
TERRA NOVA MINERALS INC.

**Interim Financial Statements
(Unaudited)**

Three and six months ended January 31, 2011

Notice of no Auditor Review of Interim Financial Statements

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

TERRA NOVA MINERALS INC.
BALANCE SHEETS
(Unaudited)

	January 31, 2011	July 31, 2010
	\$	\$
Assets		
Current		
Cash	511,548	3,377
GST/HST recoverable	9,524	23,988
	<u>521,072</u>	<u>27,365</u>
Mineral property interest - note 4	<u>30,000</u>	<u>-</u>
	<u>551,072</u>	<u>27,365</u>
Liabilities		
Current		
Accounts payable and accrued liabilities - note 6	57,451	949,002
Shareholders' Deficiency		
Share Capital - note 5	17,629,194	16,211,526
Contributed Surplus	995,024	890,446
Deficit	<u>(18,130,597)</u>	<u>(18,023,609)</u>
	<u>493,621</u>	<u>(921,637)</u>
	<u>551,072</u>	<u>27,365</u>

Nature Of Operations And Going Concern - note 1

Basis Of Presentation - note 2

Commitments - notes 4 and 5

Subsequent Events - note 5

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

TERRA NOVA MINERALS INC.
STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT
Three and six months ended January 31
(Unaudited)

	Three months ended		Six months ended	
	2011	2010	2011	2010
	\$	\$	\$	\$
Expenses				
Administrative fees	3,500	13,969	14,000	25,358
Filing and transfer agent fees	9,463	3,150	10,522	6,411
Management fees - note 6	-	60,000	20,000	120,000
Office and miscellaneous	12,611	437	12,684	3,856
Audit and accounting fees - note 6	15,029	2,965	20,031	2,964
Legal fees - note 6	25,654	-	25,654	3,796
Shareholder communications	3,522	-	3,522	11,910
Telephone and communication	15	1,056	145	3,390
Travel and related costs	1,810	1,878	1,810	13,324
	(71,604)	(83,455)	(108,368)	(191,009)
Other (expenses) income				
Interest income	-	38	-	38
Interest expense	(487)	-	(487)	-
Accounts payable forgiven	-	-	1,867	-
	(487)	38	1,380	38
Net loss and comprehensive loss for the period	(72,090)	(83,417)	(106,988)	(190,971)
Basic and diluted loss per share	\$ (0.01)	\$ (0.03)	\$ (0.02)	\$ (0.07)
Weighted average number of shares				
outstanding - note 1				
- basic and diluted	6,773,027	2,865,987	4,819,462	2,865,897

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

TERRA NOVA MINERALS INC.
STATEMENTS OF CASH FLOWS
Three and six months ended January 31,
(Unaudited)

	Three months ended		Six months ended	
	2010 \$	2010 \$	2011 \$	2010 \$
Cash provided by (used in)				
Operating activities				
Net loss for the period	(72,090)	(83,417)	(106,988)	(190,971)
Items not affecting cash				
Accounts payable forgiven	-	-	(1,867)	-
	(72,090)	(83,417)	(108,855)	(190,971)
Net change in non-cash working capital items				
GST/HST recoverable	14,126	4,333	14,465	2,459
Pre-paid expenses	1,613	-	-	-
Accounts payable	(926,154)	76,772	(889,684)	60,033
	(982,505)	(2,312)	(984,074)	(128,479)
Financing activity				
Proceeds from securities issued, net of costs	1,522,245	-	1,522,245	-
Investing activities				
Mineral property expenditures	(30,000)	-	(30,000)	-
Deferred transaction expenditures	-	-	-	(12,500)
	(30,000)	-	(30,000)	(12,500)
Increase (decrease) in cash	509,740	(2,312)	508,171	(140,979)
Cash, beginning of period	1,808	4,024	3,377	142,691
Cash, end of period	511,548	1,712	511,548	1,712

Supplemental cash flow information - note 7

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

TERRA NOVA MINERALS INC.
STATEMENTS OF CHANGES IN NET EQUITY
Six months ended January 31, 2011
(Unaudited)
(After giving effect to share consolidation - note1)

	Share capital		Contributed Surplus		Deficit	Net Equity	
	Common shares	Amount	Share purchase warrants	Share purchase options	Amount	Amount	
	(number)	\$	(number)	(number)	\$	\$	
Balance, July 31, 2010 - note 1	2,865,897	16,211,526	-	122,222	890,446	(18,023,609)	(921,637)
Shares issued in consideration for Cash, pursuant to:							
Private placement	10,245,000	1,485,525	10,245,000	-	51,225	-	1,536,750
Finder's fees	988,000	148,200	988,000	-	53,352	-	201,552
Share issue costs paid:							
Cash - note 6	-	(14,505)	-	-	-	-	(14,505)
Finder's fees	-	(201,552)	-	-	-	-	(201,552)
Net loss for the period	-	-	-	-	-	(106,988)	(106,988)
Balance, January 31, 2011	14,098,897	17,629,194	11,233,000	122,222	995,024	(18,130,597)	493,621

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

TERRA NOVA MINERALS INC.

