

# **TERRA VENTURES INC.**

## **Management's Discussion and Analysis of Financial Position and Results of Operations ("MD&A")**

The following information, prepared as of June 30, 2008, explains trends in the financial condition and results of operations for Terra Ventures Inc. (the "Company" or "Terra") for the year ended February 29, 2008 as compared to the year ended February 28, 2007. This discussion and analysis of the results of operations and financial condition of the Company should be read in conjunction with the audited financial statements of the Company for the year ended February 29, 2008, which have been prepared in accordance with Canadian generally accepted accounting principles. All financial statement figures are reported in Canadian dollars unless explicitly stated otherwise

### **FORWARD-LOOKING STATEMENTS**

Forward-looking statements look into the future and provide an opinion as to the effect of certain events and trends on the business. Forward-looking statements may include words such as "plans", "intends", "anticipates", "should", "estimates", "expects", "believes", "indicates", "suggests" and similar expressions.

This MD&A and in particular the "Outlook" section, contains forward-looking statements. These forward-looking statements are based on current expectations and various estimates, factors and assumptions and involve known and unknown risks, uncertainties and other factors. Information concerning the interpretation of drill results may also be considered a forward-looking statement, as such information constitutes a prediction of what mineralization might be found to be present if and when a project is actually developed.

It is important to note that:

- Unless otherwise indicated, forward-looking statements in this MD&A describe the Company's expectations as of June 30, 2008.
- Readers are cautioned not to place undue reliance on these statements as the Company's actual results, performance or achievements may differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements if known or unknown risks, uncertainties or other factors affect the Company's business, or if the Company's estimates or assumptions prove inaccurate. Therefore, the Company cannot provide any assurance that forward-looking statements will materialize.
- The Company assumes no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or any other reason.

The material assumptions that were applied in making the forward looking statements in this MD&A include: execution of the Company's existing plans or exploration programs for each of its properties, either or which may change due to changes in the views of the Company or its joint venture partner or if new information arises which makes it prudent to change such plans or programs; and the accuracy of current interpretation of drill and other exploration results.

For a description of material factors that could cause the Company's actual results to differ materially from the forward-looking statements in this MD&A, please see "Risks and Uncertainties".

## **GENERAL**

On September 16, 2003 the Company announced the sale of all assets of its wholly owned subsidiary Transmeridian Communications Inc. This agreement received shareholder approval at the Company's AGM held on August 26, 2003 and received regulatory approval on September 23, 2003. The sale was completed shortly thereafter. At the same AGM the Company also received shareholder approval for an 18:1 consolidation of its outstanding shares. This was subsequently completed on June 11, 2004 and the Company's name was changed to Terra Ventures Inc.

With the introduction of the NEX board of the TSX Venture Exchange ("TSXV"), the Company's listing was transferred from the TSXV to the NEX and the Company was designated as inactive, subject to the restrictions placed on inactive issuers as outlined in the TSXV Exchange Policy 2.6.

On April 25, 2006 the Company entered into a Sale and Purchase Agreement to acquire a 100% interest in 44 mineral dispositions and two claim units known as the Carswell Lake Property located in the Athabasca Basin of northern Saskatchewan. On December 21, 2006 the TSXV approved the transaction and a concurrent brokered private placement financing. The acquisition transaction was subsequently completed on December 28, 2006 and constituted a reverse takeover as such term is defined by the policies of the TSXV.

Thereafter the Company has continued the process of building a mineral property inventory that is focused on uranium prospects located in North America.

Terra currently is a development stage company engaged in the exploration of mineral resource properties and is a reporting issuer in the provinces of Alberta and British Columbia. As of December 22, 2006 the Company trades on the TSXV under the trading symbol "TAS". In March 2007 the Company announced that it had also been listed on the Berlin and Frankfurt exchanges under the symbol G7K.

## **Canadian Uranium Properties and Interests**

### ***Carswell Lake***

In April 2006 the Company entered into a Sale and Purchase Agreement to acquire a 100% interest in the Carswell Lake property. The property was comprised of two separate claim groups, the 283,154 hectare Carswell Lake claim group and the 53,642 hectare Black Lake claim group.

