

TERRA VENTURES INC.

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended February 28, 2009 and February 29, 2008



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AUDITORS' REPORT

To the Shareholders,
Terra Ventures Inc.

We have audited the consolidated balance sheets of Terra Ventures Inc. as at February 28, 2009 and February 29, 2008 and the consolidated statements of operations, comprehensive loss and deficit and cash flows 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, 2009 and February 29, 2008 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 Dunwoody LLP"

Chartered Accountants

Vancouver, Canada
June 26, 2009

TERRA VENTURES INC.
CONSOLIDATED BALANCE SHEETS
February 28, 2009 and February 29, 2008

	<u>ASSETS</u>	<u>2009</u>	<u>2008</u>
Current			
Cash and cash equivalents		\$ 9,356,615	\$ 7,978,014
GST receivable		144,930	136,859
Other receivables		28,478	91,278
Prepaid expenses		<u>7,151</u>	<u>-</u>
		9,537,174	8,206,151
Resource properties – Schedule 1, Notes 3 and 9		14,920,131	9,896,982
Equipment - net of accumulated amortization of \$1,426; 2008 - \$446		3,924	4,904
Deposits in trust		<u>13,670</u>	<u>13,670</u>
		<u>\$ 24,474,899</u>	<u>\$ 18,121,707</u>

LIABILITIES

Current			
Accounts payable and accrued liabilities – Note 5		\$ 404,410	\$ 63,497

SHAREHOLDERS' EQUITY

Share capital – Notes 4 and 9		33,268,333	26,589,728
Contributed surplus – Note 4		6,156,506	3,041,934
Deficit		<u>(15,354,350)</u>	<u>(11,573,452)</u>
		<u>24,070,489</u>	<u>18,058,210</u>
		<u>\$ 24,474,899</u>	<u>\$ 18,121,707</u>

Organization and Nature of Operations – Note 1
Commitments – Notes 3, 4 and 11
Subsequent Event – Note 4

APPROVED BY THE DIRECTORS:

<u>“Gunther Roehlig”</u> Director Gunther Roehlig		<u>“Robert McMorran”</u> Director Robert McMorran
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SEE ACCOMPANYING NOTES

TERRA VENTURES INC.
CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT
For the years ended February 28, 2009 and February 29, 2008

	<u>2009</u>	<u>2008</u>
Expenses		
Amortization	\$ 980	\$ 446
Bank charges and interest	2,567	3,884
Consulting fees – Note 5	204,259	181,637
Legal, audit and accounting fees – Note 5	165,423	184,161
Management fees – Note 5	282,000	162,500
Office expenses and miscellaneous – Note 5	129,775	75,035
Part XII.6 tax and goods and services tax	71,089	71,667
Rent – Notes 5 and 11	84,344	69,724
Shareholder’s communication – Note 5	209,929	317,123
Stock-based compensation – Note 4	1,309,252	1,441,934
Tradeshaw and marketing	238,180	467,703
Transfer agent and filing fees	70,354	77,289
Travel and accommodation	92,359	103,048
Loss before other items	(2,860,511)	(3,156,151)
Other items:		
Interest income	203,413	341,400
Resource property investigation expense	(6,346)	(151,260)
Resource properties written-down or written-off	(1,736,454)	(6,091,195)
Loss before income taxes	(4,399,898)	(9,057,206)
Future income tax recovery – Note 6	619,000	835,000
Net loss and comprehensive loss for the year	(3,780,898)	(8,222,206)
Deficit, beginning of the year	(11,573,452)	(3,351,246)
Deficit, end of the year	\$ (15,354,350)	\$(11,573,452)
Basic and diluted loss per share	\$ (0.08)	\$ (0.21)
Weighted average number of shares outstanding	47,257,721	38,844,652

SEE ACCOMPANYING NOTES

TERRA VENTURES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended February 28, 2009 and February 29, 2008