Notes to the unaudited interim financial statements
Three and six months ended January 31, 2011

1. NATURE OF OPERATIONS AND GOING CONCERN

Terra Nova Minerals Inc. (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.

During the six months ended January 31, 2011, the Company completed a reactivation that entailed obtaining regulatory approval for completion of the following transactions: secured a 50% interest in a mineral property on which the Company has made the initial \$30,000 payment (note 4); a consolidation of its common shares on the basis of 1 new share for every 13.5 old shares (the "Share Consolidation"); and, completed a private placement of 11,233,000 units to result in gross proceeds of \$1,536,750 in consideration for a total (note 5).

On completion of the Share Consolidation, on December 30, 2010, a total of 38,689,868 old shares outstanding were cancelled in exchange for 2,865,897 new shares. For purposes of discussion in these financial statements, all references to share quantities expressed herein are expressed in terms of new shares unless otherwise expressly disclosed.

These 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 at least twelve months from the balance sheet date. The continuing operations of the Company are dependent upon its ability to raise adequate financing to acquire and explore mineral properties, and to commence profitable operations in the future. To date, the Company has not generated any significant revenues.

During the six months ended January 31, 2011, the Company incurred losses of \$106,988, and as at January 31, 2011 had accumulated losses of \$18,130,597 and expects to incur losses for the foreseeable future. As at January 31, 2011, following settlement of its debts on reactivation, the Company had net funds available for future operations amounting to \$463,621. Management estimates that this will be sufficient to fund a \$100,000 property commitment (note 4) and operating requirements over the next twelve months. However, in order to meet any incremental operating requirements and exploration expenditures, the Company will require additional financing.

2. BASIS OF PRESENTATION

These unaudited interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("CGAAP") applicable to a going concern on a basis consistent with those accounting principles followed in the most recent audited financial statements. However, as unaudited interim financial statements, they do not include all the information and notes required by CGAAP for annual financial statements. Therefore these financial statements should be read in conjunction with the audited financial statements for the year ended July 31, 2010.

3. NEWLY ADOPTED ACCOUNTING POLICIES

(a) *Broker warrants and warrants*

Warrants issued to agents or brokers in connection with a financing are recorded at fair value and charged to issue costs associated with the offering with an offsetting credit to contributed surplus in shareholders' equity.

Warrants included in units offered to subscribers in connection with financings are recorded at the residual value in contributed surplus in shareholders' equity with an offsetting reduction in the value ascribed the shares issued in the units.

Proceeds of the exercise of these warrants are credited to share capital together with the corresponding amount, if any, of the original warrant charge included in contributed surplus.

TERRA NOVA MINERALS INC.

Notes to the unaudited interim financial statements (continued)
Three and six months ended January 31, 2011

3. NEWLY ADOPTED ACCOUNTING POLICIES (continued)

(b) Business combinations, consolidated financial statements and non-controlling interest

Effective August 1, 2010, the Company elected to early adopt CICA Handbook Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements", and Section 1602, "Non-controlling Interests". These sections replace the former CICA Handbook Section 1581, "Business Combinations" and Section 1600, "Consolidated Financial Statements" and establish a new section for accounting for a non-controlling interest in a subsidiary.

CICA Handbook Section 1582 establishes standards for the accounting for a business combination and states that all assets and liabilities of an acquired business will be recorded at fair value. Obligations for contingent consideration and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. It provides the Canadian equivalent to International Financial Reporting Standard ("IFRS") 3, "Business Combinations" (January 2008).

CICA Handbook Section 1601 establishes standards for the preparation of consolidated financial statements.

CICA Handbook Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in the preparation of consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of International Financial Reporting Standard IAS 27, "Consolidated and Separate Financial Statements" (January 2008).

To date there has been no impact on the Company's financial statements as a result of the adoption of these sections.

4. MINERAL PROPERTY INTEREST

Following receipt of regulatory approval for its reactivation, on January 5, 2011, the Company made a \$30,000 payment to August Metal Corp., a British Columbia company ("August") in order to secure its option on an undivided 50% interest in a gold prospect property known as the El Capitan Property ("El Capitan"). El Capitan consists of nine contiguous and surveyed mineral claims totaling approximately 3300 hectares located near Cowichan Lake on Vancouver Island in the province of British Columbia. The El Capitan option was secured pursuant to the terms of an option agreement dated October 8, 2010 (the "El Capitan Option Agreement") pursuant to which the Company can acquire the 50% interest by making: at least \$1.5 million in expenditures on the property over a period of three years including a minimum of \$100,000 by the end of 2011; and, making a \$1.0 million payment to August on or before October 31, 2013. The Company's interest is subject to a 1% net smelter return royalty which the Company can purchase at any time by making an additional payment of \$1.5 million to August.

