



TERRAX MINERALS INC.

FINANCIAL STATEMENTS

JANUARY 31, 2013

(Expressed in Canadian Dollars)



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED ACCOUNTANTS & BUSINESS ADVISORS

VANCOUVER
1500 – 1140 W. Pender Street
Vancouver, BC V6E 4G1
TEL 604.687.4747 | FAX 604.689.2778

TRI-CITIES
700 – 2755 Lougheed Hwy.
Port Coquitlam, BC V3B 5Y9
TEL 604.941.8266 | FAX 604.941.0971

WHITE ROCK
301 – 1656 Martin Drive
White Rock, BC V4A 6E7
TEL 604.531.1154 | FAX 604.538.2613

WWW.DMCL.CA

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of TerraX Minerals Inc.

We have audited the accompanying financial statements of TerraX Minerals Inc. which comprise the statements of financial position as at January 31, 2013 and 2012, and the statements of comprehensive loss, changes in shareholders' equity and cash flows for the years then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence that we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of TerraX Minerals Inc. as at January 31, 2013 and 2012, and the results of its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 to the financial statements which describes certain conditions that give rise to significant doubt about the entity's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED ACCOUNTANTS

Vancouver, Canada
May 30, 2013

An independent firm associated with
Moore Stephens International Limited
MOORE STEPHENS

TERRAX MINERALS INC.
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

	Notes	January 31, 2013	January 31, 2012
ASSETS			
Current assets			
Cash and cash equivalents	4	\$ 386,558	\$ 682,644
Receivables	5	12,588	115,218
Prepays and deposits	6	21,100	16,000
		420,246	813,862
Non-current assets			
Exploration and evaluation assets	6	2,080,646	2,743,515
TOTAL ASSETS		\$ 2,500,892	\$ 3,557,377
LIABILITIES			
Current liabilities			
Trade payables and accrued liabilities	7	\$ 46,636	\$ 55,413
TOTAL LIABILITIES		46,636	55,413
SHAREHOLDERS' EQUITY			
Share capital	9	5,024,405	4,730,705
Share-based payment reserve	9, 10	610,078	566,920
Deficit		(3,180,227)	(1,795,661)
TOTAL SHAREHOLDERS' EQUITY		2,454,256	3,501,964
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 2,500,892	\$ 3,557,377

Nature and continuance of operations (Note 1)
Subsequent events (Note 14)

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

TERRAX MINERALS INC.
STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian dollars)

	Notes	Year ended January 31, 2013	Year ended January 31, 2012
EXPENSES			
Consulting	8	\$ 3,688	\$ 16,493
Office, rent and miscellaneous	8	20,737	21,678
Part XII.6 tax		4,154	-
Professional fees		23,952	35,880
Property investigation	8	27,850	-
Share-based payments	9	43,158	78,037
Transfer agent, filing fees and shareholder communications		98,787	115,417
Travel and related costs		2,201	13,520
		(224,527)	(281,025)
OTHER ITEMS			
Interest income		2,792	15,960
Flow-through share liability reversal	12	-	235,150
Write-off of exploration and evaluation assets	6	(1,162,831)	-
COMPREHENSIVE LOSS FOR THE YEAR		\$ (1,384,566)	\$ (29,915)
Loss per share - basic and diluted		\$ (0.05)	\$ (0.01)
Weighted average number of common shares outstanding – basic and diluted		26,052,492	24,810,186

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

TERRAX MINERALS INC.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian dollars)

		Share capital				
	Notes	Number of shares	Amount	Share-based payment reserve	Deficit	Total
Balance at January 31, 2011		23,624,131	\$ 4,381,596	\$ 502,542	\$ (1,765,746)	\$ 3,118,392
Comprehensive loss:						
Loss for the year		-	-	-	(29,915)	(29,915)
Transactions with owners, in their capacity as owners, and other transfers:						
Shares issued to acquire exploration and evaluation assets	6, 9	330,000	61,050	-	-	61,050
Exercise of warrants	9	1,650,000	257,500	-	-	257,500
Exercise of options	9	65,000	30,559	(13,659)	-	16,900
Stock-based compensation	9	-	-	78,037	-	78,037
Balance at January 31, 2012		25,669,131	4,730,705	566,920	(1,795,661)	3,501,964
Comprehensive loss:						
Loss for the year		-	-	-	(1,384,566)	(1,384,566)
Transactions with owners, in their capacity as owners, and other transfers:						
Shares issued for cash	9	3,710,000	259,700	-	-	259,700
Shares issued to acquire exploration and evaluation assets	6, 9	450,000	34,000	-	-	34,000
Stock-based compensation	9	-	-	43,158	-	43,158
Balance at January 31, 2013		29,829,131	\$ 5,024,405	\$ 610,078	\$ (3,180,227)	\$ 2,454,256

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

TERRAX MINERALS INC.
STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)

	Year ended January 31, 2013	Year ended January 31, 2012
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net loss	\$ (1,384,566)	\$ (29,915)
Items not involving cash		
Flow-through share reversal	-	(235,150)
Stock-based compensation	43,158	78,037
Write-off of exploration and evaluation assets	1,162,831	-
Changes in non-cash working capital items:		
Receivables	102,630	(76,001)
Trade payables and accrued liabilities	(40,097)	(59,986)
Prepays and deposits	(5,100)	39,034
Net cash used in operating activities	(121,144)	(283,981)
INVESTING ACTIVITIES		
Expenditures on exploration and evaluation assets	(434,642)	(1,496,872)
Net cash used in investing activities	(434,642)	(1,496,872)
FINANCING ACTIVITIES		
Issuance of common shares	259,700	274,400
Net cash provided by financing activities	259,700	274,400
Decrease in cash and cash equivalents	(296,086)	(1,506,453)
Cash and cash equivalents, beginning of year	682,644	2,189,097
Cash and cash equivalents, end of year	\$ 386,558	\$ 682,644