	<u>2009</u>	<u>2008</u>
Operating Activities		
Net loss and comprehensive for the year	\$ (3,780,898)	\$ (8,222,206)
Items not affecting cash		
Amortization	980	446
Stock-based compensation	1,309,252	1,441,934
Resource properties written-down or written-off	1,736,454	6,091,195
Future income tax recovery	<u>(619,000)</u>	<u>(835,000)</u>
	(1,353,212)	(1,523,631)
Changes in non-cash working capital items:		
GST receivable	(8,071)	(103,970)
Other receivables	62,800	(78,183)
Prepaid expense	(7,151)	-
Accounts payable and accrued liabilities	<u>66,972</u>	<u>(10,708)</u>
Cash used in operating activities	<u>(1,238,662)</u>	<u>(1,716,492)</u>
Investing Activities		
Acquisition of resource properties	(2,723,570)	(2,623,484)
Deferred exploration expenditures	(2,109,292)	(2,136,920)
Purchase of equipment	-	(5,350)
Deposits in trust	<u>-</u>	<u>(13,670)</u>
Cash used in investing activities	<u>(4,832,862)</u>	<u>(4,779,424)</u>
Financing Activities		
Loans payable	-	(257)
Issuance of securities, net	<u>7,450,125</u>	<u>11,553,601</u>
Cash provided by financing activities	<u>7,450,125</u>	<u>11,553,344</u>
Increase in cash during the year	1,378,601	5,057,428
Cash and cash equivalents, beginning of the year	<u>7,978,014</u>	<u>2,920,586</u>
Cash and cash equivalents, end of the year	<u>\$ 9,356,615</u>	<u>\$ 7,978,014</u>
Cash paid for interest	\$ -	\$ -
Cash paid for income taxes	\$ -	\$ -
Cash and cash equivalents are comprised of:		
Cash	\$ 58,953	\$ 237,757
Short-term investments	<u>9,297,662</u>	<u>7,740,257</u>
	<u>\$ 9,356,615</u>	<u>\$ 7,978,014</u>

Non-Cash Transactions – Note 9

SEE ACCOMPANYING NOTES

TERRA VENTURES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
February 28, 2009 and February 29, 2008

Note 1 Organization and Nature of Operations

Terra Ventures Inc. (the “Company”) is a public company listed on the TSX Venture 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, 2009, the Company was in the exploration stage and had interests in properties located in Canada and the USA.

The Company is currently exploring its resource properties and has not yet determined the existence of economically recoverable reserves. The recoverability of amounts shown for resource 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 resource 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.

Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates, which have been made using careful judgement. Actual results may differ from these estimates.

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 standards and significant accounting policies:

a) Adoption of New Accounting Standards

On March 1, 2008, the Company adopted three new accounting standards: Handbook Section 1535, Capital Disclosures, Handbook Section 3862, Financial Instruments - Disclosures, and Handbook Section 3863, Financial Instruments - Presentation. The requirements of these new standards are for disclosure purposes only and have not impacted the financial results of the Company.

Capital disclosures

Section 1535 specifies the disclosure of (i) an entity’s objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. This new disclosure is summarized in Note 7.

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

Financial instruments

The new Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments - Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. Note 8 provides the required disclosure under this new accounting standard.

b) Significant Accounting Policies

Principles of consolidation

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

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.

Resource properties

The Company defers the cost of acquiring, maintaining its interest, exploring and developing resource 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 resource properties are credited to the carrying value of the resource 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 resource properties and has not yet determined the amount of reserves available. Management reviews the carrying value of resource 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.

Equipment and amortization

The Company records its acquisition of equipment at cost. Amortization is computed on a 20% declining balance basis.

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

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. Management believes there has been no impairment of the Company's long-lived assets as at February 28, 2009 and February 29, 2008 other than the write-off and write-down of resource properties.

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 the related assets are put into use, 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 statements of operations.

As at February 28, 2009 and February 29, 2008, the Company had no asset retirement obligations.

Basic and diluted loss per share

Basic loss per share is calculated by dividing the net loss for the period available to common shareholders by the weighted average number of shares outstanding during the period. 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 periods presented.

