

Fundamental

Research Corp.

Investment Analysis for Intelligent Investors

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January 21, 2009

Terra Ventures Inc (TSXV: TAS) – 22,000 meters Planned for 2009 Drilling of Roughrider Zone at Midwest NE; Positive Results at Lac Kachiwiss

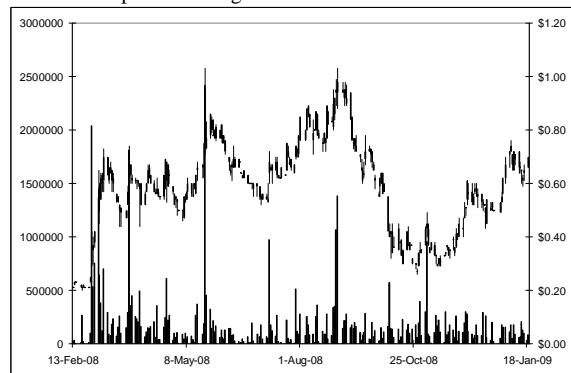
Sector/Industry: Junior Mining

www.terra uranium.com

Market Data (as of January 21, 2009)

Current Price	C\$0.61
Fair Value	C\$1.15 (↓)
Rating*	BUY
Risk*	5 (Highly Spec)
52 Week Range	C\$0.20 – C\$1.03
Shares O/S	53.40 mm
Market Cap	C\$32.58 mm
Current Yield	N/A
P/E	N/A
P/B	1.33
YoY Return	N/A
YoY TSXV	-65.5%

*see back of report for rating and risk definitions



Investment Highlights

- Terra holds a 10% production carried interest in Hathor Exploration's (TSXV: HAT) Midwest NE uranium discovery
- 2009 drilling at Midwest NE has commenced with a plan of 60 holes totaling 22,000 meters to be completed by 4 diamond drill rigs
- Approximately 25% of all drill core from the 2008 program on Lac Kachiwiss returned assay values averaging 110 ppm U₃O₈
- Recent acquisitions and staking have brought Lac Kachiwiss property totals to 2,951 claims and approximately 150,500 hectares
- 10,827 line kilometer airborne survey completed at Lac Kachiwiss
- The company continues to be in an excellent cash position. According to management, the company currently has about \$9.8 million in cash (\$0.18 per share), and is well funded at this time. At its current burn rate, we estimate cash to last for at least 24 months.
- Although we raised our overall valuation on the company, our value per share estimate declined due to share dilution since our previous report.

Key Financial Data (FYE - February 28)

(C \$)	2006	2007	2008	2009 6 mo
Cash & Cash Equivalents	23,363	2,920,586	7,978,014	10,401,553
Working Capital	9,368	2,892,108	8,142,654	10,377,214
Mineral Assets & PPE	-	7,851,473	9,901,886	14,137,671
Total Assets	33,485	10,818,043	18,121,707	24,706,129
Net Income	77,277	(849,926)	(8,222,206)	(1,603,018)
EPS	0.02	(0.07)	(0.21)	(0.04)

Terra Ventures aims to acquire and develop uranium properties worldwide. They currently have partial ownership in 9 properties and 100% ownership in 1 property in Canada and 4 in Utah. The company has 100% ownership in a Quebec property with a historic resource estimate of 5.67 million pounds of U₃O₈. They hold 10% production carried interest in Hathor Exploration's Midwest NE uranium discovery.

**Lac Kachiwiss
Property,
Quebec**

Property Overview: The 100% owned Lac Kachiwiss property is located 20 kilometers from the port of Sept-Iles, Quebec and only 5 km from power and the Labrador railway. The property has a historic resource estimate of 5.67 million pounds of U₃O₈ and company geologists believe the geological setting is similar to that of Rio Tinto's (NYSE: RTP) Rossing mine and Forsys Metals Corp's (TSX: FSY) Valencia uranium deposit, both in Namibia.

Note: In November 2008, George Forrest International Afrique S.P.R.L. and Forsys Metals announced that they entered into a definitive agreement pursuant to which GFI will acquire all of the outstanding common shares of Forsys for a cash transaction valued at approximately \$579 million.

Recent Exploration: Terra completed a 12-hole diamond drilling program totaling 4,004 meters on the Lac Kachiwiss deposit in 2008, with the objective of retesting and expanding upon the 500 meter by 400 meter area drilled by Getty Mines Ltd. ("Getty") in 1976, and 1978. Drilling successfully expanded the dimensions of the mineralized system bringing the overall area tested to 1,320 meters by 800 meters. The drill program also involved drilling to a greater depth, an average of 333.7 meters, to test beyond the average 87 meter depth drilled by Getty. The deposit remains open to depth as well as to the north, east and west. As noted by the company, narrow intersections in drill holes situated to the northwest may be an indication that the mineralization is becoming thinner in a northwesterly direction.

