; and accounts payable and accrued liabilities as other financial liabilities.. At February 28, 2010 and 2009, the Company had no held-to maturity financial instruments.

Future accounting and reporting changes

Business combinations, consolidated financial statements and non-controlling interest

In January 2009, the CICA issued CICA Handbook Section 1582, “Business Combinations”, Section 1601, “Consolidations”, and Section 1602, “Non-controlling Interests”. These sections replace the former CICA Handbook Section 1581, “Business Combinations” and Section 1600, “Consolidated Financial Statements” and establish a new section for accounting for a non-controlling interest in a subsidiary. CICA Handbook Section 1582 establishes standards for the accounting for a business combination, and states that all assets and liabilities of an acquired business will be recorded at fair value. Obligations for contingent consideration and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date.

It provides the Canadian equivalent to International Financial Reporting Standard (“IFRS”) 3, “Business Combinations” (January 2008). The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011.

CICA Handbook Section 1601 establishes standards for the preparation of consolidated financial statements.

CICA Handbook Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in the preparation of consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of International Financial Reporting Standard IAS 27, “Consolidated and Separate Financial Statements” (January 2008).

CICA Handbook Section 1601 and Section 1602 apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011.

Earlier adoption of these sections is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently. The Company is currently evaluating the impact of the adoption of these sections.

Note 2 Summary of Significant Accounting Policies – (cont'd)

International Financial Reporting Standards (“IFRS”)

In 2006, the Canadian Accounting Standards Board (“AcSB”) published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of March 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended February 28, 2011.

The Company has begun an internal diagnostic review to understand, identify and assess the overall effort required to produce financial information under IFRS, however, at this time, the financial reporting impact of the transition to IFRS cannot be reasonably estimated.

Note 3 Marketable Securities

On February 3, 2010, the Company received 7,500,000 common shares of Novus Gold Corp. (“Novus”) pursuant to the Novus Re-purchase Option (Note 5(d)). The shares have been classified as an available-for-sale financial instrument and, as a result, are measured at fair market value each reporting period with any change in fair value recognized through other comprehensive income (loss). Based on Novus’ closing trading price on February 28, 2010 of \$0.35 per share, an unrealized gain of \$1,119,960 was recognized as other comprehensive loss for the year ended February 28, 2010 on the revaluation of the shares to \$2,625,000 at February 28, 2010. As at February 28, 2010, the carrying amount for the marketable securities was \$1,505,040.

Note 4 Property, Plant and Equipment

	February 28, 2010		
	Cost	Accumulated Amortization, Depreciation and Depletion	Net
Petroleum and natural gas property and production equipment	\$ 1,250,673	\$ 9,365	\$ 1,241,308
Office equipment	11,182	2,308	8,874
	\$ 1,261,855	\$ 11,673	\$ 1,250,182
	February 28, 2009		
	Cost	Accumulated Amortization	Net
Office equipment	\$ 5,350	\$ 1,426	\$ 3,924

Note 4 Property, Plant and Equipment – (cont'd)

The Company included the following amounts as an addition (deduction) to the capital costs of oil and gas properties subject to depletion during the year ended February 28, 2010:

Future capital expenditures	\$ 350,000
Estimated salvage values	<u>(816,772)</u>
Total net deductible costs	<u>\$ (466,772)</u>

Prices used in the evaluation of the carrying value of the Company's reserves for the purposes of the impairment test as at February 28, 2010 were:

	Natural Gas (AECO) \$ per MMBtu	Crude Oil (Edmonton par 40 API) \$ per bbl
2010	5.50	87.63
2011	6.06	92.16
2012	6.22	94.38
2013	6.92	96.11
2014	7.95	98.13
Approximate % increase thereafter	2.0 %	2.0 %

Note 5 Mineral Properties – Schedule 1

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties.

The Company has investigated title to all of its mineral properties and, to the best of its knowledge, titles to all of its properties are in good standing. Described below are commitments with respect to various properties the Company has acquired ownership rights to as at February 28, 2010.

a) Lac Kachiwiss Property, Quebec

By agreement dated March 1, 2007, ("the Lac Kachiwiss Agreement") the Company acquired the Lac Kachiwiss Uranium Property located near Sept-Iles, Quebec. The Company acquired a 100% interest in the property by issuing to the vendor 2,000,000 of its common shares, with a market value of \$1.55 per share totalling \$3,100,000.

