TERRA VENTURES INC.

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

The following information, prepared as of June 15, 2007, explains trends in the financial condition and results of operations for Terra Ventures Inc. (the "Company" or "Terra") for the year ended February 28, 2007 as compared to the year ended February 28, 2006. 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 28, 2007, 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 15, 2007.
- 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

In May 2001, the Company completed the acquisition of the issued and outstanding shares of Transmeridian Communications Inc., doing business as RealEstateTours.com. The acquisition constituted the Company's qualifying transaction pursuant to Policy 2.4 of the TSX Venture Exchange. In connection with the acquisition the Company also changed its name to RET Internet Services Inc. from New Xavier Capital Corp.

On September 16, 2003 the Company announced the sale of all assets of its wholly owned subsidiary Transmeridian Communications Inc. MRP Ventures (the purchaser), an arms length company located in Winnipeg, purchased all the assets for $51,689. These assets included all source codes, files, intellectual property, the Company's subscriber base, office furniture, computers, miscellaneous equipment and the domain name www.realestatetours.com. 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.

At the Annual General Meeting of the Company held August 15, 2006, Messrs. Gunther Roehlig, Robert McMorran, CA and Mike Magrum, P.Eng were elected to the board of directors. In October 2006 Harvey Lawson was appointed to the board of directors and to the office of CFO. In January 2007 Mr. Lawson resigned from his offices with the Company. Concurrently, James Hutton was appointed a director of the Company. In mid-March 2007 Gunther Roehlig stepped down as President, replaced by Greig Hutton who was appointed President and CEO. Mr. Roehlig remains with the Company as a director and manages the Company's corporate communications and administrative matters. Coincident with Greig Hutton's appointment, Robert McMorran was appointed CFO. In late March 2007 Mike Magrum was appointed as a consultant to the Company with responsibility for providing technical leadership with respect to the Company's current and emerging exploration programs. Concurrent with this appointment Mr. Magrum resigned from the board of directors.

Canadian Uranium Properties and Interests

Carswell Lake

As described earlier in this report, in April 2006 the Company entered into a Sale and Purchase Agreement to acquire a 100% interest in the Carswell Lake property. The property is 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 has completed geophysical surveys at both properties and expects to locate drill targets utilizing this information. A drilling program is planned for the fall of 2007. The property does not have any historic or NI 43-101 compliant resource estimates at this time.

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, 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_3O_8/ton (0.015% U_3O_8).

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The Company plans to drill the property in the summer of 2007 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. 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 8% 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.

Hathor Exploration Ltd. has announced that it has commenced a drilling program on certain of the claims subject to the carried interest (the Midwest claim group) and has also commenced an exploration program on other of the carried interest claims (the Russell Lake South claim group) with the intent to delineate drilling targets for a drilling program later in 2007.

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 mot 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.. Terra plans to drill the property in 2007.

SELECTED ANNUAL INFORMATION

The Company's fiscal period ends on February 31 of each year. The following is a summary of certain selected audited consolidated financial information for the last three completed fiscal years of the Issuer:

	2007	2006	2005
Total Revenues	$ -	$ -	$ -
Net Income (Loss)	$ (849,926)	$ 77,277	$ (236,488)
Net loss Per Share (basic and diluted) (1)	$ (0. 07)	$ 0.02	$ (0.14)
Total Assets	$ 10,818,043	$ 33,485	$ 9,295

	2007	2006	2005
Deferred Resource Property Expenditures – For The Year	$ 7,851,473	$ -	$ -
Deferred Resource Property Expenditures – Cumulative	$ 7,851,473	$ -	$ -
Long Term Debt	$ -	$ -	$ -
Dividends Declared	$ -	$ -	$ -

(1) 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, 2007 includes a charge of $1,012,000 (2006 - $nil; 2005 - $nil) for stock-based compensation and a credit in the amount of $566,000 (2006 - $nil; 2005 - $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 2007 or fiscal 2005.

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. As the Company was essentially inactive in both fiscal 2005 and 2006, there was no significant change in the asset base of the Company.

