

TERRA NOVA MINERALS INC.
(FORMERLY TERRA NOVA GOLD CORP.)
CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2008 AND 2007



AUDITORS' REPORT

To the Shareholders of
Terra Nova Minerals Inc.
(formerly Terra Nova Gold Corp.)

We have audited the consolidated balance sheets of Terra Nova Minerals Inc. (formerly Terra Nova Gold Corp.) as at July 31, 2008 and 2007 and the consolidated statements of operations, comprehensive loss and deficit, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at July 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Vancouver, Canada

November 25, 2008

“Morgan & Company”

Chartered Accountants

TERRA NOVA MINERALS INC.
(FORMERLY TERRA NOVA GOLD CORP.)
CONSOLIDATED BALANCE SHEETS
AS AT JULY 31

	2008	2007
ASSETS		
Current		
Cash and cash equivalents	\$ 605,973	\$ 1,203,332
Prepays	9,146	-
Amounts receivable	14,514	5,262
	<u>629,633</u>	<u>1,208,594</u>
Deferred acquisition costs (Note 4)	-	20,420
Mineral property (Note 4)	<u>198,068</u>	<u>-</u>
	<u>\$ 827,701</u>	<u>\$ 1,229,014</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current		
Accounts payable and accrued liabilities (Note 5)	<u>\$ 22,256</u>	<u>\$ 42,182</u>
Shareholders' equity		
Share capital (Note 6)	16,211,526	16,136,526
Contributed surplus (Notes 6 and 7)	809,776	691,152
Deficit	<u>(16,215,857)</u>	<u>(15,640,846)</u>
	<u>805,445</u>	<u>1,186,832</u>
	<u>\$ 827,701</u>	<u>\$ 1,229,014</u>

Nature and continuance of operations (Note 1)

On behalf of the Board of Directors:

"William P. McLucas" Director "Thomas Allen" Director

The accompanying notes are an integral part of these consolidated financial statements.

TERRA NOVA MINERALS INC.
(FORMERLY TERRA NOVA GOLD CORP.)
CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT
YEAR ENDED JULY 31

	2008	2007
EXPENSES		
Administration fees	\$ 41,113	\$ 31,250
Amortization	-	2,610
Filing and transfer agent fees	17,287	13,458
Management fees (Note 5)	120,000	60,000
Office and miscellaneous	27,997	17,176
Professional fees	64,156	24,845
Property investigation costs	146,808	-
Rent (Note 5)	-	15,000
Shareholder relations	37,549	22,556
Stock-based compensation (Note 7)	118,624	108,350
Telephone and communication	11,493	3,175
Travel and related costs	<u>22,260</u>	<u>30,277</u>
Loss before other items	<u>(607,287)</u>	<u>(328,697)</u>
OTHER ITEMS		
Write-off of equipment	-	(8,833)
Interest income	<u>32,276</u>	<u>15,141</u>
	<u>32,276</u>	<u>6,308</u>
Net loss and comprehensive loss for the year	(575,011)	(322,389)
Deficit, beginning of the year	<u>(15,640,846)</u>	<u>(15,318,457)</u>
Deficit, end of year	<u>\$ (16,215,857)</u>	<u>\$ (15,640,846)</u>
Basic and diluted loss per common share	\$ (0.01)	\$ (0.01)
Weighted average number of common shares outstanding – basic and diluted	38,496,127	28,379,283

The accompanying notes are an integral part of these consolidated financial statements.

TERRA NOVA MINERALS INC.
(FORMERLY TERRA NOVA GOLD CORP.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEAR ENDED JULY 31

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss and comprehensive loss for the year	\$ (575,011)	\$ (322,389)
Items not involving cash:		
Amortization	-	2,610
Stock-based compensation	118,624	108,350
Write-off of equipment	-	8,833
Changes in non-cash working capital items:		
Increase in amounts receivable	(9,252)	(3,987)
(Increase) decrease in prepaid expenses	(9,146)	2,500
Increase (decrease) in accounts payable and accrued liabilities	<u>(19,926)</u>	<u>32,604</u>
Net cash used in operating activities	<u>(494,711)</u>	<u>(171,479)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Deferred acquisition costs	-	(20,420)
Mineral property costs	<u>(102,648)</u>	<u>-</u>
Net cash used in investing activities	<u>(102,648)</u>	<u>(20,420)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of common shares	-	1,450,000
Share issuance costs	<u>-</u>	<u>(95,456)</u>
Net cash provided by financing activities	<u>-</u>	<u>1,354,544</u>
Change in cash and cash equivalents	(597,359)	1,162,645
Cash and cash equivalents, beginning of year	<u>1,203,332</u>	<u>40,687</u>
Cash and cash equivalents, end of year	<u>\$ 605,973</u>	<u>\$ 1,203,332</u>