The Lac Kachiwiss Agreement also provides that the vendor will retain a 0.5% Net Smelter Royalty ("NSR") on any revenues generated from ore mined from the property. The Company has the right at any time until the day of commencement of commercial production to purchase back one-half (0.25%) of the NSR for \$1,000,000.

The Company issued 106,000 of its common shares with a market value of \$1.55 per share totalling \$164,300, as a finder's fee payment in connection with this transaction.

Note 5 Mineral Properties – Schedule 1 – (cont'd)

a) Lac Kachiwiss Property, Quebec – (cont'd)

By agreement dated December 15, 2008, (“the Lac Kachiwiss Extension Agreement”) the Company acquired a 100% interest in an additional 838 mineral claims contiguous with the Lac Kachiwiss Uranium Property. As consideration for acquiring the claims the Company issued 200,000 of its shares to the vendor with a market value of \$0.62 per share totaling \$124,000 and paid \$115,000 to the vendor. In addition, the vendor will retain a 0.25% NSR which the Company can buy by paying the vendor \$1,000,000.

Subsequent to February 28, 2010, the Company determined that there were indicators of impairment on the property. Accordingly, the resource property costs attributable to the property (\$7,692,728) were written-off and charged to the statement of operations during the year ended February 28, 2010.

b) Titan Production Carried Interest, Saskatchewan

By agreement dated January 12, 2007, between the Company and certain arms-length vendors (“the Vendors”) (“the Titan Agreement”), the Company purchased the Vendors’ 10% production carried interest (“the Titan Production Interest”) in 34 claims held by Titan Uranium Inc. (“Titan”) comprising 310,158 acres in seven separate projects located in the southwestern and northeastern parts of the Athabasca Basin, Saskatchewan.

As consideration for acquiring the Titan Production Interest, the Company issued 2,000,000 of its common shares to the Vendors with a market value of \$1.50 per share totalling \$3,000,000. The Titan Production Interest remains in effect until the commencement of commercial production by Titan on one or more of the claims. At the time of commencement of commercial production, Titan is entitled to recover 10% of the aggregate expenditures incurred after February 5, 2007, with respect to putting the respective claim(s) into production. The cost recovery to Titan is to be paid from a portion of the production profits otherwise due to the Company.

During the year ended February 28, 2010, the Company wrote-down the carrying value of this property by \$490,000 (2009 – \$1,317,000) and charged this amount to the statement of operations.

c) Hathor Production Carried Interest, Saskatchewan

By agreement dated March 30, 2007, the Company acquired from an arms-length third party, Bullion Fund Inc. (“Bullion”), an 8% carried working interest in 7 claims comprising 56,360 acres in two separate projects located in the Athabasca Basin, Saskatchewan, of which 90% of the remaining 92% interest is held by a subsidiary of Hathor Exploration Ltd. Consideration paid by the Company for such interest was \$2,300,000. A finder’s fee of \$69,000 was also paid.

Note 5 Mineral Properties – Schedule 1 – (cont'd)

c) Hathor Production Carried Interest, Saskatchewan – (cont'd)

By an agreement dated March 8, 2008, the Company acquired the remaining 2% interest in one of the above 7 claims (which interest together with the 8% carried working interest in the original 7 claims is collectively “the Hathor Production Interest”) for consideration for \$2,500,000 and the issuance of 3,000,000 common shares with a market value of \$0.50 per share totalling \$1,500,000. Accordingly, the Company has an aggregate 10% interest in the Hathor Production Interest.

The Hathor Production Interest remains in effect until the completion of a feasibility study on one or more of the claims. Thereafter, the Company is responsible for its pro-rata share of all costs to put the property into commercial production.

d) REN Properties, Northwest Territories

On September 16, 2009, the Company and Novus Gold Corp. (“Novus”), a company with common directors, entered into an option agreement (the “Novus Agreement”) under which the Company had an option to acquire a 51% interest of Novus’s 100% interest in 14 claims covering a total of 24,675 acres located approximately 320 kilometres north of the City of Yellowknife in the Northwest Territories (the “REN Property”) (the “Novus Option”) in consideration for the Company incurring a minimum of \$1,500,000 in expenditures on the REN Property by no later than December 31, 2009. On January 25, 2010, the Company gave notice that it had incurred the minimum expenditures on the REN Property and exercised the Novus Option earning a 51% interest in the REN Property.