Supplemental cash flow information (Note 13)

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

1. NATURE AND CONTINUANCE OF OPERATIONS

TerraX Minerals Inc. (the “Company”) was incorporated under the Business Corporations Act (British Columbia) on August 1, 2007 and its principal activity is the exploration and development of mineral properties in Canada. The Company trades on the TSX Venture Exchange (“TSX-V”).

The head office, principal and registered address and records office of the Company are located at suite 2300-1066 West Hastings Street, Vancouver, British Columbia, Canada, V6E 3X2.

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at January 31, 2013 the Company had not advanced its properties to commercial production and is not able to finance day to day activities through operations. These uncertainties cast significant doubt about the Company’s ability to continue as a going concern. The Company’s continuation as a going concern is dependent upon the successful results from its mineral property exploration activities and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. Management believes that the Company has sufficient funds to finance operating costs over the next twelve months (Note 14).

These 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 AND BASIS OF PREPARATION

These financial statements were authorized for issue on May 30, 2013 by the directors of the Company.

Statement of compliance to International Financial Reporting Standards (“IFRS”)

These financial statements, including comparatives, have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (“IASB”) and Interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

Basis of presentation

These financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The financial statements are presented in Canadian dollars, the Company’s functional currency, unless otherwise noted.

Significant estimates and assumptions

The preparation of financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company’s management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include stock-based awards and payments, the recoverability of the carrying value of exploration and evaluation assets, fair value measurements for financial instruments, the recoverability and measurement of deferred tax assets and provisions for restoration and environmental obligations.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

Significant judgments

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements include:

- the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty; and
- the classification / allocation of expenditures as exploration and evaluation expenditures or operating expenses.

Exploration and evaluation expenditures

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

Farm outs

The Company does not record any expenditure made by the farmee on its account. It also does not recognize any gain or loss on its exploration and evaluation farm out arrangements but reallocates any costs previously capitalized in relation to the whole interest as relating to the partial interest retained and any consideration received directly from the farmee is credited against costs previously capitalized.

Share-based payments

The Company operates a stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using the Black-Scholes Option Pricing Model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

Loss per share

Basic loss per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, the loss attributable to common shareholders equals the reported loss attributable to owners of the Company. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

Financial instruments

The Company classifies its financial instruments in the following categories: at fair value through profit or loss ("FVTPL"), loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a Company of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost. Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Company commits to purchase the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

The Company does not have any derivative financial assets and liabilities.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

Impairment of assets

The carrying amount of the Company's long-lived assets (which include exploration and evaluation assets) is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of comprehensive loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Income taxes

Current income tax:

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax:

Deferred income tax is provided using the asset and liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

Income taxes (cont'd)

Flow-through shares:

The Company renounces qualifying Canadian exploration expenditures to certain share subscribers who subscribe for flow-through shares in accordance with the Income Tax Act (Canada). Under these provisions, the Company is required to incur and renounce qualifying expenditures on a timely basis for the respective flow-through subscriptions and, accordingly, it is not entitled to the related tax deductions and tax credits for such expenditures.

Any premium received by the Company on the issuance of flow-through shares is initially recorded as a liability ("flow-through tax liability") and included in trade payables and accrued liabilities. A deferred tax liability is recognized and the flow-through tax liability will be reversed provided that the Company has renounced, or there is reasonable expectation that the Company will renounce, the tax benefits associated with the related expenditures. To the extent that suitable deferred tax assets are available, the Company will reduce the deferred tax liability.

Restoration and environmental obligations

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to exploration and evaluation assets along with a corresponding increase in the restoration provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The restoration asset will be depreciated on the same basis as other mining assets.

The Company's estimates of restoration costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to the restoration provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss for the period. The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred. The costs of restoration projects that were included in the provision are recorded against the provision as incurred. The costs to prevent and control environmental impacts at specific properties are capitalized in accordance with the Company's accounting policy for exploration and evaluation assets.

As at January 31, 2013, the Company has no known material restoration and environmental obligations.

3. ACCOUNTING STANDARDS ISSUED BUT NOT EFFECTIVE

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting periods beginning after January 1, 2013 or later periods.

The following new standards, amendments and interpretations that have not been early adopted in these financial statements, is not expected to have a material effect on the Company's future results and financial position:

- a) IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine (New).
- b) IFRS 9 Financial Instruments (New; to replace IAS 39 and IFRIC 9);
- c) IFRS 10 Consolidated Financial Statements (New; to replace consolidation requirements in IAS 27 (as amended in 2008) and SIC-12);
- d) IFRS 11 Joint Arrangements (New; to replace IAS 31 and SIC-13);

3. ACCOUNTING STANDARDS ISSUED BUT NOT EFFECTIVE (cont'd)

- e) IFRS 12 Disclosure of Interests in Other Entities (New; to replace disclosure requirements in IAS 27 (as amended in 2008), IAS 28 (as revised in 2003) and IAS 31);
- f) IFRS 13 Fair Value Measurement (New; to replace fair value measurement guidance in other IFRSs);
- g) IAS 1 Presentation of Financial Statements, (Amendments regarding Presentation of Items of Other Comprehensive Income);
- h) IAS 19 Employee Benefits (Amended in 2011);
- i) IAS 27 Separate Financial Statements (Amended in 2011); and
- j) IAS 28 Investments in Associates and Joint Ventures (Amended in 2011).

