

TERRA VENTURES INC.
CONSOLIDATED FINANCIAL STATEMENTS
For the three months ended May 31, 2009

**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.
CONSOLIDATED BALANCE SHEETS

	<u>ASSETS</u>	<u>May 31,</u>	<u>February 28,</u>
		<u>2009</u>	<u>2009</u>
Current			
Cash and cash equivalents		\$ 8,637,199	\$ 9,356,615
GST receivable		163,579	144,930
Other receivables		41,469	28,478
Prepaid expenses		2,411	7,151
		8,844,658	9,537,174
Resource properties – Schedule 1, Notes 3 and 7		15,024,773	14,920,131
Equipment - net of accumulated amortization of \$1,426; 2008 - \$446		3,728	3,924
Deposits in trust		13,670	13,670
		\$ 23,886,829	\$ 24,474,899

LIABILITIES

Current			
Accounts payable and accrued liabilities – Note 5		\$ 114,470	\$ 404,410

SHAREHOLDERS' EQUITY

Share capital – Note 4		33,037,619	33,268,333
Contributed surplus – Note 4		6,384,990	6,156,506
Deficit		(15,650,250)	(15,354,350)
		23,772,359	24,070,489
		\$ 23,886,829	\$ 24,474,899

Organization and Nature of Operations – Note 1
 Commitments – Notes 3, 4 and 9

APPROVED BY THE DIRECTORS:

“Gunther Roehlig” Director
 Gunther Roehlig

“Robert McMorran” Director
 Robert McMorran

TERRA VENTURES INC.
CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT
For the three months ended May 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Expenses		
Amortization	\$ 196	\$ 245
Bank charges and interest	530	455
Consulting fees – Note 5	28,563	42,384
Legal, audit and accounting fees – Note 5	23,920	38,881
Management fees – Note 5	69,000	45,000
Office expenses and miscellaneous – Note 5	32,499	25,876
Part XII.6 tax and goods and services tax	4,976	-
Rent – Notes 5 and 11	21,172	21,039
Shareholder’s communication – Note 5	43,378	40,443
Stock-based compensation – Note 4	(2,230)	520,218
Tradeshaw and marketing	26,949	64,170
Transfer agent and filing fees	9,497	10,094
Travel and accommodation	61,358	27,144
	<hr/>	<hr/>
Loss before other items	(319,808)	(835,949)
Other items:		
Interest income	23,922	126,218
Resource property investigation expense	(14)	-
	<hr/>	<hr/>
Net loss and comprehensive loss for the period	(295,900)	(709,731)
Deficit, beginning of the period	(15,354,350)	(11,573,452)
	<hr/>	<hr/>
Deficit, end of the period	\$ (15,650,250)	\$ (12,283,183)
	<hr/>	<hr/>
Basic and diluted loss per share	\$ (0.01)	\$ (0.02)
	<hr/>	<hr/>
Weighted average number of shares outstanding	53,369,889	42,459,269
	<hr/>	<hr/>

TERRA VENTURES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the three months ended May 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash provided by (used for):		
Operating Activities		
Net loss and comprehensive for the year	\$ (295,900)	\$ (709,731)
Items not affecting cash		
Amortization	196	245
Stock-based compensation	(2,230)	520,218
	(297,934)	(189,268)
Changes in non-cash working capital items:		
GST receivable	(18,649)	(86,732)
Other receivables	(12,991)	-
Prepaid expense	4,740	-
Accounts payable and accrued liabilities	(68,012)	(31,912)
	(392,846)	(70,624)
Investing Activities		
Acquisition of resource properties	-	(2,500,000)
Deferred exploration expenditures	(326,570)	(6,609)
	(326,570)	(2,506,609)
Financing Activities	-	-
Decrease in cash during the period	(719,416)	(2,577,233)
Cash and cash equivalents, beginning of the period	9,356,615	7,978,014
Cash and cash equivalents, end of the period	\$ 8,637,199	\$ 5,400,781
Cash paid for interest	\$ -	\$ -
Cash paid for income taxes	\$ -	\$ -
Cash and cash equivalents are comprised of:		
Cash	\$ 243,863	\$ 115,476
Short-term investments	8,393,336	5,285,305
	\$ 8,637,199	\$ 5,400,781

Non-Cash Transactions – Note 7

TERRA VENTURES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2009

Note 1 Organization and Nature of Operations

Terra Ventures Inc. (the “Company”) is a public company listed on the TSX Venture Exchange and is in the business of acquiring, exploring and evaluating mineral resource properties and interests, and either joint venturing or developing these properties and interests further or disposing of them when the evaluation is completed. At May 31, 2009, the Company was in the exploration stage and had interests in properties located in Canada and the USA.