Terms of the Novus Agreement also provided Novus with the sole and exclusive option to repurchase the Company’s 51% interest in consideration for 7,500,000 Novus common shares (the “Novus Re-purchase Option”). On February 3, 2010, Novus exercised the Novus Re-purchase Option and issued 7,500,000 Novus shares to the Company valued at the carrying value of the REN Property, \$1,505,040.

e) Solitaire Net Smelter Return, Saskatchewan

By an agreement dated August 28, 2009 and closed on September 11, 2009 between the Company, an arm’s length party and Solitaire Minerals Corp, the Company acquired a 2% net smelter return in 10 mineral dispositions located in the Athabasca Basin, Saskatchewan, (the “Solitaire Net Smelter Return”) in consideration for \$225,000 (paid).

Note 5 Mineral Properties – Schedule 1 – (cont'd)

f) Grand County Property, Utah, USA

By agreement dated June 18, 2007, the Company acquired a 100% interest in 208 unpatented Federal lode mining claims and one State lease, in four separate blocks, totalling 4,720 acres in Grand County, Utah. In order to vest its interest in the property the Company was required to make aggregate cash payments of US\$450,000 over five years, of which US\$75,000 was made as of February 28, 2009.

The Company was also required to issue 100,000 common shares thirty days after entering into the agreement (issued) and issue 100,000 common shares on or before June 18, 2009. In addition the vendor retained a 3% NSR which the Company had the right to purchase for US\$2,000,000.

The Company agreed to pay a finder's fee of 60,000 common shares in connection with this transaction. Of this amount, 20,000 shares were issued during the year ended February 29, 2008, at an ascribed value of \$1.00 per share and a further 40,000 common shares were issued during the year ended February 28, 2009 with a market value of \$0.72 per share totalling \$28,800.

Subsequent to February 28, 2009, the Company terminated the option agreement and accordingly the resource property costs attributable to the property (\$419,454) were written-off and charged to the statement of operations during the year ended February 28, 2009.

Note 6 Asset Retirement Obligations

The Company has estimated the present value of obligations associated with the retirement of petroleum and natural gas assets to be \$515,913 (2009 - \$nil) as at February 28, 2010.

The total undiscounted amount of estimated cash flows required to settle the obligations was \$2,616,392 which has been discounted using a credit-adjusted risk free rate of 10%. Due to the Company's long reserve life, the majority of these obligations are not expected to be settled until well into the future. Settlements will be funded from general Company funds at the time of retirement and removal.

Note 7 Share Capital

a) Authorized:

Unlimited common shares without par value.

b) Common shares issued and outstanding and contributed surplus:

	<u>Number of Shares</u>	<u>Share Capital Amount</u>	<u>Contributed Surplus Amount</u>
Balance, February 28, 2008	40,046,226	\$ 26,589,728	\$ 3,041,934
Issued during the year			
For cash pursuant to private placements	9,749,830	5,982,373	1,680,000
Less:			
Issue costs – cash	-	(212,248)	
– units	318,000	178,080	76,320
– warrants	-	(254,400)	
Pursuant to mineral property agreements	3,240,000	1,652,800	49,000
Future income tax on flow-through shares	-	(619,000)	-
Fair value of options granted	-	-	1,309,252
Balance, February 28, 2009	53,354,056	33,268,333	6,156,506
Issued during the year			
For cash			
Pursuant to the exercise of options	1,200,000	540,000	-
Transfer on exercise of options	-	777,606	(777,606)
Fair value of options granted and modified	-	-	837,832
Reduction of shares outstanding pursuant to cancellation of escrow shares	(370,008)	(230,714)	230,714
Balance, February 28, 2010	54,184,048	\$ 34,355,225	\$ 6,447,446

c) Financings:

During the year ended February 28, 2009:

On August 21, 2008, the Company closed a private placement of 7,000,000 units at \$0.80 per unit for gross proceeds of \$5,600,000. Each unit consists of one common share and one common share purchase warrant entitling the holder thereof to acquire an additional common share at \$1.20 per share on or before August 21, 2010. The relative fair value of the warrants contained in the units (\$1,680,000) has been estimated using the Black-Scholes option pricing model using the assumptions in Note 7(e) and has been credited to contributed surplus.