The Company has the right to terminate the El Capitan Option Agreement by giving 30 days' written notice of such termination to August and upon the effective date of such termination the agreement shall be of no further force and effect except that the Company shall be required to discharge any unsatisfied obligations which shall have accrued under the provisions of the agreement.

5. SHARE CAPITAL

(a) Authorized:

an unlimited number of common shares without par value.

(b) Financing

On December 30, 2010, immediately following the Share Consolidation, the Company completed a non-brokered private placement in consideration for a total of 10,245,000 units at a price of \$0.15 per unit (as

TERRA NOVA MINERALS INC.

Notes to the unaudited interim financial statements (continued)
Three and six months ended January 31, 2011

5. SHARE CAPITAL (continued)

(b) *Financing (continued)*

revised from \$0.05 per unit on December 8, 2010), to result in an aggregate gross proceeds of \$1,536,750. Each unit consists of one common share and one share purchase warrant entitling the holder thereof to acquire one additional share at a price of \$0.30 each (as revised from \$0.10 on December 8, 2010) at any time up until and including December 30, 2012. In accordance with the terms of the offering memorandum, proceeds from each unit were allocated as to \$0.145 cents per share and as to \$0.005 per share purchase warrant.

A finder's fee consisting of 988,000 units was paid in this connection ("Finder's Units") for a gross consideration of \$201,552. In addition, the Company incurred related issuance costs totaling \$14,505 that was paid in cash.

The finder's fee consideration was determined on the basis of \$0.145 for each of the shares attached to the Finder's Units and the fair value of each warrant attached to the Finder's Units was estimated at approximately \$0.05 each based on the Black-Scholes option pricing model using the following assumptions: risk-free interest rate - 1.15%; expected life - 2.0 years; expected volatility - 100%; and expected dividends - nil.

(c) *Warrants*

As at January 31, 2011, there were 11,233,000 warrants outstanding having a remaining life of 1.92 years exercisable at a price of \$0.30 each at any time up until and including December 30, 2012. There were no warrants outstanding as at July 31, 2010.

(d) *Stock Options*

In the period since July 31, 2010 changes in the number of stock options outstanding are as follows:

	Number of options	Weighted average exercise price	Weighted average remaining life	Expiry
	(shares)	(\$ per share)	(years)	(date)
Balance outstanding, July 31, 2010	122,222	\$1.88	1.87	June13,2012
Forfeited during the period	<u>(11,111)</u>	\$1.76		
Balance outstanding, January 31, 2011	111,111	\$1.88	1.37	June13,2012

On February 1, 2011, the balance of options outstanding as at January 31, 2011 were forfeited and pursuant to the Company's Stock Option Plan, stock options to purchase up to 760,000 shares of the Company at a price of \$0.53 each for a period of 10 years were granted.

6. RELATED PARTY TRANSACTIONS

During the periods ended January 31, 2011 and 2010, the Company incurred the following expenditures for services provided to the Company by directors and officers or former directors and officers of the Company and / or companies they owned or in which they were significant shareholders:

TERRA NOVA MINERALS INC.

Notes to the unaudited interim financial statements (continued)

Three and six months ended January 31, 2011

6. RELATED PARTY TRANSACTIONS (continued)

	Three months ended		Six months ended	
	2011	2010	2011	2010
	\$	\$	\$	\$
Non-audit accounting fees	4,385	-	4,385	-
Legal fees	25,309	-	25,309	-
Issue costs	5,254	-	5,254	-
management fees	-	60,000	20,000	120,000
	34,949	60,000	54,949	120,000

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.

Included in accounts payable and accrued liabilities as at January 31, 2011 is \$20,218 (July 31, 2010 - \$696,566) due to directors and officers of the Company and/or companies they control or of which they were significant shareholders. The amounts owing are unsecured, non-interest bearing and due on demand.

7. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	Three months ended		Six months ended	
	2010	2009	2010	2009
Cash paid during the period for interest	\$ 487	\$ -	\$ 487	\$ -
Cash paid during the period for income taxes	\$ -	\$ -	\$ -	\$ -

8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**Fair Values**

The fair values of cash (Level 1) and accounts payable and accrued liabilities (Level 3) approximate their book values because of the short-term nature of these instruments.

(a) Financial Risk Management

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company considers the fluctuations of financial markets and seeks to minimize potential adverse effects on financial performance.

(b) Financial Instrument Risk Exposure

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management process.

(c) Credit Risk

Credit risk is the risk of a financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligation. The Company's exposure to credit risk includes cash and receivables. The Company reduces its credit risk by maintaining its bank accounts at large international financial institutions. The Company's receivables consist primarily of GST/HST recoverable due from federal government agencies. The maximum exposure to credit risk is equal to the fair value or carrying value of the financial assets.

