

Terra Ventures Inc. (TSX: TAS) – Initiating Coverage; Well Financed Uranium Exploration Junior

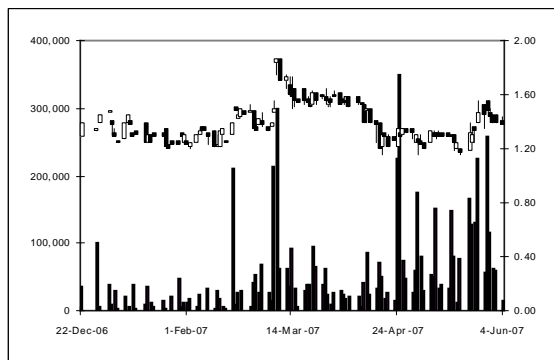
Sector/Industry: Mining/Uranium

www.terra uranium.com

Market Data (as of June 4, 2007)

Current Price	C\$1.40
Fair Value	C\$2.19
Rating*	BUY
Risk*	5 (Highly Spec)
52 Week Range	N/A
Shares O/S	39,926,226
Market Cap	C\$55.90 mm
Current Yield	N/A
P/E	N/A
P/B	N/A
YoY Return	N/A
YoY TSX	14.8%

*see back of report for rating and risk definitions



Investment Highlights

- The company has acquired the Lac Kachiwass property in Quebec, with a historic resource estimate of 5.7 million pounds of uranium.
- The company recently acquired 4 property blocks north of the Yellow Cat Mining District in Utah. One property has a historic resource estimate of 5.79 million pounds U_3O_8 .
- The company holds a 100% interest in a large land position in the Athabasca Basin that is comprised of two early stage properties: Carswell Lake and Black Lake. The company completed geophysical surveys at both properties and plans to drill in the fall of 2007.
- Production carried interest in uranium properties allows the company to participate in uranium exploration and development by Hathor Exploration and Titan Uranium respectively, while minimizing dilution and risk. The company is not required to finance any of these projects until they reach feasibility.
- The company is very well financed for exploration, and is focused on continuing property acquisitions.

Risks

- The company is exposed to all of the risk associated with a junior exploration company that does not have any operating mines. We believe, even more than with other commodities, the value of uranium exploration companies depends heavily on commodity prices.

Key Financial Data (FYE - February 28)

(C \$)

Cash + Term Deposits
Working Capital
Mineral Assets & PPE
Total Assets
Net Loss
Loss per Share

	2005	2006	2007 Q3
Cash + Term Deposits	1,868	23,363	20,876
Working Capital	(877,909)	9,368	(46,590)
Mineral Assets & PPE	-	-	-
Total Assets	9,295	33,485	46,642
Net Loss	(236,488)	77,277	(136,114)
Loss per Share	(0.13)	0.02	(0.01)

* The above-mentioned information does not reflect the company's current cash position. The company has raised \$16.61 million since the end of Q3-2007 (November 2006).

Terra Ventures aims to acquire and develop uranium properties worldwide. They currently have partial ownership in 9 properties and 100% ownership in 3 properties in Canada and 4 in Utah. They have a 100% interest in 283,154 hectares in the Athabasca Basin of Saskatchewan, the world's premier uranium mining region, as well as a Quebec property with a historic resource estimate of 5.67 million pounds of U_3O_8 . They recently acquired a property in Utah with a historic resource estimate of 5.79 million pounds of U_3O_8 and 34.7 million pounds of vanadium.

**Company
Overview**

Terra Ventures seeks to acquire, explore, and develop, uranium assets worldwide from early to advanced stages with varying risk levels to diversify their holdings. Their acquisition strategy is threefold: properties with “pounds in the ground”, investment in properties with low-risk production carried interest, and grassroots stage properties. Since the company’s inception, they have successfully raised over \$17 million and hold partial to full ownership in 12 properties. The company plans to explore their Black Lake and Carswell Lake properties in the Athabasca Basin in 2007, and have done extensive early stage exploration to delineate drilling targets. They have production carried interest in exploration programs conducted by Hathor Exploration (TSX.V:HAT) and Titan Uranium (TSX.V:TUE). Several of these projects are located adjacent to projects of considerable uranium potential. Their partners, Hathor Exploration and Titan Uranium, are both well-managed companies with properties of geologic merit and a strong technical team. We believe these companies have the ability to advance their projects to a level where Terra’s interest would generate profit for the company.

**Corporate
History**

Terra Ventures was formed in its current inception in September 2006, when the company began the acquisition of uranium properties in Canada and the existing management team was built. They were listed on the Toronto Venture Stock Exchange in December 2006, and listed on the Frankfurt and Berlin Exchanges under the symbol G7K in March 2007. The company intends to change their name to **Terra Uranium Corp.** in the future, to reflect their commodity focus.

**Uranium
Deposits**

According to the OECD, there are 14 types of uranium deposits present in the world. In this report, we will discuss two types of uranium deposits present in Canada, and of interest to Terra: unconformity-related/unconformity-type and Rossing type. Currently, all of Canada’s uranium production is from unconformity-related deposits, the majority of which are in the Athabasca Basin, Saskatchewan, and the Thelon Basin, Northwest Territories. Unconformity-related deposits are also responsible for the majority of Australia’s uranium resources, and Australia is the world’s second largest uranium producer.