Highlights of the 2008 drill program on Lac Kachiwiss include:

- 103 ppm U₃O₈ over 116.95 meters in hole LK08-01;
- 100 ppm U₃O₈ over 66.00 meters in LK08-07;
- 352 ppm U₃O₈ over 11.67 meters in LK08-11, and;
- 419 ppm U₃O₈ over 9.00 meters in LK08-08

The company reports that approximately 25% of the drill core from the entire 4,004 meter program assayed in excess of 40 ppm U₃O₈ averaging 110 ppm.

In addition, the company engaged Novatem Inc. of Mont-Saint-Hilaire, Quebec to carry out a 10,827 line kilometer airborne survey covering the Lac Kachiwiss property and recently acquired 838 contiguous claims (see below). The survey, which utilized a gamma-ray spectrometer and a magnetometer, defined a radiometric anomaly corresponding to the Lac Kachiwiss uranium zone measuring approximately 3,600 meters long southwest to northeast, and 800 meters wide.

New Ground Added: The company announced on December 30, 2008, that an additional 838 mineral claims contiguous with its Lac Kachiwiss property have been acquired based on positive results from the recently completed drill program, and a regional assessment of the surrounding area. To acquire the claims, the company has issued the vendor 200,000 shares and paid the vendor \$115,000. The vendor retains a ¼% NSR which Terra may purchase from the vendor for \$1 million.

Preliminary ground examination of a selection of anomalies identified by the airborne survey in the surrounding area indicated the presence of uranium-bearing pegmatitic granite of the same type as identified on the Lac Kachiwiss property. As a result, the company map-staked an additional 1,997 cells in the area totaling approximately 101,600 hectares. The total aggregate area covered by the company's 2,951 claims is approximately 150,500 hectares.

The widespread geophysical anomalies and mineralized showings throughout the Lac Kachiwiss zone and newly acquired property, we believe, indicate the potential for a number of low grade, bulk tonnage uranium targets.

Current Status: Like many exploration properties in Canada, winter weather means that exploration will begin as soon as snow has retreated. Discussion with management has outlined their plans going forward:

- The company plans to begin drilling on Lac Kachiwiss with up to 2 drill rigs as soon as the snow retreats
- Field work on newly acquired property will begin as soon as snow retreats
- Drilling of survey identified targets on newly acquired property to be performed by a lightweight drill
- 2009 budget between \$2-\$5 million, depending on snow, weather and other conditions

Hathor Properties

Recent Activity/Exploration: Since the discovery of the Roughrider Zone on the Midwest NE property in February of 2008, Hathor Exploration Limited has completed 45 drill holes totaling 16,856 meters. Drill hole DDH-08-42, completed as part of the summer 2008 drill program, extended the mineralized zone an additional 15 meters. Highlights of the 2008 winter and summer drill programs include:

Hole #	From (m)	To (m)	Width (m)*	U ₃ O ₈ (%)
DDH-08-12	261.5	273.4	11.9	5.29
DDH-08-20	249.5	264.5	15.0	10.02
Including	257.0	259.0	2.0	43.85
DDH-08-21	241.0	250.0	9.0	10.06
DDH-08-28	218.0	227.5	9.5	2.60
DDH-08-30	332.0	401.0	69.0	2.33
DDH-08-32	318.0	324.0	6.5	20.41
DDH-08-33	314.5	360.5	46.0	3.25
Including	314.5	321.5	7.0	11.99
DDH-08-34	309.0	315.5	6.5	8.93
DDH-08-37	269.0	314.0	18.0	4.15
DDH-08-40	295.0	318.0	23.0	11.23
Including	296.5	303.5	7.0	28.14

(*Drill core widths, not true widths. Source: Hathor Exploration Limited)

High-grade, basement-hosted uranium mineralization has now been encountered over a distance of 116 m.

Current Status: As stated in a recent news release, Hathor’s management believes that the most important drill targets, at the sub-Athabasca unconformity, outlined by geophysical surveys, have yet to be tested. Sixty holes totaling about 22,000 metres are planned for the winter 2009 drill program with the objective of extending and further defining the Roughrider Zone as well as testing for deposits at the unconformity. The drill program will be completed by four drill rigs, three will be exploring for the sub-Athabasca conformity, and one will continue to explore the extension of the currently defined Roughrider Zone. Vertical depth to the unconformity is approximately 210 to 215 metres.