RESULTS OF OPERATIONS

The Company recorded a net loss of $849,926 ($0.07 loss per share) for the year ended February 28, 2007 as compared to net income of $77,277 ($0.02 earnings per share) in fiscal 2006. The net loss for the year ended February 28, 2007 includes a charge of $1,012,000 (2006 - $nil) for stock-based compensation and a credit in the amount of $566,000 (2006 - $nil) with respect to income tax benefits not previously recognized. The income tax benefits were recorded pursuant to the Company's accounting policy with respect to issuing flow-through shares. The statement of operations for the year ended February 28, 2006 includes a gain on disposal of subsidiary in the amount of $186,451 (2007 - $nil). Excluding these respective charges and credits to the statements of operations, the adjusted operating loss for the year ended February 28, 2007 was $403,926 in comparison to $109,174 for fiscal 2006.

The year-over-year increase in adjusted operating loss occurred primarily because of increased corporate and business activities in fiscal 2007 as compared to fiscal 2006. In particular, legal expenses, transfer agent fees, and tradeshow and marketing expenses increased significantly from 2006 to 2007. The legal costs increased in connection with closing the Carswell Lake property acquisition and Titan Production Interest acquisition as well as other general corporate affairs.

The transfer agent and filing fees increased as a result of the Company closing a private placement in December 2006 for gross proceeds of $4,163,000 with the attendant fees associated with such.

The tradeshow and marketing expense recorded in fiscal 2007 relates primarily to the Company's participation in a tradeshow in Europe and costs associated with Canadian newspaper and magazine inserts/articles regarding the Company's corporate developments.

The Company had not entered into any formal investor relations agreements during fiscal 2007, but expects to do so in 2008. In-house investor relations activities included preparing and disseminating information packages to interested parties with respect to the Company's corporate developments.

The stock-based compensation expense recorded in fiscal 2007 is a direct function of the number of options granted in the fiscal period and the imputed value of such options as determined by an option pricing model.

CAPITAL EXPENDITURES

The Company had virtually no capital expenditures in fiscal 2006 while in the year ended February 28, 2007, the Company incurred mineral property option payments and exploration expenditures on such properties amounting to $7,851,473. Included in the fiscal 2007 expenditures is an amount of $6,631,500 relating to the issuance of 4,690,000 common shares at various prices as option payments or finder's fees on mineral properties.

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 28, 2007.

	Three Months Ended				Three Months Ended			
	Feb 28, 2007	Nov 30, 2006	Aug 31, 2006	May 31, 2006	Feb 28, 2006	Nov 30, 2005	Aug 31, 2005	May 31, 2005
Total Revenues	-	-	-	-	-	-	-	-
Net Income (Loss)	$ (713,813)	$ (84,298)	$ (31,723)	$ (20,092)	$ (18,570)	$ (24,224)	$ 136,071	$ (16,990)
Net Income (Loss) Per Share (basic and diluted)	$ (0.10)	$ (0.01)	$ (0.03)	$ (0.00)	$ (0.01)	$ (0.01)	$ 0.03	$ (0.02)

	Three Months Ended				Three Months Ended			
	Feb 28, 2007	Nov 30, 2006	Aug 31, 2006	May 31, 2006	Feb 28, 2006	Nov 30, 2005	Aug 31, 2005	May 31, 2005
Deferred Exploration Expenditures	$ 7,851,4,73	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Assets	$ 10,818,043	$ 46,642	$ 21,442	$ 29,463	$ 33,485	$ 44,016	$ 60,321	$ 9,714

The net income recorded in the quarter ended August 31, 2005, relates to the gain on disposal of subsidiary. The large loss recorded in the quarter ended February 28, 2007, includes a charge of $1,012,000 for stock-based compensation expense offset by $566,000 of income tax benefits not previously recognized.

The large increase in total assets in the quarter ended February 28, 2007, reflects 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 a significant private placement financing during the quarter.