For the year ended February 28, 2009, potentially dilutive common shares (relating to share purchase options, warrants outstanding and shares to be issued on resource property option agreements) totalling 17,519,239 (year ended February 29, 2008: 10,272,250) were not included in the computation of loss per share because their effect was anti-dilutive.

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

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 denomination 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.

Stock-based compensation plan

The Company has a stock-based compensation plan (Note 4), 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

Resource 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.

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

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 balance sheet. The Company had no OCI transactions during the years ended February 28, 2009 and February 29, 2008, and neither opening nor closing balances for AOCI.

Financial instruments recognition, measurement, disclosure and presentation

Under Section 3855, all financial instruments are classified into one of these five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments and derivatives are measured on the trade date at fair value upon initial recognition. Subsequent measurement depends on the initial classification of the instrument. Held-for trading financial assets are measured at fair value, with changes in fair value recognized in net earnings (loss). Available-for-sale financial instruments are measured at fair value, with changes in fair value recorded in OCI until the instrument is derecognized or impaired. Loans and receivables, held-to-maturity investments and other financial liabilities are measured at amortized cost. All derivative instruments, including embedded derivatives, are recorded in the balance sheet at fair value unless they qualify for the normal sales and purchases exemption. Changes in the fair value of derivatives that are not exempt are recorded in the statement of operations. Transaction costs on the acquisition of financial assets and liabilities that are classified as other than held-for-trading are expensed.

The Company has made the following designations of its financial instruments: cash and cash equivalents as held-for trading; other receivables as loans and receivables; accounts payable and accrued liabilities as other financial liabilities. At February 28, 2009 and February 29, 2008, the Company had neither available-for-sale nor held-to maturity financial instruments.

c) Future Accounting Changes

Goodwill and intangible assets

The CICA issued new Handbook Section 3064, “Goodwill and Intangible Assets”, which will replace 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. The new standard applies to annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. The Company is currently assessing the impact of these new accounting standards. The Company believes they will not have any significant impact on its consolidated financial statements.

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

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 valuating the impact of the adoption of these sections.

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 January 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 Resource Properties – Schedule 1 and Notes 5 and 9

Title to resource 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 resource properties.

The Company has investigated title to all of its resource 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 or has acquired ownership rights to as at February 28, 2009.

a) Lac Kachiwiss Property, Quebec

By agreement dated March 01, 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.

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. During the year ended February 28, 2009, the Company staked new claims for a total staking cost of \$108,570.

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. 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.

Note 3 Resource Properties – Schedule 1 and Note 9 – (cont'd)

b) Titan Production Carried Interest, Saskatchewan – (cont'd)

During the year ended February 28, 2009, the Company wrote-down the carrying value of this property by \$1,317,000 (2008 - \$nil) 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 (“the Hathor Production 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. 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. Consideration paid by the Company for such interest was \$2,300,000. A finder’s fee of \$69,000 was also paid.

By an agreement dated March 8, 2008, the Company acquired the remaining 2% interest in the Hathor Production Interest in consideration for \$2,500,000 (paid) and the issuance of 3,000,000 common shares (issued) with a market value of \$0.50 per share totalling \$1,500,000. The Company has an aggregate 10% interest in the Hathor Production Interest.

d) 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.

Note 3 Resource Properties – Schedule 1 and Note 9 – (cont'd)

e) Carswell Lake Uranium Property, Saskatchewan

By a Sale and Purchase Agreement (“the S&P Agreement”) dated April 25, 2006, the Company acquired a 100% interest in 44 mineral dispositions and two claim units known as the Carswell Lake Uranium Property located in the Athabasca Basin of northern Saskatchewan. Pursuant to the terms of the S&P Agreement the Company paid the property vendors \$1,000,000 cash and issued 2,500,000 common shares of the Company. In addition, the vendors were granted a 2% net smelter return and a 2% gross overriding royalty.

A finder’s fee of 190,000 common shares was paid by the Company in connection with the property acquisition.

Based on the exploration results to date, the carrying costs of the property and other matters, the Company determined in January 2008 to return the claims to the vendor and accordingly the resource property costs associated with the property totalling \$6,091,195 were written-off during the year ended February 29, 2008.