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

Note 2 Summary of Significant Accounting Policies

These unaudited consolidated financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles (“GAAP”), using the same accounting policies and methods as per the year ended February 28, 2009 with the following addition. They do not include all the disclosures required for annual financial statements by Canadian GAAP, and should be read in conjunction with the most recent annual consolidated financial statements of the Company.

The results of operations for the three months ended May 31, 2009 are not necessarily indicative of those to be expected for the entire year ending February 28, 2010.

Recently adopted accounting pronouncement

Goodwill and intangible assets

The CICA issued new Handbook Section 3064, “Goodwill and Intangible Assets”, which will replace Section 3062, “Goodwill and Other Intangible Assets”. The new standard establishes revised standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The new standard also provides guidance for the treatment of preproduction and start-up costs and requires that these costs be expensed as incurred. The new standard applies to annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. The Company is currently assessing the impact of these new accounting standards. The Company believes they will not have any significant impact on its consolidated financial statements.

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

Future accounting and reporting changes

Business combinations, consolidated financial statements and non-controlling interest

In January 2009, the CICA issued CICA Handbook Section 1582, “Business Combinations”, Section 1601, “Consolidations”, and Section 1602, “Non-controlling Interests”. These sections replace the former CICA Handbook Section 1581, “Business Combinations” and Section 1600, “Consolidated Financial Statements” and establish a new section for accounting for a non-controlling interest in a subsidiary. CICA Handbook Section 1582 establishes standards for the accounting for a business combination, and states that all assets and liabilities of an acquired business will be recorded at fair value. Obligations for contingent consideration and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date.

It provides the Canadian equivalent to International Financial Reporting Standard (“IFRS”) 3, “Business Combinations” (January 2008). The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011.

CICA Handbook Section 1601 establishes standards for the preparation of consolidated financial statements.

CICA Handbook Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in the preparation of consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of International Financial Reporting Standard IAS 27, “Consolidated and Separate Financial Statements” (January 2008).

CICA Handbook Section 1601 and Section 1602 apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently. The Company is currently valuating the impact of the adoption of these sections.

International Financial Reporting Standards (“IFRS”)

In 2006, the Canadian Accounting Standards Board (“AcSB”) published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended January 31, 2011. The Company has begun an internal diagnostic review to understand, identify and assess the overall effort required to produce financial information under IFRS, however, at this time, the financial reporting impact of the transition to IFRS cannot be reasonably estimated.

Note 3 Resource Properties – Schedule 1 and Note 7

Title to resource properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many resource properties.

The Company has investigated title to all of its resource properties and, to the best of its knowledge, titles to all of its properties are in good standing. Described below are commitments with respect to various properties the Company has acquired or has acquired ownership rights to as at May 31, 2009.

a) Lac Kachiwiss Property, Quebec

By agreement dated March 1, 2007, (“the Lac Kachiwiss Agreement”) the Company acquired the Lac Kachiwiss Uranium Property located near Sept-Iles, Quebec. The Company acquired a 100% interest in the property by issuing to the vendor 2,000,000 of its common shares, with a market value of \$1.55 per share totalling \$3,100,000.

The Lac Kachiwiss Agreement also provides that the vendor will retain a 0.5% Net Smelter Royalty (“NSR”) on any revenues generated from ore mined from the property. The Company has the right at any time until the day of commencement of commercial production to purchase back one-half (0.25%) of the NSR for \$1,000,000.

The Company issued 106,000 of its common shares with a market value of \$1.55 per share totalling \$164,300, as a finder’s fee payment in connection with this transaction.

By agreement dated December 15, 2008, (“the Lac Kachiwiss Extension Agreement”) the Company acquired a 100% interest in an additional 838 mineral claims contiguous with the Lac Kachiwiss Uranium Property. As consideration for acquiring the claims the Company issued 200,000 of its shares to the vendor with a market value of \$0.62 per share totaling \$124,000 and paid \$115,000 to the vendor. In addition, the vendor will retain a 0.25% NSR which the Company can buy by paying the vendor \$1,000,000. During the year ended February 28, 2009, the Company staked new claims for a total staking cost of \$108,570.

b) Titan Production Carried Interest, Saskatchewan

By agreement dated January 12, 2007, between the Company and certain arms-length vendors (“the Vendors”) (“the Titan Agreement”), the Company purchased the Vendors’ 10% production carried interest (“the Titan Production Interest”) in 34 claims held by Titan Uranium Inc. (“Titan”) comprising 310,158 acres in seven separate projects located in the southwestern and northeastern parts of the Athabasca Basin, Saskatchewan.

As consideration for acquiring the Titan Production interest, the Company issued 2,000,000 of its common shares to the Vendors with a market value of \$1.50 per share totalling \$3,000,000. The Titan Production Interest remains in effect until the commencement of commercial production by Titan on one or more of the claims. At the time of commencement of commercial production, Titan is entitled to recover 10% of the aggregate expenditures incurred after February 5, 2007, with respect to putting the respective claim(s) into production. The cost recovery to Titan is to be paid from a portion of the production profits otherwise due to the Company.