Supplemental disclosures with respect to cash flows (Note 9)

The accompanying notes are an integral part of these consolidated financial statements.

TERRA NOVA MINERALS INC.
(FORMERLY TERRA NOVA GOLD CORP.)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2008 and 2007

1. NATURE AND CONTINUANCE OF OPERATIONS

Terra Nova Minerals Inc. (formerly Terra Nova Gold Corp., the “Company”) is a public company incorporated under the British Columbia Business Corporations Act. The Company’s shares are listed on the TSX Venture Exchange and the Frankfurt Stock Exchange. The Company’s principal business is the acquisition and exploration of mineral properties.

The Company has not yet determined whether its mineral properties contain economically recoverable reserves. The recoverability of the amounts shown for mineral properties is dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain necessary financing to successfully complete their development and upon future profitable production.

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to raise adequate financing to develop its mineral properties, and to commence profitable operations in the future. To date, the Company has not generated any significant revenues and is considered to be in the exploration stage. Management’s plan in this regard is to secure additional funds through future equity financings, which may not be available or may not be available on reasonable terms.

These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Terra Gold (Barbados) Inc., which is incorporated under the laws of Barbados. All significant inter-company balances and transactions have been eliminated upon consolidation.

Basis of presentation

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”) and are presented in Canadian dollars.

Use of estimates and assumptions

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Actual results could differ from these estimates. Significant areas requiring the use of management estimates and assumptions relate to the determination of impairment of mineral property interests, expected tax rates for future income tax recoveries and assumptions for determining the fair value of stock-based payments. Where estimates have been used, financial results, as determined by actual events, could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents consist of cash and highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred acquisition costs

Costs such as legal, accounting, due diligence, sponsorship and filing fees related to potential business and asset acquisitions are deferred and applied towards the cost of the acquisition when completed. Such costs are expensed if the potential acquisition is no longer considered viable by management.

Mineral properties and deferred exploration costs

The Company records its interests in mineral properties and areas of geological interest at cost. All direct and indirect costs relating to the acquisition of these interests are capitalized on the basis of specific claim blocks or areas of geological interest until the properties to which they relate are placed into production, sold or management has determined there to be an impairment. These costs will be amortized on the basis of units produced in relation to the proven reserves available on the related property following commencement of production. Mineral properties which are sold before that property reaches the production stage will have all revenues from the sale of the property credited against the cost of the property. Properties which have reached the production stage will have a gain or loss calculated based on the portion of that property sold.

The recorded cost of mineral exploration interests is based on cash paid, the value of share consideration and exploration and development costs incurred. The recorded amount may not reflect recoverable value as this will be dependant on the development program, the nature of the mineral deposit, commodity prices, adequate funding and the ability of the Company to bring its projects into production or the proceeds from disposal.

Management evaluates each mineral interest on a reporting period basis or as changes in events and circumstances warrant, and makes a determination based on exploration activity and results, estimated future cash flows and availability of funding as to whether costs are capitalized or charged to operations. Mineral property interests, where future cash flows are not reasonably determinable, are evaluated for impairment based on management's intentions and determination of the extent to which future exploration programs are warranted and likely to be funded.

The Company defers all exploration costs relating to mineral properties and areas of geological interest until the properties to which they relate are placed into production, sold, abandoned or management has determined there to be an impairment. These costs will be amortized on the basis of units produced in relation to the estimated reserves available on the related property following commencement of production or written-off to operations in the period related properties are abandoned.