The Company completed geophysical surveys at both properties and based on these and other exploration results to date, together with the carrying costs of the property and other matters, the Company determined to return the property to the vendor and accordingly the deferred resource property costs associated with the property were written-off of the Company's accounts during the quarter ended November 30, 2007.

### ***Titan Production Interest***

In February 2007 the Company entered into an agreement with certain arms-length vendors to purchase their 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. 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 any of the claims into production. The cost recovery to Titan is to be paid from a portion of the 10% production profits otherwise due to the Company.

### ***Lac Kachiwiss***

In March 2007 the Company entered into an agreement to acquire a 100% interest in the Lac Kachiwiss uranium property located near Sept-Iles, Quebec. The 2,166 acre property is currently the Company's most advanced exploration property. As calculated in 1978 by Getty Minerals Company Limited, a previous explorer on the property, the property contains a historic resource (non-43-101 compliant), of 18.1 million tons grading 0.31 lbs U<sub>3</sub>O<sub>8</sub>/ton (0.015% U<sub>3</sub>O<sub>8</sub>).

The Company plans to complete further drilling on the property in the summer of 2008 to confirm historic drilling so as to allow for the calculation of a NI 43-101 compliant resource, as well as conducting step-out drilling to expand the deposit size. The program is estimated to cost from \$2 million to \$5 million.

### ***Hathor Production Interest***

In April 2007 the Company acquired from an arms-length third party 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. ("Hathor"). In March 2008 the Company acquired a further 2% carried working interest in the same projects bringing the Company's aggregate carried working interest to 10%. Consideration paid by the Company to Bullion for the additional 2% interest was \$2,500,000 and 3,000,000 shares of the Company.

Pursuant to an underlying agreement, the Company's interest is carried through to completion of a feasibility study, after which the Company is required to finance 10% of all ongoing expenditures. The properties owned by Hathor Exploration Ltd. that are subject to the carried interest do not have any historic or NI 43-101 compliant resource estimates at this time.

On March 3, 2008, Hathor announced that it had received U<sub>3</sub>O<sub>8</sub> assay results for uranium mineralization encountered in diamond drill hole MWNE-08-12 on the Roughrider Zone of its 90%-owned Midwest Northeast project. The drill hole intersected 11.9 metres grading 5.29% U<sub>3</sub>O<sub>8</sub> beginning at 261.5 metres. In addition, individual assays include 20 cm grading 40.2 % U<sub>3</sub>O<sub>8</sub> beginning at 251.9 metres.

On May 21, 2008, Hathor reported further assay results for uranium mineralization encountered in diamond drill holes completed on the Roughrider Zone at the Midwest NorthEast property. Highlights using a 0.05% U<sub>3</sub>O<sub>8</sub> cut-off grade included:

- 15 metres grading 10.02% U<sub>3</sub>O<sub>8</sub>, including 2 metres at 43.85% U<sub>3</sub>O<sub>8</sub>, in drill hole MWNE-08-20
- 9 metres grading 10.06% U<sub>3</sub>O<sub>8</sub>, including 3 metres at 22.72% U<sub>3</sub>O<sub>8</sub>, and 5 metres grading 3.58% U<sub>3</sub>O<sub>8</sub>, including 1.5 metres at 10.58% U<sub>3</sub>O<sub>8</sub>, in drill hole MWNE-08-21
- 9.5 metres grading 2.60% U<sub>3</sub>O<sub>8</sub>, including 2 metres at 10.39% U<sub>3</sub>O<sub>8</sub>, in drill hole MWNE-08-28

(All intersections are downhole thickness as true thickness is yet to be determined.)

In total, Hathor completed 10,654 metres of diamond drilling in 29 NQ-sized, vertical and angled diamond drill holes on the Midwest NorthEast property during the past winter's drilling campaign. A summer drill program consisting of 15 holes is expected to begin in mid-June to further test the Roughrider Zone and other targets on the Midwest NorthEast property.

