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Investment Analysis for Intelligent Investors

October 4, 2007

Terra Ventures Inc. (TSX.V: TAS) – Update on Exploration Activity to Date

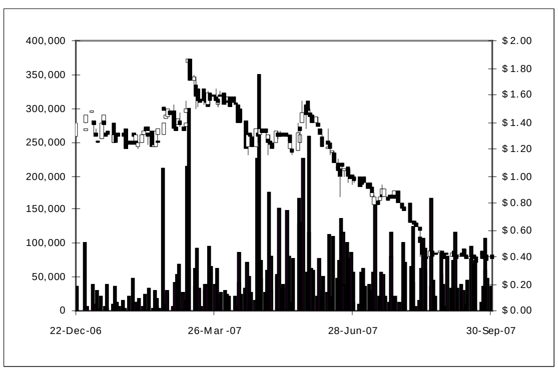
Sector/Industry: Mining/Uranium

www.terrauranium.com

Market Data (as of October 2, 2007)

Current Price	C$0.385
Fair Value	C$1.30 (↓)
Rating*	BUY
Risk*	5 (Highly Spec)
52 Week Range	N/A
Shares O/S	40,046,226
Market Cap	C$15.42 mm
Current Yield	N/A
P/E	N/A
P/B	0.62
YoY Return	N/A
YoY TSX	15.9%

*see back of report for rating and risk definitions



Investment Highlights

- The company has experienced work delays on their Lac Kachiwiss property since our initial report. The company has now commenced road construction to the site so a drilling program can begin. Drilling was planned for 2007, but we believe it will be delayed until 2008.
- Production carried interest in uranium properties allows the company to participate in uranium exploration and development by Hathor Exploration (TSXV: HAT) and Titan Uranium (TSXV: TUE) respectively while minimizing dilution and risk. Drilling on Hathor's properties is ongoing, and further drilling on Titan's properties is planned.
- Uranium prices have experienced a correction, although they are still well above historic averages, resulting in negative repercussions for all junior uranium explorers.
- The company is well financed for exploration.
- We have reduced our fair value estimate from $2.19 to $1.30.

Risks

- The company does not have any NI 43-101 compliant resource estimates and is subject to delays affecting the entire mining industry. The value of uranium exploration companies depends heavily on the price of uranium, which is experiencing considerable volatility.

Key Financial Data (FYE - February 28)

(C $)	2005	2006	2007	2008 Q1
Cash + Term Deposits	1,868	23,363	2,920,586	10,097,780
Working Capital	(877,909)	9,368	2,892,108	10,283,201
Mineral Assets & PPE	-	-	7,851,473	14,494,467
Total Assets	9,295	33,485	10,818,043	24,829,912
Net Income	(236,488)	77,277	(849,926)	(1,980,190)
EPS	(0.13)	0.02	(0.07)	(0.06)

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 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. The North Yellow Cat properties in Utah have 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. They have two low-grade uranium properties with historic resource estimates, and two early stage uranium properties in the Athabasca Basin. They have production carried interest in exploration programs conducted by Hathor Exploration and Titan Uranium.

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.

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.

Current Status: The company's planned drilling program in the summer of 2007 has not proceeded due to delays associated with permitting to build an access road. As of October 1, 2007, the road permit was granted and construction is underway. Due to this property's location, we do not expect the property will be drilled until the spring/summer of 2008.

Resource Estimate: This property has a historic resource estimate of 18.3 million tons (16.1 million metric tonnes) grading 0.31 lbs U_3O_8/ton (0.015% U_3O_8) 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.

North Yellow Cat Properties, Utah

Property Overview: The Utah properties are located north of the Yellow Cat Mining District, within a well-known historic mining region for uranium, radium, and vanadium.

Current Status: According to management, the company is planning business opportunities, including joint venture, to advance the North Yellow Cat properties. This property can be drilled year round due to its location in the southwestern United States.

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 5.8 million pounds of uranium and 34.7 million pounds of vanadium.

Titan Properties

Property Overview: The company acquired 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.

Current Status: Titan drilled three holes on the Castle South property early in 2007 to follow up on their Fall 2006 drilling program. This drilling program intersected radioactivity, but no uranium mineralization. Further exploration is planned to better define drilling targets.

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. (TSX:DML) and OURD Canada Co. Ltd.

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 is drilling the Midwest NE and Russell Lake South properties, but no drilling results have been released at this time.