Values

The amounts shown for mineral properties and deferred exploration costs represent costs incurred to date, and do not necessarily represent present or future values which are entirely dependent upon the economic recovery from production or from disposal.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Environmental protection and reclamation costs

The Company's policy relating to environmental protection and land reclamation programmes is to charge to income during the period any costs incurred in environmental protection and land reclamation. At July 31, 2008 and 2007, the Company does not foresee the necessity to make any material expenditures in this area.

Asset retirement obligations

The Company has adopted the CICA Handbook section 3110, *Asset retirement obligations*. This standard focuses on the recognition and measurement of liabilities related to obligations associated with the retirement of property, plant and equipment. Under this standard, these obligations are initially measured at fair value and subsequently adjusted for any changes resulting from the passage of time and revisions to either the timing or the amount of the original estimate of undiscounted cash flows. The asset retirement cost is to be capitalized to the related asset and amortized into earnings over time.

Mineral property related retirement obligations are capitalized as part of mineral property and deferred exploration and amortized over the estimated useful lives of the corresponding mineral properties.

At July 31, 2008 and 2007, management has determined that there are no material asset retirement obligations to the Company.

Impairment of long-lived assets

The Company follows the recommendations of the CICA Handbook section 3063, "Impairment of Long Lived Assets". Section 3063 establishes standards for recognizing, measuring and disclosing impairment of long-lived assets held for use. The Company conducts its impairment test on long-lived assets when events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment is recognized when the carrying amount of an asset to be held and used exceeds the undiscounted future net cash flows expected from its use and disposal. If there is an impairment, the impairment amount is measured as the amount by which the carrying amount of the asset exceeds its fair value, calculated using discounted cash flows when quoted market prices are not available.

Foreign currency translation

Financial statements of the Company's integrated foreign subsidiaries are translated into Canadian dollar equivalents using the temporal method whereby all monetary assets and liabilities are translated at the rate of exchange at the balance sheet date. Non-monetary assets and liabilities are translated at exchange rates prevailing at the transaction date. Income and expenses are translated at rates which approximate those in effect on transaction dates. Gains and losses arising from translation of foreign currency monetary assets and liabilities at each period end are included in earnings. Transaction amounts denominated in foreign currencies are translated into their Canadian dollar equivalents at exchange rates prevailing at the transaction date. Gains and losses arising from translation of foreign currency monetary assets and liabilities and transactions are included in earnings.

Financial instruments

On August 1, 2007, the Company adopted CICA Handbook Sections 3855 and 3861, financial instruments and Section 3856, hedges. Sections 3855 and 3861 prescribes when a financial instrument is to be recognized on the balance sheet and at what amount. Under Section 3855, financial instruments must be classified into one of five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets, or other financial liabilities. All financial instruments, including derivatives, are measured at the balance sheet date at fair value except for loans and receivables, held-to-maturity investments, and other financial liabilities which are measured at amortized cost.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

The adoption of these policies had no significant impact on the financial statement presentation or disclosures.

The Company's financial instruments consist of cash, short-term investments, receivables and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

The Company does not have derivatives or embedded derivatives.

Future income taxes

Future income taxes are recorded using the asset and liability method whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

Stock-based compensation

The Company has adopted the accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA") Handbook Section, *Stock-based compensation and other stock-based payments*, which recommends the fair-value based method for measuring compensation costs. The Company determines the fair value of the stock-based compensation using the Black-Scholes option pricing model.

Comprehensive income

The Company adopted CICA Handbook Section 1530, "Comprehensive Income". Section 1530 establishes standards for the reporting and presenting of comprehensive income which is defined as the change in equity from transaction and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income that are excluded from net loss. At July 31, 2008 and 2007, the Company had no significant items that caused other comprehensive loss to be different than net loss.

Loss per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on loss per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. Basic and diluted loss per common share are calculated using the weighted-average number of common shares outstanding during the period. For the periods presented, diluted loss per share was equal to basic loss per share as the dilutive effect was anti-dilutive.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent accounting pronouncements

The CICA accounting standards board amended Handbook Section 1400, "General standards of financial statement presentations", to include requirements for management to assess and disclose an entity's ability to continue as a going concern. This section applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. The Company does not expect the adoption of this amendment to have a significant impact on its financial statements.