### **American Uranium Properties and Interests**

#### ***North Yellow Cat***

In May 2007 the Company entered into a letter of agreement pursuant to which it has been granted the right to acquire 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. The property is located in the Thompson uranium/vanadium mining district, one of the oldest and most prolific mining regions for uranium, radium and vanadium in the United States. One of the claim blocks has a historic resource estimate based on widely spaced drilling. This historic resource (non-43-101 compliant), consists of 12.68 million tons of sandstone grading 0.022% uranium and 0.14% vanadium. To date the Company has not conducted any exploration work on the property.

### **SELECTED ANNUAL INFORMATION**

The Company's fiscal period ends on February 28 or 29, as the case may be, of each year. The following is a summary of certain selected audited consolidated financial information for the last three completed fiscal years of the Company:

	<b>2008</b>	<b>2007</b>	<b>2006</b>
Total Revenues	\$ -	\$ -	\$ -
Net Income (Loss)	\$ (8,222,206)	\$ (849,926)	\$ 77,277
Net Income (Loss) Per Share (basic and diluted) <sup>(1)</sup>	\$ ( 0. 21)	\$ ( 0. 07)	\$ 0.02
Total Assets	\$ 18,121,707	\$ 10,818,043	\$ 33,485
Deferred Resource Property Expenditures – For The Year	\$ 8,136,704	\$ 7,851,473	\$ -
Deferred Resource Property Expenditures – Cumulative (net of resource properties written-off)	\$ 9,896,982	\$ 7,851,473	\$ -
Long Term Debt	\$ -	\$ -	\$ -
Dividends Declared	\$ -	\$ -	\$ -

<sup>(1)</sup> The basic and diluted loss per share calculations result in the same amount due to the anti-dilutive effect of outstanding stock options and warrants.

The net loss for the year ended February 28, 2008 includes a charge of \$6,091,195 (2007 - \$nil; 2006 - \$nil) with respect to resource property written-off. In addition, the net loss for the year ended February 29, 2008 includes a charge of \$1,441,934 (2007 - \$1,012,000; 2006 - \$nil) for stock-based compensation and a credit in the amount of \$835,000 (2007 - \$566,000; 2006 - \$nil) with respect to income tax benefits not previously recognized. The net income reported for the year ended February 28, 2006, arose because the Company reported a gain on disposal of subsidiary in the amount of \$186,451. No such amount was recorded in either fiscal 2008 or fiscal 2007.

Total assets typically increase as a result of the completion of a financing or financings and/or the issuance of securities for the acquisition of mineral properties, and decrease as a result of losses incurred in operations including the write-down or write-off of resource properties. Cumulative deferred resource property expenditures typically increase as the result of expenditures incurred on exploration activities and/or the issuance of securities for the acquisition of mineral properties, and decrease as the result of a write down or write-off of resource properties. The Company was essentially inactive fiscal 2006 and as such there was no significant change in the asset base of the Company.

## **RESULTS OF OPERATIONS**

The Company recorded a net loss of \$8,222,206 (\$0.21 loss per share) for the year ended February 29, 2008 as compared to net income of \$849,926 (\$0.07 loss per share) in fiscal 2007. In order make a comparison of the results of operations for the two periods more meaningful, a number of non-cash charges and credits have been adjusted back to the reported net loss for the respective period as detailed in the following table.

	<b>2008</b>	<b>2007</b>
Net loss for the period	\$ (8,222,206)	\$ (849,926)
Adjustments:		
Stock-based compensation	1,441,934	1,012,000
Resource property write-off	6,091,195	-
Future income tax recovery	(835,000)	(566,000)
<u>Adjusted net loss for the period</u>	<u>\$ (1,524,077)</u>	<u>\$ (403,926)</u>

The stock-based compensation charge relates to the value attributed to options granted by the Company to officers, directors and consultants during the respective period and in some cases to options granted in a prior period but which are vesting over time. The resource property write-off relates to the Carswell Lake property as referenced earlier in this report. The future income tax recovery was recorded in the respective period pursuant to the Company's accounting policy with respect to issuing flow-through shares.