To date, the Roughrider zone remains open in all directions and has potential for further significant drill intersections particularly at high-priority sub-Athabasca unconformity targets.

Financials

At the end of August 2008, the company had \$10.40 million in cash and \$10.38 million in working capital, versus \$7.98 million and \$8.14 million, respectively, at the end of February 2008. The company posted a net loss of \$1.60 million in the first six months of FY2009 (EPS: -\$0.04). We estimate the company had a burn rate (including exploration and acquisition expenses) of \$0.53 million per month in the first six months of FY2009. The following table shows the company’s liquidity position.

(in C\$)	2006	2007	2008	2009 (6 mo)
Working Capital	9,368	2,892,108	8,142,654	10,377,214
Current Ratio	1.4	39.8	129.2	59.4
LT Debts/ Assets	-	-	-	-
Burn Rate (incl exploration costs)	(35,385)	(134,118)	(540,187)	(529,410)
Cash from financing activities	446,113	4,506,639	11,553,344	5,600,000

Subsequent Financings: In December 2008, the company completed a brokered private placement by issuing 2.75 million flow-through shares at \$0.75 each to raise gross proceeds of \$2.06 million. The company had raised \$5.60 million through another private placement in August 2008. The most recent financing has further strengthened the company’s cash position.

Stock Options and Warrants: We estimate the company has about 5.04 million options (exercise price between \$0.65 and \$0.80) and 13.51 million warrants (exercise price between \$0.75 and \$1.40) outstanding. About 13.35 million of those warrants have a weighted average exercise price of \$1.27 per share. None of the outstanding options and warrants are currently ‘in-the-money’.

Conclusions: The company continues to be in an excellent cash position. Our discussions with management indicated that the company has about \$9.80 million in cash (\$0.18 per share), and is well funded at this time. At its current burn rate, we estimate cash to last at for the next 24 months at least.

Valuation

We have continued to value the company based on our valuation of the company’s interest in the Midwest NE project (Hathor property), the historic resource estimates at the company’s

Lac Kachiwiss and the North Yellow Cat properties, and its current working capital. Although we raised our total valuation on the company from \$57 million to \$61 million, our value per share estimate dropped from \$1.33 to \$1.15 per share due to the share dilution (43.05 million shares o/s to 53.40 million shares o/s) since our previous report. A summary of our revised valuation is shown below.

Valuation Summary	
Valuation of the company's interest in Hathor Properties	\$0.652
Valuation of the Lac Kachiwiss and the North Yellow Cat Properties	\$0.313
Working Capital	\$0.184
Fair Value	\$1.149

Valuation of the Midwest Northeast Property – Our revised valuation of the company's 10% interest in Hathor's Midwest NE project is \$0.65 per share (down from \$0.89 per share). Our valuation was based on Hathor's enterprise value of \$253 million (down from \$311 million at the time of our previous report), which represents 90% of the value of the Midwest NE project. Our valuation of \$0.65 per share also accounts for the present value of the potential cost benefits from not having to contribute to any costs until a bankable feasibility study (Note – This is based on our assumption that HAT will have to spend approximately \$75 million, up from \$60 million in our previous report, until bankable feasibility).

Valuation of the Lac Kachiwiss and the North Yellow Cat properties - Based on an average EV/Resources ratio of \$2.9/lb (up from \$1.6/lb) of comparable companies and a combined historical resources of 11.46 million lbs on the Lac Kachiwiss and the North Yellow Cat properties, our revised valuation increased from \$0.20 to \$0.31 per share. In order to calculate the average EV/Resource ratio of its peers, we used their average share prices in 2008, as we believe that current prices do not reflect fundamentals.

Company	EV/Resource*
1 Mega Uranium Ltd.	\$6.57
2 Pitchstone Exploration Ltd.	\$5.31
3 Uracon Resources Ltd.	\$1.44
4 Mawson Resource Ltd.	\$0.84
5 Pele Mountain Resources	\$0.43
	\$2.92
Fair Value	\$0.31

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

Conclusions & Rating

Based on our revised valuation models, and review of the company's projects since our previous report, we reiterate our BUY rating, but lower our fair value estimate from \$1.35 to \$1.15 per share. We continue to rate the shares Risk 5 (Highly Speculative).

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.
- The success of further development, exploration, and expansion are significant factors 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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