Note 4 Share Capital

a) Authorized:

Unlimited common shares without par value.

b) Common shares issued and outstanding and contributed surplus:

	Number of Shares	Share Capital Amount	Contributed Surplus Amount
Balance, February 28, 2007	26,620,226	\$ 12,925,827	\$ 1,012,000
Issued during the year			
For cash			
Pursuant to private placements	11,100,000	12,450,000	-
Less:			
Issue costs - cash	-	(896,399)	-
- shares	100,000	110,000	-
- warrants		(588,000)	588,000
Pursuant to resource property agreements	2,226,000	3,376,300	-
Future income tax on flow-through shares	-	(678,000)	-
Fair value of options granted	-	-	1,441,934
	<u>40,046,226</u>	<u>26,589,728</u>	<u>3,041,934</u>
Balance, February 29, 2008	<u>40,046,226</u>	<u>26,589,728</u>	<u>3,041,934</u>

Note 4 Share Capital

b) Common shares issued and outstanding and contributed surplus:

	Number of Shares	Share Capital Amount	Contributed Surplus Amount
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	-
- warrants		(178,080)	125,320
Pursuant to resource property agreements	3,240,000	1,652,800	-
Future income tax on flow-through shares	-	(619,000)	-
Fair value of options granted	-	-	1,309,252
	<u>53,354,056</u>	<u>\$ 33,268,333</u>	<u>\$ 6,156,506</u>
Balance, February 28, 2009			

c) Financing:

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 4(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.

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 relative fair value of these warrants (\$49,000) has been estimated using the Black-Scholes option pricing model using the assumptions in Note 4(e) and has been credited to contributed surplus. In addition, legal and other issue costs of \$51,006 were incurred.

Note 4 Share Capital – (cont'd)

c) Financing: – (cont'd)

During the year ended February 29, 2008:

In April 2007 the Company completed a brokered private placement of 1,600,000 flow-through shares at \$1.25 per share plus 9,500,000 units at \$1.10 per unit for aggregate gross proceeds of \$12,450,000. Each unit consists of one common share and one-half of one transferable common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share of the Company on or before October 3, 2008 at an exercise price of \$1.40 per share. Proceeds from the issuance of the units have been allocated all to common shares and none to warrants.

In the event that the Company's common shares trade at a closing price on the TSX Venture Exchange of greater than \$2.25 per share for a period of 20 consecutive trading days at any time after August 4, 2007, the Company may accelerate the expiry date of the warrants by giving notice to the holders and in such case the warrants will expire on the 30th day after the date on which such notice is given by the Company.

The agents were paid a cash commission of \$809,250, and were granted agent warrants exercisable for 666,000 shares of the Company at a price of \$1.10 per share on or before October 3, 2008. The fair value of these warrants (\$588,000) was estimated using the Black-Scholes option pricing model using the assumptions in Note 4(e) and was charged to share issue costs and credited to contributed surplus. In addition, a finder's fee of \$60,000 and 100,000 common shares was paid, and legal and other issue costs of \$27,149 were incurred.

d) Escrow Shares:

At February 28, 2009, 370,009 (February 29, 2008: 370,009) common shares are held in escrow by the Company's transfer agent.

Subsequent to year end, the Company cancelled the escrow shares.

e) Commitments:

Stock-based compensation plan

The Company has established a stock option plan in accordance with the policies of the TSX-V 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 are for a maximum term of five years.

A summary of the status of the stock option plan as of February 28, 2009 and February 29, 2008, and changes during the years then ended is presented below.

Note 4 Share Capital – (cont'd)

e) Commitments – (cont'd):

	<u>Number of Options</u>	<u>Weighted Average Exercise Price</u>
Outstanding, February 28, 2007	2,000,000	\$1.13
Granted	<u>1,435,000</u>	<u>\$1.39</u>
Outstanding, February 29, 2008	3,435,000	\$0.65 ⁽¹⁾
Granted	2,350,000	\$0.73
Cancelled	<u>(450,000)</u>	<u>\$1.40⁽²⁾</u>
Outstanding, February 28, 2009	<u>5,335,000⁽³⁾</u>	<u>\$0.69</u>
Exercisable, February 28, 2009	<u>5,286,250⁽⁴⁾</u>	<u>\$0.69</u>

⁽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 before the re-price to \$0.65 per share was approved.