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

Carswell-Black Lake Athabasca Properties

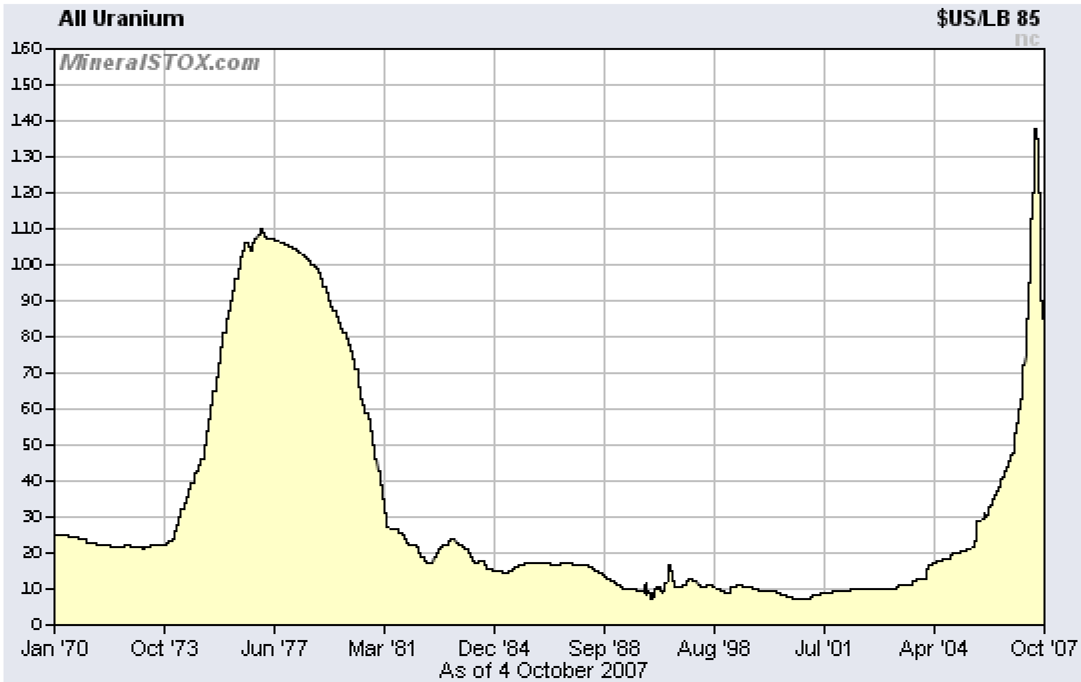
Property Overview: The 100% owned 283,154 hectare Carswell and 53,642 hectare Black Lake properties in the Athabasca Basin of Saskatchewan were the first group of properties acquired by the company. These properties are split into two separate areas: Carswell Lake, where the depth to basement is very 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.

Current Status: The company has completed geophysical surveys at both properties for a total cost of $900,000. No drilling is planned for 2007. These two projects are very early stage, as no uranium mineralization has been identified.

Resource Estimate: This property does not have any historic or NI 43-101 compliant resource estimates at this time.

Industry Conditions

Uranium prices have dropped by 37% in the past few months, from record highs of US$136/lb to US$85/lb. However, prices are still up by 60% YOY, and by 127%, compared to prices at end of January 2006. The table below shows uranium prices since 1970. Note the steep rise in prices starting mid 2004.



We have maintained our long-term outlook on Uranium prices based on the following factors.

- Nuclear power accounts for about 16% of the world's electricity generation. Nuclear power generation does not emit greenhouse gas, and therefore, it is considered as one of the cleanest methods of producing electricity. We believe increasing concerns about global warming will lead to increased demand for nuclear power plants going forward.
- According to the World Nuclear Association (WNA), global nuclear generating capacity is expected to grow at a compounded annual growth rate (CAGR) of 1.4% through 2030.
- Demand for nuclear energy is expected to grow across the world, as several major nations, including the UK, Russia, China, India and South Africa, are planning to increase their nuclear power consumption. According to Cameco Corporation (TSX: CCO; NYSE:CCJ), the world's largest uranium producer, there are currently 434 operating nuclear reactors in the world. About 100 new reactors are either under construction or planned for completion within the next 10 years. China (24), India (15), Russia (9), Korea (8), USA (6), and Japan (5), combined, will account for 67% of the new nuclear reactors.

Although we do not expect a sharp increase in nuclear consumption worldwide in the short-term, the increase in nuclear generating capacity suggests that demand for uranium will increase in the long-term. Global consumption of uranium is about 180 million pounds a year versus production of about 100 million pounds; the deficit is met by stockpiles. Since stockpiles are not expected to last forever, uranium primary production has to increase significantly from current levels to keep up with demand 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 put a uranium mine into production, and no major project has been put into production recently. Also, Russia is expected to decrease exports to support their domestic needs.

Forecasts: In the short-term, we believe that prices will be very sensitive to any developments 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 at above average levels. Our long-term outlook on prices is positive, based on rising demand and the projected shortage in long-term supply.

Cash Position

At the end of Q1-2008 (May 2007), the company had cash and working capital of $10.1 million and $10.3 million, respectively, compared to $2.92 million and $2.89 million, at the end of FY2007 (February 2007). The table below shows the company's cash and liquidity position.