FOURTH QUARTER

As noted earlier, the Company recorded a net loss of $713,813 during the fourth quarter of fiscal 2007 including a charge of $1,012,000 for stock-based compensation expense offset by $566,000 of income tax benefits not previously recognized Transfer agent fees, and tradeshow and marketing expenses increased during the fourth quarter of fiscal 2007 as compared to the fourth quarter of fiscal 2006 for the reasons described earlier in the year-over-year comparison. In addition, consulting fees increased in connection with services rendered by a European based group that assisted with the Company obtaining its stock exchange listing on the Frankfurt and Berlin stock exchanges.

The Company incurred mineral property acquisition and exploration expenditures on its mineral properties in the quarter of approximately $7,851,473 all as described in the year-over-year comparison and elsewhere in this report.

The Company completed a brokered private placement as described below 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 December 2006 the Company completed 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 consists 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 $762,500.

Subsequent to year end, in April 2007, the Company announced that it had closed a brokered private placement of 1,600,000 flow-through shares at $1.25 per share plus 9,500,000 units at $1.10 per unit for aggregate gross proceeds of $12,450,000. Each unit consists of one common share and one-half of one transferable common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share of the Company on or before October 3, 2008 at an exercise price of $1.40 per share.

In the event that the Company's common shares trade at a closing price on the TSX Venture Exchange of greater than $2.25 per share for a period of 20 consecutive trading days at any time after August 4, 2007, the Company may accelerate the expiry date of the warrants by giving notice to the holders and in such case the warrants will expire on the 30th day after the date on which such notice is given by the Company.

The agents were paid a cash commission of $809,250, and were granted broker warrants exercisable for 666,000 shares of the Company at a price of $1.10 per share on or before October 3, 2008. In addition, a finder's fee of $60,000 and 100,000 commons shares was issued.

By comparison, during fiscal 2006 the Company completed a non-brokered private placement of 2,000,000 common shares at $0.10 per share in July 2005 and in January 2006 the Company completed a non-brokered private placement of 6,100,000 units at a price of $0.10 per unit for aggregate gross proceeds of $610,000. Each unit consists of one common share and one non-transferable common share purchase warrant. Each whole warrant entitled the holder to purchase one additional common share of the Company until January 16, 2007 at a price of $0.125 per share.

A finder's fee of 520,000 common shares was paid in connection with the private placement.

All 6,100,000 warrants issued in connection with the private placement were exercised during fiscal 2007 prior to their expiry.

LIQUIDITY AND CAPITAL RESOURCES

The Company's operations consumed approximately $404,000 of cash (before working capital items) for the year ended February 28, 2007 (2006 - $109,000) with an additional approximate $1,220,000 (2006 - $nil) utilized on capital expenditures including 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 $23,363 at February 28, 2006 to $2,920,586 at February 28, 2007. The Company's working capital increased by $2,897,223 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 and issue 200,000 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 nest 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 28, 2007 and 2006 respectively:

	2007	2006
Accounting fees	$ 4,600	$ 5,200
Consulting fees	7,500	30,000
Management fees	20,000	30,000
Rent	9,500	4,000
Website	3,000	-
	$ 44,600	$ 69,200

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

At February 28, 2007 accounts payable included $33,182 (2006: $4,990) 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..

During the year ended February 28, 2006, the Company issued 210,000 common shares at $0.10 per share as a finders' fee to a director of the Company.

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 and the computation of stock-based compensation expense.

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. Capitalized costs in respect of the Company's mining claims amounted to $7,851,473 as at February 28, 2007. These costs may not be recoverable and there is a risk that these costs may be written down in future quarters.

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 2007 the Company recorded stock-based compensation expense of $1,012,000.

RECENT ACCOUNTING PRONOUNCEMENTS

On January 27, 2005, the CICA issued Section 3855 of the Handbook titled Financial Instruments - Recognition and measurement. It expands Handbook section 3860, Financial Instruments - Disclosure and Presentation by prescribing when a financial instrument is to be recognized on the balance sheet and at what amount. It also specifies how financial instrument gains and losses are to be presented.

