TERRACO GOLD CORP.

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE NINE MONTHS ENDED APRIL 30, 2007

Background

This Management Discussion and Analysis ("MD&A") of Terraco Gold Corp. (the "Corporation" or "Terraco"), dated as at June 21, 2007, should be read in conjunction with the Unaudited and Audited Consolidated Financial Statements, including the notes thereto, for the period ended April 30, 2007 and the year ended July 31, 2006, respectively.

The accompanying financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Except as otherwise disclosed, all dollar figures included therein and in the following MD&A are quoted in Canadian dollars. Additional information relevant to the Corporation's activities can be found on SEDAR at www.sedar.com.

Overview

Terraco is a mineral resource exploration Corporation engaged in the acquisition and exploration of mineral properties and is currently focused in the States of Nevada and Arizona. The Corporation is a reporting issuer in Alberta and British Columbia and trades on the TSX Venture Exchange under the symbol TEN.

Highlights and Subsequent Events for the Third Quarter

● On June 20, 2007, the Corporation increased its ownership in the Moonlight property to 100%.

● As of May 10, 2007, all of the warrants issued pursuant to the January 2005 and May 2006 private placements were exercised for total proceeds of $1,493,650.

● On May 9, 2007, the Corporation closed a non-brokered private placement of 8,000,000 units at a price of $0.50 per unit, for total gross proceeds of $4,000,000.

Overall Performance

The Corporation is currently focused on two mineral resource properties. The Moonlight property is located in Pershing County, Nevada. Advancement of the Moonlight project is currently underway with exploration efforts that have included: sampling and mapping; additional claim staking; gradient array resistivity geophysics; SPG and Air Mag geophysics; as well as drill planning. Drilling is expected to begin this summer. The Corporation's Bonanza property is located in La Paz County, Arizona. Additional drilling and exploration work at Bonanza is required to further test the extent of the mineralization. During the year ended July 31, 2006, the Corporation abandoned both the Tuscarora and Eagleville properties. Charles Sulfrian, Vice President, Exploration for Terraco coordinated the exploration efforts for the Corporation.

Moonlight Property

The Moonlight property is located 21 miles northeast of Lovelock, Nevada in the Humboldt Range, 5 miles north of Coeur d'Alene Mining Company's Rochester Mine. Throughout its 17-year history, the Rochester Mine reportedly produced over 107 million ounces of silver and well over one million ounces of gold. The Moonlight property also adjoins Midway Gold Corp.'s ("Midway") Spring Valley Project to the south, where drill intercepts, as reported by Midway, included highlights of 105 feet of 0.325 ounce per ton ("opt") gold, 215 feet of 0.137 opt gold, and 123 feet of 0.169 opt gold.

The Corporation, pursuant to the Letter of Intent signed on February 3, 2006 with Metallic Ventures (U.S.), Inc. ("Metallic"), entered into an Exploration and Option Agreement ("EA") effective March 20, 2006, with an option to joint venture on the Moonlight property mining claims located in Pershing County, Nevada. The Corporation has the right to earn up to a 70% interest in the project by 2014.

Terraco will earn a majority 51% interest by spending US$1,000,000 in exploration activities on the property within a four-year period as follows: US$100,000 by the first anniversary of the EA (complete); US$200,000 by the second anniversary of the EA; US$300,000 by the third anniversary of the EA and US$400,000 by the fourth anniversary of the EA. Upon completion of the US$1,000,000 expenditure by Terraco, Terraco has a second option to earn an additional 19% interest in the property by spending an additional US$2,000,000 within a further four-year period at a minimum rate of US$500,000 per year. When Terraco has exercised its option to acquire either a 51% or 70% interest in the project, Terraco and Metallic will establish a joint venture in respect of the project, of which Terraco will be the operator.

The first US$100,000 in exploration expenditures is a firm commitment. In addition, Terraco issued to Metallic 125,000 common shares of Terraco upon execution of the EA, and will issue an additional 125,000 common shares on each of the subsequent three anniversaries of the EA. The first anniversary share issuance is also a firm commitment. The Corporation issued 125,000 common shares in March to Metallic to fulfill that commitment.