	2005	**2006**	**2007**	**2008-Q1**
Working Capital	(877,909)	9,368	2,892,108	10,283,201
Current Ratio	0.0	1.4	39.8	197.8
LT Debts/ Assets	-	-	-	-
Burn Rate (incl exploration costs)	(14,246)	(35,385)	(134,118)	(1,457,644)
Cash from financing activities	172,722	446,113	4,506,639	11,550,127

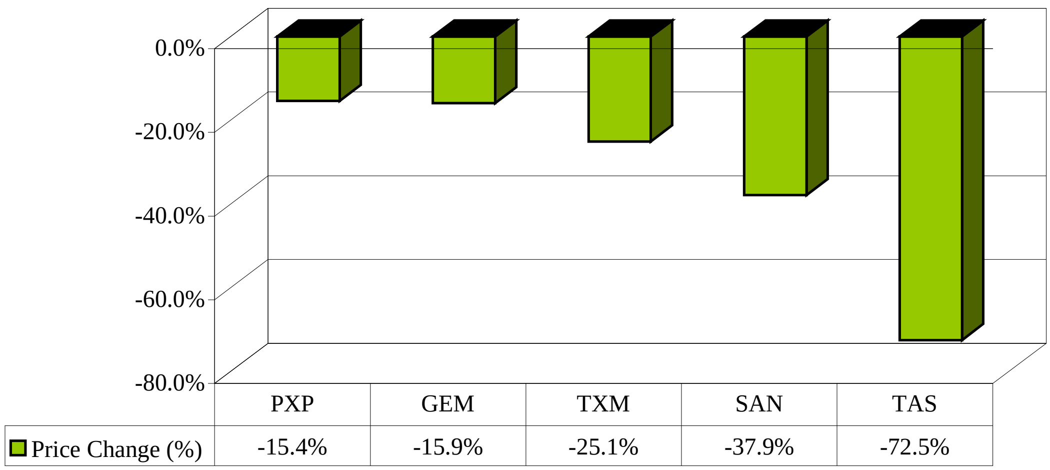
We estimate the company had a burn rate (cash spent on operating and investing activities) of $1.46 million per month in the first three months of FY2007 (March 2007 – May 2007), compared to $0.13 million per month in FY2006 (12-month period).

Based on expected capital expenditures of $5 million in the next 12 months, we believe the company continues to be in an excellent cash position.

Valuation

We continue to value the company based on relative valuation. The share prices of junior uranium exploration companies have dropped considerably, along with uranium prices (as shown in the chart below), in the past few months. Compared to its peers, TAS's share price has declined the most, by 72.5%.

Change in Share Prices (since our previous report)



Since the share prices of comparables has dropped, the average ratio of enterprise value (EV) to resources dropped from $12.3/lb to $7.2/lb. Therefore, our fair value estimate on TAS, has dropped from $2.19 per share to $1.29 per share (as shown in the table below).

					Resource (in lbs)			
	Company	**Symbol**	**Price**	**Enterprise Value**	**M & I**	**Inferred**	**Historic**	**EV/Resource***
1	Pitchstone Exploration Ltd.	PXP	$2.53	$64,335,729		4,100,000		15.69
2	Triex Minerals Corp	TXM	$3.26	$44,252,685		4,100,000		10.79
3	Santoy Resources	SAN	$0.64	$37,927,697			10,441,036	7.27
4	Pele Mountain Resources	GEM	$0.74	$48,666,566		33,000,000		1.47
5	**Terra Ventures Inc.**	**TAS**	**$0.39**	**$5,320,017**			**11,455,333**	**0.93**
							Average	**7.23**
							Fair value per share	**$1.29**

* The ratio was based on all of measured and indicated, and half of historic resource estimates

Note: In our previous report, we had included Mega Uranium Ltd. (MGA) and Aurora Energy Resources (AXU) in the analysis. We discontinue comparing TAS with MGA and AXU, as TAS's market capitalization is relatively much lower.

Conclusions & Rating

In our initial report, we stated that good progress on the company's uranium assets was the necessary catalyst to drive the share price higher. We have been disappointed with the company's progress to date, as there have been delays in the implementation of their planned exploration programs. However, that has been the case for most of the junior uranium explorers. We believe junior uranium companies in general, have cut down their exploration activities due to the following reasons.

- **Insufficient access to capital**
  - However, TAS had $10.1 million cash on hand at the end of May 2007, and we believe the company is in a good cash position to fund its proposed capital expenditures of $5 million in the next 12 months.

- **Lack of confidence in their properties**
  - Although further exploration is required, we believe TAS has a portfolio of interesting projects with upside potential.

- **Correction in uranium prices**
  – The recent correction in uranium prices has led the market to take a very conservative approach towards junior uranium exploration companies. This is the reason why we believe TAS has cut down their exploration activities. Although we do not expect uranium prices to increase from current levels in the short-term, we have maintained our positive outlook on long-term uranium prices, as mentioned earlier in the report.

Terra Uranium is an early stage uranium explorer, well financed with good management, and possessing a basket of interesting properties. There has not been any significant change in TAS's fundamentals since our previous report, and since TAS's share price has dropped considerably, we believe it is a good time to accumulate TAS's shares at current price levels. At current levels, TAS's market cap is $15.2 million with $10.1 million in the bank. Effectively, the market is valuing their properties at only $5.1 million (TAS has more than 10 properties). We believe this represents good value. The short-term weakness in the uranium market has made for some interesting opportunities in this sector. **Therefore, we reiterate our BUY rating, but reduce our fair value estimate on TAS, from $2.19 per share to $1.30 per share.**

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.
- Like other junior uranium exploration companies, 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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