In general, the period-over-period increase in adjusted operating loss occurred primarily because of increased corporate and business activities in the 2008 fiscal year as compared to the 2007 fiscal year. Changes in selected expense items are discussed below.

Consulting fees (\$181,637 vs. \$35,270) and tradeshow and marketing fees (\$467,703 vs. \$200,450) increased significantly in the current period largely related to introducing the Company to European investors through various media channels (approximately \$465,800 vs \$31,500). Also included in consulting fees in fiscal 2008 were fees paid to a company owned by a director of the Company (\$9,250) that related to a review of internal financial reporting controls. It is not expected that fees related to introducing the Company to European investors will continue at the same level as in fiscal 2008.

Legal expenses increased in connection with services provided regarding the various property transactions completed and a private placement financing that was completed. Audit fees and accounting fees increased in connection with the aforementioned increase in activities. Legal fees will vary depending on the number and complexity of transactions the Company enters into while audit and accounting fees are expected to increase nominally in connection with the current level of business activity being conducted by the Company.

Management fees and office expenses increased due to an increase in compensation paid to head office personnel and normal course administrative expense increases related to the increased corporate activities. Similarly, rent expense increased due to the need for more office space at its Vancouver corporate office and because the Company has leased a small office in Toronto for staff to work out of. It is expected that management fees will remain relatively unchanged going forward on a quarter-over-quarter basis depending again on activity levels and staffing requirements.

The Company incurred a Part XII.6 tax (interest penalty) during fiscal 2008 related to the timing of expenditures on flow-through shares issued in fiscal 2007. A similar charge is expected to be incurred in fiscal 2009 with respect to flow-through shares issued in fiscal 2008. To the extent that the Company does not issue any further flow-through shares there will be no further charges of this nature.

The Company also expensed certain GST payments made in prior periods that are not recoverable.

Travel and accommodation expense increased in connection with these activities and are comprised of the costs incurred to send senior management personnel and/or consultants to represent the Company at various venues as well as expenses incurred by senior management traveling to the Company's various projects. Management anticipates that there will be a decrease in such costs during the fourth quarter.

Shareholder's communication expense increased very significantly (\$317,123 vs \$2,023) in fiscal 2008 as compare to fiscal 2007. The Company entered into two investor relations agreements during the first quarter of fiscal 2008. The first agreement was with Raincoast Capital Inc., and was for the six-month period March to August, 2007, inclusive. The fees for the period were US\$80,000. In addition, 175,000 stock options were granted to Raincoast with an exercise price of \$1.35 per share. Raincoast focused its efforts on communicating the Company's corporate developments to European investors. The agreement was not extended.

The second agreement is with Renmark Financial Communications Inc. The agreement is for 12 months, commencing May 1, 2007, cancelable by either party after six months, at a monthly fee of \$5,000. Renmark is focusing its efforts on communicating the Company's corporate developments to Canadian investors. This contract is still in place. In-house investor relations activities included preparing and disseminating information packages to interested parties with respect to the Company's corporate developments.

The Company recorded interest income of \$341,400 (2007 - \$13,095) during fiscal 2008. This income arose from interest earned on short-term investments made with surplus cash on hand. During the comparable period in 2007 the Company did not have as significant a surplus cash balance as in fiscal 2008.

## **CAPITAL EXPENDITURES**

The Company incurred mineral property option payments and exploration expenditures on such properties in fiscal 2008 amounting to \$8,136,704 (2007 - \$7,851,473). Included in the current year's expenditures is an amount of \$3,376,300 (2007 - \$6,631,500) relating to the issuance of 2,226,000 (2007 - 4,690,000) common shares at various prices as option payments or finder's fees on mineral properties. The bulk of the option payments (by share issuance) in the current year were with respect to the Lac Kachiwiss property while in fiscal 2007 the share issuances relating to option payments were split between the Carswell Lake property and the Titan Production Interest. Further, in the current year the Company made a cash option payment of \$2,369,000 with respect to acquiring the Hathor Production Interest.