(d) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's approach is to ensure that it will have sufficient liquidity to meet its liabilities when due,

TERRA NOVA MINERALS INC.

Notes to the unaudited interim financial statements (continued)

Three and six months ended January 31, 2011

8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(d) Liquidity Risk (continued)

under both normal and stressed circumstances. To address these matters during the three months ended January 31, 2011, the Company completed a private placement to raise \$1,522,245 (note 5(b)), the proceeds of which were used to bring accounts payable and accrued liabilities current and the working capital on hand as at January 31, 2011 totaling \$463,621 will be used to fund ongoing operating requirements and exploration expenditures.

(e) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. Such fluctuations may be significant.

(f) Interest rate risk

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

(g) Foreign currency risk

The Company is not exposed to foreign currency risk on fluctuations in exchange rates.

(h) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as

(h) Price risk (continued)

the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of gold and other precious and base metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

9. CAPITAL MANAGEMENT

The capital structure of the Company consists of equity attributable to common shareholders, comprising of issued capital, contributed surplus. The Company's objectives when managing capital are to: (i) preserve capital, (ii) obtain the best available net return, and (iii) maintain liquidity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic condition and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents and investments. The Company is not subject to externally imposed capital restrictions.

Terra Nova Minerals Inc.

Management's Discussion of Financial Position and Results of Operations ("MD&A") For the three and six-month periods ended, January 31, 2011

This MD&A has been prepared as of March 31, 2011. It should be read in conjunction with the unaudited interim financial statements of Terra Nova Minerals Inc. (the "Company" or "Terra Nova") for the three and six-month periods ended January 31, 2011, as well as the audited consolidated financial statements for the year ended July 31, 2010 and the related management's discussion and analysis (the "Annual MD&A"). The Company's critical accounting estimates, significant accounting policies and risk factors as disclosed in the Annual MD&A have remained substantially unchanged and are still applicable to the Company unless otherwise indicated. All amounts are expressed in Canadian dollars unless otherwise indicated and have been determined in accordance with Canadian generally accepted accounting principles ("CGAAP").

In the period since July 31, 2010, the Company announced plans for and has completed a reactivation of the Company (the "Reactivation"). On December 30, 2010, the Reactivation which was in part subject to regulatory approval culminated in securing an option on a mineral property known as the El Capitan Property located on Vancouver Island and completing a private placement financing for gross proceeds of \$1,537,650 in consideration for a unit offering (the "Unit Offering"). In conjunction with completion of the foregoing, as approved by the shareholders at the Company's annual General Meeting held on December 10, 2010, the Company completed a share consolidation on the basis of 1 new share for each 13.5 old shares (the "Share Consolidation"). On completion of the Share Consolidation on December 30, 2010, a total of 38,689,868 old shares outstanding were cancelled in exchange for 2,865,897 new shares. The Company completed the Unit Offering on the basis of new shares. For purposes of discussion in these financial statements, all references to share quantities and calculations involving share quantities expressed herein are expressed and calculated in terms of new shares regardless of the date of consolidation unless otherwise expressly disclosed.

Since July 31, 2010, the entire slate of directors and officers has changed following the resignations of Donald MacDonald as CFO on September 24, 2010 and Willie McLucas as a director and CEO and President on February 1, 2011. Subsequent to these resignations, the company has made the following appointments: Andrew R. Williams as CFO on September 24, 2010; Trevor Kearnes as a director on September 24, 2010; Robert G. McMorran as a director on September 24, 2010; James L. Harris as corporate secretary on October 5, 2010; and Gunther Roehlig as a director on October 12, 2010. On February 1, 2011, Mr. Roehlig was appointed president and CEO on the resignation of Mr. McLucas and Carson Seabolt was appointed VP, business development. On February 4, 2011 Trevor Kearnes resigned as a director. On March 31, 2011, Mr. David Stein became a director.

Forward-Looking Statements

Forward-looking statements look into the future and provide an opinion as to the effect of certain events and trends on the business. Forward-looking statements may include words such as "plans", "intends", "anticipates", "should", "estimates", "expects", "believes", "indicates", "suggests" and similar expressions.

This MD&A, in particular the "Outlook" section, contains forward-looking statements. These forward-looking statements, include without limitation: statements about the Company's exploration plans and outlook; interpretations and discussion of exploration results and financing obligations with regard to future exploration of the mineral properties owned or under option to the Company. As such, all forward-looking statements are based on current expectations and various estimates, factors and assumptions and involve known and unknown risks, uncertainties and other factors. Information concerning the interpretation of drill results may also be considered a forward-looking statement as such information constitutes a prediction of what mineralization might be found to be present if and when a project is actually developed.