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or not expected to have a significant impact on the Company's financial statements

4. CASH AND CASH EQUIVALENTS

The components of cash and cash equivalents are as follows:

	January 31, 2013	January 31, 2012
Cash at bank	\$ 386,558	\$ 22,639
Term deposits	-	660,005
	\$ 386,558	\$ 682,644

At January 31, 2013, the Company has a variable rate investment of \$Nil (January 31, 2012 - \$660,005). At January 31, 2012, the instruments were yielding an interest rate of 1.20% - 1.30%, maturing on July 15, 2012 and December 22, 2012. The short-term investments allowed for early redemption after the first 30 days of the investment.

5. RECEIVABLES

Receivables consist of the following:

	January 31, 2013	January 31, 2012
HST receivable	\$ 12,588	\$ 101,882
Interest receivable	-	13,336
	\$ 12,588	\$ 115,218

6. EXPLORATION AND EVALUATION ASSETS

Sunbeam-Pettigrew Property, Ontario

On April 16, 2009, the Company entered into an option agreement to acquire a 100% interest in the Sunbeam-Pettigrew Property located in Northwest Ontario, for the following consideration:

- \$10,000 upon execution of the option agreement (paid);
- \$40,000 (paid) and the issuance of 100,000 common shares (issued, with a fair value of \$10,000) by May 30, 2009;
- \$40,000 (paid), the issuance of 150,000 common shares (issued, with a fair value of \$54,000) and incurring \$150,000 in exploration work by April 15, 2010 (completed);
- \$50,000 (paid), the issuance of 150,000 common shares (issued, with a fair value of \$33,000) and incurring an additional \$150,000 in exploration work by April 15, 2011 (completed); and

6. EXPLORATION AND EVALUATION ASSETS (cont'd)

Sunbeam-Pettigrew Property, Ontario (cont'd)

- \$70,000 (paid), the issuance of 200,000 common shares (issued, with a fair value of \$17,000) and incurring an additional \$150,000 in exploration work by April 15, 2012 (completed).

The Company also previously paid \$8,211 in staking costs. To January 31, 2013, the Company has incurred \$830,620 (January 31, 2012 - \$639,272) in exploration work on the Sunbeam-Pettigrew Property.

The Sunbeam-Pettigrew Property is subject to a 2.5% net smelter royalty ("NSR"). The Company has the right to purchase 1% of the 2.5% NSR for \$1,000,000, or in increments of \$500,000 per 0.5%. A pre-production royalty of \$20,000 per year is to be in effect, with the first payment to be made on April 15, 2013. This payment is to continue annually until production commences on the Sunbeam-Pettigrew Property and this amount will be deducted from royalties payable by the Company.

Subsequent to January 31, 2013, the Company did not make the annual pre-production royalty payment when due on April 15, 2013 as the Company does not intend to pursue this property and, accordingly, the Sunbeam-Pettigrew Property was written-off at January 31, 2013.

Blackfly Property, Ontario

On July 2, 2009 the Company entered into an option agreement to acquire a 100% interest in the Blackfly Property located in Northwest Ontario, for the following consideration:

- \$10,000 (paid) and the issuance of 50,000 common shares (issued, with a fair value of \$6,250) upon TSX-V approval of the option agreement;
- \$20,000 (paid), the issuance of 60,000 common shares (issued, with a fair value of \$21,300) and incurring \$25,600 in exploration work by July 2, 2010 (completed);
- \$30,000 (paid), the issuance of 70,000 common shares (issued, with a fair value of \$13,300) and incurring an additional \$25,600 in exploration work by July 2, 2011 (completed);
- \$40,000 (paid), the issuance of 100,000 common shares (issued, with a fair value of \$8,500) and incurring an additional \$51,200 in exploration work by July 2, 2012 (completed); and
- incurring an additional \$76,800 in exploration work by July 2, 2013 (completed).

To January 31, 2013, the Company has incurred \$400,959 (January 31, 2012 - \$399,936) in exploration work on the Blackfly Property.

The Blackfly Property is subject to a 2.5% NSR. The Company has the right to purchase 1% of the 2.5% NSR for \$1,000,000, or in increments of \$500,000 per 0.5%. A pre-production royalty of \$10,000 per year is to be in effect, with the first payment to be made on July 2, 2013. This payment is to continue annually until production commences on the Blackfly Property and this amount will be deducted from any royalties payable by the Company.

Central Canada Property, Ontario

On December 11, 2009, and as amended on December 5, 2012, the Company entered into an option agreement to acquire a 100% interest in the Central Canada Property located in Northwest Ontario, for the following consideration:

- \$8,000 (paid) and the issuance of 50,000 common shares (issued, with a fair value of \$14,750) upon TSX-V approval of the option agreement;
- \$20,000 (paid), the issuance of 60,000 common shares (issued, with a fair value of \$17,700) and incurring \$20,000 in exploration work by December 11, 2010 (completed);
- \$30,000 (paid), the issuance of 70,000 common shares (issued, with a fair value of \$5,950) and incurring an additional \$20,000 in exploration work by December 11, 2011 (completed);

6. EXPLORATION AND EVALUATION ASSETS (cont'd)

Central Canada Property, Ontario (cont'd)

- \$20,000 (paid), the issuance of 100,000 common shares (issued, with a fair value of \$4,500) and incurring an additional \$40,000 in exploration work by December 11, 2012 (completed);
- the payment of \$20,000 by March 31, 2013 (paid subsequent to January 31, 2013); and
- incurring an additional \$60,000 in exploration work by December 11, 2013 (completed).