In addition to the property payments described above, the Company incurred \$2,274,000 of deferred exploration expenditures during the current fiscal year (2007 - \$220,000) with slightly more expenditures being incurred on the Carswell Lake property as compared to the Lac Kachiwiss property.

For the foreseeable future the Company expects that it will continue to incur exploration expenditures on mineral properties it owns or has option rights to and in addition will from time to time incur expenditures related to property payments on either existing option agreements or on new option agreements entered into.

## QUARTERLY INFORMATION

The following is selected financial data from the Company's unaudited quarterly financial statements for the last eight quarters ending with the most recently completed quarter, being the three months ended February 29, 2008.

	Three Months Ended				Three Months Ended			
	Feb 29, 2008	Nov 30, 2007	Aug 31, 2007	May 31, 2007	Feb 28, 2007	Nov 30, 2006	Aug 31, 2006	May 31, 2006
Total Revenues	-	-	-	-	-	-	-	-
Net Income (Loss)	\$ 375,344	\$(6,222,170)	\$ (395,190)	\$(1,980,190)	\$ (713,813)	\$ (84,298)	\$(31,723)	\$ (20,092)
Net Income (Loss) Per Share (basic and diluted)	\$ 0.01	\$ (0.16)	\$ (0.01)	\$ (0.06)	\$ (0.10)	\$ (0.01)	\$ (0.03)	\$ (0.00)
Deferred Exploration Expenditures	\$ 20,598	\$ 1,151,295	\$ 321,817	\$ 6,642,994	\$ 7,851,473	\$ -	\$ -	\$ -
Total Assets	\$18,121,707	\$19,478,789	\$24,614,690	\$24,829,912	\$10,818,043	\$ 46,642	\$ 21,442	\$ 29,463

The net income reported in the quarter ended February 29, 2008, resulted from the Company recording a credit to its statement of operations in the amount of \$678,000 with respect to income tax benefits not previously recognized and which arose from the renunciation of flow-through share expenditures in February 2008.

The significant loss recorded in the quarter ended November 30, 2007, includes (as described earlier in this report) a write-off of the Carswell Lake property in the amount of \$6,091,195. The write-off also resulted in a corresponding decrease in the total assets at the end of the same period. The loss recorded in the quarters ended May 31 and February 28, 2007, include a charge of \$1,356,850 and \$1,012,000 for stock-based compensation expense respectively, offset by \$157,000 and \$566,000 respectively of income tax benefits not previously recognized which were related to the renunciation of flow-through expenditures in February 2007.

The large increase in total assets in the quarters ended May 31 and February 28, 2007, reflect in part expenditures made to acquire and begin exploration of uranium exploration properties as described elsewhere in this report. The increase in assets also reflects in part an increase in working capital as the result of completing significant private placement financings during the respective quarters.

## **FOURTH QUARTER**

As noted earlier, the Company recorded net income of \$375,344 during the fourth quarter of fiscal 2008 which resulted from the Company recording a credit to its statement of operations in the amount of \$678,000 (2007 - \$566,000) with respect to income tax benefits not previously recognized and which arose from the renunciation of flow-through share expenditures in February of 2008 and 2007 respectively. In the fourth quarter of fiscal 2007 the Company recorded a stock-based compensation charge of \$1,012,000 whereas only \$11,274 was recorded the same period in fiscal 2008. Excluding these adjustments, the loss for the fourth quarter of fiscal 2008 was \$291,382 as compared to \$267,812 in fiscal 2007. Changes in selected expense items are discussed below.

Legal, audit and accounting expenses (\$28,176 vs \$1,300); management fees (\$45,000 vs \$5,000); office expenses and miscellaneous (\$15,549 vs. \$2,038); Part XII.6 tax and goods and services tax (\$71,667 vs \$nil); rent (\$26,054 vs. \$4,000); and shareholder's communication (\$34,709 vs. \$800) all increased in the current quarter for the same reasons as discussed with respect to increases in the annual expenses.