Unconformity-type uranium deposits are associated with geologic unconformities. An unconformity is simply a gap in the geologic record, where geologic activity has moved and eroded metamorphosed basement rocks. The overlying rocks are deposited horizontally and are usually undeformed by geologic activity. In the Athabasca Basin, the unconformity is the contact between the eroded metamorphosed basement rocks, and the overlying sandstone units. All uranium deposits in the Athabasca Basin have been found within several hundred meters of the unconformity contact. It has been observed that the highest grade deposits are usually situated at or just above the unconformity; including the world’s two largest high-grade uranium mines: Cameco (TSX:CCO)’s Cigar Lake Mine (20% U₃O₈), and the McArthur River Mine (23% U₃O₈). Deposits below the unconformity are typically lower grade, in the 0.2%-2.0% U₃O₈ region. In Canada, the most common uranium bearing minerals are pitchblende and uraninite.

**North Yellow
Cat Properties,
Utah**

Property Overview: The Utah properties are the company’s most recent acquisition, and reflect their priority of acquiring more “pounds in the ground.” The four property blocks are located north of the Yellow Cat Mining District, within a well-known historic mining region

for uranium, radium, and vanadium.

Ownership: Terra purchased 100% ownership in the 208 claims in four separate blocks for US\$450,000 and 200,000 shares, to be paid over a 5 year period. The vendor has retained a 3% net smelter return royalty, which the company can purchase for US\$2 million. This agreement has not been finalized, but a letter of agreement has been signed.

Historic Exploration/Production: The Yellow Cat mining camp is found in the Thompson uranium/vanadium mining district, one of the United States' oldest and most prolific mining regions for uranium, radium, and vanadium. Uranium and radium was discovered in 1899 and mined from 1911-1923, when production stopped due to supply from the African Congo. Some of the mined radium was shipped to Marie and Pierre Curie for their research.

From 1923-1944, vanadium's importance as a steel additive was recognized. Demand rose sharply, and vanadium was declared a strategic metal by the United States government in the late 1930s due to the huge demand for steel before and during the war. From 1929 until 1944, 16,000 tons of vanadium ore was mined in the Thompson mining district. The government purchased a large amount of vanadium during this time.

Near the end of the war, with the Manhattan Project in full force, there was a huge demand for uranium. For many years, uranium was considered a waste product of vanadium mines. During the 1950s and 60s, the government made it known that they would purchase any uranium they could get their hands on, and guaranteed a minimum price per ton. This generated a huge prospecting rush in Utah during this time. One of the best success stories during this time is the Mi Vida Mine on the Colorado Plateau near Moab, Utah, discovered by Charles Augustus Steen in 1952. It was an immensely profitable mine with incredibly high grades of up to 87% U₃O₈. By 1955, there were approximately 800 mines on the Colorado Plateau, many considered very high-grade by today's standards. Eventually, the market became overwhelmed, and the government stopped buying uranium by 1970. The uranium boom of Utah was largely over, and uranium production in the United States has been minimal since.

Accessibility and Infrastructure: There are no operating uranium/vanadium mines in Utah currently. There are two uranium mills in Utah. Denison Mines Corp (TSX:DML) operates their White Mesa mill near Blanding, Utah. Uranium One (TSX:SXR) recently acquired U.S. Energy Corp's (NASDAQ: USEG) Shootaring Canyon Mill near Ticaboo, Utah, which has not been operational since the 1980s.

Geology and Mineralization: The North Yellow Cat properties host low to intermediate grade uranium mineralization in stacked sandstone units.

Current Status: The company intends to drill the property in 2007.

Resource Estimate: One of the four property blocks has a historic resource estimate. This resource was calculated based on widely spaced drilling. The resource is 12.68 million tons of sandstone grading 0.022% uranium and 0.14% vanadium. This is a contained resource of

5,785,333 pounds of uranium and 34,712,000 pounds of vanadium.

**Lac Kachiwiss
Property,
Quebec**

Property Overview: The 2,166 acre Lac Kachiwiss property is Terra's most advanced property at this time due to its historic exploration and historic resource estimate. The mining community has increasingly recognized the potential for large tonnage, low-grade uranium deposits in Quebec.

Ownership: Terra Ventures acquired a 100% interest in the Lac Kachiwiss property in March 2007. The company acquired the property for 2 million shares. This agreement is subject to a 0.5% NSR royalty, which Terra can purchase half of for \$1 million.

Historic Exploration/Production: This property was explored by Getty Mineral Company Ltd., a wholly owned subsidiary of Getty Oil, from 1975-1978, and they advanced the property to a historic resource estimate based on 28 diamond drill holes. It was abandoned in 1979 when the Three Mile Island disaster in the eastern United States resulted in the price of uranium dropping excessively. Low-grade uranium deposits are usually not economically viable in times of low uranium prices, but the property is of interest again now due to the strong uranium market.

Accessibility and Infrastructure: A benefit of the Lac Kachiwiss property is its accessibility and infrastructure. The Lac Kachiwiss property is located 20 kilometers away from the Sept-Iles port and is within 5 kilometers of power and the Labrador railway. The Sept-Iles port is used for shipping iron ore, and the port has associated infrastructure for ore transportation. Access to the property for exploration is affected by the winter season, as are many properties in Canada. The topography changes 200 meters on the property, and the majority of the identified mineralized zone occurs on a rugged hill.

Geology and Mineralization: Lac Kachiwiss is referred to as a "Rossing-type" uranium deposit. The Rossing Uranium Mine, located in Namibia, Africa, is a large tonnage, low-grade uranium mine that has been operating since 1976. Total production plus current reserves is estimated to be 300 million tonnes at 0.33-0.77 lbs U₃O₈/tonne (0.015%-0.03% U₃O₈). Low-grade deposits may not be economical to develop and produce in times of low uranium prices and a weak market, but they are of interest now in today's strong uranium market. Quebec's North Shore is known to have a number of low-grade uranium deposits hosted in pegmatite rocks, similar to the geology of the Rossing Mine.

