

Growth Stocks Weekly

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Performance: 1996 116.9%; 1997 28.1%; 1998 36.4%; 1999 39.4%; 2000 180.9%; 2001 -50.5%; 2002 18.7%; 2003 28.8%; 2004 166.7%; 2005 28.2%; 2006 153.3%; 2007 8.8%; 2008 -25.2%

Junior Gold and Natural Resource Sector Report

December 3, 2008

Update Report

Terra Ventures Inc. (TAS-TSX Venture)



Daily Chart: Terra Ventures (\$0.51 - candlesticks) Right Price Scale vs Hathor (\$2.61 - solid blue line) Left Price Scale; Ratio now 5.12x

Terra Ventures' principal asset today is its "production carried" 10% interest in exploration programs conducted by **Hathor Exploration (HAT-TSXv)**, itself a significant holding within the Growth Stocks Weekly Model Portfolio.

Technically, there is currently a large and growing discount in the valuation between Hathor and Terra Ventures (see chart above comparing both stocks), with Hathor now trading at about 5.12x Terra's share price. The average ratio between March and October, using 10 closing price data points, was 3.98, with a low of 3.5 and a high of 4.5. The divergence started in earnest late October, probably the result of Terra's somewhat less liquidity versus Hathor during the panic days of the market swoon.

We have been accumulating Terra shares in anticipation of this discount reverting to the historical norm of about 4x, and our premise that Hathor itself is undervalued and will trade higher any way. Both companies are likely to become takeover targets in 2009 by industry players like Areva, Denison Mines, OURD Canada and several overseas players as Hathor's winter drilling program continues to build on what is already a major new high-grade uranium discovery of an estimated 40 million pounds.

Highlights

- The company holds 10% production carried interest in Hathor's new uranium discovery, named the Roughrider Zone, at Midwest NE.
- Active drilling is ongoing on the company's projects in Saskatchewan and Quebec.
- Recent drilling results at Roughrider include 69.2m of 2.33% U3O8, 23m of 11.23%.
- Hathor had \$30 million in cash at Oct 15 2008, and is well financed for exploration. They have recently closed another \$6 million in flow-through financing.
- Production carried interest allows Terra to participate in uranium exploration and development, while minimizing dilution and risk.
- Terra is currently drilling its 100% owned Lac Kachiwass property in order to expand its historic resource estimate.
- Terra recently updated its management team by appointing James Hutton as the new Chairman of the Board and Gunther Roehlig as the new President and CEO.
- Terra recently closed a private placement of \$5.6 million in tough market conditions. Of the 7 million units issued, ~4 million were purchased by Adolf Lundin family interests.
- Terra's cash on hand is estimated at ~\$9 million.

Terra Ventures' acquisition strategy is two-fold: properties with "pounds in the ground" (historic or 43-101 compliant) and investment in properties with low-risk production carried interest. They are funding and exploring on their fully owned Lac Kachiwass property, a bulk tonnage low grade uranium deposit with a historic resource estimate in Quebec. They have production carried interest in exploration programs conducted by Hathor Exploration (HAT-TSXv) and Titan Uranium (TUE-TSXv).

Property Overview: Midwest Property, Athabasca Basin

The recently discovered Roughrider Zone located in Hathor's Midwest Northeast project, of which Terra has a 10% interest, has seen a great deal of activity in recent months with very positive results. The company increased their production carried interest from 8% to 10% in Hathor's Midwest NE project in the eastern Athabasca Basin. This property is 90% owned by Hathor Exploration Ltd., who acts as the operator.

The recently discovered Roughrider Zone lies adjacent to the high-grade Mae discovery at the Midwest Property owned by Areva, Denison Mines Corp. (TSX:DML) and OURD Canada Co. Ltd. According to Hathor, the Roughrider Zone represents the best discovery by a Junior company in the Athabasca Basin in nearly 20 years and has boosted Hathor and Terra's share prices.

In April 2007, Terra acquired 8% interest in two of Hathor's Athabasca Basin properties totaling 56,320 acres. Bullion Fund Inc. held 2% interest and 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.

After Hathor's discovery at Midwest NE, Terra purchased Bullion Fund Inc.'s remaining 2% interest for \$2.50 million and 3 million shares of Terra. 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. Terra will not be required to reimburse any exploration costs through a clawback option.

One of the many advantages of the Roughrider Zone is its proximity to exploration and development activity. The local infrastructure for uranium mining is improving with the

development of the Midwest project directly adjacent. Construction of the mine is expected to commence in mid-2009.

