

**TERRA VENTURES INC.**

**FINANCIAL STATEMENTS**

For the three months ended May 31, 2008

(unaudited)

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

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 review of interim financial statements by an entity's auditor.

**TERRA VENTURES INC.**  
**BALANCE SHEETS**

	May 31, 2008 <u>(unaudited)</u>	February 29, 2008 <u>(audited)</u>
<b><u>ASSETS</u></b>		
Current		
Cash and cash equivalents	\$ 5,400,781	\$ 7,978,014
GST and other receivables	<u>141,405</u>	<u>228,137</u>
	5,542,186	8,206,151
Resource properties – Schedule 1, Notes 3 and 8	13,903,591	9,896,982
Equipment (net of accumulated amortization of \$691;\$446)	4,659	4,904
Deposits in trust	<u>13,670</u>	<u>13,670</u>
	<u>\$ 19,464,106</u>	<u>\$ 18,121,707</u>

**LIABILITIES**

Current		
Accounts payable and accrued liabilities – Note 5	\$ <u>95,409</u>	\$ <u>63,497</u>

**SHAREHOLDERS' EQUITY**

Share capital – Notes 4 and 8	28,089,728	26,589,728
Contributed surplus	3,562,152	3,041,934
Deficit	<u>(12,283,183)</u>	<u>(11,573,452)</u>
	<u>19,368,697</u>	<u>18,058,210</u>
	<u>\$ 19,464,106</u>	<u>\$ 18,121,707</u>

Nature of Operations – Note 1  
Commitments – Note 3

APPROVED BY THE DIRECTORS:

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

**TERRA VENTURES INC.**  
**STATEMENTS OF OPERATIONS AND DEFICIT**  
(unaudited)

	Three months ended May 31,	
	2008	2007
Expenses		
Amortization	\$ 245	\$ -
Bank charges and interest	455	1,632
Consulting fees	42,384	82,567
Legal, audit and accounting fees – Note 5	38,881	82,530
Management fees – Note 5	45,000	30,000
Office and miscellaneous expenses – Note 5	25,876	22,680
Rent – Note 5	21,039	11,250
Shareholder’s communications – Note 5	40,443	124,694
Stock-based compensation	520,218	1,356,850
Tradeshaw and marketing	64,170	381,608
Transfer agent and filing fees	10,094	54,733
Travel and accommodation	<u>27,144</u>	<u>29,427</u>
Loss before other items	(835,949)	(2,177,971)
Other items:		
Interest income	126,218	40,781
Future income tax recovery	<u>-</u>	<u>157,000</u>
Net loss for the period	(709,731)	(1,980,190)
Deficit, beginning of the period	<u>(11,573,452)</u>	<u>(3,351,246)</u>
Deficit, end of the period	<u>\$(12,283,183)</u>	<u>\$ (5,331,436)</u>
Basic and diluted loss per share	<u>\$ (0.02)</u>	<u>\$ (0.06)</u>
Weighted average number of shares outstanding	<u>42,459,269</u>	<u>35,313,661</u>

SEE ACCOMPANYING NOTES

**TERRA VENTURES INC.**  
**STATEMENTS OF CASH FLOWS**  
(unaudited)

	Three months ended May 31,	
	2008	2007
Operating Activities		
Net loss for the period	\$ (709,731)	\$ (1,980,190)
Items not affecting cash		
Amortization	245	
Stock-based compensation	520,218	1,356,850
Future income tax recovery	<u>-</u>	<u>(157,000)</u>
	(189,268)	(780,340)
Changes in non-cash working capital items:		
GST and other receivables	86,732	(144,321)
Prepaid expenses	-	(47,360)
Accounts payable and accrued liabilities	<u>31,912</u>	<u>(22,218)</u>
Cash used in operating activities	<u>(70,624)</u>	<u>(994,239)</u>
Investing Activities		
Acquisition of resource properties	(2,500,000)	(2,407,227)
Deferred exploration expenditures	<u>(6,609)</u>	<u>(971,467)</u>
Cash used in investing activities	<u>(2,506,609)</u>	<u>(3,378,694)</u>
Financing Activities		
Issuance of common shares, net	<u>-</u>	<u>11,550,127</u>
Cash provided by financing activities	<u>-</u>	<u>11,550,127</u>
Increase in cash during the period	(2,577,233)	7,177,194
Cash and cash equivalents, beginning of the period	<u>7,978,014</u>	<u>2,920,586</u>
Cash and cash equivalents, end of the period	<u>\$ 5,400,781</u>	<u>\$ 10,097,780</u>
Cash and cash equivalents are comprised of :		
Cash	115,476	-
Short-term investments	<u>5,285,305</u>	<u>-</u>
	<u>\$ 5,400,781</u>	<u>\$ -</u>