⁽³⁾ On June 16, 2009, the Company reduced the exercise price to \$0.45 per share and extended the original five year life by an additional five years for all outstanding options, subject to regulatory approval. For options granted to insiders, these amendments are also subject to shareholder approval.

⁽⁴⁾ A further 28,750 options vested on March 7, 2009, and 20,000 options will vest at various dates to December 30, 2009.

The weighted average contractual remaining life of these options as at February 28, 2009 is 4.53 years (February 29, 2008: 3.94 years)

At February 28, 2009, 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	\$0.65 ⁽¹⁾	December 14, 2011
1,000,000	\$0.65 ⁽¹⁾	January 5, 2012
235,000	\$0.65 ⁽¹⁾	March 5, 2012
750,000	\$0.65 ⁽¹⁾	April 12, 2012
565,000	\$0.75	March 7, 2013
750,000	\$0.65	April 18, 2013
735,000	\$0.80	August 11, 2013
280,000	\$0.75	December 30, 2013
<u>20,000</u>	<u>\$0.75</u>	<u>December 31, 2013</u>
<u>5,335,000⁽²⁾</u>		

⁽¹⁾ On July 7, 2008, all regulatory approvals were received such that the options were re-priced to \$0.65 per share. The original grant prices ranged from \$1.00 to \$1.40 per share.

⁽²⁾ On June 16, 2009, the Company reduced the exercise price to \$0.45 per share and extended the original five year life by an additional five years for all outstanding options, subject to regulatory approval. For options granted to insiders, these amendments are also subject to shareholder approval.

Note 4 Share Capital – (cont'd)

e) Commitments: – (cont'd)

The weighted fair value of share purchase options granted and re-priced during the year ended February 28, 2009 of \$0.23 (2008 - \$1.01) per option was estimated using the Black-Scholes option valuation model with the following assumptions:

	2009	2008
Average risk-free interest rate	1.69-3.20%	3.95-4.11%
Expected life	5 years	5 years
Expected volatility	96.9-118.6%	92.1-92.2%
Expected dividends	Nil	Nil

Warrants

A summary of warrants outstanding as of February 28, 2009 and February 29, 2008, and changes during the years then ended is presented below:

	<u>Number of Warrants</u>	<u>Weighted Average Exercise Price</u>
Outstanding, February 28, 2007	1,281,250	\$1.20
Issued	<u>5,416,000</u>	\$1.36
Outstanding, February 29, 2008	6,697,250	\$1.33
Issued	7,482,989	\$1.19
Expired	<u>(1,947,250)</u>	\$1.17
Outstanding, February 28, 2009	<u><u>12,232,989</u></u>	<u><u>\$1.27</u></u>

At February 28, 2009, 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>
4,750,000	\$1.40	October 3, 2008 ⁽¹⁾
7,318,000	\$1.20	August 21, 2010
<u>164,989</u>	\$0.75	December 30, 2010
<u><u>12,232,989</u></u>		

⁽¹⁾ In September 2008 the expiry date of these warrants was extended to April 3, 2009. On April 3, 2009, 4,750,000 warrants expired unexercised.

Note 4 Share Capital – (cont'd)

f) Shareholder Rights Plan:

In May 2008 the Company announced that its board of directors had approved a shareholders right plan (“the Plan”), as approved subsequently by regulators and shareholders. 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 5 Related Party Transactions

The Company incurred the following charges with directors, officers and former directors of the Company for the years ended February 28, 2009 and February 29, 2008:

	<u>2009</u>	<u>2008</u>
Consulting fees	\$ 56,000	\$ 9,250
Legal, audit & accounting fees	46,000	36,236
Management fees	282,000	162,500
Rent	84,344	19,250
Website	21,200	19,000
Resource property expenditures – Geological consulting	<u>174,000</u>	<u>-</u>
	<u>\$ 663,544</u>	<u>\$ 246,236</u>

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

At February 28, 2009 accounts payable included \$35,310 (February 29, 2008: \$26,561) 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.