CICA Handbook Section 1535, "Capital Disclosures", is effective for annual and interim periods beginning on or after October 1, 2007 and requires disclosure of the Company's objectives, policies, and processes for managing capital; quantitative data about what the Company regards as capital; whether the Company has complied with any capital requirements; and, if the Company has not complied, the consequences of such non-compliance. The new accounting standard covers disclosure only and will have no effect on the financial results of the Company.

CICA Handbook Section 3862, "Financial Instruments – Disclosures and 3863 Financial Instruments – Presentation". This new standard replaces accounting standard 3861, "Financial Instruments – Disclosure and Presentation" and is effective for annual and interim periods beginning on or after October 1, 2007. Presentation requirements have not changed. Enhanced disclosure is required to assist users of financial statements in evaluating the significance of financial instruments on the Company's financial position and performance, including qualitative and quantitative information about the Company's exposure to risks arising from financial instruments. The new accounting standards cover disclosure only and will have no effect on the financial position or results of the Company.

In 2006, the Canadian Accounting Standards Board ("AcSB") published a strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian generally accepted accounting principles with International Financial Reporting Standards ("IFRS") over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own generally accepted accounting principles. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended July 31, 2010. The Company continues to monitor and assess the impact of Canadian GAAP and IFRS.

3. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, amounts receivables, and accounts payable and accrued liabilities. It is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

4. MINERAL PROPERTY

During the year ended July 31, 2008, the Company entered into an option agreement to acquire up to a 100% interest in certain claims on the Pegma Lake Project in Quebec, Canada. Pursuant to the terms of the agreement, the Company paid \$75,000 and issued 681,818 common shares valued at \$75,000 (Note 6) and is required to incur exploration costs of \$300,000 on or before March 31, 2009 to acquire a 25% interest in the property. The Company can acquire an additional 25% by paying an additional \$75,000, issuing additional common shares worth \$75,000 (at a price equal to the greater of: (i) \$0.11 and (ii) the five-day volume weighted average closing price of the common shares on the TSX-V for the five days preceding the first anniversary date of the option agreement) on or before March 31, 2009 and

TERRA NOVA MINERALS INC.
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JULY 31, 2008 and 2007

4. MINERAL PROPERTY (continued)

incurring a further \$300,000 in exploration costs on or before March 31, 2010. The Company can increase its ownership percentage to 90% by completing a bankable feasibility study and can earn the final 10% interest by providing the optionor with a 5% net smelter return royalty.

At July 31, 2007, the Company had incurred acquisition costs totalling \$20,420. During the year ended July 31, 2008, the Company incurred a further \$24,037 of consulting and legal costs in connection with the Pegma Lake option agreement. During 2008, the Company also incurred \$3,611 in geologist costs to explore the property.

5. RELATED PARTY TRANSACTIONS

During the year ended July 31, 2008, the Company entered into the following transactions with related parties:

- a) Paid or accrued management fees of \$120,000 (2007 – \$60,000) to a company with a director in common.
- b) Paid or accrued office rent of \$Nil (2007 – \$15,000) to a company controlled by a director of the Company.
- c) Paid or accrued legal fees of \$31,914 (2007 – \$3,351), mineral property costs of \$14,036 (2007 - \$Nil) and property investigation costs of \$75,042 (2007 - \$5,423) to a law firm of which a director is a partner.

These transactions were in the normal course of operations and were measured at the exchange amount, which was the amount of consideration established and agreed to by the related parties.

At July 31, 2008, \$2,718 (2007 - \$30,305) was owing to related parties and included in accounts payable and accrued liabilities. Amounts due to related parties are non-interest bearing, unsecured and have no fixed terms of repayment.

6. SHARE CAPITAL

	Number of Shares	Amount	Contributed Surplus
Authorized			
Unlimited common shares without par value			
Issued			
Balance as at July 31, 2006	23,508,050	\$ 14,832,478	\$ 532,306
Private placements	14,500,000	1,450,000	-
Share issuance costs	-	(145,952)	50,496
Stock-based compensation	-	-	108,350
Balance as at July 31, 2007	38,008,050	16,136,526	691,152
Shares issued for mineral property	681,818	75,000	-
Stock-based compensation	-	-	118,624
Balance as at July 31, 2008	38,689,868	\$ 16,211,526	\$ 809,776

TERRA NOVA MINERALS INC.
(FORMERLY TERRA NOVA GOLD CORP.)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2008 and 2007

6. SHARE CAPITAL (continued)

During the current year, the Company issued 681,818 common shares valued at \$75,000 pursuant to the Pegma Lake option agreement (Note 4).