Getty Minerals exploration identified disseminated uranium mineralization within pegmatite rocks. Getty Mines Ltd defined a deposit area based on 28 diamond drill holes. **It was noted that there was potential to increase the deposit size, as it is open to the east, west, and at depth.** Previous work by Getty Mines Ltd. suggests that the configuration of the ore body is such that open-pit mining would be suitable, if the deposit reached that stage.

Current Status: The company hopes to drill the property in the summer of 2007 for an estimated cost of \$2-\$5 million. This drilling will seek to confirm historic drilling to calculate a NI 43-101 compliant resource, as well as conduct step-out drilling to expand the deposit size.

Resource Estimate: This property has a historic resource estimate of 18.3 million tons (16.1 million metric tonnes) grading 0.31 lbs U₃O₈/ton (0.015% U₃O₈) as calculated by Getty Minerals Company in 1978. This is a contained value of 5.67 million pounds of uranium. We believe the company will likely have to expand the resource to at least 50-100 million tonnes before a viable mining operation could be established. We also believe there is potential to expand the resource on the property.

Titan Properties

Property Overview: The company acquired a 10% production carried interest in seven separate properties totaling over 310,000 acres in the southwestern and northeastern areas of the Athabasca Basin. One of these properties, Castle, surrounds the recent uranium discovery at Shea Creek made by Areva Resources (PARIS:CEI). Shea Creek is considered to be the best new uranium discovery in the Athabasca, and Areva Resources recently announced they were beginning an underground development and exploration program. Titan is currently drilling the Castle property, and they hope Shea Creek mineralization extends on to their property.

Ownership: In February 2007, the company announced they had acquired a 10% production carried interest in seven properties covering 34 claims in the Athabasca Basin. The remaining 90% interest is owned by Titan Uranium. This 10% interest was previously owned by two private individuals, and Terra paid 2 million shares at a price of \$1.40/share. Under the terms of this agreement, Terra Ventures is not required to make any payments or exploration expenditures until the properties reach feasibility, at which point Terra would be required to finance 10% of expenditures moving forward. This agreement includes a clawback option, whereby Terra will be required to reimburse Titan Uranium for 10% of their exploration costs if the projects reach feasibility.

Historic Exploration/Production: Titan's main project, the 73,093 acre Castle Property, surrounds Areva Resources/UEX Corporation (TSX:UEX)'s Shea Creek prospect on the north, east, and south. The Shea Creek property has been explored since 1990. It is made up of a number of high-grade mineralized zones, including Collette (16.2 meters of 2.57% U₃O₈), Kianna (27.4% U₃O₈ over 8.8 meters, including 58.32% U₃O₈ over 3.5 meters), and Anne (7.3 meters of 4.97% U₃O₈).

The Castle project is also located 25 kilometers south of the past producing Cluff Lake Mine, owned by Areva Resources. This mine produced 62 million pounds of U₃O₈ at 1.3% U₃O₈ from 1980 to 2002.

Geology and Mineralization: The mineralization on the adjacent Shea Creek property is contained in north-south trending structures that are believed to extend onto Titan/Terra's Castle property.

Current Status: Titan commenced drilling on the Castle North and South properties to follow up on their Fall 2006 drilling program. Drilling in 2006 indicated the presence of radioactive basement rock.

Resource Estimate: These properties do not have any historic or NI 43-101 compliant resource estimates at this time.

Hathor Properties

Property Overview: The company acquired 8% production carried interest in 2 projects in the eastern Athabasca Basin, Midwest NE and Russell Lake South. These properties are 90% owned by Hathor Exploration Ltd., who acts as the operator. Hathor is currently drilling the Midwest Property, which is located adjacent to the high-grade Mae discovery at the similarly named Midwest Property owned by Areva, Denison Mines Corp. and OURD Canada Co. Ltd. Hathor is planning to drill the Russell South Property in the fall of 2007.

Ownership: In April 2007, the company announced the acquisition of 80% of Bullion Fund Inc.'s 10% interest in 2 of Hathor Exploration Ltd.'s Athabasca Basin properties totaling 56,320 acres. The remaining 90% interest is held by Hathor's wholly owned subsidiary, Roughrider Uranium Corp. Terra paid \$2.3 million to acquire the interest, plus a finder's fee of \$69,000. Terra Ventures is not required to make any payments or exploration expenditures until the properties reach feasibility, at which point Terra would be required to finance 8% of expenditures moving forward. Terra will not be required to reimburse any exploration costs through a clawback option.

Historic Exploration/Production: The Midwest Uranium property is located 4 kilometers northeast from Areva/Denison Mines/OURD Canada's similarly named "Midwest Property" which hosts the Mae Zone, a high grade uranium ore body which grades 5.47% U₃O₈, 4.37% nickel and 0.33% cobalt. Like the Shea Creek discovery, the Mae Zone has been called one of the best uranium discoveries in Saskatchewan in the last few years. The drilling results below from Denison Mines were drilled 900 meters southwest of Hathor's Midwest NE property.

Drilling results from the Mae Zone include:

Width (m)	Grade (%U ₃ O ₈)
7.1	6.2
7.7	11.7
17.7	1.1
7.2	9.5
6.1	12.4
12.5	15.3

Geology and Mineralization: In this region of the Athabasca Basin, the depth to basement is shallower. At Midwest NE, the depth to the Athabasca unconformity is approximately 200 meters. At Russell Lake South, the depth to the Athabasca unconformity ranges from 100 to 575 meters.

Current Status: Hathor commenced drilling at Midwest NE in March 2007, with a 15-20 hole drilling program to target east-northeast extensions of the Mae Zone. The nearest intersection of Mae Zone from Hathor's property is approximately 900 meters to the southwest. No drilling results have been reported yet.

Hathor has commenced an exploration program at Russell Lake South to delineate drilling targets for a proposed Fall 2007 drilling program.