Note 6 Income Taxes

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

	<u>2009</u>	<u>2008</u>
Statutory tax rate	<u>30.0%</u>	<u>33.6%</u>
Loss for the year before recovery of future income tax asset	<u>\$(4,399,898)</u>	<u>\$(9,057,206)</u>
Expected income tax recovery	\$ 1,320,000	\$ 3,044,000
Stock-based compensation and other	(476,000)	(523,000)
Share issue costs	55,000	233,000
Effect of change in tax rate	(40,000)	(644,000)
Change in valuation allowance	<u>(240,000)</u>	<u>(1,275,000)</u>
Future income tax recovery	<u>\$ 619,000</u>	<u>\$ 835,000</u>

Note 6 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>2009</u>	<u>2008</u>
Future income tax assets		
Share issue costs	\$ 230,000	\$ 257,000
Resource properties and related deferred exploration	862,000	986,000
Non-capital tax losses carried forward	<u>1,145,000</u>	<u>754,000</u>
	2,237,000	1,997,000
Less: valuation allowance for future income tax assets	<u>(2,237,000)</u>	<u>(1,997,000)</u>
Future income tax assets	<u>\$ -</u>	<u>\$ -</u>

During the year ended February 28, 2009, the Company renounced \$2,062,373 (year ended February 29, 2008 - \$2,000,000) of Canadian exploration expenditures to subscribers of flow-through shares offerings. As a result of these renunciations, the Company is not entitled to deduct these expenses for tax purposes. Further, the Company is committed to incurring qualifying expenditures in the amount of approximately \$2,800,000 on or before December 31, 2009 with respect to these flow-through share subscriptions.

The Company recorded a valuation allowance against its future income tax assets based on the extent to which it is more-likely-than-not that sufficient taxable income will not be realized during the carry-forward periods to utilize all the future tax assets.

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

2010	\$ 212,000
2011	146,000
2015	190,000
2026	112,000
2027	468,000
2028	1,634,000
2029	<u>1,643,000</u>
	<u>\$ 4,405,000</u>

In addition to the tax losses listed above there are resource related expenditures of approximately \$18,234,000 which can be used to offset future Canadian income indefinitely.

Note 7 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 resource 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.

Note 7 Management of Capital – (cont'd)

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, 2009, the Company has not entered into any debt financing.

The Company is dependent on the capital markets as its sole 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 8 Financial Instruments

Fair Value of Financial Instruments

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

Foreign Exchange Risk

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

Credit Risk

Credit risk arises from cash held with banks and financial institutions. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The Company's cash is held with a large Canadian bank.

Interest Rate Risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk that the Company will realize a loss is limited because at present the only interest bearing financial assets the Company holds are Guaranteed Investment Certificates with a major Canadian bank with fixed interest rates that permit penalty-free redemption after they have been held for 30 days.

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 9 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, 2009, the following transactions were excluded from the statements of cash flows:

- the Company issued the following common shares pursuant to resource property agreements and finder fee agreements, the value of which were included in the cost of resource 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 resource 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 \$125,320, which amount was recorded as an increase to contributed surplus and a reduction to share capital.

During the year ended February 29, 2008:

- the Company issued the following common shares pursuant to resource property agreements and finder fee agreements, the value of which were included in the cost of resource properties:
 - 2,106,000 common shares at \$1.55 per share totalling \$3,264,300;
 - 100,000 common shares at \$0.92 per share totalling \$92,000; and
 - 20,000 common shares at \$1.00 per share totalling \$20,000.
- the Company issued 100,000 common shares at \$1.10 totalling \$110,000 pursuant to a finder's fee agreement with respect to a private placement financing completed. The value of the shares was recorded as a share issuance and reduction to share capital. The value was determined by the market value at the date these shares were issued.
- the Company issued agent warrants as a finders fee, exercisable for 666,000 shares of the Company at a price of \$1.10 per share on or before October 3, 2008, the fair value of which was determined to be \$588,000, which amount was recorded as an increase to contributed surplus and a reduction to share capital.