To January 31, 2013, the Company has incurred \$146,944 (January 31, 2012 - \$42,012) in exploration work on the Central Canada Property.

The Central Canada Property is subject to a 2.5% NSR. The Company has the right, at any time, to purchase 1% of the 2.5% NSR for \$1,000,000, or in increments of \$500,000 per 0.5%. A pre-production royalty of \$10,000 per year is to be in effect, with the first payment to be made on December 11, 2013. This payment is to continue annually until production commences on the Central Canada Property and this amount will be deducted from royalties payable by the Company.

Stewart Property, Newfoundland

On June 28, 2010, and as amended on February 21, 2012 and September 26, 2012, the Company entered into an option agreement to acquire a 100% interest in the Stewart Property located in the Burin Peninsula of Newfoundland, for following consideration:

- \$10,000 (paid) and the issuance of 30,000 common shares (issued, with a fair value of \$11,550) upon TSX-V approval of the option agreement;
- \$20,000 (paid), the issuance of 40,000 common shares (issued, with a fair value of \$8,800) and incurring \$75,000 in exploration work by April 13, 2011 (completed);
- \$25,000 (paid), the issuance of 50,000 common shares (issued, with a fair value of \$4,000) and incurring an additional \$100,000 in exploration work by April 13, 2012 (completed);
- the payment of \$25,000 by September 30, 2012 (paid);
- the issuance of 75,000 common shares (issued subsequent to January 31, 2013) and incurring an additional \$150,000 in exploration work by April 13, 2013 (completed); and
- the issuance of 100,000 common shares and incurring an additional \$200,000 in exploration work by April 13, 2014 (completed).

The Company also previously paid \$2,100 in staking costs. To January 31, 2013, the Company has incurred \$1,156,043 (January 31, 2012 - \$1,167,684), net of a \$100,000 government grant received in April 2012, in exploration work on the Stewart Property.

The Stewart Property is subject to a 2% NSR. The Company has the right, at any time, to purchase 1% the 2% NSR for \$1,000,000.

Northbelt Property, Northwest Territories

On December 17, 2012, the Company successfully submitted an offer to acquire a 100% interest in the Northbelt Property located near Yellowknife, Northwest Territories. As consideration, the Company paid a refundable deposit of \$21,100 on December 19, 2012, with the balance of the purchase price of \$189,900 paid on February 9, 2013 on closing of the transaction.

TERRAX MINERALS INC.
NOTES TO THE FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
Years ended January 31, 2013 and 2012

6. EXPLORATION AND EVALUATION ASSETS (cont'd)

The following are details of the Company's exploration and evaluation assets:

	Sunbeam- Pettigrew	Blackfly	Central Canada	Stewart	Total
Balance, January 31, 2011	\$ 564,034	\$ 393,292	\$ 97,700	\$ 99,226	\$ 1,154,252
Acquisition costs	83,760	43,300	35,950	28,800	191,810
Exploration costs					
Assays and drilling	142,056	21,675	4,237	498,593	666,561
Consulting (Note 8)	35,187	23,187	525	90,629	149,528
Field expenses	59,446	19,332	-	205,744	284,522
Geophysical	-	-	-	296,842	296,842
	236,689	64,194	4,762	1,091,808	1,397,453
Balance, January 31, 2012	884,483	500,786	138,412	1,219,834	2,743,515
Acquisition costs	87,000	48,500	24,500	54,300	214,300
Exploration costs					
Assays and drilling	152,924	-	54,909	14,513	222,346
Consulting (Note 8)	22,780	490	10,580	28,469	62,319
Field expenses	15,644	533	39,443	41,847	97,467
Geophysical	-	-	-	3,530	3,530
Recoveries	-	-	-	(100,000)	(100,000)
	191,348	1,023	104,932	(11,641)	285,662
Write-off	(1,162,831)	-	-	-	(1,162,831)
Balance, January 31, 2013	\$ -	\$ 550,309	\$ 267,844	\$ 1,262,493	\$ 2,080,646

7. TRADE PAYABLES AND ACCRUED LIABILITIES

Trade payables and accrued liabilities consist of the following:

	January 31, 2013	January 31, 2012
Trade payables	\$ 2,816	\$ 17,471
Due to related parties (Note 8)	31,320	25,442
Accrued liabilities	12,500	12,500
	\$ 46,636	\$ 55,413

8. RELATED PARTY TRANSACTIONS

Related party balances

As at January 31, 2013, \$31,320 (January 31, 2012 - \$25,442) was due to directors or companies controlled by directors and recorded in trade payables and accrued liabilities. These amounts are unsecured, non-interest bearing with no fixed terms of repayment.