Resource Estimate: These properties do not have any historic or NI 43-101 resource estimates at this time.

***Carswell-
Black Lake
Athabasca
Properties***

Property Overview: The 283,154 hectare Carswell, and 53,642 hectare Black Lake properties in the Athabasca Basin of Saskatchewan were the first group of properties acquired by the company. These properties are split into two separate areas: Carswell Lake, where the depth to basement is very deep (800 meters), and Black Lake, where the depth to basement is approximately 200 meters. The 12 Black Lake claims are non-contiguous. The Carswell Lake property is directly south of Lake Athabasca, and the property's boundaries coincide with the western provincial boundary of Saskatchewan.

Ownership: The company acquired a 100% interest in 44 mineral depositions and 2 exploration permits near Black and Carswell Lakes that make up the property for \$1 million and 2.5 million shares from two private vendors. This 100% interest is subject to a 2% NSR royalty and a 2% gross overriding royalty.

Historic Exploration/Production: The Athabasca Basin has been explored since the 1950s, and produces approximately 33% of the world's supply of uranium. Due to the excellent uranium market currently, the area is experiencing a great resurgence in uranium exploration, and the new technologies available to uranium prospectors are a significant benefit. The Western Athabasca Basin has a thick cover of 600-800 meters over the basement contact, and is a more recent area of exploration due to the historic difficulty of deeper drilling.

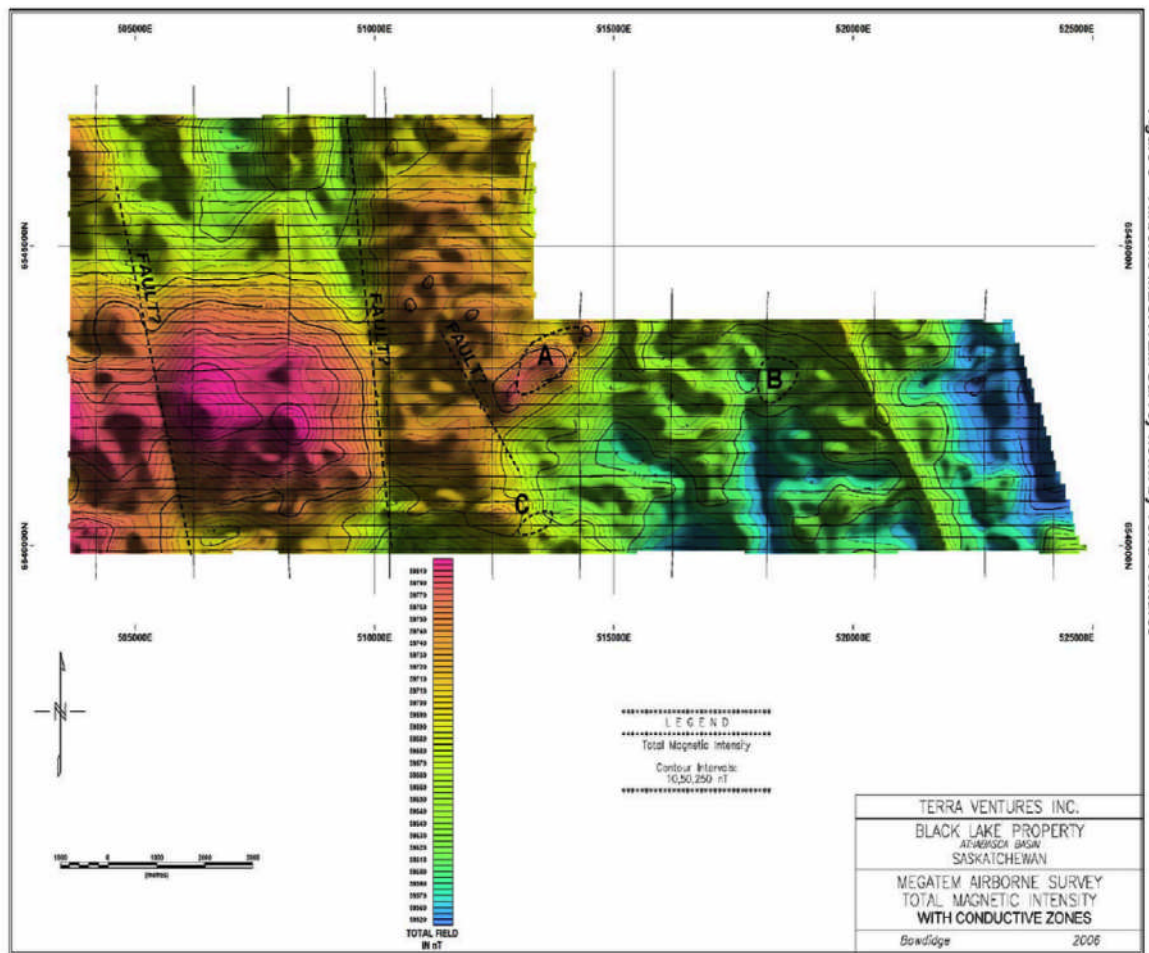
The Carswell Lake property has been explored since the 1950s, including magnetic/electromagnetic surveys and drilling. Amok (now Areva Resources Canada Inc.) was the main explorer of the Carswell Lake property. Previous drilling has failed to intersect the basement, as the depth to basement is believed to be between 600 to 800 meters based on historic magnetic surveys. The earlier electro/magnetic surveys suggested a strong basement high, centered on the Knight Lake Area. Cogema Resources (a subsidiary of Areva Resources Canada Ltd.), conducted airborne and ground electromagnetic and magnetic surveys in 1996 that concluded a conductive upper layer was masking any deeper conductivity. The former Cluff Lake Uranium Mine is located directly to the south of the Carswell Lake property. This mine produced 62 million pounds of U₃O₈ at 1.3% U₃O₈ from 1980 to 2002.