It is important to note that: unless otherwise indicated, forward-looking statements in this MD&A describe the Company's expectations as of March 31, 2011. Readers are cautioned not to place undue reliance on these statements as the Company's actual results, performance or achievements may differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements if known or unknown risks, uncertainties or other factors affect the Company's business, or if

the Company's estimates or assumptions prove inaccurate. Such risks and other factors include, among others, risks related to the integration of acquisitions; risks related to operations; actual results of current exploration activities; actual results of current reclamation activities; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; future prices of metals; accidents, labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities, as well as those factors discussed in the section entitled "Risk Factors" appearing elsewhere herein. Therefore, the Company cannot provide any assurance that forward-looking statements will materialize; and subject to applicable laws, the Company assumes no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or any other reason.

The material assumptions that were applied in making the forward looking statements in this MD&A include: execution of the Company's existing plans or its on-going search for new mineral properties and any related financing that will be required, either of which may change due to changes in the views of the Company or if new information arises which makes it prudent to change such plans or searches; and, the accuracy of the current perspective that on-going exploration projects can be financed.

For a description of material factors that could cause the Company's actual results to differ materially from the forward-looking statements in this MD&A, please see **Risks and Uncertainties**.

Results of Operations

Three-month period ended January 31, 2011

During the three months ended January 31, 2011, the Company incurred a loss of \$72,090 or \$0.01 per share (2010 - loss of \$83,417 or \$0.03 per share) to result in a decline in operating loss from the current period amounting to \$11,851. The 2010 loss included a \$60,000 charge (\$20,000 per month) for management services provided by a former director and \$10,500 for administrative services provided by the former assistant corporate secretary. As the arrangements under which these fees were charged were canceled with effect from September, 2011 with respect to the management fees and at the end of November 2011 with respect to the corporate secretary fee, the expenses for 2011 declined commensurately. However, these reductions were offset by increases incurred in 2011 as called for in connection with the completion of the Reactivation. Accordingly, the Company incurred heavier filing and transfer agent fees, office and miscellaneous expenses, audited and accounting fees, and legal fees, all of which increased to meet the completion requirements pursuant to the Reactivation.

Six-month period ended January 31, 2011

In the six months ended January 31, 2011, compared to 2010, operating losses declined by \$83,983 in 2011 from a \$190,971 loss or \$0.07 per share in the six-month period ended 2010 to a \$106,988 loss or \$0.02 per share in the six-month period ended January 2011. As was the case for the three-month period ended January 2011, operating expenses for the six-month period ended included reductions of \$100,000 and \$7,000 in management and administrative fees respectively, compared to those incurred in the six-month period ended January 2010. As outlined in the discussion for the three-month period ended January 2011, increases in all other expense increases in the current year six-month period were largely attributable to the Reactivation activities.

Mineral Property Acquisition and Exploration Plants

Following receipt of regulatory approval for its Reactivation, on January 5, 2011, the Company made a \$30,000 payment to August Metal Corp., a British Columbia company ("August") in order to secure its option on an undivided 50% interest in a gold prospect property known as the El Capitan Property ("El Capitan"). El Capitan consists of nine contiguous and surveyed mineral claims totaling approximately 3300 hectares located near Cowichan Lake on Vancouver Island in the province of British Columbia. The El Capitan option was secured pursuant to the terms of an option agreement dated October 8, 2010 (the "El Capitan Option Agreement") pursuant to which the Company can acquire the 50% interest by making: at least \$1.5 million in expenditures on the property over a period of three years including a minimum of

Terra nova Minerals Inc.
Management's Discussion of Financial Position and Results of Operations (continued)
For the three and six-month periods ended January 31, 2011

\$100,000 (revised from \$250,000 as previously disclosed) by the end of 2011; and, making a \$1.0 million payment to August on or before October 31, 2013. The Company's interest is subject to a 1% net smelter return royalty which Terra Nova can purchase at any time by making an additional payment of \$1.5 million to August.

The Company has the right to terminate the El Capitan Option Agreement by giving 30 days' written notice of such termination to August and upon the effective date of such termination the agreement shall be of no further force and effect except that the Company shall be required to make any obligations which shall have accrued under the provisions of the agreement which have not been satisfied.

At a minimum, the Company's current exploration plans over the rest of calendar 2011 call for an expenditure of \$100,000 on the El Capitan Property. Any additional exploration expenditure will require additional equity financing or alternatively participation with a third party.

Financing Activities

On December 30, 2010, immediately following the Share Consolidation, the Company completed a non-brokered private placement in consideration for a total of 10,245,000 units at a price of \$0.15 per unit (as revised from \$0.05 per unit on December 8, 2010), to result in aggregate gross proceeds of \$1,536,750. Each unit consists of one common share and one share purchase warrant entitling the holder thereof to acquire one additional share at a price of \$0.30 each (as revised from \$0.10 on December 8, 2010) at any time up until and including December 30, 2012. In accordance with the terms of the offering memorandum, proceeds from each unit were allocated as to \$0.145 cents per share and as to \$0.005 per share will purchase warrant.