All financial instruments will be required to be classified into various categories. Held to maturity investments loans and receivables are measured at amortized cost with amortization of premium or discounts and losses and impairment included in current period interest income or expense. Held for trading financial assets and liabilities are measured at fair market value with all gains and losses included in net income in the period in which they arise. All available for sale financial assets are measured at fair market value with revaluation gains and losses included in other comprehensive income until the asset is removed from the balance sheet and losses due to impairment included in net income. All other financial liabilities are to be carried at amortized cost.

The mandatory effective date is for fiscal years beginning on or after October 1, 2006, with optional early recognition for fiscal years beginning on or after December 31, 2004. The Company intends to adopt this standard in its fiscal year ending February 28, 2008.

At present, the Company's most significant financial instruments are cash and cash equivalents, GST and other receivables, accounts payable and accrued liabilities, and loan payable.
This new section requires little difference in accounting for these financial instruments from current standards.

New Handbook Section 1530 - Comprehensive Income, introduces a new requirement to temporarily present certain gains and losses outside of income. Section 1530 defines comprehensive income as a change in value of net assets that is no longer due to owner activities. Assets that are classified as available for sale will have revaluation gains and losses included in other comprehensive income until the asset is removed from the balance sheet.

From time to time the Company receives shares of other companies as option payments on mineral properties. Such investments in shares of arm's length corporations may be classified as available for sale investments. The Company would be required to recognize unrealized gains and losses on these securities and include these amounts in comprehensive income.

The effective date of this section is for fiscal years beginning on or after October 1, 2006, with optional early recognition for fiscal years beginning on or after December 31, 2004. The Company intends to adopt the standard in its fiscal year ending February 28, 2008.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

During fiscal 2007 the Company adopted a number of new accounting policies in connection with its change in business plan to becoming a junior resource exploration company. The new policies are described below, including a policy dealing with the fact that the Company no longer has a subsidiary company and accordingly is not reporting its results on a consolidated basis.

Accounting for Former Subsidiary

The audited financial statements have been prepared on a non-consolidated basis. On June 2, 2005, the Company sold its former wholly-owned subsidiary, Transmeridian Communications Inc. (TCI), a private British Columbia company. The financial statements for the year ended February 28, 2006, include the accounts of TCI for the period March 1, 2005 to June 2, 2005, which were not material to the accounts of the Company.

Stock-based Compensation Plan

The Company has a stock-based compensation plan as disclosed in Note 6 to the audited financial statements, whereby stock options are granted in accordance with the policies of regulatory authorities. The fair value of all share purchase options are expensed over their vesting period with a corresponding increase to contributed surplus. Upon exercise of share purchase options, the consideration paid by the option holder, together with the amount previously recognized in contributed surplus, is recorded as an increase to share capital.

The Company uses the Black-Scholes option valuation model to calculate the fair value of share purchase options at the date of grant. Option pricing models require the input of highly subjective assumptions, including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate and, therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's share purchase options.

Cash and Cash Equivalents

The Company considers cash and cash equivalents to be cash and short-term deposits with maturities of three months or less from the original date of acquisition.

Resource Properties

The Company defers the cost of acquiring, maintaining its interest, exploring and developing mineral properties until such time as the properties are placed into production, abandoned, sold or considered to be impaired in value. Costs of producing properties will be amortized on a unit of production basis and costs of abandoned properties are written-off. Proceeds received on the sale of interests in mineral properties are credited to the carrying value of the mineral properties, with any excess included in operations. Write-downs due to impairment in value are charged to operations.

The Company is in the process of exploring and developing its mineral properties and has not yet determined the amount of reserves available. Management reviews the carrying value of mineral properties on a periodic basis and will recognize impairment in value based upon current exploration results, the prospect of further work being carried out by the Company, the assessment of future probability of profitable revenues from the property or from the sale of the property. Amounts shown for properties represent costs incurred net of write-downs and recoveries, and are not intended to represent present or future values.