Tradeshaw and marketing expense (\$20,781 vs \$200,450) decreased substantially in the fourth quarter of fiscal 2008 because the fourth quarter fiscal 2007 results include the charges (approximately \$145,000) associated with a Canadian newspaper and magazine inserts/articles initiative describing the Company's corporate developments.

The Company recorded interest income of \$111,913 (2007 - \$13,095) during the fourth quarter fiscal 2008. This income arose from interest earned on short-term investments made with surplus cash on hand. During the comparable period in 2007 the Company did not have as significant a surplus cash balance as in fiscal 2008.

The Company incurred nominal acquisition and exploration expenditures on its resource properties in the fourth quarter of the current period as compared to approximately \$7.85 million of expenditures in the same period in fiscal 2007.

The Company did not engage in any financing activities in the further quarter of the current fiscal year whereas in the same period in fiscal 2007 it completed a brokered private placement for gross proceeds of \$4,163,000 and in addition 5,400,000 common share purchase warrants were exercised for gross proceeds of \$675,000.

## **FINANCING ACTIVITIES**

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 30<sup>th</sup> 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 8, 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 common shares was paid, and legal and other issue costs of \$27,149 were incurred.

By comparison, in fiscal 2007 the Company completed in December 2006 a brokered private placement of 2,641,250 flow-through common shares at a price of \$0.80 per share and 2,562,500 non-flow-through units at a price of \$0.80 per unit for aggregate gross proceeds of \$4,163,000. Each unit consisted of one common share and one-half of one non-transferable common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share of the Company until December 28, 2008 at a price of \$1.20 per share.

A cash commission of \$333,040 was paid to the agent in connection with the private placement and in addition \$85,821 of legal and other expenses associated with the offering were also charged to share issue costs.

In addition, 6,100,000 common share purchase warrants were exercised during the year ended February 28, 2007, for gross proceeds of \$762,500.

## **LIQUIDITY AND CAPITAL RESOURCES**

The Company's operations consumed approximately \$1,523,000 of cash (before working capital items) for the year ended February 29, 2008 (2007 - \$404,000) with an additional approximate \$4,549,000 (2007 - \$1,220,000) utilized on mineral property acquisitions and deferred exploration expenditures. This cash requirement was fulfilled from cash on hand at the beginning of each respective fiscal year and from the private placement financings completed during respective fiscal years as described elsewhere.

The Company's aggregate operating, investing and financing activities during the period resulted in a net increase in its cash balance (including cash equivalents) from \$2,920,586 at February 28, 2007 to \$7,978,014 at February 29, 2008. The Company's working capital increased by \$5,250,546 correspondingly during the period.

The Company has a commitment with respect to the agreement on the North Yellow Cat property pursuant to which Terra must make aggregate vendor payments of US\$450,000 (US\$75,000 paid) and issue 200,000 (100,000 issued) common shares of the Company. The Company has no other significant commitments over the near term or long term and none are presently contemplated in excess of normal operating requirements including the management of exploration programs on Terra's various mineral prospects.

The Company has not as yet put into commercial production any of its mineral properties and as such has no operating revenues or cash flows. Accordingly, the Company is dependent on the equity markets as its sole source of operating working capital, and the Company's capital resources are largely determined by the strength of the junior resource capital 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. While there are presently no known specific trends, events or uncertainties that are likely to result in the Company's liquidity decreasing in any material way over the next twelve month period, it is unlikely that cash will be generated from operations over this period. Since the Company is unlikely to have cash flow, it will have to continue to rely upon equity and debt financing during such period. There can be no assurance that financing, whether debt or equity, will always be available to the Company in the amount required at any particular time or for any particular period or, if available, that it can be obtained on terms satisfactory to it.

### **TRANSACTIONS WITH RELATED PARTIES**

The Company incurred the following charges with directors, officers and former directors of the Company for the years ended February 29, 2008 and February 28, 2007:

	<u>2008</u>	<u>2007</u>
Accounting fees	\$ 36,236	\$ 4,600
Consulting fees	9,250	7,500
Management fees	162,500	20,000
Rent	16,000	9,500
Website	<u>19,000</u>	<u>3,000</u>
	<u>\$ 242,986</u>	<u>\$ 44,600</u>

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

At February 29, 2008 accounts payable included \$26,561 (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.