A finder's fee consisting of 988,000 units was paid in this connection ("Finder's Units") for a gross consideration of \$201,552. In addition, the Company incurred related issuance costs totaling \$14,505 that was paid in cash.

The finder's fee consideration was determined on the basis of \$0.145 for each of the shares attached to the Finder's Units and the fair value of each warrant attached to the Finder's Units was estimated at approximately \$0.5 each based on the Black-Scholes option pricing model using the following assumptions: risk-free interest rate - 1.15%; expected life - 2.0 years; expected volatility - 100%; and expected dividends - nil.

Proceeds from the private placement were used to bring accounts payable and accrued liabilities current and to provide the Company with working capital to fund ongoing operating requirements and expenditure commitments related to the El Capitan Property commitment.

Summary of Unaudited Quarterly Results

	Fiscal Quarters Ended			
	January 31, 2011	October 31, 2010	July 31, 2010	April 30, 2010
Total assets	\$ 551,072	\$ 27,073	\$ 27,365	\$ 3,774
Mineral properties and deferred costs	30,000	-	-	-
Working capital (deficiency)	463,621	(956,534)	(921,637)	(850,171)
Loss for the quarter	(72,090)	(34,895)	(71,466)	(876,210)
Loss per share ¹	(0.01)	(0.01)	(0.02)	(0.31)

	Fiscal Quarters Ended			
	January 31, 2010	October 31, 2009	July 31, 2009	April 30, 2009
Total assets	\$ 755,379	\$ 311,977	\$ 284,755	\$ 561,276
Mineral properties and deferred costs	-	-	-	252,890
Working capital (deficiency)	(725,815)	(192,352)	79,218	307,874
Loss for the quarter	(83,417)	(107,555)	(415,205)	(87,230)
Loss per share ¹	(0.03)	(0.04)	(0.15)	(0.03)

1. All comparative loss per share figures presented above reflect the Share Consolidation completed on December 30, 2010.

Liquidity and Capital Resources

As at January 31, 2011 the Company had a working capital deficiency of \$463,621. As discussed elsewhere herein, Management and the Directors believe current working capital is sufficient to meet operating requirements for the next 12 months plus the \$100,000 expenditure commitment on the EL Capitan which the company is committed to make by not later than December 31, 2011. Any expenditures for additional exploration programs will require additional financing or participation with third parties.

Mineral Properties

Following receipt of regulatory approval for its Reactivation, on January 5, 2011, the Company made a \$30,000 payment to August Metal Corp., a British Columbia company ("August") in order to secure its option on an undivided 50% interest in a gold prospect property known as the El Capitan Property ('El Capitan'). El Capitan consists of nine contiguous and surveyed mineral claims totaling approximately 3300 hectares located near Cowichan Lake on Vancouver Island in the province of British Columbia. The El Capitan option was secured pursuant to the terms of an option agreement dated October 8, 2010 (the "El Capitan Option Agreement") pursuant to which the Company can acquire the 50% interest by making: at least \$1.5 million in expenditures on the property over a period of three years including a minimum of \$100,000 (revised from \$250,000 as previously disclosed) by the end of 2011; and, making a \$1.0 million payment to August on or before October 31, 2013. The Company's interest is subject to a 1% net smelter return royalty which the Company can purchase at any time by making an additional payment of \$1.5 million to August.

Transactions with Related Parties

During the periods ended January 31, 2011 and 2010, the Company incurred the following expenditures for services provided to the Company by directors and officers or former directors and officers of the Company and / or companies they owned or in which they were significant shareholders:

	Three months ended		Six months ended	
	2011	2010	2011	2010
	\$	\$	\$	\$
Non-audit accounting fees	4,385	-	4,385	-
Legal fees	25,309	-	25,309	-
Issue costs	5,254	-	5,254	-
management fees	-	60,000	20,000	120,000
	34,949	60,000	54,949	120,000

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.

Included in accounts payable and accrued liabilities as at January 31, 2011 is \$20,218 (July 31, 2010 - \$696,566) due to directors and officers of the Company and/or companies they control or of which they were significant shareholders. The amounts owing are unsecured, non-interest bearing and due on demand.

Critical Accounting Estimates

The accounting estimates considered to be significant to the Company include; the value of future income tax liabilities and unrecorded future income tax assets; the value of stock-based compensation expense; and the value of broker warrants.

Management has relied on the advice of tax experts to determine its income tax liabilities and whether or not future income taxes are recoverable against income taxes otherwise due on future taxable income are recognized. As at July 31, 2010, estimated unrecorded future income tax assets not recognized in the accounts but available as a credit against future taxable non-capital income total \$2,899,000.