Note 3 Resource Properties – Schedule 1 and Note 7 – (cont'd)

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

During the year ended February 28, 2009, the Company wrote-down the carrying value of this property by \$1,317,000 (2008 - \$nil) and charged this amount to the statement of operations.

c) Hathor Production Carried Interest, Saskatchewan

By agreement dated March 30, 2007, the Company acquired from an arms-length third party, Bullion Fund Inc. (“Bullion”), an 8% carried working interest 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. Consideration paid by the Company for such interest was \$2,300,000. A finder’s fee of \$69,000 was also paid.

By an agreement dated March 8, 2008, the Company acquired the remaining 2% interest in one of the above 7 claims (which interest together with the 8% carried working interest in the original 7 claims is collectively “the Hathor Production Interest”) for consideration for \$2,500,000 (paid) and the issuance of 3,000,000 common shares (issued) with a market value of \$0.50 per share totalling \$1,500,000. Accordingly, the Company has an aggregate 10% interest in the Hathor Production Interest.

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.

Note 4 Share Capital

a) Authorized:

Unlimited common shares without par value.

b) Common shares issued and outstanding and contributed surplus:

	Number of Shares	Share Capital Amount	Contributed Surplus Amount
Balance, February 28, 2009	53,354,056	\$ 33,268,333	\$ 6,156,506
Fair value of options granted	-	-	(2,230)
Reduction of shares outstanding pursuant to cancellation of escrow shares	(370,008)	(230,714)	230,714
Balance, May 31, 2009	52,984,048	\$ 33,037,619	\$ 6,384,990

c) Escrow Shares:

During the three months ended May 31, 2009, 370,008 common shares were cancelled that previously had been held in escrow by the Company’s transfer agent.

Note 4 Share Capital – (cont'd)

d) Commitments:

Stock-based compensation plan

The Company has established a stock option plan in accordance with the policies of the TSX-V under which it is authorized to grant share purchase options up to 10% of its outstanding shares. The exercise price of options granted equals the market price of the Company's stock on the date of the grant. Unless otherwise stated, the options vest when granted. The options originally were granted for a maximum term of five years,

A summary of the status of the stock option plan as of May 31, 2009 and changes during the three months then ended is presented below.

	<u>Number of Options</u>	<u>Weighted Average Exercise Price</u>
Outstanding, May 31 and February 28, 2009	5,335,000 ⁽¹⁾	\$0.69
Exercisable, May 31, 2009	5,320,000 ⁽²⁾	\$0.69

⁽¹⁾ On June 16, 2009, the Company reduced the exercise price to \$0.45 per share and extended the original five year life by an additional five years for all outstanding options. Subsequent regulatory approval was received for these amendments. With respect to options granted to insiders, these amendments were approved by the Company's shareholders at the Annual General Meeting of Shareholders held July 17, 2009.

⁽²⁾ A further 20,000 options will vest at various dates to December 30, 2009.

The weighted average contractual remaining life of these options as at May 31, 2009 is 3.27 years (February 29, 2009: 4.53 years)

At May 31, 2009, 5,335,000 share purchase options were outstanding entitling the holder thereof to acquire one share for each option held as follows:

<u>Number of Options</u>	<u>Exercise Price⁽¹⁾</u>	<u>Expiry Date</u>
1,000,000	\$0.65	December 14, 2011
1,000,000	\$0.65	January 5, 2012
235,000	\$0.65	March 5, 2012
750,000	\$0.65	April 12, 2012
565,000	\$0.75	March 7, 2013
750,000	\$0.65	April 18, 2013
735,000	\$0.80	August 11, 2013
280,000	\$0.75	December 30, 2013
<u>20,000</u>	<u>\$0.75</u>	<u>December 31, 2013</u>
<u>5,335,000</u>		

⁽¹⁾ On June 16, 2009, the Company reduced the exercise price to \$0.45 per share and extended the original five year life by an additional five years for all outstanding options. Subsequent regulatory approval was received for these amendments. With respect to options granted to insiders, these amendments were approved by the Company's shareholders at the Annual General Meeting of Shareholders held July 17, 2009.

Note 4 Share Capital – (cont'd)

e) Commitments: – (cont'd)

A credit of \$2,230 was recorded against stock-based compensation expense during the three months ended May 31, 2009 with respect to adjustments made to the fair value of certain consultant options granted prior to March 1, 2009. As no stock options were granted during the period ended May 31, 2009 there was no stock-based compensation expense recorded that related to such.