### **CRITICAL ACCOUNTING ESTIMATES**

The Company's financial statements are impacted by the accounting policies used, and the estimates and assumptions made, by management during their preparation. The Company's accounting policies are described in Note 2 to the financial statements. The accounting estimates considered to be significant to the Company include the carrying values of mineral properties and deferred exploration; the computation of stock-based compensation expense; and the computation of the value of, agent's warrants contained in security offerings.

Management reviews the carrying values of its mineral properties and deferred exploration on at least an annual basis to determine whether an impairment should be recognized. In addition, capitalized costs related to abandoned properties are written off in the period of abandonment. During the year ended February 29, 2008, the Company wrote-off \$6,091,195 of mineral property and deferred exploration expenditures related to the Carswell Lake property. Capitalized costs in respect of the Company's mining claims amounted to \$9,896,982 as at February 29, 2008. These costs may not be recoverable and there is a risk that they may be written down in future periods.

The Company uses the fair-value method of accounting for stock-based compensation related to incentive stock options granted, modified or settled. Under this method, compensation cost attributable to all incentive stock options granted is measured at fair value at the grant date and expensed over the vesting period with a corresponding increase to contributed surplus. In determining the fair value, the Company makes estimates of the expected volatility of the stock as well as an estimated discount rate. Changes to these estimates could result in the fair value of the stock-based compensation being less than or greater than the amount recorded. During fiscal 2008 the Company recorded stock-based compensation expense of \$1,441,934.

Similarly, the Company accounts for the value of warrants issued to agent's in connection with security offerings by measuring their fair value at the issue date and recording this value as an cost of issuing the securities with a corresponding increase to contributed surplus. In determining the fair value, the Company makes estimates of the expected volatility of the stock as well as an estimated discount rate. Changes to these estimates could result in the fair value of the agent's warrants being less than or greater than the amount recorded. During fiscal 2008 the Company recorded a share issue cost of \$588,000 with respect to agent's warrants issued in connection with security offerings.

## **RECENT ACCOUNTING PRONOUNCEMENTS**

On December 1, 2006, the CICA issued three new accounting standards: Handbook Section 1535, Capital Disclosures, Handbook Section 3862, Financial Instruments – Disclosures, and Handbook Section 3863, Financial Instruments – Presentation. These standards are effective for interim and annual financial statements for the Company's reporting period beginning on March 1, 2008.

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.

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.

In January 2006, the CICA Accounting Standards Board (“AcSB”) adopted a strategic plan for the direction of accounting standards in Canada. Accounting standards for public companies in Canada are expected to converge with the International Financial Reporting Standards (IFRS) as at January 1, 2011.

The Company is currently assessing the impact of these new accounting standards on its financial statements.

## **CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION**

On March 1, 2007, the Company adopted CICA Handbook Sections 1530, “Comprehensive Income”, Section 3251, “Equity”, Section 3855, “Financial Instruments – Recognition and Measurement” and Section 3861, “Financial Instruments – Disclosure and Presentation”. Section 1530 establishes standards for reporting and presenting comprehensive income, which is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income that are excluded from net income calculated in accordance with Canadian generally accepted accounting principles.

Section 3861 establishes standards for presentation of financial instruments and non-financial derivatives and identifies the information that should be disclosed about them. Under the new standards, policies followed for periods prior to the effective date generally are not reversed and, therefore, the comparative figures have not been restated.

Section 3855 prescribes when a financial asset, financial liability or non-financial derivative is to be recognized on the balance sheet and at what amount, requiring fair value or cost-based measures under different circumstances. Under Section 3855, financial instruments must be classified into one of these five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are measured in the balance sheet at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities which are measured at amortized cost.

Subsequent measurement and changes in fair value will depend on their initial classification, as follows: held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net earnings; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is derecognized or impaired at which time the amounts would be recorded in operations.