The Black Lake region was first explored in 1969 by Saskatchewan Mining and Development Corporation (SMDC), with later exploration done by Uranerz Exploration and Mining (AMEX:URZ). SMDC undertook a large, regional scale grassroots exploration program on the entire area, but very little work was done on Terra's claims. No drilling was conducted on Terra's Black Lake claims. SMDC's drilling in the region failed to intersect mineralization, although some drill holes did intersect the basement. Uranerz Exploration and Mining drilled four holes 2-3 kilometers south of Terra's Black Lake claims that

intersected the basement rocks with radioactivity.

Accessibility and Infrastructure: The Carswell Lake property is located at the terminus of provincial highway 955, 60 kilometers north of Cluff Lake, SK. The Black Lake property is 50 kilometers southeast of Stoney Rapids, SK, within 5 kilometers of Highway 905. The properties have maintained gravel roads, which will provide access for exploration and drilling in 2007.

Geology and Mineralization: An overview of unconformity type uranium deposits has already been discussed.



The AEROMAG survey on the Black Lake property outlined 3 targets in the southwestern part of the property (in pink) that will be the company's targets for drilling.

Source: Terra Ventures Inc.

Current Status: The company has completed geophysical surveys at both properties for a total cost of \$900,000, and is planning to utilize this information to locate drill targets through fieldwork in the summer of 2007. A drilling program is planned for the fall of 2007.

Resource Estimate: This property does not have any historic or NI 43-101 compliant

resource estimates at this time.

Management

The strength of a junior mining company lies in its management. Management should combine technical knowledge and excellent properties with experienced financial experts. Terra's management is based in Canada and has experience in mining and raising financing.

Greig Hutton, President and Director

Greig Hutton brings over 20 years of senior sales and marketing management experience. In addition, Mr. Hutton has more than 28 years of experience as a professional engineer, where he spent much of his early career working in mines in Timmins ON, Thompson MB and later at Syncrude in Ft. McMurray AB. For the past year, Mr. Hutton has been the President and CEO of Continuum Resources Ltd., a junior mining company with gold and silver properties in the state of Oaxaca in Mexico. Throughout his career, Greig has managed companies with revenues of up to \$25 million per year and has traveled extensively, including visits to most of the mines in Western Canada.

James Hutton, Director

James Hutton was most recently the founder, President and Chief Executive Officer of the Canada Dominion Resources Group of companies, one the largest and most successful flow through share funds in Canada. During Mr. Hutton's tenure, the Canada Dominion Resources Group completed in excess of \$800,000,000 in offerings, which subsequently focused their investments on mining and energy issuers actively exploring for resources in Canada. The Canada Dominion Resources Group was acquired from Mr. Hutton by the Dundee/Dynamic Mutual fund organization. Mr. Hutton also served as the President of the CMP Group from 2003 to 2005. Mr. Hutton also serves as the President and Chief Executive Officer of Hutton Capital Corporation, Hutton Capital Management and Hutton Development Corp, companies engaged in investment banking, structured finance and real estate development. From 1990 to 1996, Mr. Hutton was a senior officer with Nova Bancorp Capital Management Ltd. Mr. Hutton received a Bachelor of Science degree from the University of British Columbia and a Master of Business Administration degree from City University. Mr. Hutton has spent his career in the financial services industry and for the past 20 years has specialized in structured finance and resource company finance.

Robert G. McMorran, Chief Financial Officer, Director

Rob McMorran obtained his Chartered Accountant designation in 1981 while articling with Coopers & Lybrand's Vancouver office. In 1982 he left C&L and joined Denison Mines Limited's Coal Division accounting department where he spent five years primarily working on the Quintette Coal Project located in northeast B.C. In 1987 Mr. McMorran joined Cheni Gold Mines Inc., a TSE listed junior precious metal company as the corporate controller, where he spent ten years, eventually being promoted to President/CEO. In 1997 Mr. McMorran started Malaspina Consultants Inc., an accounting and administrative management services business serving junior public companies. Mr. McMorran has held numerous board positions and senior officer appointments since starting Malaspina.

Gunther Roehlig, Director

Mr. Roehlig has more than 10 years experience in the financial & investment industry, with

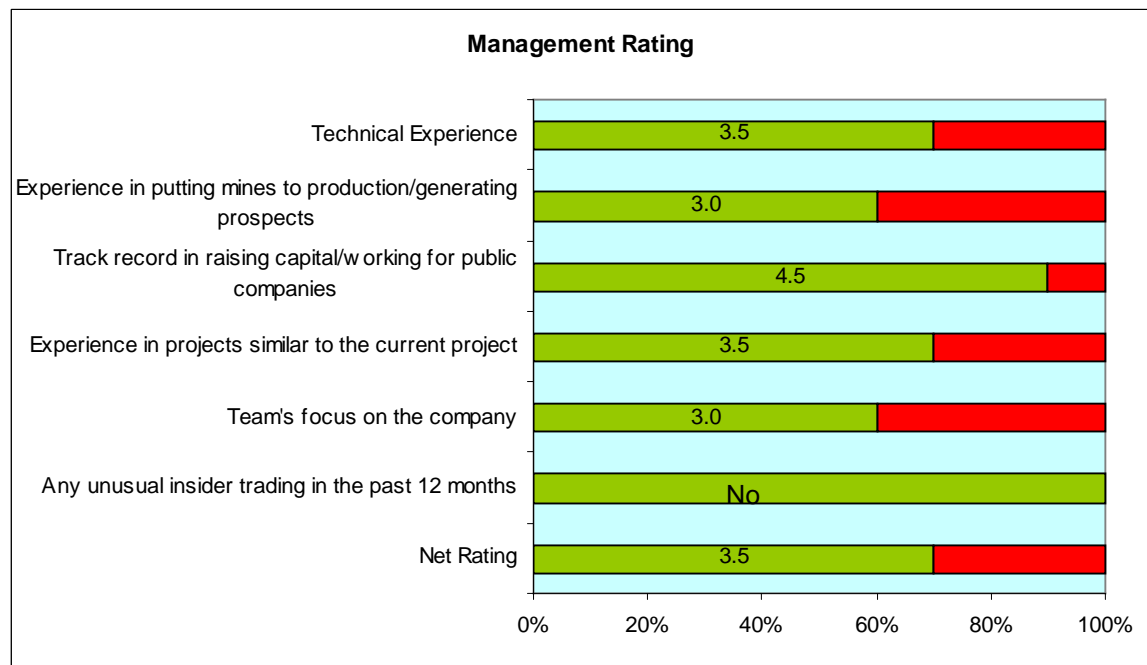
a strong background in managing and financing junior companies. He has played an integral role in all of the company's restructuring, business development and early stage financings, as well as serving as its president from 2003 until March 2007. Mr. Roehlig has served on the board of directors of a number of junior resource companies.