Terraco may terminate the EA at any time after spending the initial US$100,000 and issuing 250,000 common shares by providing 60 days' written notice to Metallic. On June 20, 2007, the Corporation executed a Purchase Agreement with Metallic Ventures (U.S.), Inc., a subsidiary of Metallic Ventures Gold Inc., for the purchase of 100% of the Moonlight property for US$1,000,000. This Purchase Agreement replaces the EA and thereby terminates any share issuances and work commitments that are mentioned above.

Future Developments

Exploration activities are being conducted by Charles Sulfrian, P.Geo. and Ken Snyder, P. Geo. Geographic Information System software was used to combine results from geophysics work completed to date with the geological review in order to spot specific drill holes within identified target zones. Permitting with the Bureau of Land Management for drilling is complete for the Phase I drill program. The Phase I drill program consists of approximately 26 holes or 20,000 feet and is expected to start this summer.

Bonanza Property

On September 20, 2005, the Corporation entered into a Mining and Lease Agreement with Jim Butt of Monticello, Utah (the “Agreement”), to lease the Bonanza claims. The Agreement was subsequent to the Assignment Agreement signed on January 27, 2005 and the Letter of Intent signed December 9, 2004 with Ellsworth Exploration, LLC of Colorado Springs, CO, to acquire its option to lease the Harquahala-Bonanza and Golden Eagle Mines Property (collectively, the “Bonanza” property), a gold exploration property, located in La Paz County, Arizona.

The Bonanza property package consists of mining claims that control the Haraquahala-Bonanza and Golden Eagle mines, historically the largest gold producers of the district.

The Agreement provides for an advance royalty payment of US$10,000, which was paid upon signing, and the following payment commitments: US$20,000 by September 20, 2006 (paid), US$35,000 by September 20, 2007, and US$50,000 by September 20, 2008 and annually thereafter. Also under the Agreement, monthly payments of US$400 are to be made until March 15, 2007 (complete). The Corporation has the right to terminate or abandon the property which will absolve the above obligations.

Exploration Activity

Phase I drilling confirmed widespread alteration and the potential for gold deposits in lower Paleozoic sediments, Pre-Cambrian granites and structurally complex settings. Stratigraphy of the area was greatly advanced and another potential host for gold mineralization was discovered. Each hole drilled at Bonanza intersected the "Hercules Thrust Fault" which juxtaposes older, Pre-Cambrian Socorro granite above much younger, Jurassic to Cretaceous -age volcanic and sedimentary units of Harquar Peak. All of the holes terminated in altered rocks of the Mesozoic sequence of Harquar Peak andesitic tuffs, conglomerates and limy mudstones.

Future Developments

Based on a review of data from exploration and drilling, the Corporation is currently reviewing its options with regards to maintaining the Bonanza property.

Eagleville Property

Pursuant to a letter dated May 25, 2006, the Corporation gave notice to abandon its lease agreement. The Corporation has no further obligations to the property or the claims, other than to reclaim any disturbances due to its exploration activities, which has since been completed.

Tuscarora Property

Pursuant to a letter dated March 1, 2006, notice was provided to Newmont that the Corporation intended to abandon its interest in the Tuscarora property. Pursuant to the terms of the purchase agreement, Newmont provided notice in writing to have the property conveyed to it on March 27, 2006. On April 18, 2006, the Corporation delivered to Newmont quit claim, assignment and release documents, conveying their entire interest in the property. The property was maintained in good standing for 90 days from the date of transfer. The Corporation has no further obligations regarding the property other than reclamation work, which was completed in the fall of 2006.

Results of Operations for the Nine Months Ended April 30, 2007 and 2006

The loss for the period ended April 30, 2007 decreased from $1,982,214 in 2006 to $722,896 in 2007, mainly due to the abandonment of Tuscarora in 2006 of $1,676,418. General and administrative expenses ("G&A") for the current period increased to $720,670 compared to $294,921 in the 2006 period and is mainly due to stock-based compensation of $403,294 and increased business activity explained below. Mineral property abandoned costs of $1,778 related to the Tuscarora property.