Non-Cash Transactions – Note 8

SEE ACCOMPANYING NOTES

**TERRA VENTURES INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
Three months ended May 31, 2008  
(unaudited)

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, 2008, the Company was in the exploration stage and had interests in properties located in Canada and the USA.

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

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. At May 31, 2008, the Company had not yet achieved profitable operations, has accumulated losses of \$12,283,183 since inception, and has working capital of \$5,446,777. The Company expects working capital is sufficient to sustain operations over the next year despite the expectation that it will 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.

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 29, 2008. 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, 2008, the Company adopted four new accounting standards: Handbook Section 1535, Capital Disclosures, Handbook Section 3862, Financial Instruments – Disclosures, Handbook Section 3863, Financial Instruments – Presentation, and Handbook Section 1400 (amended), General Standards of Financial Statement Presentation. The requirements of these new standards are for disclosure purposes only and have not impacted the financial results of the Company.

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

***Adoption of New Accounting Standards*** – (cont'd)

a) 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.

b) 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.

c) General Standards of Financial Statement Presentation

The CICA amended Section 1400 "General Standards of Financial Statement Presentation", to include requirements to assess and disclose an entity's ability to continue as a going concern. The Company adopted this standard beginning March 1, 2008.

***Future Accounting Changes***

The CICA issued new Handbook Section 3064, Goodwill and Intangible Assets, which will replace Section 3062, Goodwill and 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 on its consolidated financial statements.

***International Financial Reporting Standards ("IFRS")***

In January 2006, the CICA Accounting Standards Board ("AcSB") adopted a strategic plan or 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.

Note 3      Resource Properties – Schedule 1 and Note 8

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, 2008.

Note 3      Resource Properties – Schedule 1 and Note 8 – (cont'd)

a) 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.

b) 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.

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.

c) Hathor Production Carried Interest, Saskatchewan

By agreement dated March 30, 2007, the Company acquired from an arms-length third party, Bullion Fund Inc. (“Bullion”), an 8% carried working interest in seven claims comprising 56,360 acres in two separate projects located in the Athabasca Basin, Saskatchewan. By a separate agreement dated March 8, 2008, the Company acquired from Bullion a further 2% (aggregate 10%) carried working interest (collectively “the Hathor Production Interest”) of which the remaining 90% 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 the initial 8% interest was \$2,300,000. A finder’s fee of \$69,000 was also paid. Consideration paid by the Company for the additional 2% interest was 3,000,000 of its common shares and \$2,500,000.

Note 3 Resource Properties – Schedule 1 and Note 8 – (cont'd)

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 must make cash payments aggregating US\$450,000 (US\$75,000 paid) and issue an aggregate of 200,000 common shares (100,000 issued) 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. 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 will be issued pending regulatory approval.

Note 4 Share Capital

a) Authorized:

Unlimited common shares without par value.

b) Issued:

	<u>Number</u>	<u>Amount</u>
Balance, February 29, 2008	40,046,226	\$ 26,589,728
Issued during the period Pursuant to resource property agreements	<u>3,000,000</u>	<u>1,500,000</u>
Balance, May 31, 2008	<u>43,046,226</u>	<u>\$ 28,089,728</u>

c) Escrow Shares:

At May 31, 2008, 370,009 (February 29, 2008: 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) 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, 2008 and changes during the three-month period then ended is presented below.