Mike Magrum, Technical Advisory Board Member

Mike Magrum is a geological engineer who has been working in uranium exploration since 1974. He is a graduate of the Haileybury School of Mines and the University of Alaska. His experience has covered most of the uranium bearing Proterozoic basins in Canada. Mr. Magrum was part of the technical team that assembled JNR Resources' very successful Athabasca Basin uranium land holdings. He was also a director of Seabridge Gold, which acquired a major gold property portfolio containing multi million ounce gold resources. His experience in the Athabasca Basin serves as a great benefit to the company in property acquisition and exploration.

Management Rating

We believe management is the most important part of the success of a junior mining company. We believe Terra Ventures has gained significant market recognition in their short history, due to their team’s experience and record of accomplishment, especially in raising financing. We developed this system as a quantitative way to rate management based on a number of factors, including technical experience, the ability to raise financing, and management’s time commitment to the company. We also analyzed trading records to identify evidence of unusual trading by management. **Our net rating (see below) for Terra Ventures was 3.5, which we have rated Above Average.** We believe Terra Ventures is well managed, with a strong technical and financial team.



Strength of Board

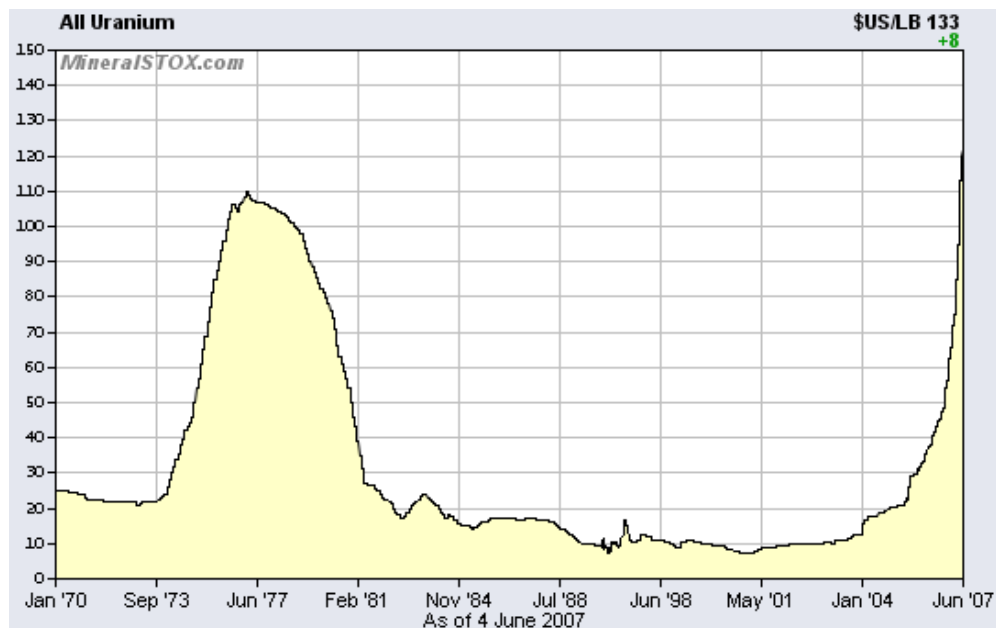
The Toronto Stock Exchange recommends that the Board of Directors of every company

include independent or unrelated directors who are free of any relationship or business that could materially interfere with the director’s ability to act in the best interest of the company. An unrelated/independent director can be a shareholder. In this report, we introduce our strength of board rating for Terra Ventures, which uses information available from the company’s annual “Management Information Circular” to ensure that the company has an independent Board of Directors, Audit Committee, and Compensation Committee. This report also identifies any non-arms length transactions and management’s compensation.

Terra Venture’s Board of Directors is made up of 4 individuals: James Hutton, Gunther Roehlig, Greig Hutton, and Robert McMorrان. The unrelated/independent board members are James Hutton and Gunther Roehlig, as the other two board members serve as management for the company. Thus, Terra Venture’s board is equally split between independent and related directors. Two of these directors are new since the last “Management Information Circular”, so we do not know the members of the Compensation and Audit Committees. The management information circular does not identify any non-arms length transactions.

Industry Conditions

As of June 4, 2007, uranium was trading at \$133/lb versus \$37.5/lb at the end of January 2006. Current prices reflect an increase of about 202% YOY, and are at their 40-year highs. The table below shows uranium prices since 1970. Note the steep rise in prices starting mid 2004.