G&A expenses include consulting which is lower for the 2007 period compared to 2006 which included an archaeological review done on the White Rock property. The $24,399 loss on foreign exchange relates to the difference in US exchange rates when US dollar subscriptions were received and the closing rate as at April 30, 2007. Insurance costs have increased by 100% as Terraco (through its subsidiary TGC Holdings Ltd.) obtained general liability and workers' compensation insurance for the properties. Investor relations for the 2007 period of $32,575 included $8,410 (US$7,500) of investor relations paid for the design and printing (in 2006) of a corporate overview, compared to $5,972 for the corresponding 2006 period. The remaining $24,165 of investor relations relates to investor relations services provided by Robert Douglas Corporation. Legal expenses were higher for the nine month 2007 period due to increased corporate activity such as the preparation of the financial advisory services, consulting and investor relations agreements. Office and sundry costs were higher for the 2007 period versus the same period for 2006, due to increased business activity and the Corporation hired a Corporate Paralegal, whose salary as of January 2007 is included in salaries. Property investigation was higher for 2007, compared to 2006 because more properties were reviewed during the current nine-month period. Reclamation work totaling $17,664 in 2007 included $15,430 for the Tuscarora property and $2,234 for the Eagleville property. Reclamation work on both properties has been completed. Stock-based compensation consisted of 1,150,000 stock options that were granted in August of 2006 for the financial advisory services agreements. Of the 1,150,000, 950,000 stock options vested in the current period and were recorded using the fair value method. The remaining 200,000 stock options vest in equal increments in each of May 2007 and August 2007, and will be recorded at these vesting dates. Stock-based compensation of 550,000 stock options was granted in January of 2007 to directors, officers, employees and consultants using the fair value method. Transfer agent and filing fees were higher for the current period due to increased warrant exercises from the 2005 and 2006 private placements, which expired in January and May 2007. Travel increased for the 2007 period primarily due to property tours and corporate activity.

Liquidity, Cash Flows and Capital Resources

As of April 30, 2007, Terraco had working capital of $4,825,448. Total expenditures for the Bonanza and Moonlight properties of $479,624, the majority of which was spent on the Moonlight property for the first anniversary payment of 125,000 shares pursuant to the Exploration Agreement, additional leases, claim maintenance, engineering, consulting and survey and analysis costs. Expenditures of $1,778 on the Tuscarora property have been written off and relate mostly to engineering, consulting and storage costs.

From August to April 2007, 6,945,432 warrants and 250,482 agent's compensation options were exercised, raising a total of $1,376,895 and $50,721, respectively.

Quarterly Financial Information

The table below outlines the selected financial information related to Terraco's revenue, net loss and net loss per share for each of the eight quarters ending April 30, 2007. The financial information is extracted from Terraco's interim unaudited financial statements.

	April 30, 2007 $	January 31, 2007 $	October 31, 2006 $	July 31, 2006 $
Operations				
Revenue	-	-	-	-
Net loss	(131,960)	(334,619)	(256,317)	(905,351)
Net loss per share (basic and diluted)	(0.00)	(0.01)	(0.01)	(0.03)

	April 30, 2006 $	January 31, 2006 $	October 31, 2005 $	July 31, 2005 $
Operations				
Revenue	-	-	-	-
Net loss	(1,734,036)	(84,041)	(164,137)	(55,132)
Net loss per share (basic and diluted)	(0.07)	(0.00)	(0.01)	(0.00)

Factors Affecting Comparability of Quarters

The $131,960 loss includes increased business activity, a $23,809 loss on foreign exchange due to US$ subscriptions received for the private placement that closed in May and $20,853 of stock based compensation. The $334,619 loss for the January 31, 2007 quarter included $226,347 of stock-based compensation and increased business activity. The $256,317 loss for the October 31, 2006 period included stock-based compensation of $156,094 and higher expenses due to increased business activity. The $905,351 loss in the July 31, 2006 quarter included the abandonment of the Eagleville property of $817,171 and $33,915 for the abandonment of the Tuscarora property. Also included in the April 30, 2006 quarter were $1,676,418 of costs written off for the Tuscarora mineral property. The January 31, 2006 quarter included the net loss of $84,041 for consulting costs relating to an archaeological review of the White Rock property. The quarter ended October 31, 2005 had a loss of $164,137, which was primarily due to stock-based compensation of $109,308 for stock options granted to directors and officers using the fair value method.

