

TERRA VENTURES INC.

FINANCIAL STATEMENTS

For the three months ended May 31, 2007

(Prepared without audit)

**NOTICE OF NO AUDITOR REVIEW OF
INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

TERRA VENTURES INC.
BALANCE SHEETS

	May 31, 2007 <u>(unaudited)</u>	February 28, 2007 <u>(audited)</u>
<u>ASSETS</u>		
Current		
Cash and cash equivalents – Note 3	\$ 10,097,780	\$ 2,920,586
GST and other receivables	190,305	45,984
Prepaid expenses	<u>47,360</u>	<u>-</u>
	10,335,445	2,966,570
Resource properties – Schedule 1, Notes 4, 6 and 9	<u>14,494,467</u>	<u>7,851,473</u>
	<u>\$ 24,829,912</u>	<u>\$ 10,818,043</u>
<u>LIABILITIES</u>		
Current		
Accounts payable and accrued liabilities – Note 7	\$ 51,987	\$ 74,205
Loans payable – Note 5	<u>257</u>	<u>257</u>
	52,244	74,462
Future income tax liability – Note 8	<u>-</u>	<u>157,000</u>
	<u>52,244</u>	<u>231,462</u>
<u>SHAREHOLDERS' EQUITY</u>		
Share capital – Notes 6 and 9	27,152,254	12,925,827
Contributed surplus	2,956,850	1,012,000
Deficit	<u>(5,331,436)</u>	<u>(3,351,246)</u>
	<u>24,777,668</u>	<u>10,586,581</u>
	<u>\$ 24,829,912</u>	<u>\$ 10,818,043</u>

Commitments – Notes 4 and 6
Subsequent event – Note 11

APPROVED BY THE DIRECTORS:

<u>“Gunther Roehlig”</u> Gunther Roehlig	Director	<u>“Robert McMorran”</u> Robert McMorran	Director
---	----------	---	----------

SEE ACCOMPANYING NOTES

TERRA VENTURES INC.
STATEMENTS OF OPERATIONS AND DEFICIT
(prepared without audit)

	Three months ended May 31,	
	2007	2006
Expenses		
Bank charges and interest	\$ 1,632	\$ 58
Consulting fees – Note 7	82,567	7,500
Legal and accounting fees – Note 7	82,530	-
Management fees – Note 7	30,000	7,500
Office expenses and miscellaneous – Note 7	22,680	250
Rent – Note 7	11,250	1,500
Investor relations – Note 7	124,694	-
Stock-based compensation – Note 6	1,356,850	-
Tradeshaw and marketing	381,608	-
Transfer agent, exchange listing and filing fees	54,733	2,116
Travel and accommodation	<u>29,427</u>	<u>1,168</u>
Loss before other items	(2,177,971)	(20,092)
Other items:		
Interest income	40,781	-
Future income tax recovery – Note 8	<u>157,000</u>	<u>-</u>
Net (loss) income for the period	(1,980,190)	(20,092)
Deficit, beginning of the period	<u>(3,351,246)</u>	<u>(2,501,320)</u>
Deficit, end of the period	<u>\$ (5,331,436)</u>	<u>\$ (2,521,412)</u>
Basic and diluted (loss) income per share	<u>\$ (0.06)</u>	<u>\$ (0.00)</u>
Weighted average number of shares outstanding	<u>35,313,661</u>	<u>10,626,476</u>

SEE ACCOMPANYING NOTES

TERRA VENTURES INC.
STATEMENTS OF CASH FLOWS
(prepared without audit)