A strategic advisor fee of 318,000 units was paid in connection with the offering. The terms and conditions of these units were identical to those issued in the private placement. The fair value of the warrants contained in the units (\$76,320) was estimated using the Black-Scholes option pricing model and charged to share capital with a credit to contributed surplus. The assumptions used in the model were identical to those used for the warrants valued in the private placement units.

Note 7 Share Capital – (cont'd)

c) Financings: – (cont'd)

On December 30, 2008, the Company closed a brokered private placement of 2,749,830 flow-through common shares at \$0.75 per share for gross proceeds of \$2,062,373.

The agents were paid a cash commission of \$123,742 and a corporate finance fee of \$37,500, and were granted agent warrants exercisable for 164,989 shares of the Company at a price of \$0.75 per share on or before December 30, 2010. The fair value of these warrants (\$49,000) has been estimated using the Black-Scholes option pricing model using the assumptions in Note 7(e) and has been credited to contributed surplus. In addition, legal and other issue costs of \$51,006 were incurred.

d) Escrow Shares:

At February 28, 2009, 370,008 common shares were held in escrow by the Company's transfer agent.

During the year ended February 28, 2010, 370,008 common shares were cancelled that previously had been held in escrow by the Company's transfer agent.

e) Commitments:

Stock-based compensation plan

The Company has established a stock option plan in accordance with the policies of the Exchange under which it is authorized to grant share purchase options up to 10% of its outstanding shares. The exercise price of options granted equals the market price of the Company's stock on the date of the grant. Unless otherwise stated, the options vest when granted. The options granted have a maximum term of five to ten years.

A summary of the status of the stock option plan as of February 28, 2010 and 2009 and the changes during years then ended is presented below.

	<u>Number of Options</u>	<u>Weighted Average Exercise Price</u>
Outstanding, February 29, 2008	3,435,000	\$0.65 ⁽¹⁾
Granted	2,350,000	\$0.73
Cancelled	(450,000)	\$1.40 ⁽²⁾
	<hr/>	
Outstanding, February 28, 2009	5,335,000	\$0.45 ⁽³⁾
Granted	1,200,000	\$0.45
Exercised	(1,200,000)	\$0.45
	<hr/>	
Outstanding and exercisable, February 28, 2010	<u>5,335,000</u>	<u>\$0.45</u>

Note 7 Share Capital – (cont'd)

- (1) On July 7, 2008, all regulatory approvals were received such that these options were re-priced to \$0.65 per share.
- (2) These options were cancelled prior to the re-pricing to \$0.65 per share was approved.
- (3) On June 16, 2009, the options were re-priced to \$0.45 per share and the original life was extended by an additional five years. Regulatory approvals were received. With respect to options granted to insiders, these amendments were approved by the Company's shareholders at the Annual General Meeting of Shareholders held July 17, 2009.

The weighted average remaining contractual life of these options as at February 28, 2010 is 8.11 years (2009 - 4.53 years)

At February 28, 2010, 5,335,000 share purchase options were outstanding entitling the holder thereof to acquire one share for each option held as follows:

<u>Number of Options</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
1,000,000	\$0.45	December 14, 2016
250,000	\$0.45	January 5, 2017
235,000	\$0.45	March 5, 2017
750,000	\$0.45	April 12, 2017
465,000	\$0.45	March 7, 2018
500,000	\$0.45	April 18, 2018
635,000	\$0.45	August 11, 2018
280,000	\$0.45	December 30, 2018
20,000	\$0.45	December 31, 2018
<u>1,200,000</u>	\$0.45	February 4, 2020
<u>5,335,000</u>		

During the year ended February 28, 2010, stock-based compensation expense of \$837,832 (2009 - \$1,309,252) was recorded based on vesting of options and the modification of terms of options.