Transactions with Related Parties

Terraco pays Rock Management Ltd., a corporation owned by Todd Hilditch, for his services as the President of the Corporation. Included in consulting is a fee paid to Rochelle Pires for her accounting and finance services as Chief Financial Officer. Terraco also pays Zymin Corporation, a corporation owned by Charles Sulfrian, the Vice President, Exploration of the Corporation. Under the employment contract, US$6,000 per month was paid commencing January 2005 until March 2006, at which time Mr. Sulfrian's salary increased to US$6,500 per month. The majority of his salary has been capitalized to mineral projects.

The following is a summary of the amounts paid to these related parties:

For the period ending:	Rock Management Ltd.	Rochelle Pires	Zymin Corporation
April 30, 2007	$55,000	$31,775	$66,936
April 30, 2006	$54,000	$26,681	$63,957

Outstanding Share Data

As at June 21, 2007, there were 46,186,691 Common Shares issued and outstanding. A total of 7,960,432 share purchase warrants were exercised for proceeds of $1,493,650 and 250,482 compensation options exercised for $50,721. Subsequent to the April 30, 2007 period, 100,000 stock options were exercised for proceeds of $20,000. Also subsequent to the April 30, 2007 period, the Corporation closed a non-brokered private placement of 8,000,000 shares at a price of $0.50 per share for total proceeds of $4,000,000. Of these proceeds $3,800,000 were received by April 30, which was recorded as share subscriptions.

Each unit issued for the private placement above included one common share of the Corporation and one-half of one non-transferable share purchase warrant. Each warrant will entitle the holder to purchase one additional share for a period of 24 months up to expiry of May 9, 2009 at a price of $0.75 during the first 12 months and $1.00 thereafter. The expiry date of the warrants may be accelerated, at the sole option of the Corporation, to 21 business days following the date on which the Corporation gives notice that the Corporation's common shares have closed for 20 consecutive trading days at a price of $1.50 or greater. There was no finder's fee payable in connection with this private placement. All securities issued or issuable under the private placement are subject to a four-month hold period expiring on September 10, 2007.

In addition, there were 2,990,000 directors', officers', consultants' and employee's stock options outstanding with exercise prices of $0.15 to $0.50 per share and expiring between May 16, 2008 and January 27, 2012. During the first quarter of 2007, 1,150,000 stock options were granted to consultants at a price of $0.50 per share, expiring between August 4 and 24, 2011. During the second quarter of 2007, 550,000 stock options were granted to directors, officers, consultants and the employee at a price of $0.50 per share, expiring January 27, 2012. More information on these common shares, stock options and warrants are set out in Note 3 of the Corporation's consolidated financial statements for the nine-month period ended April 30, 2007.

Disclosure Controls and Procedures

Management is responsible for the preparation and integrity of the financial statements and maintains appropriate information systems, procedures and controls to ensure that information used internally and disclosed externally is complete and reliable.

Cautionary Statement

This MD&A may contain "forward-looking statements" that reflect Terraco's current expectations and projections about its future results. When used in this MD&A, words such as "estimate", "intend", "expect", "anticipate" and similar expressions are intended to identify forward-looking statements, which, by their very nature, are not guarantees of Terraco's future operational or financial performance, and are subject to risks and uncertainties and other factors that could cause Terraco's actual results, performance, prospects or opportunities to differ materially from those expressed in, or implied by, these forward-looking statements. These risks, uncertainties and factors may include, but are not limited to: unavailability of financing, an unfavourable feasibility study, fluctuations in the market valuation for gold and silver, difficulties in obtaining required approvals for the development of a mine and other factors.

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as the date of this MD&A or as of the date otherwise specifically indicated herein. Due to risks and uncertainties, including the risks and uncertainties identified above and elsewhere in this MD&A, actual events may differ materially from current expectations. Terraco disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.