	Three months ended May 31,	
	2007	2006
Operating Activities		
Net income (loss) for the year	\$ (1,980,190)	\$ (20,092)
Items not affecting cash		
Stock-based compensation	1,356,850	-
Future income tax recovery	<u>(157,000)</u>	<u>-</u>
	(780,340)	(20,092)
Changes in non-cash working capital items:		
GST and other receivables	(144,321)	(335)
Prepaid expenses	(47,360)	-
Accounts payable and accrued liabilities	<u>(22,218)</u>	<u>1,070</u>
Cash used in operating activities	<u>(994,239)</u>	<u>(19,357)</u>
Investing Activities		
Acquisition of resource properties	(2,407,227)	-
Deferred exploration expenditures	<u>(971,467)</u>	<u>-</u>
Cash used in investing activities	<u>(3,378,694)</u>	<u>-</u>
Financing Activities		
Related party advances	-	15,000
Issuance of common shares, net	<u>11,550,127</u>	<u>-</u>
Cash provided by financing activities	<u>11,550,127</u>	<u>15,000</u>
Increase in cash during the period	7,177,194	(4,357)
Cash and cash equivalents, beginning of the period	<u>2,920,586</u>	<u>23,363</u>
Cash and cash equivalents, end of the period	<u>\$ 10,097,780</u>	<u>\$ 19,006</u>
Supplemental disclosure of cash flow information:		
Cash paid for:		
Interest	<u>\$ -</u>	<u>\$ -</u>
Income taxes	<u>\$ -</u>	<u>\$ -</u>

Non-Cash Transactions – Note 9

SEE ACCOMPANYING NOTES

TERRA VENTURES INC.
NOTES TO THE FINANCIAL STATEMENTS
Three months ended May 31, 2007
(prepared without audit)

Note 1 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 May 31, 2007, the Company was in the exploration stage and had interests in properties located in Canada and the United States.

The recoverability of amounts shown for resource properties is dependent upon the discovery of economically recoverable reserves, confirmation of the Company’s interest in the underlying mineral claims, the ability of the Company to obtain financing to complete their development, and future profitable production or disposition thereof.

Note 2 Summary of Significant Accounting Policies

These unaudited interim financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles, following accounting policies consistent with the Company’s audited financial statements and notes thereto for the year ended February 28, 2007, with certain additions, as follows. These financial statements do not include all the disclosures required by generally accepted accounting principles and should be read in conjunction with the most recent audited financial statements of the Company.

Adoption of New Accounting Standards

On March 1, 2007, the Company adopted two new accounting standards issued by the Canadian Institute of Chartered Accountants (“CICA”); Section 3855, “Financial instruments – recognition and measurement”; and Section 1530, “Comprehensive income”. These standards were adopted on a prospective basis and as such, prior periods have not been restated.

a) Financial instruments – recognition and measurement

CICA Handbook Section 3855 requires that all financial assets, except those classified as held to maturity and derivative financial instruments, must be measured at fair value. All financial liabilities must be measured at fair value when they are classified as held for trading; otherwise, they are measured at cost. The Company’s financial statements have not been impacted by this policy to date.

b) Comprehensive income

Under CICA Handbook Section 1530, comprehensive income is the change in the Company’s net assets that results from transactions, events and circumstances from sources other than the Company’s shareholders and includes items that would not normally be included in the statement of operations such as unrealized gains or losses from available for sale securities which are not included in computing net income (loss) until realized. The Company does not currently have any assets or liabilities that are subject to this accounting treatment.

Note 3 Cash and Cash Equivalents

Included in cash and cash equivalents at May 31, 2007, are \$3,167,934 of redeemable term deposits which bear interest at prime less 2.1% per annum and mature on December 31, 2007. In addition, the Company holds \$5,999,986 of bankers acceptances that bear interest at 4.2% per annum, maturing August 7, 2007.

Note 4 Resource Properties – Schedule 1 and Note 6

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 or has acquired ownership rights to as at May 31, 2007.

a) 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.

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.

c) 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.

Note 4 Resource Properties – Schedule 1 and Note 6 – (cont’d)

c) Lac Kachiwiss Property, Quebec – (cont’d)

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 as a finder’s fee payment in connection with this transaction.

d) Hathor Production Carried Interest, Saskatchewan

By agreement dated March 30, 2007, the Company acquired from an arms-length third party 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.

e) 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 must make cash payments aggregating US\$450,000 and issue an aggregate of 200,000 common shares over a period of five years. In addition the vendor has retained a 3% NSR which the Company may 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, subject to regulatory approval. Subsequent to May 31, 2007, the Company issued 20,000 common shares in respect of this obligation. Pending regulatory approval a further 40,000 common shares will be issued.