Stock-based compensation and broker warrant valuations are determined using the Black-Scholes option price modeling. This model requires input of highly subjective assumptions including the expected stock price volatility. Changes in the subjective input assumptions can materially affect the fair value. In the current period the Company has no warrants outstanding and did not record any stock-based compensation as no options were granted and none vested during the period,

Recent Accounting Pronouncements

International Financial Reporting Standards ("IFRS")

In 2008, the Canadian Accounting Standards Board confirmed that publicly listed companies will be required to adopt IFRS for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Early adoption may be permitted, however it will require exemptive relief on a case by case basis from the Canadian Securities Administrators. The Company expects its first financial statements presented in accordance with IFRS to be for the three-month period ending October 31, 2011, which includes presentation of its comparative results for the same period in 2010 under IFRS. In order to prepare for the changeover to IFRS, the Company has developed an IFRS conversion plan comprised of three phases:

PHASE	DESCRIPTION AND STATUS
<i>PRELIMINARY PLANNING AND SCOPING</i>	<p>This phase involved development of the IFRS conversion plan and has been completed. The IFRS conversion plan includes consideration of the impacts of IFRS on the Company's financial statements, internal control over financial reporting, information systems and business activities such as compensation metrics, and personnel and training requirements.</p> <p>Based on Management's review of IFRS and current Company processes, minimal impact is expected on information systems and compensation metrics.</p> <p>The IFRS conversion plan included a high level impact assessment of IFRS effective until July 31, 2010, as relevant to the Company. This initial assessment indicates that there will be a nominal impact on the Company from converting to IFRS due to the limited activities of the Company in recent reporting periods. The International Accounting Standards Board has activities currently underway which may, or will, change the standards effective upon the Company's adoption of IFRS, and therefore may impact this initial high level assessment. The Company will assess any such change as a component of its Detailed Impact Assessment phase and update its IFRS conversion plan as appropriate. No significant changes were made to the IFRS conversion plan during the first six-month period of the fiscal year ending October 31, 2011.</p>
<i>DETAILED IMPACT ASSESSMENT</i>	<p>This phase involves detailed review of IFRS relevant to the Company and identification of all differences between existing Canadian GAAP and IFRS that may or will result in accounting and/or disclosure differences in the Company's consolidated financial statements, along with quantification of impact on key line items and disclosures. The phase includes identification, evaluation and selection of accounting policies necessary for the Company's conversion to IFRS and evaluation of the impact on outstanding operational elements such as debt covenants. The Company has not yet completed its detailed review of IFRS relevant to the Company and identified the key differences and has yet to quantify the impact on key line items and disclosures.</p>
<i>IMPLEMENTATION</i>	<p>This phase will embed the required changes for conversion to IFRS into the</p>

underlying financial close and reporting process and business processes. This will include finalization and approval of accounting policy changes, collection of financial information necessary to prepare IFRS compliant financial statements, implementation of additional internal controls, and preparation and approval of completed IFRS financial statements. The IFRS changeover is expected to impact the presentation and/or valuations of balances and transactions in the Company's quarterly and annual financial statements and related notes effective August 1, 2011, however continued progress on the IFRS conversion plan is necessary before the Company is able to describe or quantify those effects.

Changes in Accounting Policies including Initial Adoption

The Company adopted the following new accounting standards commencing August 1, 2010 as required under revisions made to various Sections of the Canadian Institute of Chartered Accountants ("CICA") Handbook and pronouncements made by the Emerging Issues Committee of the CICA ("EIC") as referenced below:

Business combinations, consolidated financial statements and non-controlling interests

Effective August 1, 2010, the Company elected to early adopt CICA Handbook Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements", and Section 1602, "Non-controlling Interests". These sections replace the former CICA Handbook Section 1581, "Business Combinations" and Section 1600, "Consolidated Financial Statements" and establish a new section for accounting for a non-controlling interest in a subsidiary.

CICA Handbook Section 1582 establishes standards for the accounting for a business combination and states that all assets and liabilities of an acquired business will be recorded at fair value. Obligations for contingent consideration and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. It provides the Canadian equivalent to International Financial Reporting Standard ("IFRS") 3, "Business Combinations" (January 2008).

CICA Handbook Section 1601 establishes standards for the preparation of consolidated financial statements.

CICA Handbook Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in the preparation of consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of International Financial Reporting Standard IAS 27, "Consolidated and Separate Financial Statements" (January 2008).

To date there has been no impact on the Company's financial statements as a result of the adoption of these sections.

Broker warrants and warrants

Effective December 30, 2010, the Company adopted the following accounting policy with respect to the recognition of the value of broker warrants and warrants issued on the completion of financings:

Warrants issued to agents or brokers in connection with a financing are recorded at fair value and charged to issue costs associated with the offering with an offsetting credit to contributed surplus in shareholders' equity.