Related party transactions

Key management personnel compensation

The Company's related parties include key management. Key management includes executive directors and non-executive directors. The remuneration of the key management of the Company as defined above was as follows:

	Years ended	
	January 31, 2013	January 31, 2012
Administrative services	\$ 18,000	\$ 18,000
Consulting fees	3,688	15,750
Geological consulting – Exploration and evaluation assets	60,137	115,191
Geological consulting – Property investigation expense	20,038	-
	\$ 101,863	\$ 148,941

9. SHARE CAPITAL

Authorized share capital

Unlimited number of voting common shares without par value.

Issued share capital

At January 31, 2013 there were 29,829,131 issued and fully paid common shares (January 31, 2012 – 25,669,131).

2013

During the year ended January 31, 2013, the Company completed a non-brokered private placement of 3,710,000 units at a price of \$0.07 per unit for gross proceeds of \$259,700. Each unit consists of one common share and one-half of one share purchase warrant, exercisable to purchase an additional share at \$0.10 until January 21, 2015. The Company has not separately disclosed the fair value of the warrants.

During the year ended January 31, 2013, the Company also issued 450,000 common shares at a fair value of \$34,000 towards consideration for the acquisition of exploration and evaluation assets (Note 6).

2012

During the year ended January 31, 2012, 1,650,000 warrants were exercised for gross proceeds of \$257,500. In addition, 65,000 stock options were exercised for gross proceeds of \$16,900. The Company reallocated \$13,659 from share-based payment reserves to share capital upon exercise of these stock options.

During the year ended January 31, 2012, the Company also issued 330,000 common shares at a fair value of \$61,050 towards consideration for the acquisition of exploration and evaluation assets (Note 6).

9. SHARE CAPITAL (cont'd)

Stock options

The Board of Directors of the Company has adopted a stock option plan which permits the Company to grant to directors, officers and consultants of the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares and be exercisable for a period of up to five years from the date of grant. The number of common shares reserved for issuance to any individual director or officer will not exceed 5% of the issued and outstanding common shares and the number of common shares reserved for issuance to any one consultant or individual conducting investor relations activities will not exceed 2% of the issued and outstanding common shares. Options granted typically vest on the grant date.

The changes in options during the years ended January 31, 2013 and January 31, 2012 are as follows:

	Year ended January 31, 2013		Year ended January 31, 2012	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning of the year	2,120,000	\$ 0.29	2,395,000	\$ 0.26
Options granted	1,150,000	0.10	600,000	0.33
Options exercised	-	-	(65,000)	0.26
Options expired	(770,000)	0.30	(810,000)	0.26
Options outstanding, end of the year	2,500,000	\$ 0.20	2,120,000	\$ 0.29
Options exercisable, end of the year	2,500,000	\$ 0.20	2,120,000	\$ 0.29

On April 30, 2012, the Company granted 500,000 stock options to consultants at an exercise price of \$0.10 per share for a 2 year period. These options vested 25% upon grant and 25% every 3 months thereafter. The total fair value of \$34,829 was estimated using the Black-Scholes Option Pricing Model assuming an expected life of 2 years, a risk-free interest rate of 1.43% and an expected volatility of 144.23%. The granting of these options resulted in a stock based compensation expense of \$22,484 being recorded during the year ended January 31, 2013.

On August 2, 2012, the Company granted 650,000 stock options to officers, directors and consultants at an exercise price of \$0.10 per share for a 2 year period. These options vested immediately. The total fair value of \$20,674 was estimated using the Black-Scholes Option Pricing Model assuming an expected life of 2 years, a risk-free interest rate of 1.06% and an expected volatility of 125.54%. The granting of these options resulted in a stock based compensation expense of \$20,674 being recorded during the year ended January 31, 2013.

On September 27, 2011, the Company granted 600,000 stock options to directors, officers and consultants at an exercise price of \$0.33 per share for a 2 year period. These options vested immediately. The total fair value of \$82,669 was estimated using the Black-Scholes Option Pricing Model assuming an expected life of 2 years, a risk-free interest rate of 0.95% and an expected volatility of 76.6%. The granting of these options resulted in a stock based compensation expense of \$82,669 being recorded during the year ended January 31, 2012.

During the year ended January 31, 2012, the Company recorded a credit of \$4,632 in stock-based compensation expense for vested options previously issued during the year ended January 31, 2011.

TERRAX MINERALS INC.
NOTES TO THE FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
Years ended January 31, 2013 and 2012

9. SHARE CAPITAL (cont'd)

Stock options (cont'd)

The following incentive stock options were outstanding and exercisable at January 31, 2013:

Number of options outstanding	Number of options exercisable	Exercise price	Expiry date
750,000	750,000	\$ 0.25	June 27, 2013
600,000	600,000	0.33	September 27, 2013
500,000	500,000	0.10	April 30, 2014
650,000	650,000	0.10	August 2, 2014
2,500,000	2,500,000		

Warrants

Warrant transactions are summarized as follows:

	Number of warrants	Weighted Average exercise Price
Balance as at January 31, 2011	8,029,701	\$ 0.31
Exercised	(1,650,000)	0.15
Expired	(1,225,000)	0.25
Balance as at January 31, 2012	5,154,701	0.38
Issued	1,855,000	0.10
Expired	(5,154,701)	0.38
Balance as at January 31, 2013	1,855,000	\$ 0.10

The following warrants were outstanding and exercisable at January 31, 2013:

Number	Exercise Price	Expiry Date
1,855,000	\$ 0.10	January 21, 2015

10. RESERVES

Share-based payment reserve

The share-based payment reserve records items recognized as stock-based compensation expense until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital.