During the year ended July 31, 2007, the Company issued 14,500,000 units, each unit consisting of one common share and one common share purchase warrant, at \$0.10 per unit for gross proceeds of \$1,450,000. Each warrant entitles the holder to purchase one additional common share at a price of \$0.15 per share expiring between March 21, 2009 and April 20, 2009.

The Company incurred total issuance costs on the private placement of \$145,952. Of these costs, \$95,456 was incurred in cash and \$50,496 was incurred through the issuance of 735,000 warrants to finders. Each warrant entitles the holder to purchase one common share of the Company at a price of \$0.10 per share until March 21, 2009. The fair values of the finders' warrants were \$0.07 per warrant and were determined based on the Black-Scholes option pricing model assuming no expected dividends and the following assumptions: a 96.75% expected stock price volatility, a 3.99% risk free interest rate and a 1 year expected life.

7. STOCK OPTIONS AND WARRANTS

Stock options

The Company has a stock option plan (the "Stock Option Plan"). Under the Stock Option Plan, the Company may grant options to directors, officers, employees, dependent contractors or consultants. The number of options outstanding at any time may not be more than 10% of the issued and outstanding shares of the Company. The exercise price associated with each grant of options is determined by the Company and is subject to the policies of the TSX Venture Exchange. The maximum term of each option's life is 5 years. As long as the Company is not classified as a Tier 1 issuer on the TSX Venture Exchange, the options will vest: one third on the award date, one third 12 months following the award date and one third 24 months following the award date.

During the year ended July 31, 2008, the Company granted nil (2007 – 3,050,000) stock options resulting in the recognition of stock based compensation expense, using the Black-Scholes option-pricing model, of \$118,624 (2007 - \$108,350). These amounts were also recorded as contributed surplus on the balance sheet.

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted:

	2008	2007
Risk-free interest rate	-	4.25%
Expected life of options	-	5 years
Annualized volatility	-	100%
Dividend yield	-	0%

The following stock options were outstanding at July 31, 2008:

Number	Exercise Price	Expiry Date
1,900,000	\$0.14	June 13, 2012
1,150,000	0.13	June 13, 2012
<u>3,050,000</u>		

TERRA NOVA MINERALS INC.
(FORMERLY TERRA NOVA GOLD CORP.)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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7. STOCK OPTIONS AND WARRANTS (continued)

Stock options (continued)

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance, July 31, 2006	425,000	\$ 0.35
Options granted	3,050,000	0.14
Options expired	<u>(425,000)</u>	0.35
Balance, July 31, 2007 and 2008	3,050,000	0.14
<hr/>		
Number of options exercisable at July 31, 2008	2,033,333	\$ 0.14

Warrants

The following warrants were outstanding at July 31, 2008:

Number	Exercise Price	Expiry Date
12,750,000	\$0.15	March 21, 2009
<u>1,750,000</u>	0.15	April 20, 2009
<u>14,500,000</u>		

Warrant transactions and the number of warrants are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, July 31, 2006	-	\$ -
Issued	<u>15,235,000</u>	0.15
Balance, July 31, 2007	15,235,000	0.15
Expired	<u>(735,000)</u>	0.10
Balance, July 31, 2008	14,500,000	\$ 0.15

TERRA NOVA MINERALS INC.
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8. INCOME TAXES

	2008	2007
Expected income tax recovery at 33% (2007 – 34%)	\$ (187,000)	\$ (110,000)
Non-deductible items	38,000	34,000
Unrecognized tax benefits	<u>149,000</u>	<u>76,000</u>
	\$ -	\$ -

The significant components of the Company's future income tax assets are as follows:

	2008	2007
Non-capital losses	\$ 628,000	\$ 526,000
Mineral properties and deferred exploration costs	2,222,000	2,905,000
Capital assets	13,000	17,000
Share issuance costs	<u>17,000</u>	<u>26,000</u>
	2,880,000	3,474,000
Valuation allowance	<u>(2,880,000)</u>	<u>(3,474,000)</u>
Net future tax assets	\$ -	\$ -

The Company has non-capital losses of approximately \$2.2 million which may be available to offset future income for income tax purposes which commence expiring in 2028. Subject to certain restrictions, the Company also has resource expenditures of approximately \$8.7 million available to reduce taxable income in future years. Future tax benefits, which may arise as a result of these losses and resource expenditures have not been recognized in these financial statements and have been offset by a valuation allowance.

9. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	2008	2007
Cash paid during the period for interest	\$ -	\$ -
Cash paid during the period for income taxes	<u>\$ -</u>	<u>\$ -</u>

The significant non-cash transactions during the year ended July 31, 2008 included:

- a) Issued 681,818 common shares at a value of \$75,000 pursuant to the Pegma Lake mineral property option agreement (Notes 4 and 6); and
- b) Transferring \$20,420 from deferred acquisition costs to mineral property costs relating to the Pegma Lake mineral property.

The significant non-cash transaction during the year ended July 31, 2007 was the issuance of finders' warrants by the Company valued at \$50,496 and included within share issuance costs.

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10. SEGMENTED INFORMATION

The Company operates in one business segment being the acquisition and exploration of mineral properties in Canada.

11. CONTINGENCY

A legal action in the amount of approximately US \$10 million has been brought against the Company's wholly-owned Barbados subsidiary as a co-defendant regarding an alleged wrongful acquisition of certain assets located in the country of Zambia. The Company did not agree to acquire nor did it acquire any such assets and is of the opinion that the claims are without foundation or merit and is in the process of defending the action, which defence will include a motion to summarily dismiss the plaintiff's claims. The Company has not accrued a provision for liability as the amount of potential liability, if any, has been assessed as minor.

TERRA NOVA MINERALS INC.
(Formerly Terra Nova Gold Corp.)

Management Discussion and Analysis

Year Ended July 31, 2008

This management discussion and analysis (“MD&A”) of financial position and results of operations is prepared as at November 25, 2008 and should be read in conjunction with the audited consolidated financial statements for the year ended July 31, 2008 of Terra Nova Minerals Inc. (formerly Terra Nova Gold Corp.) (“Terra Nova” or the “Company”) with the related notes thereto. Those audited consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. All dollar amounts included therein and in the following MD&A are expressed in Canadian dollars except where noted. This discussion contains forward-looking statements that involve risks and uncertainties. Such information, although considered to be reasonable by the Company’s management at the time of preparation, may prove to be inaccurate and actual results may differ materially from those anticipated in the statements made. Additional information on the Company is available for viewing on SEDAR at www.sedar.com.

Description of Business

The Company is a natural resource company engaged in the acquisition, exploration, and development of gold properties. The Company currently holds an interest in one property in Quebec. The Company trades on the TSX Venture Exchange (“TSX-V”) under the symbol TGC.

Overall Performance

During the year ended July 31, 2008, the Company entered into an option agreement to acquire up to a 100% interest in certain claims on the Pegma Lake Project in Quebec, Canada. Pursuant to the terms of the agreement, the Company paid \$75,000 and issued 681,818 common shares valued at \$75,000 and is required to incur exploration costs of \$300,000 on or before March 31, 2009 to acquire a 25% interest in the property. The Company can acquire an additional 25% by paying an additional \$75,000, issuing additional common shares worth \$75,000 (at a deemed issue price equal to the greater of: (i) \$0.11 and (ii) the five-day volume weighted average closing price of the common shares on the TSXV for the five days preceding the first anniversary date of the option agreement) on or before March 31, 2009 and incurring a further \$300,000 in exploration costs on the property on or before March 31, 2010. The Company can increase its ownership percentage to 90% by completing a bankable feasibility study and can earn the final 10% interest by providing the optionor with a 5% net smelter return royalty.

During the year ended July 31, 2008, the Company incurred \$24,037 of consulting and legal costs in connection with the Pegma Lake option agreement. The Company also incurred \$3,611 in geologist costs to explore the property.