The weighted average fair value of share purchase options and warrants granted or modified during the year ended February 28, 2010 of \$0.65 (2009 - \$0.23) was estimated using the Black-Scholes option valuation model with the following assumptions:

	<u>2010</u>	<u>2009</u>
Risk-free interest rate	1.48-1.88%	1.69-3.20%
Expected life	5 years	5 years
Expected volatility	114.0-116.0%	96.9-118.6%
Expected dividends	Nil	Nil

Note 7 Share Capital – (cont'd)

Warrants

A summary of warrants outstanding as of February 28, 2010 and 2009 and the changes during the years then ended is presented below:

	<u>Number of Warrants</u>	<u>Weighted Average Exercise Price</u>
Outstanding, February 29, 2008	6,697,250	\$1.33
Issued	7,482,989	\$1.19
Expired	<u>(1,947,250)</u>	<u>\$1.17</u>
Outstanding, February 28, 2009	12,232,989	\$1.27
Expired	<u>(4,750,000)</u>	<u>\$1.40</u>
Outstanding, February 28, 2010	<u>7,482,989⁽¹⁾</u>	<u>\$0.85</u>

⁽¹⁾ In June 2009 the Company reduced the exercise price to \$0.80 per share for 6,300,000 of these warrants and extended the original two year life by an additional three years for 7,000,000 of these warrants.

At February 28, 2010, the following share purchase warrants were outstanding entitling the holder thereof the right to purchase one common share for each warrant held:

<u>Number of Warrants</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
318,000	\$1.20	August 21, 2010
164,989	\$0.75	December 30, 2010
6,300,000	\$0.80	August 21, 2013
<u>700,000</u>	<u>\$1.20</u>	<u>August 21, 2013</u>
<u>7,482,989</u>		

f) Shareholder Rights Plan:

The shareholders right plan (“the Plan”) is designed to ensure that the Company’s shareholders are treated fairly in the event of a take-over bid for the Company’s common shares and that the Company’s board of directors and shareholders have sufficient time to evaluate any unsolicited take-over bid, and, if appropriate to evaluate and pursue other alternatives to maximize shareholder value.

Note 8 Related Party Transactions – Note 8

The Company incurred the following charges with directors, officers and former directors of the Company for the years ended February 28, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Consulting fees	\$ 17,500	\$ 56,000
Legal, audit & accounting fees	60,833	46,000
Management fees	287,500	282,000
Rent	84,369	84,344
Office expenses and miscellaneous	24,850	21,200
Mineral property expenditures - Geological consulting	54,500	174,000
	<u>\$ 529,552</u>	<u>\$ 663,544</u>

These charges were measured by the exchange amount which is the amount agreed upon by the transacting parties.

At February 28, 2010 accounts payable and accrued liabilities included \$13,995 (2009 - \$35,310) due to current or former directors and officers of the Company or companies controlled by such individuals for consulting and management fees payable, and for reimbursement of expenses incurred on the Company's behalf.

At February 28, 2010, accounts payable and accrued liabilities also included \$84,583 (2009 - \$nil) due to Novus, a company with common directors, and relates to the amounts expended on the REN Property pursuant to the Novus Option. Subsequent to February 28, 2010, the Company paid this amount.

Note 9 Income Taxes

A reconciliation of the statutory income tax rate to the Company's effective income tax rate is as follows:

	<u>2010</u>	<u>2009</u>
Statutory tax rate	<u>29.75 %</u>	30.00%
Loss for the year before recovery of future income tax asset	<u>\$ (10,279,527)</u>	<u>\$ (4,399,898)</u>
Expected income tax recovery	\$ 3,058,000	\$ 1,320,000
Stock-based compensation and other	(227,000)	(476,000)
Share issue costs	-	55,000
Effect of change in tax rate	(534,000)	(40,000)
Change in valuation allowance	(1,938,000)	(240,000)
Future income tax recovery	<u>\$ 359,000</u>	<u>\$ 619,000</u>

Note 9 Income Taxes – (cont'd)

Significant components of the Company's future tax assets and liabilities, after applying enacted corporate income tax rates, are as follows:

	<u>2010</u>	<u>2009</u>
Future income tax assets		
Share issue costs	\$ 149,000	\$ 230,000
Mineral properties and related deferred exploration	2,569,000	862,000
Non-capital tax losses carried forward	1,423,000	1,145,000
Other	34,000	-
	<u>4,175,000</u>	<u>2,237,000</u>
Less: valuation allowance for future income tax assets	<u>(4,175,000)</u>	<u>(2,237,000)</u>
Future income tax assets	\$ -	\$ -

During the year ended February 28, 2009, the Company renounced \$2,062,373 of Canadian exploration expenditures to subscribers of flow-through shares offerings. The Company incurred aggregate eligible Canadian Exploration Expenditures in this amount prior to December 31, 2009. This amount will not be available to the Company for future deduction from taxable income.