During the three months ended May 31, 2008, stock based compensation expense of \$520,218 was recorded based on a weighted fair value of share purchase options granted during the period \$0.45 per option as 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

Warrants

A summary of warrants outstanding as of May 31, 2009 and changes during the three months then ended is presented below:

	<u>Number of Warrants</u>	<u>Weighted Average Exercise Price</u>
Outstanding, February 28, 2009	12,232,989	\$1.27
Expired	<u>(4,750,000)</u>	\$1.40
Outstanding, May 31, 2009	<u>7,482,989⁽¹⁾</u>	<u>\$1.19</u>

⁽¹⁾ In June 2009 the Company reduced the exercise price to \$0.80 per share and extended the original two year life by an additional three years for 6,300,000 of these warrants.

At May 31, 2009, the following share purchase warrants were outstanding entitling the holder thereof the right to purchase one common share for each warrant held:

<u>Number of Warrants</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
7,318,000	\$1.20 ⁽¹⁾	August 21, 2010
<u>164,989</u>	\$0.75	December 30, 2010
<u>7,482,989</u>		

⁽¹⁾ In June 2009 the Company reduced the exercise price to \$0.80 per share and extended the original two year life by an additional three years to August 21, 2013 for 6,300,000 of these warrants.

Note 4 Share Capital – (cont'd)

f) Shareholder Rights Plan:

In May 2008 the Company announced that its board of directors had approved a shareholders right plan (“the Plan”), as approved subsequently by regulators and shareholders. The Plan is designed to ensure that the Company’s shareholders are treated fairly in the event of a take-over bid for the Company’s common shares and that the Company’s board of directors and shareholders have sufficient time to evaluate any unsolicited take-over bid, and, if appropriate to evaluate and pursue other alternatives to maximize shareholder value.

Note 5 Related Party Transactions

The Company incurred the following charges with directors, officers and former directors of the Company for the three months ended May 31, 2009 and 2008:

	Three months ended May 31,	
	<u>2009</u>	<u>2008</u>
Consulting fees	\$ 10,000	\$ -
Legal, audit & accounting fees	11,845	9,377
Management fees	69,000	45,0000
Rent	21,172	-
Website	7,000	5,400
Resource property expenditures – Geological consulting	20,000	-
	<u>\$ 139,017</u>	<u>\$ 59,777</u>

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

At May 31, 2009 accounts payable included \$29,547 (February 28, 2009: \$35,310) 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 Financial Instruments

Fair Value of Financial Instruments

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

Foreign Exchange Risk

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

Note 6 Financial Instruments – (cont'd)

Credit Risk

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

Interest Rate Risk

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

Liquidity Risk

The Company manages liquidity risk by maintaining sufficient cash and cash equivalent balances to enable settlement of transactions on the due date. Accounts payable and accrued liabilities are current.

Note 7 Non-cash Transactions

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statements of cash flows. During the three months ended May 31, 2009, the following transactions were excluded from the statements of cash flows:

- the Company incurred \$53,977 of resource property expenditures that were included in accounts payable as at May 31, 2009.

During the three months ended May 31, 2008:

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

Note 8 Segment Information

The Company operates in one segment – the acquisition, exploration and development of uranium properties. As at May 31, 2009, all the operations and assets of the Company were located in Canada.

Note 9 Commitments

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

2010	\$	66,002
2011		88,001
2012		88,001
2013		<u>58,667</u>
	\$	<u>300,671</u>

TERRA VENTURES INC.
CONSOLIDATED SCHEDULE OF RESOURCE PROPERTIES
For the three months ended May 31, 2009

Schedule 1

	Canada			<u>Total</u>
	Lac Kachiwiss	Production Interests		
		Titan	Hathor	
Balance, February 28, 2009	<u>\$ 6,861,521</u>	<u>\$ 1,683,000</u>	<u>\$ 6,375,610</u>	<u>\$ 14,920,131</u>
Deferred exploration costs				
Access Roads	-	-	-	-
Assaying	2,538	-	-	2,538
Camp	-	-	-	-
Licenses/Permits and Fees	-	-	-	-
Consultants – Geological Reports	-	-	-	-
Consultants – Geological	57,636	-	-	57,636
Consultants – Airborne Mag Survey	44,468	-	-	44,468
Telecommunications	-	-	-	-
Drilling	-	-	-	-
Fixed Wing Aircraft	-	-	-	-
Helicopters	-	-	-	-
Equipment Rental	-	-	-	-
Equipment Expenses	-	-	-	-
Freight	-	-	-	-
Meals & Entertainment	-	-	-	-
Travel and accommodation	-	-	-	-
	<u>104,642</u>	<u>-</u>	<u>-</u>	<u>104,642</u>
Acquisition costs				
Cash	-	-	-	-
Shares	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance, May 31, 2009	<u>\$ 6,966,163</u>	<u>\$ 1,683,000</u>	<u>\$ 6,375,610</u>	<u>\$ 15,024,773</u>