Selected Annual Financial Information

	July 31, 2008	July 31, 2007	July 31, 2006
Operating Expenses	\$ 607,287	\$ 328,697	\$ 330,156
Loss for the year	(575,011)	(322,389)	(326,445)
Loss per Share – Basic and Diluted	(0.01)	(0.01)	(0.01)
Total Assets	827,701	1,229,014	55,905
Long Term Liabilities	-	-	-
Cash Dividends Declared	-	-	-

Cash Flows From (Used In):

Operating	\$ (494,711)	\$ (171,479)	\$ (231,019)
Investing	(102,648)	(20,420)	(406)
Financing	-	1,354,544	-
Net Increase (decrease) in cash	\$ (597,359)	\$ 1,162,645	\$ (231,425)

Results of Operations

During the year ended July 31, 2008 (“current period”), the Company incurred a loss of \$575,011 compared to a loss of \$322,389 for the year ended July 31, 2007 (“comparative period”). The significant changes between the current period and the comparative period are as follows:

Management fees during the current period of \$120,000 (comparative period - \$60,000) were recorded as a result of Willie McLucas providing management services to the Company at a rate of \$10,000 per month commencing in February 2007.

Office and miscellaneous of \$27,997 (comparative period - \$17,176), and professional fees of \$64,156 (comparative period - \$24,845) have increased due to the Company pursuing new business activities.

Property investigation costs of \$146,808 (comparative period - \$Nil) were recorded as the Company incurred investigation costs relating to various mineral claims in Zambia.

Stock-based compensation of \$118,624 (comparative period - \$108,350) has decreased due to the timing of certain vesting provisions. The Company records the expense associated with an option only when the option vests. During the year ended July 31, 2008, options with regards to 1,016,667 shares had vested and only the expense associated with these options has been recognized. As further options vest the expense pertaining to them will be recognized.

During the three months ended July 31, 2008, the Company incurred a loss of \$361,052 compared to a loss of \$214,568 for the three months ended July 31, 2007. The significant changes during the current period compared to the comparative period were the increase of property investigation costs of \$146,808 (comparative period - \$Nil) and an increase of professional fees to \$21,593 (comparative period - \$18,791) for July 31, 2008. These increases were offset by decreases in travel costs in the three month period ended July 31, 2008 of \$4,045 compared to \$16,138 for July 31, 2007.

Quarterly Information

The following table sets forth selected unaudited financial information prepared by management of the Company:

	Three Months Ended July 31, 2008	Three Months Ended April 30, 2008	Three Months Ended Jan. 31, 2008	Three Months Ended Oct. 31, 2007
Total assets	\$ 827,701	\$ 1,073,644	\$ 1,154,960	\$ 1,160,325
Mineral properties and deferred costs	198,068	335,914	242,930	52,120
Working capital (deficiency)	607,377	721,891	885,736	1,071,600
Loss for the period	(363,365)	(70,861)	(77,673)	(63,112)
Loss per share	(0.01)	(0.01)	(0.01)	(0.01)

	Three Months Ended July 31, 2007	Three Months Ended April 30, 2007	Three Months Ended Jan 31, 2007	Three Months Ended Oct. 31, 2006
Total assets	\$ 1,229,014	\$ 1,344,180	\$ 16,434	\$ 38,410
Mineral properties and deferred costs	20,420	-	-	-
Working capital (deficiency)	1,166,412	1,291,413	(7,633)	19,619
Loss for the period	(214,568)	(56,151)	(27,905)	(23,765)
Loss per share	(0.01)	(0.01)	(0.01)	(0.01)

Liquidity and Capital Resources

The Company is in the development stage and therefore has no regular cash flow. As at July 31, 2008, the Company had a working capital of \$607,377 and cash on hand of \$605,973 compared to a working capital of \$1,166,412 and cash on hand of \$1,203,332 at July 31, 2007.

The significant changes in cash during the year ended July 31, 2008 were primarily due to the use of cash in operations of approximately \$495,000 and mineral property and deferred acquisition costs of approximately \$103,000.

Cash flow to date has not satisfied the Company's operational requirements. The development of the Company may in the future depend on the Company's ability to obtain additional financings. In the past, the Company has relied on the issue of equity securities to meet its cash requirements. Future developments will depend on the Company's ability to obtain financing through joint venturing of projects, debt financing, equity financing or other means. There can be no assurances that the Company will be successful in obtaining any such financing or in joint venturing its properties.