The next section discusses the expected long-term supply and demand conditions for uranium.

Rising Demand: The primary use of uranium is its application for nuclear (or atomic) energy, which is a dependable and clean power source. Uranium is considered as the next alternative source of energy. According to the World Nuclear Association (WNA), the cost

of generating electricity from uranium is much cheaper than other modes of electricity generation (as shown in the table below).

Summary of generating costs in US\$ per MWh

	5% Discount rate	10% Discount rate
Nuclear	21 - 31	30 - 50
Coal	25 - 50	35 - 60
Natural gas	37 - 60	40 - 63

Source : IEA & OECD-NEA (2005)

According to the BP Statistical Review, global demand for nuclear energy has increased by a Compound Annual Growth Rate (CAGR) of 2.2% during 1990 - 2005. According to the WNA, uranium demand is expected to grow at 1% -3% per annum through 2010. The table below shows the expected growth in global nuclear generating capacity through 2030.

WNA Nuclear Generating Capacity Scenarios, GWe

	2005	2010	2015	2020	2025	2030
Reference	367	381	410	446	488	524
Lower	367	372	372	367	317	281
Upper	367	389	447	518	613	740

Source: WNA (2005)

Demand for nuclear energy is expected to grow across the world and several major nations including the UK and Russia are planning to increase their nuclear power consumption. According to Bloomberg, Russia plans to make nuclear power the source of 25% of its needs by 2030, up from 16% now. Although we do not expect a sharp increase in nuclear consumption worldwide in the short-term, we expect consumption to be significantly higher than current levels in the long-term.

Supply shortage expected in the long-term: The table below shows known uranium resources around the world. Canada has the third largest known recoverable resources in the world, and is the biggest producer of uranium from mines (28% of global supply), followed by Australia (23%).

Known Recoverable Resources of Uranium

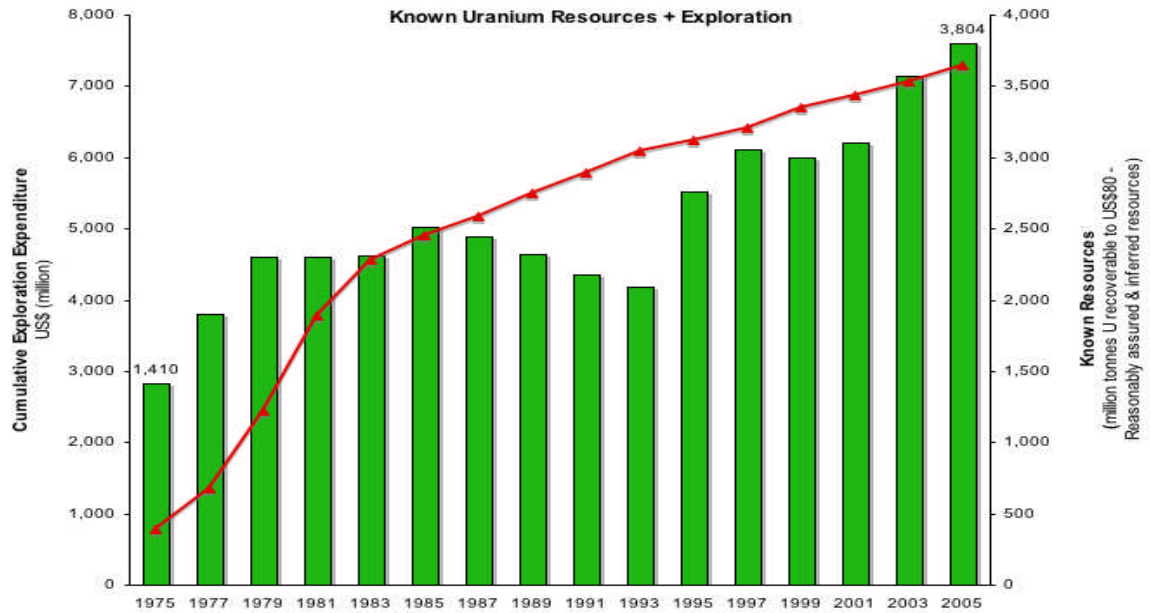
	Tonnes U	% of world
Australia	1,143,000	24%
Kazakhstan	816,000	17%
Canada	444,000	9%
USA	342,000	7%
South Africa	341,000	7%
Namibia	282,000	6%
Brazil	279,000	6%
Niger	225,000	5%

Niger	225,000	5%
Russian Fed.	172,000	4%
Uzbekistan	116,000	2%
Ukraine	90,000	2%
Jordan	79,000	2%
India	67,000	1%
China	60,000	1%
Other	287,000	6%
World total	4,743,000	

Source: WNA

According to Reuters, global consumption of uranium is about 180 million pounds a year (from about 435 reactors) versus production of about 100 million tonnes; the deficit is filled up by stockpiles. According to Merrill Lynch, 23 new reactors (12 in China and India alone) are under construction. The increase in nuclear generating capacity suggests that demand for uranium will increase in the long-term.

The chart below shows known uranium resources and uranium exploration expenditures worldwide.



Source: UIC

Resource estimates and exploration expenditures have increased considerably since 1975. We expect high uranium prices will lead to a significant increase in exploration expenditures going forward. Uranium exploration was not very active during 1985 and 2005, and we believe that a significant increase in exploration could increase the known economic resources of uranium. However, we believe that the rising demand for uranium could outpace supply in the long-term. Currently, the two major concerns regarding the supply of uranium are that it typically takes up to 10 years from discovery to production for a uranium mine, and no major project has been put into production recently. Also, Russia is expected to

decrease their exports to support their domestic needs.