Note 5 Loans Payable

	<u>May 31,</u> <u>2007</u>	<u>February 28,</u> <u>2007</u>
Loans payable, unsecured, non-interest bearing, due on demand.	\$ <u>257</u>	\$ <u>257</u>

Note 6 Share Capital

a) Authorized:

Unlimited common shares without par value.

Note 6 Share Capital – (cont'd)

b) Issued:

	<u>Number</u>	<u>Amount</u>
Balance, February 28, 2007	26,620,226	\$ 12,925,827
Issued during the period		
For cash		
Pursuant to private placements	11,100,000	12,450,000
Less:		
Issue costs - cash and other	-	(1,487,873)
- shares	100,000	-
Pursuant to resource property agreements	2,106,000	3,264,300
	<u>39,926,226</u>	<u>\$ 27,152,254</u>
Balance, May 31, 2007	<u>39,926,226</u>	<u>\$ 27,152,254</u>

c) Financings:

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.

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. With respect to the agent warrants issued, the fair value of these warrants (\$588,000) as determined by an option pricing model was charged to share issue costs and credited to contributed surplus. In addition, a finder's fee of \$60,000 and 100,000 commons shares was paid, and legal and other issue costs of \$30,623 were incurred.

d) Escrow Shares

At May 31, 2007, 370,009 (February 28, 2007: 370,009) common shares are held in escrow by the Company's transfer agent. The Company has applied to have the escrow shares cancelled.

Note 6 Share Capital – (cont'd)

e) Commitments:

i) 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 May 31, 2007 and changes during the three-month period then ended is presented below. The Company did not have a stock option plan in place for the comparable period in 2006 and accordingly there is no comparative information.

	<u>Number of Options</u>	<u>Weighted Average Exercise Price</u>
Outstanding, February 28, 2007	2,000,000	\$1.10
Granted	1,435,000	\$1.39
Exercised	<u>-</u>	<u>\$ -</u>
Outstanding, May 31, 2007	<u>3,435,000</u>	<u>\$1.22</u>
Exercisable, May 31, 2007	<u>3,260,000</u>	<u>\$1.22</u>

At May 31, 2007, 3,950,000 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	\$1.00	December 14, 2011
1,000,000	\$1.25	January 05, 2012
235,000	\$1.35	March 5, 2012
<u>1,200,000</u>	\$1.40	April 12, 2012
<u>3,950,000</u>		

The weighted fair value of share purchase options granted during the three-month period ended May 31, 2007 of \$0.52 per option was estimated using the Black-Scholes option valuation model with the following assumptions:

Average risk-free interest rate	3.95-4.11%
Expected life	5 years
Expected volatility	92.1-92.2%
Expected dividends	Nil

Note 6 Share Capital – (cont'd)

e) Commitments:

ii) Warrants

	Number of Shares issuable Pursuant to <u>Warrants</u>	Weighted Average Exercise <u>Price</u>
Balance, February 28, 2007	1,281,250	\$1.20
Issued	5,416,000	\$1.36
Exercised	<u>-</u>	<u>\$ -</u>
Balance, May 31, 2007	<u>6,697,250</u>	<u>\$1.33</u>

At May 31, 2007, the following share purchase warrants were outstanding entitling the holder thereof the right to purchase one common share for each warrant held:

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
1,281,250	\$1.20	December 28, 2008
4,750,000	\$1.40	October 8, 2008
<u>666,000</u>	\$1.10	October 8, 2008
<u>6,697,250</u>		

Note 7 Related Party Transactions

The Company incurred the following charges with directors, officers and former directors of the Company:

	Three months ended May 31,	
	2007	2006
Accounting fees	\$ 4,620	\$ -
Consulting fees	-	7,500
Management fees	30,000	7,500
Rent	6,000	-
Investor relations	94,720	
Website	<u>7,000</u>	<u>-</u>
	<u>\$ 142,340</u>	<u>\$ 15,000</u>

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

At May 31, 2007 accounts payable included \$7,100 (February 28, 2007: \$33,182) 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 8 Future Income Tax Liability