Note 4 Share Capital – (cont'd)

d) Commitments: – (cont'd)

i) Stock-based Compensation Plan – (cont'd)

	<u>Number of Options</u>	<u>Weighted Average Exercise Price</u>
Outstanding, February 29, 2008	3,435,000	\$1.22
Granted	1,315,000	\$0.69
Tendered for cancellation	<u>(450,000)</u>	<u>\$1.40</u>
Outstanding, May 31, 2008	<u>4,300,000</u>	<u>\$1.04</u>
Exercisable, May 31, 2008	<u>4,141,250</u>	<u>\$1.05</u>

At May 31, 2008, 4,300,000 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 <sup>(1)</sup>	December 14, 2011
1,000,000	\$1.25 <sup>(1)</sup>	January 5, 2012
235,000	\$1.35 <sup>(1)</sup>	March 5, 2012
750,000	\$1.40 <sup>(1)</sup>	April 12, 2012
565,000	\$0.75	March 7, 2013
<u>750,000</u>	\$0.65	April 18, 2013
<u>4,300,000</u>		

<sup>(1)</sup> On July 7, 2008, all regulatory approvals were received such that the options were repriced to \$0.65 per share.

The weighted fair value of share purchase options granted during the three-month period ended May 31, 2008 of \$0.45 per option was estimated using the Black-Scholes option valuation model with the following assumptions:

Average risk-free interest rate	3.01-3.06%
Expected life	5 years
Expected volatility	96.9-97.5%
Expected dividends	Nil

Note 4 Share Capital – (cont'd)

d) Commitments:

ii) Warrants

No warrants were issued during the three-month period ended May 31, 2008, nor were any exercised. Further, no warrants expired during the period.

At May 31, 2008, 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><u>6,697,250</u></u>		

Note 5 Related Party Transactions

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

	Three months ended May 31,	
	2008	2007
Legal, audit and accounting fees	\$ 9,377	\$ 4,620
Management fees	45,000	30,000
Rent	-	6,000
Investor relations	-	94,720
Website	<u>5,400</u>	<u>7,000</u>
	<u>\$ 59,777</u>	<u>\$ 142,340</u>

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

At May 31, 2008 accounts payable included \$12,761 (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 Management Of Capital

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

Note 6      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 May 31, 2008, 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 7      Financial Instruments

***Fair Value of Financial Instruments***

The Company's financial instruments consist of cash, GST and other receivables, and accounts payable and accrued liabilities. The fair value of these financial instruments approximates their carrying value.

***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 large Canadian banks.

***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 Company holds all of its surplus cash in an overnight interest bearing account and has no other interest bearing financial assets or liabilities.

***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 8      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, 2008, the following transactions were excluded from the statements of cash flows:

- the Company issued 3,000,000 common shares at \$0.50 per share totalling \$1,500,000 pursuant to a resource property agreement.

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;
- 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 9      Segment Information

The Company operates in one segment – the acquisition, exploration and development of uranium properties. As at May 31, 2008, all the operations and assets of the Company were located in Canada save for the Grand County Property, located in Utah, USA.

**TERRA VENTURES INC.**  
**SCHEDULE OF RESOURCE PROPERTIES**  
Three months ended May 31, 2008  
(unaudited)

Schedule 1

	Canada			USA	<u>Total</u>
	Lac Kachiwiss	<u>Production Interests</u>		Grand County	
		Titan	Hathor		
Balance, February 29, 2008	<u>\$ 4,267,919</u>	<u>\$ 3,000,000</u>	<u>\$ 2,369,000</u>	<u>\$ 260,063</u>	<u>\$ 9,896,982</u>
Deferred exploration costs					
Consultants – Geological	-	-	2,800	-	2,800
Travel and accommodation	<u>-</u>	<u>-</u>	<u>3,809</u>	<u>-</u>	<u>3,809</u>
	<u>-</u>	<u>-</u>	<u>6,609</u>	<u>-</u>	<u>6,609</u>
Acquisition costs					
Cash	-	-	2,500,000	-	2,500,000
Shares	<u>-</u>	<u>-</u>	<u>1,500,000</u>	<u>-</u>	<u>1,500,000</u>
	<u>-</u>	<u>-</u>	<u>4,000,000</u>	<u>-</u>	<u>4,000,000</u>
Balance, May 31, 2008	<u>\$ 4,267,919</u>	<u>\$ 3,000,000</u>	<u>\$ 6,375,609</u>	<u>\$ 260,063</u>	<u>\$ 13,903,591</u>