Note 10 Segment Information

The Company operates in one segment – the acquisition, exploration and development of uranium properties. As at February 28, 2009, all the operations and assets of the Company were located in Canada save for the Grand County Property, located in Utah, USA.

Note 11 Commitments

The Company is committed to monthly payments of approximately \$7,333 under an operating lease for office premises expiring October 31, 2012 as follows:

2010	\$	88,001
2011		88,001
2012		88,001
2013		<u>58,667</u>
	\$	<u>322,670</u>

Note 12 Comparative Figures

Certain of the prior year's comparative figures have been reclassified to conform to the presentation used in the current year.

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

Schedule 1

	Canada			USA	<u>Total</u>
	Lac Kachiwiss	Production Interests		Grand County	
		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
	<u>2,246,032</u>	<u>-</u>	<u>6,610</u>	<u>130,591</u>	<u>2,383,233</u>
Acquisition costs					
Cash	223,570	-	2,500,000	-	2,723,570
Shares	124,000	-	1,500,000	28,800	1,652,800
	<u>347,570</u>	<u>-</u>	<u>4,000,000</u>	<u>28,800</u>	<u>4,376,370</u>
Resource properties written-down (Note 3)	<u>-</u>	<u>(1,317,000)</u>	<u>-</u>	<u>(419,454)</u>	<u>(1,736,454)</u>
Balance, February 28, 2009	<u>\$ 6,861,521</u>	<u>\$ 1,683,000</u>	<u>\$ 6,375,610</u>	<u>\$ -</u>	<u>\$ 14,920,131</u>

TERRA VENTURES INC.
CONSOLIDATED SCHEDULE OF RESOURCE PROPERTIES
For the year ended February 29, 2008

Schedule 1

	Canada				USA	
	<u>Carswell</u> <u>Lake</u>	<u>Lac</u> <u>Kachiwiss</u>	Production Interests		<u>Grand</u> <u>County</u>	<u>Total</u>
			<u>Titan</u>	<u>Hathor</u>		
Balance, February 28, 2007	\$4,851,473	\$ -	\$3,000,000	\$ -	\$ -	\$ 7,851,473
Deferred exploration costs						
Access roads	-	16,685	-	-	-	16,685
Consultants – Geophysical	1,108,789	-	-	-	-	1,108,789
Consultants – Geological Reports	(9,864)	16,285	-	-	-	6,421
Consultants – Geological	438	37,618	-	-	-	38,056
Consultants – General	-	-	-	-	2,056	2,056
General field labour	-	1,750	-	-	-	1,750
Drilling	-	915,149	-	-	-	915,149
Helicopters	-	7,889	-	-	-	7,889
Equipment rental	-	150	-	-	-	150
Field office	-	5,548	-	-	-	5,548
Freight	-	246	-	-	-	246
Maps and data compilation	3,612	-	-	-	-	3,612
Travel and accommodation	-	2,174	-	-	-	2,174
Property filings/assessment/fees	136,747	-	-	-	27,531	164,278
Licenses/permits & fees	-	125	-	-	739	864
	<u>1,239,722</u>	<u>1,003,619</u>	<u>-</u>	<u>-</u>	<u>30,326</u>	<u>2,273,667</u>
Acquisition costs						
Cash	-	-	-	2,369,000	117,737	2,486,737
Shares	-	3,264,300	-	-	112,000	3,376,300
	<u>-</u>	<u>3,264,300</u>	<u>-</u>	<u>2,369,000</u>	<u>229,737</u>	<u>5,863,037</u>
Resource property written off (Note 3)	(6,091,195)	-	-	-	-	(6,091,195)
Balance, February 29, 2008	<u>\$ -</u>	<u>\$ 4,267,919</u>	<u>\$ 3,000,000</u>	<u>\$ 2,369,000</u>	<u>\$ 260,063</u>	<u>\$ 9,896,982</u>