Losses that reduce future income for tax purposes expire as follows:

2011	\$ 146,000
2015	190,000
2026	112,000
2027	468,000
2028	1,656,000
2029	1,643,000
2030	1,478,000
	<u>\$ 5,693,000</u>

In addition to the tax losses listed above there are mineral related expenditures of approximately \$18,000,000 which can be used to offset future Canadian income indefinitely.

Note 10 Management of Capital

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. In the management of capital, the Company includes the components of shareholders' equity, as well as cash and cash equivalents.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents. As at February 28, 2010, the Company has not entered into any debt financing.

The Company is dependent on the capital markets as its primary source of operating capital and the Company's capital resources are largely determined by the strength of the junior resource markets and by the status of the Company's projects in relation to these markets, and its ability to compete for investor support of its projects.

The Company is not subject to any capital requirements imposed by a regulator.

Note 11 Financial Instruments

Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, other receivables, marketable securities and accounts payable and accrued liabilities. The fair value of cash and cash equivalents, other receivable and accounts payable and accrued liabilities approximates their carrying value due to their short term nature.

The Company's investments in marketable securities are transacted in active markets. The Company classifies the fair value of these transactions according to the following fair value hierarchy based on the amount of observable inputs used to value the instrument.

- Level 1 – Values based on unadjusted quoted prices available in active markets for identical assets or liabilities as of the reporting date.
- Level 2 – Level 2 valuation is based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace. Prices in Level 2 are either directly or indirectly observable as of the reporting date.
- Level 3 – Values based on prices or valuation techniques that are not based on observable market data.

The value of marketable securities has been assessed based on the fair value hierarchy described above and are classified as Level 1. Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy.

Discussions of risks associated with financial assets and liabilities are detailed below:

Note 11 Financial Instruments – (cont'd)

Commodity Price Risk

The Company is exposed to commodity price movements as part of its normal oil and gas operations. Under guidelines to be established by the Board of Directors, the Company may enter into economic hedge transactions relating to crude oil, natural gas and electricity prices to mitigate volatility in commodity prices and the resulting impact on cash flows.

Foreign Exchange Risk

The Company conducts nominal transactions in non-Canadian dollars and as such has virtually no foreign exchange risk.

Credit Risk

The Company is exposed to credit risk, which is the risk that a counterparty will fail to perform an obligation or settle a liability, resulting in a financial loss to the Company.

The majority of the Company's other receivables and other current asset balances are with entities in the oil and gas industry and subject to normal industry credit risks. All receivable balances at February 28, 2010 are current. The Company regularly assesses the financial strength of its marketing customers and may, where circumstances warrant, request the posting of collateral.

The maximum credit risk exposure associated with the Company's financial assets is the carrying amount.

Liquidity Risk

The Company manages liquidity risk by maintaining sufficient cash and cash equivalent balances to enable settlement of transactions on the due date. Accounts payable and accrued liabilities are current.

Note 12 Non-cash Transactions

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statements of cash flows. During the year ended February 28, 2010, the following transactions were excluded from the statements of cash flows:

- the Company incurred \$2,625 of mineral property expenditures that were included in accounts payable as at February 28, 2010.
- the Company incurred \$73,359 of property, plant and equipment expenditures that were included in accounts payable as at February 28, 2010.
- \$777,606 being the amount recorded to share capital that previously was included in contributed surplus and related to the issuance of shares pursuant to certain options that were exercised during the year.
- \$230,714 being the amount recorded to contributed surplus that previously was included in share capital and related to the cancellation of certain escrow shares.