Risk, Uncertainties

The business of mineral deposit exploration and extraction involves a high degree of risk. Few properties that are explored ultimately become producing mines. At present, the Company's property under option

has no known commercial ore deposit. Other risks facing the Company include competition for mineral properties, environmental and insurance risks, fluctuations in metal prices, share price volatility and uncertainty of additional financing.

Outlook

The Company continues its quest to identify suitable opportunities in both base metals and precious metals.

Related party transactions

During the year ended July 31, 2008, the Company entered into the following transactions with related parties:

- a) Paid or accrued management fees of \$120,000 (2007 - \$60,000) to a company which Willie McLucas, is a director.
- b) Paid or accrued rent of \$Nil (2007 - \$15,000) to a company controlled by a director of the Company.
- c) Paid or accrued legal fees of \$31,914 (July 31, 2007 - \$3,351) and deferred acquisition costs of \$14,036 (July 31, 2007 - \$Nil), property investigation costs of \$75,042 (2007 - \$Nil) and mineral property acquisition costs of \$Nil (July 31, 2007 - \$Nil) to a law firm of which director Grant Sawiak is a partner.

Included in accounts payable is \$2,718 (July 31, 2007 - \$30,305) owed to a company which Willie McLucas is a director.

These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Off Balance Sheet Arrangements

The Company has no off Balance Sheet arrangements.

Outstanding Share Data

As at November 25, 2008, the Company has:

- a) 38,689,868 common shares outstanding;
- b) 3,050,000 stock options outstanding with exercise prices ranging from \$0.13 to \$0.14 and expiring on June 13, 2012; and
- c) 14,500,000 share purchase warrants outstanding with an exercise price of \$0.15 per share expiring between March 21 and April 20, 2009.

Disclaimer

The information provided in this document is not intended to be a comprehensive review of all matters concerning the Company. It should be read in conjunction with all other disclosure documents provided by the Company, which can be accessed at www.sedar.com. No securities commission or regulatory authority has reviewed the accuracy or adequacy of the information presented herein.

Change in Accounting Policy Including Initial Adoption Why is this section in a different typeface or font???

Recent accounting pronouncements

The CICA accounting standards board amended Handbook Section 1400, “General standards of financial statement presentations”, to include requirements for management to assess and disclose an entity’s ability to continue as a going concern. This section applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. The Company does not expect the adoption of this amendment to have a significant impact on its financial statements.

CICA Handbook Section 1535, “Capital Disclosures”, is effective for annual and interim periods beginning on or after October 1, 2007 and requires disclosure of the Company’s objectives, policies, and processes for managing capital; quantitative data about what the Company regards as capital; whether the Company has complied with any capital requirements; and, if the Company has not complied, the consequences of such non-compliance. The new accounting standard covers disclosure only and will have no effect on the financial results of the Company.

CICA Handbook Section 3862, “Financial Instruments – Disclosures and 3863 Financial Instruments – Presentation”. This new standard replaces accounting standard 3861, “Financial Instruments – Disclosure and Presentation” and is effective for annual and interim periods beginning on or after October 1, 2007. Presentation requirements have not changed. Enhanced disclosure is required to assist users of financial statements in evaluating the significance of financial instruments on the Company’s financial position and performance, including qualitative and quantitative information about the Company’s exposure to risks arising from financial instruments. The new accounting standards cover disclosure only and will have no effect on the financial position or results of the Company.

In 2006, the Canadian Accounting Standards Board (“AcSB”) published a strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian generally accepted accounting principles with International Financial Reporting Standards (“IFRS”) over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada’s own generally accepted accounting principles. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended July 31, 2010. The Company continues to monitor and assess the impact of Canadian GAAP and IFRS.

Cautionary Statement on Forward Looking Information

Certain statements contained in this document constitute “forward-looking statements”. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance, or achievements of the Company to be materially different from any future results, performance, or achievements expressly stated or implied by such forward-looking statements. Such factors include, among others, the following: mineral exploration and development costs and results, fluctuation in the prices of commodities for which the Company is exploring, foreign operations and foreign government regulations, competition, uninsured risks, recoverability of resources

discovered, capitalization requirements, commercial viability, environmental risks and obligations, and the requirement for obtaining permits and licenses for the Company's operations in the jurisdictions in which it operates.