11. FINANCIAL RISK AND CAPITAL MANAGEMENT

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The majority of cash is deposited in bank accounts held with major banks in Canada. As most of the Company's cash is held by two banks there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies. The Company's secondary exposure to risk is on its receivables. This risk is minimal as receivables consist primarily of refundable government goods and services taxes.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding. Liquidity risk is, therefore, assessed as high.

Foreign exchange risk

Foreign currency risk is the risk that a variation in exchange rates between the Canadian dollar and other foreign currencies will affect the Company's operations and financial results. The Company operates in Canada and is, therefore, not exposed to foreign exchange risk arising from transactions denominated in a foreign currency.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has cash balances at January 31, 2013 and no-interest bearing debt, therefore, interest rate risk is nominal.

Capital management

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity, comprising share capital, net of accumulated deficit.

There were no changes in the Company's approach to capital management during the year.

The Company is not subject to any externally imposed capital requirements.

TERRAX MINERALS INC.
NOTES TO THE FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
Years ended January 31, 2013 and 2012

11. FINANCIAL RISK MANAGEMENT (cont'd)

Classification of financial instruments

Financial assets included in the statements of financial position are as follows:

	January 31, 2013	January 31, 2012
FVTPL:		
Cash and cash equivalents	\$ 386,558	\$ 682,644
Loans and receivables:		
Interest receivable	-	13,336
	\$ 386,558	\$ 695,980

Financial liabilities included in the statements of financial position are as follows:

	January 31, 2013	January 31, 2012
Non-derivative financial liabilities:		
Trade payables	\$ 34,136	\$ 42,913

Fair value

The fair value of the Company's financial assets and liabilities approximates their carrying amount.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The following is an analysis of the Company's financial assets measured at fair value as at January 31, 2013 and January 31, 2012:

	As at January 31, 2013		
	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 386,558	\$ -	\$ -
	As at January 31, 2012		
	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 682,644	\$ -	\$ -

TERRAX MINERALS INC.
NOTES TO THE FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
Years ended January 31, 2013 and 2012

12. INCOME TAXES

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

	January 31, 2013	January 31, 2012
Loss for the year	\$ (1,384,566)	\$ (265,066)
Statutory tax rate	25%	28.00%
Expected income tax recovery	(346,142)	(74,218)
Non-deductible items	10,789	21,850
Other	(302,981)	-
Renouncement of resource expenditures	-	338,792
Impact of tax rate change	-	(30,688)
Change in valuation allowance	638,334	(255,736)
Deferred income tax recovery	\$ -	\$ -

The Company has the following deductible temporary differences for which no deferred tax asset has been recognized:

	January 31, 2013	January 31, 2012
Exploration and evaluation assets	\$ 440,956	\$ (152,734)
Loss carry-forwards	304,560	242,880
Share issuance costs	18,836	35,872
	\$ 764,352	\$ 126,018

The tax pools relating to these deductible temporary differences expire as follows:

	Exploration and evaluation assets	Loss carry-forwards	Share issuance costs
2014	\$ -	\$ -	\$ 39,531
2015	-	-	35,811
2016	-	-	-
2028	-	36,099	-
2029	-	101,728	-
2030	-	147,024	-
2031	-	426,992	-
2032	-	259,673	-
2033	-	246,723	-
No expiry	3,844,467	-	-
	\$ 3,844,467	\$ 1,218,239	\$ 75,342

12. INCOME TAXES (cont'd)

Provision for current tax

Flow-through common shares require the Company to spend an amount equivalent to the proceeds of the issued flow-through common shares on Canadian qualifying exploration expenditures. The Company may be required to indemnify the holders of such shares for any tax and other costs payable by them in the event the Company has not made the required exploration expenditures. During the year ended January 31, 2011, the Company received \$1,416,859 from the issue of flow-through shares. Under the IFRS framework, the increase to share capital when flow-through shares are issued is measured based on the current market price of common shares. The incremental proceeds, or “premium”, are recorded as a flow-through liability. Upon issuance of the flow-through shares in 2011, the Company recorded a flow-through liability of \$235,150. As expenditures are renounced, the flow-through share liability is reversed. To January 31, 2012, the Company expended \$1,181,710 in eligible exploration expenditures and, accordingly, the flow-through share liability was reduced to \$Nil.

Provision for deferred tax

As future taxable profits of the Company are uncertain, no deferred tax asset has been recognized. As at January 31, 2013, the Company has approximately \$1,218,239 non-capital losses that can be offset against taxable income in future years which begin expiring at various dates commencing in 2028. The potential future tax benefit of these losses has not been recorded as a full-future tax asset valuation allowance has been provided due to the uncertainty regarding the realization of these losses.

13. SUPPLEMENTAL CASH FLOW INFORMATION

During the years ended January 31, 2013 and 2012 the Company incurred the following non-cash transactions that are not reflected in the statements of cash flows:

	Years ended	
	January 31, 2013	January 31, 2012
Exploration expenditures included in trade payables and accrued liabilities	\$ 31,320	\$ 27,515
Fair value of shares issued for mineral property option payments	\$ 34,000	\$ 61,050
Fair value of stock options reallocated to share capital	\$ -	\$ 13,659

14. SUBSEQUENT EVENTS

- a) The Company paid \$189,900 and completed the purchase of the Northbelt Property (Note 6).
- b) On May 8, 2013, the Company completed a private placement of 6,786,085 units at \$0.20 per unit. Each unit consists of one common share and one-half of one share purchase warrant, with each full warrant entitling the holder to purchase an additional common share at an exercise price of \$0.30 per share until May 8, 2016. Finder’s fees of \$21,840 were paid with respect to this placement along with the issuance of 109,200 finder’s warrants exercisable at \$0.30 until May 8, 2016.
- c) Concurrent with the private placement noted above, the Company entered into a definitive royalty option agreement with Virginia Mines Inc. (“Virginia”), a company listed on the TSX, whereby Virginia has been granted an option to acquire up to a 2% NSR on the Company’s Northbelt Property. Virginia may exercise the option by payment of \$2,000,000 within 3 months following the commencement of production. In consideration of granting the option, the Company received 20,000 common shares of Virginia.
- d) The Company paid \$20,000 towards the option agreement for the Central Canada Property (Note 6).