In this region of the Athabasca Basin, the depth to basement is shallower, which makes low cost open pit mining more attractive. At Midwest NE, the depth to the Athabasca unconformity is approximately 200 meters. The initial Roughrider Zone discovery was made at a depth of 261 meters, which is very favorable for mining. Results from the step-out summer drilling program place the vertical depth of the uranium hosting unconformity at 215 metres. The high-grade uranium mineralization occurs primarily in basement rocks that are a heterogeneous mix of variably clay-altered to clay-replaced pelitic gneiss, graphitic pelitic gneiss, granitic pegmatite and microgranite.

Uranium discoveries in the Athabasca Basin are rare but extremely valuable. Hathor used 3D seismic technology to identify the Roughrider Zone, as it is not visible using traditional geophysics. Hathor hit very high-grade uranium near surface, over a substantial width, in favorable geology, and in a region of uranium development. It is located on trend and adjacent to the Mae Zone on Areva, Denison Mines Inc. and OURD Canada Co. Ltd.'s Midwest Property.

Property Overview: Lac Kachiwiss

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. 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 an 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 due to the improved uranium market.

The company commenced a 5,000-10,000 meter drilling program at Lac Kachiwiss in the summer. This program, intended to confirm historic data and allow for calculation of a NI 43-101 compliant resource estimate, has an estimated cost of \$2 million to \$5 million.

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.

Terra 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.

Management

James Hutton, Chairman of the Board

James Hutton was most recently the founder, President and Chief Executive Officer of the Canada Dominion Resources Group of companies. 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. 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. 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.

Gunther Roehlig, Director, President and CEO

Mr. Roehlig has more than 12 years experience in the financial & investment industry, with a strong background in managing and financing junior companies. He currently serves as a director of Terra Ventures and plays an integral role in all of the company's business development and

financings. Mr. Roehlig is currently serving on the board of directors for a number of junior resource companies.

The Uranium Market

The uranium spot price peaked at \$US138/lb in June 2007. In recent weeks, with the forced selling complete, a shortage of spot uranium combined with lower production forecasts from existing uranium producers has seen the spot price rise more than 20 per cent to \$US55 per pound.

This makes uranium one of the few resources commodities to record price gains and perhaps one of the few bright lights on the commodity investment horizon. The current long-term price of \$US70 per pound is expected to again come under upward pressure as the spot price strengthens, and the supply/demand fundamentals return to their normal influences.

The spot market is small but drives short term market sentiment. The number of nuclear power plants worldwide will increase by around 30 per cent within the next ten years. Nuclear power capacity was expected to rise by 85 per cent by 2030.

Recent Financing

In August 2008, the company closed a private placement of 7 million units at \$0.80 per unit to raise gross proceeds of \$5.6 million. Each unit consists of one share and one warrant. Each warrant allows the holder to buy one share for \$1.20 on or before August 21, 2010. Of the 7 million units, about 4 million were purchased by private corporations owned by a Trust whose settlor is the Estate of Adolf H. Lundin.

Current Price: C\$0.51

52 Week Range: C\$0.26 - C\$1.03

Shares O/S: 50.4 million basic

Shares O/S: 69.4 million fully diluted

Market Cap: C\$25.7 million

Cash on hand: C\$9 million (estimated)

Conclusion

Hathor's Midwest NE project is still in its early stages and does not have a resource estimate. However, there is tremendous value being created, with much more potential to grow. The project is already estimated to hold 40 million lbs at an average grade in the 4% to 5% range. There are few sizable or high-grade deposits, and Athabasca deposits represent 23% of the world's production. There will be many eyes on this play over the winter months as drilling resumes in January, which should result in rapid delineation of the deposit.

We can determine a reasonable valuation for Terra's 10% interest in the project based on Hathor's net asset value of \$413.5 million as determined by Dundee Capital Markets November 7, 2008 Investment Research Report.

We would want to add the value of Terra's cash on hand, as well as taking into account the conservative assumption that Hathor will have to spend maybe \$50 million until bankable feasibility. Given that Terra does not contribute any exploration expense until a bankable feasibility study, we can include a discounted net present value amount of what that carried interest represents to Terra's value today.

Our value for Terra's interest in Hathor's Midwest NE Project is therefore approximately \$55 million, about \$1.10 per share. Further drilling success and expansion of the deposit by Hathor would increase our valuation. We could arguably add some value for the Lac Kachiwiss property and one Utah property with their own combined historical resources of 11.46 million lbs., however given the drop in uranium prices and share prices in general, we will ignore them.



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