Note 12 Non-cash Transactions – (cont'd)

During the year ended February 28, 2009:

- the Company issued the following common shares pursuant to mineral property agreements and finder fee agreements, the value of which were included in the cost of mineral properties:
 - 3,000,000 common shares at the fair value on the date of issuance of \$0.50 per share totalling \$1,500,000;
 - 200,000 common shares at the fair value on the date of issuance of \$0.62 per share totalling \$124,000; and
 - 40,000 common shares at the fair value on the date of issuance of \$0.72 per share totalling \$28,800.
- the Company issued 318,000 units at \$0.80 per unit totalling \$254,400 as a strategic advisor fee in connection with a private placement offering.
- the Company incurred \$273,941 of mineral property expenditures that were included in accounts payable as at February 28, 2009.
- the Company issued agent warrants, exercisable for 164,989 shares of the Company at a price of \$0.75 per share on or before December 30, 2010, the fair value of which was determined to be \$49,000, which amount was recorded as an increase to contributed surplus and a reduction to share capital.

Note 13 Segment Information

The Company operates in two industry segments, being mineral exploration and development and development of petroleum and natural gas reserves. As at February 28, 2010 and 2009, all the operations and assets of the Company were located in Canada.

Industry segment information of the Company's assets as at February 28, 2010 and 2009 are as follows

	<u>2010</u>	<u>2009</u>
Mineral exploration	\$ 11,520,287	\$ 24,474,899
Oil and gas exploration	<u>5,675,012</u>	-
Total assets	<u>\$ 17,195,299</u>	<u>\$ 24,474,899</u>

Included in oil and gas exploration assets as at February 28, 2010 is cash and cash equivalents of \$4,157,560. The cash and cash equivalents in oil and gas exploration assets will be included in the Plan of Arrangement (Note 15).

Note 13 Segment Information – (cont'd)

Industry segment information of the Company's net loss during the years ended February 28, 2010 and 2009 are as follows

	<u>2010</u>	<u>2009</u>
Mineral exploration	\$ 9,900,030	\$ 3,780,898
Oil and gas exploration	<u>20,497</u>	-
Net loss	<u>\$ 9,920,527</u>	<u>\$ 3,780,898</u>

Note 14 Commitments

The Company is committed to monthly payments under operating leases for office premises as follows:

<u>Fiscal year ended</u>	
2011	\$ 168,161
2012	154,801
2013	<u>58,667</u>
	<u>\$ 381,629</u>

Note 15 Spin-off Transaction

During the year ended February 28, 2010, the Company planned a spin-off transaction of its wholly-owned subsidiary, Terrex. Pursuant to the Plan of Arrangement and effective June 11, 2010, the Company's shareholders exchanged each common share of the Company held for one new common share of the Company and one-half of one common share of Terrex. In addition, the Company's warrant holders exchanged each warrant in the Company for one new warrant of the Company and one-half of one warrant of Terrex. The Plan of Arrangement was approved by the shareholders of the Company on June 4, 2010. The common shares of Terrex were listed on the Exchange on June 23, 2010.

During the year ended February 28, 2010, the Company received oil and gas revenues of \$105,021 (2009 - \$nil), net of \$3,463 (2009 - \$nil) royalties paid, less \$106,445 (2009: \$nil) in oil and gas expenditures and depletion and amortization expense associated with oil and gas assets of \$9,462 (2009 - \$nil).

Note 16 Subsequent Event

Dorothea Gold Property

By an agreement dated June 18, 2010, the Company has an option with Novus Gold Corp. to acquire a 60% interest in certain mineral claims (the “Dorothea Gold Property”) located in the Thunder Bay Mining District, Ontario.

Pursuant to the agreement, consideration to acquire a 60% interest in the Dorothea Gold Property is as follows:

- i) making aggregate cash payments of \$102,500 to Novus as to:
 - A. \$7,500 paid on June 24, 2010;
 - B. an additional \$10,000 on or before June 1, 2011;
 - C. an additional \$15,000 on or before June 1, 2012;
 - D. an additional \$20,000 on or before June 1, 2013;
 - E. an additional \$50,000 on or before June 1, 2014;

- ii) incurring exploration expenditures of not less than \$400,000 as to:
 - A. not less than \$50,000 on or before June 30, 2011;
 - B. not less than an aggregate of \$150,000 on or before June 30, 2012;
 - C. not less than an aggregate of \$400,000 on or before June 30, 2014;

The Ireland mineral claims are subject to a net smelter royalty of 2% on all mineral products extracted from the property. The Company has the right to repurchase 75% of the royalty (1.5%) for \$500,000.