14. SUBSEQUENT EVENTS (cont'd)

- e) The Company issued 75,000 common shares towards the option agreement for the Stewart Property (Note 6).
- f) The Company entered into a mineral claims purchase agreement with Sonde Resources Corp., a company listed on the TSX-V, for the purchase of certain mining claims located in Mackenzie District, Northwest Territories by paying \$10,000.

TERRAX MINERALS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS For the year ended January 31, 2013

This Management Discussion and Analysis of TerraX Minerals Inc. ("TERRAX" or the "Company") provides analysis of the Company's financial results for the year ended January 31, 2013 and should be read in conjunction with the accompanying audited financial statements and notes thereto for the year ended January 31, 2013. This discussion is based on information available as at May 30, 2013.

The accompanying January 31, 2013 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements. All amounts are expressed in Canadian dollars, unless otherwise stated.

Certain statements made may constitute forward-looking statements. Such statements involve a number of known and unknown risks, uncertainties and other factors. Actual results, performance and achievements may be materially different from those expressed or implied by these forward-looking statements. Additional information about TerraX Minerals Inc. is available at www.sedar.com.

The Company was incorporated on August 1, 2007 pursuant to the provisions of the *Business Corporations Act* (British Columbia) under the name of TerraX Resource Corp. On March 31, 2008, the Corporation amended its notice of articles to change its name to TerraX Minerals Inc. The Company has no subsidiaries.

OVERVIEW

The principal business of the Company is the acquisition and exploration of mineral exploration properties in underexplored areas of Canada. The Company's current focus is the newly acquired Northbelt property, an advanced stage gold project 15 km north of Yellowknife, Northwest Territories. This property is in the same belt of rocks that hosts the past-producing 7.6 Moz Giant and 5.5 Moz Con mines, as well as several significant gold deposits to the north. The Company also one of the major landholders of prospective ground on the Burin Peninsula in Newfoundland, and holds two gold exploration properties in the burgeoning Marmion Batholith gold district near Atikokan, Ontario. The Marmion Batholith is host to Osisko Mining Corporation's (TSX: OSK) Hammond Reef gold deposit, which contains a National Instrument 43-101 compliant Global Measured and Indicated resource of 196.4 Mt @ 0.86 g/t (5.43 Moz Au). Osisko Mining Corporation's technical report on the Hammond Reef property is available at www.sedar.com.

In May 2009 the Company entered into an option agreement whereby it could acquire a 100% interest in the Sunbeam-Pettigrew gold property in Northwest Ontario, subject to a 2.5% NSR. The Sunbeam-Pettigrew property consisted of 36 claims totalling 425 claim units (~67.27 km²) and occurs 25 km northeast of the town of Atikokan, which is in turn 180 km west of Thunder Bay. The property is 15 km from the Hammond Reef gold deposit.

In July 2009 TerraX entered into an option to acquire a 100% interest in the Blackfly gold property in northwest Ontario. The property consists of five claims totalling 64 claim units (~10.1 km²) located 22 km west of TerraX's Sunbeam-Pettigrew property. The geology and known mineralization on the Blackfly property are similar to the Hammond Reef deposit and the Blackfly property appears to be along strike from Hammond Reef.

In the fall of 2009 the Company began exploration at the Sunbeam-Pettigrew and Blackfly gold properties. In December 2009 TerraX acquired an option on a third property in the area, the Central Canada property, and conducted initial exploration on that property as well. Induced polarization and magnetic geophysical surveys were conducted on all three properties in February and March of 2010.

In June 2010, TerraX announced an option to acquire a 100% interest in the Stewart Gold-Copper Property in the

Burin Peninsula of Newfoundland. The Stewart property consisted of two mineral exploration licenses, totalling 173 claims (~43.25 km²), located 30 km north-northeast of the town of Marystown, which is in turn approximately 300 km by road southwest of St. John's. The Stewart property is considered prospective for a large tonnage, low grade gold-copper deposit.

On February 13, 2013, the Company completed the acquisition of a 100% interest in the Northbelt property. The property has no third party interest or payments, nor any retained NSR royalties. The property consists of 121 leases totalling 8802 acres (3562 hectares) which cover approximately 13 km of strike along the prolific Yellowknife Belt, 15 km north of the city of Yellowknife. The southern part of the property is accessible by road and the remainder is accessible by all terrain vehicles. Northbelt is situated on the northern strike continuation of the Yellowknife gold camp, immediately west of the major break controlling gold mineralization within the camp. The property is host to multiple shears that are the recognized hosts for gold deposits in the Yellowknife camp, including the past producing Giant and Con mines, and it contains innumerable gold showings. Known mineralization on the property contains free milling gold.