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

	May 31, 2007	February 28, 2007
Future income tax assets		
Non-capital tax losses carried forward	\$ 850,000	\$ 440,000
Permanent differences	<u>134,000</u>	<u>126,000</u>
	984,000	566,000
Future income tax liabilities		
Resource pools net of flow-through share renunciations	<u>(723,000)</u>	<u>(723,000)</u>
Net income tax assets (liabilities)	261,000	(157,000)
Less: valuation allowance for future income tax assets	<u>(261,000)</u>	<u>-</u>
Net future income tax liabilities	<u>\$ -</u>	<u>\$ (157,000)</u>

During the year ended February 28, 2007, the Company renounced \$2,113,000 of Canadian exploration expenditures to subscribers of a flow-through share offering. As a result of this renunciation, 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 \$2,113,000 on or before December 31, 2007 with respect to these flow-through share subscriptions. As at May 31, 2007, the Company has incurred approximately \$979,500 of qualifying expenditures.

During the three months ended May 31, 2007, the Company issued an additional \$2,000,000 of flow-through shares (Note 6). Pursuant to the Company's accounting policy for such, the tax impact of this share issuance on the Company's accounts will be recorded when the Company renounces the corresponding Canadian exploration expenditures to the subscribers of the flow-through share offering, likely in February 2008. The Company is committed to incurring qualifying expenditures in the amount of \$2,000,000 on or before December 31, 2008 with respect to these flow-through share subscriptions. To date no qualifying expenditures have been incurred.

As at May 31, 2007, the Company's future income tax assets exceed its liabilities and as such the Company, pursuant to its policy for accounting for flow-through shares, has reduced to \$nil the amount of future income tax liability from the balance (\$157,000) that existed at February 28, 2007. This offsetting entry has been recorded in the statement of operations as future income tax recovery.

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 flow. During the three months ended May 31, 2007, the following transactions were excluded from the statements of cash flows:

- the Company issued 2,106,000 common shares at \$1.55 per share totalling \$3,264,300 pursuant to resource property agreements and finder fee agreements;

Note 9 Non-cash Transactions – (cont'd)

- the Company issued 666,000 agent warrants at an ascribed value of \$588,000 in connection with a private placement financing. The cost of the warrants was recorded against share capital issue costs and credited to contributed surplus; and
- the Company issued 100,000 common shares at \$1.10 per share as a finder's fee in connection with a private placement financing. The cost of the fee was charged to share capital issue costs.

Note 10 Segmented Information

The Company operates in one segment – the acquisition, exploration and development of uranium properties. As at May 31, 2007, all the operations and assets of the Company were located in Canada save for the Grand County Property, located in Utah, USA.

Note 11 Subsequent Event

In June 2007 the Company issued 20,000 common shares as finder's fee payable on the Grand County Property (Note 4).

TERRA VENTURES INC.
SCHEDULE OF RESOURCE PROPERTIES
Three months ended May 31, 2007
(prepared without audit)

Schedule 1

	Canada			USA	<u>Total</u>
	Carswell Lake	Lac Kachiwiss	Production Interests	Grand County	
Balance, February 28, 2007	<u>\$ 4,851,473</u>	<u>\$ -</u>	<u>\$ 3,000,000</u>	<u>\$ -</u>	<u>\$ 7,851,473</u>
Deferred exploration costs					
Consultants – Geophysical	969,471	-	-	-	969,471
Consultants – Geological Reports	(9,863)	16,285	-	-	6,422
Consultants – Geological	(9,582)	1,544	-	-	(8,038)
Field office	-	-	-	-	-
Maps and data compilation	3,612	-	-	-	3,612
Travel and accommodation	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>953,638</u>	<u>17,829</u>	<u>-</u>	<u>-</u>	<u>971,467</u>
Acquisition costs					
Cash	-	-	2,369,000	38,227	2,407,227
Shares	<u>-</u>	<u>3,264,300</u>	<u>-</u>	<u>-</u>	<u>3,264,300</u>
	<u>-</u>	<u>3,264,300</u>	<u>2,369,000</u>	<u>38,227</u>	<u>5,671,527</u>
Balance, May 31, 2007	<u>\$ 5,805,111</u>	<u>\$ 3,282,129</u>	<u>\$ 5,369,000</u>	<u>\$ 38,227</u>	<u>\$ 14,494,467</u>