Warrant Modification

In connection with the spin-off transaction (Note 15), the Company reduced the exercise price on all of the Company’s 7,482,989 outstanding share purchase warrants to an exercise price equal to 80.8% of the original exercise price. All other terms of the share purchase warrants remained unchanged.

TERRA VENTURES INC.
CONSOLIDATED SCHEDULE OF MINERAL PROPERTIES
For the year ended February 28, 2010

Schedule 1

	Canada					<u>Total</u>
	Lac Kachiwiss	REN	Solitaire	Production Interests Titan Hathor		
Balance, February 28, 2009	\$6,861,521	\$ -	\$ -	\$ 1,683,000	\$ 6,375,610	\$ 14,920,131
Deferred exploration costs						
Access Roads	221,904	-	-	-	-	221,904
Assaying	29,538	17,481	-	-	-	47,019
Camp	-	71,118	-	-	-	71,118
Licenses/Permits and Fees	12,223	-	-	-	-	12,223
Consultants – Geological	297,415	84,831	-	-	-	382,246
Consultants – Airborne Mag Survey	44,468	-	-	-	-	44,468
Drilling	-	539,533	-	-	-	539,533
Field Expenses and Other	8,581	17,887	-	-	-	26,468
Field Labour	-	101,275	-	-	-	101,275
Fixed Wing Aircraft	-	275,956	-	-	-	275,956
Fuel	-	102,971	-	-	-	102,971
Helicopters	138,528	206,798	-	-	-	345,326
Equipment Rental	-	12,204	-	-	-	12,204
Equipment Expenses	-	8,337	-	-	-	8,337
Freight	437	3,858	-	-	-	4,295
Meals & Entertainment	329	26,024	-	-	-	26,353
Staking	38,636	-	-	-	-	38,636
Storage	1,020	9,279	-	-	-	10,299
Telecommunications	5,750	9,977	-	-	-	15,727
Travel and accommodation	32,378	17,511	-	-	-	49,889
	831,207	1,505,040	-	-	-	2,336,247
Acquisition costs						
Cash	-	-	225,000	-	-	225,000
Pursuant to the Novus Re-Purchase Option (Note 5)	-	(1,505,040)	-	-	-	(1,505,040)
Mineral properties written-down (Note 5)	(7,692,728)	-	-	(490,000)	-	(8,182,728)
Balance, February 28, 2010	\$ -	\$ -	\$ 225,000	\$ 1,193,000	\$ 6,375,610	\$ 7,793,610

TERRA VENTURES INC.
CONSOLIDATED SCHEDULE OF MINERAL PROPERTIES
For the year ended February 28, 2009

Schedule 1

	Canada			USA	
	Lac Kachiwiss	Production Interests		Grand County	Total
	Titan	Hathor			
Balance, February 29, 2008	\$ 4,267,919	\$ 3,000,000	\$ 2,369,000	\$ 260,063	\$ 9,896,982
Deferred exploration costs					
Access Roads	38,858	-	-	-	38,858
Assaying	50,391	-	-	-	50,391
Camp	163	-	-	-	163
Licenses/Permits & Fees	495	-	-	130,591	131,086
Consultants – Geological Reports	1,610	-	-	-	1,610
Consultants – Geological	311,692	-	2,800	-	314,492
Consultants – Airborne Mag Survey	437,434	-	-	-	437,434
Telecommunications (Tel/Fax/Int)	9,277	-	-	-	9,277
Drilling	843,766	-	-	-	843,766
Fixed Wing Aircraft	1,270	-	-	-	1,270
Helicopters	510,896	-	-	-	510,896
Equipment Rental	9,220	-	-	-	9,220
Equipment Expenses	901	-	-	-	901
Freight	6,526	-	-	-	6,526
Meals & Entertainment	503	-	-	-	503
Travel and accommodation	23,030	-	3,810	-	26,840
	2,246,032	-	6,610	130,591	2,383,233
Acquisition costs					
Cash	223,570	-	2,500,000	-	2,723,570
Shares	124,000	-	1,500,000	28,800	1,652,800
	347,570	-	4,000,000	28,800	4,376,370
Mineral properties written-down					
(Note 5)	-	(1,317,000)	-	(419,454)	(1,736,454)
Balance, February 28, 2009	\$ 6,861,521	\$ 1,683,000	\$ 6,375,610	\$ -	\$ 14,920,131