Warrants included in units offered to subscribers in connection with financings are recorded at the residual value in contributed surplus in shareholders' equity with an offsetting reduction in the value ascribed the shares issued in the units.

Proceeds of the exercise of these warrants are credited to share capital together with the corresponding amount, if any, of the original warrant charge included in contributed surplus.

Adoption of the foregoing accounting policy has no effect on previous financings completed by the Company, as at the time of adoption, there were no warrants outstanding.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair Values

The fair values of cash (Level 1) and accounts payable and accrued liabilities (Level 3) approximate their book values because of the short-term nature of these instruments.

(a) Financial Risk Management

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company considers the fluctuations of financial markets and seeks to minimize potential adverse effects on financial performance.

(b) Financial Instrument Risk Exposure

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management process.

(c) Credit Risk

Credit risk is the risk of a financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligation. The Company's exposure to credit risk includes cash and receivables. The Company reduces its credit risk by maintaining its bank accounts at large international financial institutions. The Company's receivables consist primarily of tax receivables due from federal government agencies. The maximum exposure to credit risk is equal to the fair value or carrying value of the financial assets.

(d) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's approach is to ensure that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed circumstances. To address these matters during the three months ended January 31, 2011, the Company completed a private placement to raise \$1,522,245, the proceeds of which were used to bring accounts payable and accrued liabilities current. The working capital on hand as at January 31, 2011 totaling \$463,621 will be used to fund ongoing operating requirements and exploration expenditures.

(e) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. Such fluctuations may be significant.

(f) Interest rate risk

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

(g) Foreign currency risk

The Company is not exposed to foreign currency risk on fluctuations in exchange rates.

(h) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as

the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of gold and other precious and base metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

CAPITAL MANAGEMENT

The capital structure of the Company consists of equity attributable to common shareholders, comprising of issued capital, contributed surplus. The Company's objectives when managing capital are to: (i) preserve capital, (ii) obtain the best available net return, and (iii) maintain liquidity. The Company manages the capital structure and makes adjustments to it in light of changes in economic condition and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents and investments. The Company is not subject to externally imposed capital restrictions.

OUTSTANDING SHARE DATA

The following table describes the Company's share capital structure as at March 31, 2011, the date of this MD&A. These figures may be subject to minor accounting adjustments prior to presentation in future financial statements.

	Weighted average price per share	Total Number of common Shares
Common shares		14,098,897
Warrants	\$ 0.30	11,233,000
Share purchase options	\$ 0.53	760,000

Risks and Uncertainties

Natural resources exploration, development, production and processing involve a number of business risks, some of which are beyond the Company's control. These can be categorized as operational, financial and regulatory risks.

- Operational risks include: the Company may not be able to find and develop reserves economically, the Company cannot guarantee title to its properties, the Company must manage changing governmental law and regulations, the Company may have difficulty in hiring and retaining skilled employees and contractors, there are significant risks and hazards related to mining that are beyond the Company's control, there is no assurance that the Company will acquire additional mineral properties and any acquisitions may expose the Company to new risks, and the mining industry is intensely competitive for the acquisition of new properties, access to capital and hiring of skilled personnel. The Company continuously monitors and responds to changes in these factors and adheres to all regulations governing its operations. Insurance may be maintained at levels consistent with prudent industry practices to minimize risks, but the Company is not fully insured against all risks, nor are all such risks insurable.
- Financial risks include commodity prices, interest rates and the Canadian/United States exchange rate, all of which are beyond the Company's control.
- Regulatory risks include the possible delays in getting regulatory approval to, and permits for, the transactions that the Board of Directors believe to be in the best interest of the Company, and include increased fees for filings, the introduction of ever more complex reporting requirements the cost of which the Company must meet in order to maintain its exchange listing.

Disclosure Controls and Procedures

In connection with Exemption Orders issued in November 2007 by each of the British Columbia Securities Commission and Ontario Securities Commission, the Chief Executive Officer and Chief Financial Officer of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the interim consolidated financial statements for the three and six-month periods ended January 31, 2011 and the accompanying related Annual MD&A.

In contrast to the certificate under Multilateral Instrument 52-109 (Certification of Disclosure in Issuer's Annual and Interim Filings) ("MI 52-109"), the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in MI 52-109. For further information the reader should refer to the Venture Issuer Basic Certificates filed by the Company with the Annual Filings on SEDAR at www.sedar.com.

Outlook

During the quarter ended January, 2011, the Company completed its Reactivation plans as previously discussed in the Company's MD&A for the three-month period ended October 31, 2010. Having brought its indebtedness current, raised some working capital, and acquired a mineral property interest, the new management team is now in the process of reviewing its exploration plans for El Capitan and searching for other opportunities of merit. Once these plans have been formalized, it is most likely that the Company will be seeking additional financing in order to advance its business.

Other Information

Additional information related to the Company is available for viewing on SEDAR at www.sedar.com.