Environmental Costs

Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations and which do not contribute to current or future revenue generation are expensed. Liabilities are recorded when environmental assessments and/or remedial efforts are probable, and the costs can be reasonably estimated. Generally, the timing of these accruals coincides with the earlier of completion of a feasibility study or the Company's commitment to a plan of action based on the then known facts.

Impairment of Long Lived Assets

The Company periodically evaluates the recoverability of its long lived assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss is recognized when estimated future cash flows resulting from the use of an asset and its eventual disposition are less than its carrying amount. No impairment in equipment was identified at February 28, 2007.

Flow-through Shares

Resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. The tax effect related to renounced expenditures is recorded as a reduction of share capital and an increase in future income tax liabilities. Recognition of previously unrecorded future income tax assets are credited to income tax expense.

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, accounts payable and accrued liabilities, and loan payable, 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:

39,926,226 common shares as at June 15, 2007 for a net consideration of $27,875,254

c) Outstanding warrants and options as at June 15, 2007:

Type of Security	Number	Exercise Price	Expiry Date
Share purchase warrants	1,281,250	$1.20	Dec. 28, 2008
Share purchase warrants	4,750,000	$1.40	Oct. 08, 2008
Share purchase warrants	666,000	$1.10	Oct. 08, 2008
Stock options	1,000,000	$1.00	Dec 14, 2011
Stock options	1,000,000	$1.25	Jan 05, 2012
Stock options	235,000	$1.35	Mar 05, 2012
Stock options	1,200,000	$1.40	Apr 12, 2012

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

The Company's management, including its Chief Executive Officer and its Chief Financial Officer, have evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that the Company's disclosure controls as of February 28, 2007, in all material respects are effective to ensure that material information relating to the Company is made known to management on a timely basis and is included in its public disclosures.

In conducting this evaluation, management has engaged an external consultant who has considered, among other things, the corporate charters and policies of the Company. In connection with this review, it has become apparent that management relies upon certain informal procedures and communications, and upon the "hands-on" knowledge of senior management. Subsequent to February 28, 2007, management has begun the process of formalizing certain of these procedures including the development and documentation of a Corporate Disclosure And Securities Trading Policy. Certain other items such as a formalized Code of Conduct will be considered commensurate with the Company's growth.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of the Corporation is responsible for establishing and maintaining adequate internal controls over financial reporting. Internal controls over financial reporting is a process designed under the supervision of the Chief Executive Officer and the Chief Financial Officer and effected by the Board of Directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles.

Management has engaged an external consultant to evaluate the design of the Company's internal controls and procedures over financial reporting as at February 28, 2007. Based on this evaluation, management believes that the Company's system of internal controls over financial reporting is sufficiently designed to provide such reasonable assurance. Nonetheless, some weaknesses in entity level controls were identified. Specifically, the Company needs to implement a whistle-blower program and develop more formalized policies. The Company plans on developing appropriate entity level controls over the course of fiscal 2008.

The consultant has made recommendations for improvement in certain aspects of the Company's system of internal controls, and management intends to formalize approval and review processes by using checklists and initialing source documents, reconciliations and other accounting worksheets on a consistent basis.

By virtue of the size of the Corporation and its related staff complement, there are inherent limitations on the ability of management to implement internal controls. Management believes that it has designed sufficient internal controls to mitigate these limitations comprised primarily of senior management review and oversight.

Due to its inherent limitations, internal controls over financial reporting may not prevent or detect misstatements on a timely basis. A system of internal controls over financial reporting, no matter how well conceived or operated can provide only reasonable, not absolute, assurance that the objectives of the internal controls over financial reporting are met. Also, projections of any evaluation of the effectiveness of internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions.

There has been no change in the Corporation's internal control over financial reporting during the fourth quarter of fiscal 2007 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

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 2008 in a strong financial position with working capital of $2.9 million. In addition, subsequent to February 28, 2007, the Company received a further $12.5 million in gross proceeds from closing a brokered private placement financing..

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 and at the Company's website at www.terraventures.com.