Under adoption of these new standards, the Company designated its cash and cash equivalents as held-for-trading, which are measured at fair value. GST and other receivables are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

The adoption of these Handbook Sections had no impact on opening deficit.

## FINANCIAL INSTRUMENTS

As disclosed in its audited financial statements, the Company has identified several financial instruments that it utilizes in its day-to-day operations including cash and cash equivalents, GST and other receivables, and accounts payable and accrued liabilities, all of whose carrying value approximate fair value due to the short-term maturity of such instruments. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

## OUTSTANDING SHARE DATA

a) Authorized:

Unlimited common shares without par value

b) Issued and outstanding:

40,046,226 common shares as at June 30, 2008 for a net consideration of \$26,589,728.

c) Outstanding warrants and options as at June 30, 2008:

Type of Security	Number	Exercise Price	Expiry Date
Share purchase warrants	4,750,000	\$1.40	Oct. 08, 2008
Share purchase warrants	666,000	\$1.10	Oct. 08, 2008
Share purchase warrants	1,281,250	\$1.20	Dec. 28, 2008
Stock options	1,000,000	\$1.00 <sup>(1)</sup>	Dec 14, 2011
Stock options	1,000,000	\$1.25 <sup>(1)</sup>	Jan 05, 2012
Stock options	235,000	\$1.35 <sup>(1)</sup>	Mar 05, 2012
Stock options	750,000	\$1.40 <sup>(1)</sup>	Apr 12, 2012

<sup>(1)</sup> Subsequent to February 29, 2008, the exercise price of all of these options was amended to \$0.65 per share, subject to regulatory approval and, in the case of options granted to insiders, shareholder approval.

## DISCLOSURE CONTROLS AND PROCEDURES

In connection with Exemption Orders issued in November 2007 by each of the British Columbia Securities Commission and Ontario Securities Commission, the Chief Executive Officer and Chief Financial Officer of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the annual audited financial statements and this accompanying Annual MD&A (together the "Annual Filings").

In contrast to the certificate under Multilateral Instrument 52-109 (Certification of Disclosure in Issuer's Annual and Interim Filings) ("MI 52-109"), the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in MI 52-109. For further information the reader should refer to the Venture Issuer Basic Certificates filed by the Company with the Annual Filings on SEDAR at [www.sedar.com](http://www.sedar.com)]

## **RISKS AND UNCERTAINTIES**

Exploration for mineral resources involves a high degree of risk. The cost of conducting exploration programs may be substantial and the likelihood of success is difficult to assess. The Company attempts to mitigate its exploration risk by maintaining a diversified portfolio that includes several different exploration prospects in a number of favorable geologic environments. Beyond exploration risk, management is faced with a number of other risk factors. The more significant ones include:

*Uranium Price Risk:* The Company's portfolio of properties has exposure to predominantly uranium. The price of this mineral greatly affects the value of the Company and the potential value of its properties and investments. This, in turn, greatly affects its ability to form joint ventures and the structure of any joint ventures formed. This is due, at least in part, to the underlying value of the Company's assets at different uranium prices.

*Financial Markets:* The Company is dependent on the equity markets as its sole source of operating working 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 the investor support of its projects.

*Environmental Risk:* The Company seeks to operate within environmental protection standards that meet or exceed existing requirements in the countries in which the Company operates. Present or future laws and regulations, however, may affect the Company's operations. Future environmental costs may increase due to changing requirements or costs associated with exploration and the developing, operating and closing of mines. Programs may also be delayed or prohibited in some areas. Although minimal at this time, site restoration costs are a component of exploration expenses.

## **OUTLOOK**

The Company is entering fiscal 2009 in a strong financial position with working capital of \$8.1 million.

The Company's primary focus for the foreseeable future will be to advance the exploration and development of the mineral properties it owns or has under option, and in addition to add to its mineral property holdings if and as warranted by the merits of any new prospective uranium properties it identifies.

## **OTHER INFORMATION**

Additional information related to the Company is available for viewing on SEDAR at [www.sedar.com](http://www.sedar.com) and at the Company's website at [www.terraventures.com](http://www.terraventures.com).