Uranium prices are also highly sensitive to supply disruptions. The flood at Cameco's unfinished Cigar Lake mine contributed significantly to the price increase in 2006. Cameco Corp., the world's largest low-cost uranium producer, contributes about 20% of global production. Production at Cigar Lake is not expected to come online until 2010.

Forecasts: We believe that current uranium prices reflect the projected scarcity of uranium in the long-term. In the short-term, we believe that prices will be very sensitive to any development that could potentially affect supply. Although we do not expect prices to go higher from current levels in the short-term, we believe the supply-sensitive uranium market will keep the metal's prices high. Our long-term outlook on prices is positive, based on rising demand and the projected shortage in long-term supply.

Cash Position The company recently raised \$16.61 million through 2 brokered private placements.

In December 2006, through a brokered private placement, the company raised \$4.16 million by issuing 2.64 million flow-through shares (\$0.80 per share) and 2.56 million units (\$0.80 per unit). Each non-flow-through unit consists of one common share and one-half of one non-transferable share purchase warrant.

In April 2007, through another brokered private placement, the company raised \$12.45 million by issuing 1.6 million flow-through shares at \$1.25 per share, and 9.5 million shares units (each unit consists of one share and one-half of one transferable warrant) at \$1.10 per unit.

TAS also raised \$0.68 million through the exercise of 5.4 million warrants at \$0.125 per share.

Based on expected capital expenditures of \$5 million in 2007, we believe the company is in a very good cash position and has sufficient access to capital to fund their exploration activities. We do not expect the company to raise any additional capital this year.

Valuation We used a comparables valuation model to value TAS based on the known historic resource estimates of its properties.

Our comparables valuation on TAS (shown on the next page) is \$2.19 per share. As shown in the table, TAS is undervalued compared to 5 of the 6 peers that we have included in the model.

	Company	Symbol	Price	EV	Resource (in lbs)			EV/Resource
					M&I	Inferred	Historic	
1	Mega Uranium Ltd.	MGA	\$6.28	\$830,971,671	7,900,000	26,500,000	12,900,000	20.34
2	Pitchstone Exploration Ltd.	PXP	\$2.99	\$76,077,298		4,100,000		18.56
3	Triex MineralsCorp	TXM	\$4.35	\$60,043,332		4,100,000		14.64
4	Aurora Energy Resources	AXU	\$18.20	\$1,149,858,409	58,000,000	38,000,000		11.98
5	Santoy Resources	SAN	\$1.03	\$61,961,471			10,441,143	11.87
6	Terra Ventures Inc.	TAS	\$1.40	\$38,606,716			11,455,333	6.74
7	Pele Mountain Resources	GEM	\$0.88	\$57,607,758		33,000,000		1.75
Average								12.27
Fair value per share								\$2.19

Notes on valuation:

- All the comparables used in the valuation model target uranium with properties primarily in Canada.
- We have used the average ratio of enterprise value (EV) to resource estimate to determine the fair value of TAS.
- In the calculation of the EV/Resource ratio, we have discounted all historic resource estimates by 50%, to account for the lower confidence in historic estimates compared to 43-101 compliant resource estimates.

Conclusions & Rating

Terra Ventures has made rapid and significant progress in the uranium business, due primarily to the experience and ability of its management. They have put together the land positions and the financing to advance their many projects in 2007. Through diversification in projects by location, stage, and risk levels, we believe the company has a good chance of participating in new uranium discoveries. Good progress on their uranium assets will be the necessary catalyst to drive the share price higher.

Based on our valuation model and analysis of the company's projects, we initiate coverage on TAS with a BUY rating and fair value estimate of \$2.19 per share. Our fair value reflects an upside potential of 56.4% from current price levels.

Risks

The following risks, though not exhaustive, will cause our estimates to differ from actual results:

- Terra Ventures does not have any 43-101 compliant resource estimates and has not completed a feasibility study.
- The success of further development, exploration, and expansion is a significant factor in Terra's success.
- The value of the company depends heavily on uranium prices.

Fundamental Research Corp. Equity Rating Scale:

Buy – Annual expected rate of return exceeds 12% or the expected return is commensurate with risk

Hold – Annual expected rate of return is between 5% and 12%

Sell – Annual expected rate of return is below 5% or the expected return is not commensurate with risk

Suspended or Rating N/A— Coverage and ratings suspended until more information can be obtained from the company regarding recent events.

Fundamental Research Corp. Risk Rating Scale:

1 (Low Risk) - The company operates in an industry where it has a strong position (for example a monopoly, high market share etc.) or operates in a regulated industry. The future outlook is stable or positive for the industry. The company generates positive free cash flow and has a history of profitability. The capital structure is conservative with little or no debt.

2 (Below Average Risk) - The company operates in an industry where the fundamentals and outlook are positive. The industry and company are relatively less sensitive to systematic risk than companies with a Risk Rating of 3. The company has a history of profitability and has demonstrated its ability to generate positive free cash flows (though current free cash flow may be negative due to capital investment). The company's capital structure is conservative with little to modest use of debt.

3 (Average Risk) - The company operates in an industry that has average sensitivity to systematic risk. The industry may be cyclical. Profits and cash flow are sensitive to economic factors although the company has demonstrated its ability to generate positive earnings and cash flow. Debt use is in line with industry averages, and coverage ratios are sufficient.

4 (Speculative) - The company has little or no history of generating earnings or cash flow. Debt use is higher. These companies may be in start-up mode or in a turnaround situation. These companies should be considered speculative.

5 (Highly Speculative) - The company has no history of generating earnings or cash flow. They may operate in a new industry with new, and unproven products. Products may be at the development stage, testing, or seeking regulatory approval. These companies may run into liquidity issues, and may rely on external funding. These stocks are considered highly speculative.

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