

*Financial Statements of*

**Terra Ventures Inc.**

**For the nine months ended November 30, 2006**

**(Unaudited)**

**TERRA VENTURES INC.**  
**NOTICE OF NO AUDITOR REVIEW OF**  
**INTERIM FINANCIAL STATEMENTS**

The accompanying unaudited interim financial statements of the Company and all information contained in the third quarter fiscal 2007 report have been prepared by and are the responsibility of the Company's management.

The Audit Committee of the Board of Directors has reviewed the financial statements and related financial reporting matters.

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.

SEE ACCOMPANYING NOTES

# TERRA VENTURES INC.

## BALANCE SHEETS

	November 30, 2006 (Unaudited)	February 28, 2006
<b>ASSETS</b>		
Current		
Cash	\$ 20,876	\$ 23,363
GST receivable	15,766	10,122
	<u>39,298</u>	<u>33,485</u>
Deferred financing charge – Note 4	10,000	-
	<u>\$ 46,642</u>	<u>\$ 33,485</u>
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities	\$ 58,141	\$ 23,860
Loan payable – Note 5	257	257
Due to related parties	27,490	-
	<u>85,888</u>	<u>24,117</u>
<b>SHAREHOLDERS' EQUITY (DEFICIENCY)</b>		
Share capital – Note 6	2,598,188	2,510,688
Deficit	(2,637,434)	(2,501,320)
	<u>(39,246)</u>	<u>9,368</u>
	<u>\$ 46,642</u>	<u>\$ 33,485</u>

Nature and Continuation of Operations – Note 1  
Subsequent Event – Note 8

APPROVED BY THE DIRECTORS:

“Gunther Roehlig” Director

“Rob McMorran” Director

SEE ACCOMPANYING NOTES

# TERRA VENTURES INC.

## STATEMENTS OF OPERATIONS AND DEFICIT (Unaudited)

	Three months ended		Nine months ended	
	November 30, 2006	November 30, 2005	November 30, 2006	November 30, 2005
<b>EXPENSES</b>				
Bank charges and interest	\$ 52	\$ 65	\$ 153	\$ 285
Consulting	(250)	7,500	7,500	22,500
Legal and accounting fees	33,632	7,740	50,432	24,740
Management fees	-	7,500	15,000	22,500
Office expenses and miscellaneous	857	-	857	-
Printing	-	-	-	1,572
Rent	2,500	1,500	5,500	2,500
Shareholder's communication	427	-	1,223	347
Transfer agent and filing fees	35,580	(163)	42,608	8,522
Travel and entertainment	-	82	1,341	138
Website design and development	11,500	-	11,500	-
	<b>84,298</b>	24,224	<b>136,114</b>	83,104
Write-off on disposal of Subsidiary	-	-	-	1,573,107
<b>NET LOSS FOR THE PERIOD</b>	<b>(84,298)</b>	(24,224)	<b>(136,114)</b>	(1,656,211)
<b>DEFICIT, BEGINNING OF PERIOD</b>	<b>(2,553,136)</b>	(4,210,584)	<b>(2,501,320)</b>	(2,578,597)
<b>DEFICIT, END OF PERIOD</b>	<b>\$ (2,637,434)</b>	\$ (4,234,808)	<b>\$ (2,637,434)</b>	\$ (4,234,808)
Loss per share	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.54)
Weighted average number of shares outstanding	<b>10,846,256</b>	4,006,476	<b>10,699,203</b>	3,090,112

SEE ACCOMPANYING NOTES

# TERRA VENTURES INC.

## STATEMENTS OF CASH FLOWS (Unaudited)

	Three months ended		Nine months ended	
	November 30, 2006	November 30, 2005	November 30, 2006	November 30, 2005
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
Net loss for the period	\$ (84,298)	\$ (24,224)	\$ (136,114)	\$ (1,656,211)
Items not affecting cash				
Write-off of subsidiary	-	-	-	1,573,107
Net change in non-cash working capital items:				
Goods and service tax recovery	(3,662)	(616)	(5,644)	(2,422)
Accounts payable and accrued liabilities	17,009	(4,081)	34,281	(10,871)
Cash used in operating activities	(70,951)	(28,921)	(107,477)	(96,397)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>				
Advances to subsidiary	-	-	-	(138,335)
Cash used in investing activities	-	-	-	(138,335)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
Issue of common shares for cash	87,500	-	87,500	200,000
Deferred financing charges	(10,000)	-	(10,000)	-
Loans payable	-	-	-	15,178
Related party advances	4,990	12,000	27,490	51,853
Cash from (used in) financing activities	82,490	12,000	104,990	267,031
<b>INCREASE (DECREASE) IN CASH DURING THE PERIOD</b>	<b>11,539</b>	<b>(16,921)</b>	<b>(2,487)</b>	<b>32,299</b>
<b>CASH, BEGINNING OF PERIOD</b>	<b>9,337</b>	<b>51,088</b>	<b>23,363</b>	<b>1,868</b>
<b>CASH, END OF PERIOD</b>	<b>\$ 20,876</b>	<b>\$ 34,167</b>	<b>\$ 20,876</b>	<b>\$ 34,167</b>

### SUPPLEMENTAL INFORMATION

Interest paid	\$	-	\$	-	\$	-
Taxes paid		-		-		-
Interest received		-		-		-

SEE ACCOMPANYING NOTES

# TERRA VENTURES INC.

## NOTES TO FINANCIAL STATEMENTS

For the nine months ended November 30, 2006  
(Unaudited)

### Note 1 Nature and Continuance of Operations

The Company is in the development stage and as at November 30, 2006 was listed on the NEX Exchange, a division of the TSX Venture Exchange.

These financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from carrying values as shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. At November 30, 2006, the Company has accumulated losses of \$2,634,778 since its inception and expects to incur further losses in the development of its business. The Company's ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due.

The Company is incorporated under the British Columbia Business Corporations Act.

### Note 2 Significant Accounting Policies

These interim consolidated financial statements are expressed in Canadian dollars and have been prepared by the Company in accordance with Canadian generally accepted accounting principles using the same accounting policies and methods as per the annual audited financial statements for the year ended February 28, 2006 except that they have been prepared on a non-consolidated basis. They do not include all the disclosures required by generally accepted accounting principles and should be read in conjunction with the most recent annual audited financial statements of the Company.

### Note 3 Carswell Lake Uranium Property Acquisition

On April 25, 2006, the Company entered into an agreement ("the Carswell Lake Agreement") to acquire a 100% interest in the Carswell Lake Uranium Property comprising 44 mineral dispositions and two exploration permits located in Saskatchewan. As consideration for acquiring the property the Company agreed to pay the Vendor \$1,000,000 cash and to issue \$2,000,000 in common shares of the Company. In addition, the Vendor will retain a royalty of 2% of net smelter returns and a 2% gross overriding royalty. The common shares to be issued to the Vendor are to be issued at the same price as shares issued in a concurrent equity financing provided that the Vendor will not receive less than 2,000,000 common shares of the Company. This agreement is subject to TSX Venture Exchange (TSXV) approval. If approval is not received by November 30, 2006, the Vendor has the right to terminate the agreement at any time. Subsequent to November 30, 2006, the transaction closed (Note 8).

Note 4 Deferred Financing Charge

The deferred financing charge relates to monies advanced to the agent acting in connection with a proposed brokered private placement. The monies are to cover disbursements and legal costs associated with the proposed financing. Subsequent to November 30, 2006, the financing closed (Note 8).

Note 5 Loan Payable

The loan payable is unsecured, non-interest bearing and due on demand.

Note 6 Share Capital

a) Authorized:

100,000,000 common shares without par value.

b) Issued:

	Common Shares	Amount
Balance, February 28, 2006	10,626,476	\$ 2,510,688
Issued pursuant to exercise of warrants	700,000	87,500
	<hr/>	
Balance, November 30, 2006	<u>11,326,476</u>	<u>\$ 2,510,688</u>

c) Escrow Shares

At November 30, 2006, 370,009 common shares are held in escrow by the Company's transfer agent. The Company has applied to have the escrow shares cancelled.

d) Warrants

A summary of warrants that have been issued by the Company and their status at November 30, 2006 and the changes for the period then ended is presented below:

	<u>2006</u>	
	Warrants Outstanding <sup>(1)</sup>	Weighted Average Exercise Price \$/Share
Balance February 26, 2006	6,100,000	0.125
Exercised	(700,000)	0.125
Balance November 30, 2005	<u>5,400,000</u>	<u>0.125</u>

Warrants Outstanding as at November 30, 2006

Exercise Price	Number of Warrants <sup>(1)</sup>	Expiry Date
\$0.125	5,400,000	January 16, 2007

<sup>(1)</sup> The number of warrants reflects the equivalent number of common shares that may be acquired on exercise.

Note 7 Related Party Transactions

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

	<u>2006</u>	<u>2005</u>
Accounting fees	4,000	-
Consulting fees	7,500	15,000
Management fees	<u>15,000</u>	<u>15,000</u>
	<u>\$ 22,500</u>	<u>\$ 30,000</u>

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

Note 8 Subsequent Events

a) *Warrant Exercise*

Subsequent to November 30, 2006, 5,400,000 warrants have been exercised at \$0.125 per share for gross proceeds of \$675,000.

b) *Property Acquisition*

On December 21, 2006 the TSX Venture Exchange accepted for filing the Company's acquisition of the Carswell Lake Uranium Property. Pursuant to the terms of the Carswell Lake Agreement (Note 3), the Company subsequently issued 2,500,000 of its common shares to the property vendor and paid the vendor \$1,000,000 cash.

In addition, the Company issued 190,000 of its common shares to an arms-length party as a finder's fee with respect to this transaction.

The property vendor retained a royalty of 2% of net smelter returns and a 2% gross overriding royalty.

c) *Private Placement Financing*

On December 28, 2006, and in connection with the Carswell Lake Agreement (Note 3), the Company closed a brokered private placement financing for gross proceeds of \$4,163,000. The financing consisted of 2,641,250 flow-through shares issued at \$0.80 per share and 2,562,500 units issued at \$0.80 per unit. Each non-flow-through unit consists of one common share and one-half of one non-transferable share purchase warrant, each full warrant entitling the holder thereof to purchase one additional common share of the company for a two-year period at \$1.20.

The Agent received a cash commission of \$333,040 plus reimbursement of related expenses.

Terra Ventures Inc.

Notes to Financial Statements

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*d) Stock Option Grant*

On December 14, 2006, the Company granted 1,000,000 stock options at \$1.00 per share to directors, officer, employees and consultants. The options expire December 14, 2011.

On January 5, 2007, the Company granted 1,000,000 stock options at \$1.25 per share to directors, officers, employees and consultants. The options expire January 5, 2012.