During the year ended January 31, 2013 the Company conducted a multi-disciplinary field program at the Stewart property in Newfoundland. Work completed at Stewart included mechanical stripping, soil surveying and field checking of magnetic anomalies defined by TerraX's 2011 airborne survey. Based on the results of this program, TerraX elected to make the final cash payment due to the vendors in order to acquire a 100-per-cent interest in the Stewart property, subject to a 2% net smelter return ("NSR") and the issuance of a further 175,000 shares by April, 2014. Drill targets have been identified at the main Stewart porphyry target and at the high-grade Forty Creek epithermal gold-silver showing that TerraX intends to follow up on in 2013, subject to receipt of additional funding.

Northbelt Gold Property, Northwest Territories

In January 2013 TerraX was advised that it has won a competitive bid to acquire the Northbelt claims in the Yellowknife area of the Northwest Territories, Canada. The property was offered for sale by Samson Belair/Deloitte & Touche Inc., acting as receiver of the assets of Century Mining Corporation, which had acquired the ground in 2005 and was subsequently put into receivership on May 29, 2012 by its secured lender. The financial difficulties of Century Mining Corporation were mostly due to production losses at its Sigma-Lamaque property in Quebec, Canada. TerraX agreed to pay \$211,000 to acquire 100% ownership of the mining leases with no retained interest by any outside parties, nor any NSR royalties. The acquisition was subject to a due diligence period that expired on January 31, 2013.

Subsequent to the period, on February 13, 2013, the Company completed the acquisition of the Northbelt property. The property consists of 121 leases totalling 8802 acres (3562 hectares) which cover approximately 13 km of strike along the prolific Yellowknife Belt, 15 km north of the city of Yellowknife. The southern part of the property is accessible by road and the remainder is accessible by all terrain vehicles. Northbelt is situated on the northern strike continuation of the Yellowknife gold camp, immediately west of the major break controlling gold mineralization within the camp. The property is host to multiple shears that are the recognized hosts for gold deposits in the Yellowknife camp, including the past producing Giant and Con mines, and it contains innumerable gold showings. Known mineralization on the property contains free milling gold.

TerraX has commenced a compilation of previous work. The property was explored at the beginning of the Yellowknife gold rush in the early 1940s. It was staked by multiple claimholders in 1944 with the discovery of the outcropping Crestaurum deposit. Drilling commenced in 1945 and the property was intermittently active throughout the 1960s and 1970s. By the 1970s Giant Gold Mines had largely consolidated the property and began serious exploration and by the end of the 1980s substantial drill programs were completed. Detailed mapping in this period confirmed that the property hosts the extension of the Yellowknife Gold Camp's gold bearing structures and that the stratigraphy associated with the large mines occurs in the southern part of the property. It was also realized that numerous other sub-parallel structures host gold occurrences, including the Crestaurum deposit. In addition a precious metal enriched base metal (Zn/Pb +/-Cu) play was identified in the northern part of the property. At least 450 drill holes were completed on the property between 1938 and 1996, mostly concentrated on the Crestaurum deposit (approximately 200 holes).

Crestaurum Deposit

The Crestaurum deposit is contained within a shear that trends for at least 1.5 km in a northeast direction. On the order of 200 drill holes intersect the mineralized structure, with the vast majority intersecting the structure at less than 100 m vertical depth. The shoots best defined by drilling (North, Central, South in the No. 1 Shear) consist of narrow veins, generally less than 1 m thick, within a chloritic (+/- carbonate and sericite) shear that can be up to 25 m wide. Sampling of the historical drilling was mostly confined to the veins, although some holes were more comprehensively sampled and show a wide zone of anomalous mineralization across the shear structure and into wallrocks. The Crestaurum shear bifurcates at its northern end and both horizons have high grade gold intersections. The No. 1 shear is the only one with previous resource estimates.

During the due diligence studies, TerraX reviewed a listing of 169 holes used in the resource calculation prepared by D.W. Lewis for Giant Mines Ltd. in 1985 that estimated a resource of 572,040 tonnes at 6.72 g/t Au (123,489 ounces). Of these holes, 133 had high grade gold intersections, and several were mineralized on two or more shears. Visible gold was common, with 44 holes reporting coarse gold. A selection of some of the higher grade and wider intersections includes:

Hole	From (m)	to (m)	Interval (m)	Au g/t
8	32.82	36.07	3.25	11.65
31	44.68	46.05	1.37	477.66
32	34.49	40.54	6.05	7.78
150	52.94	57.58	4.64	24.60
166	126.03	132.34	6.31	10.72

The Crestaurum deposit was subjected to numerous resource calculations over the years, and to preliminary mine planning by Giant Mines, but its development was largely thwarted by the fact that the free milling gold, similar to Con's Campbell Shear ore, was detrimental to the roasting process used at Giant for its refractory ore.

TerraX believes the historic resources are relevant but investors are cautioned that the estimates were prepared before the introduction of National Instrument 43-101 Standards of Disclosure for Mineral Projects. A Qualified Person has not completed sufficient exploration work nor conducted an examination of past work to define a resource that is currently compliant with NI 43-101. It is important to note that these calculations relied on sampling procedures that concentrated on quartz vein material and most holes were not sampled throughout the much broader lower grade shear zones hosting the veins. It is TerraX's belief, after reviewing historic drill logs, that the resource would be significantly expanded by including all intercepts greater than 1 g/t Au. In addition, the Crestaurum historical resource calculation is restricted to the No. 1 Shear, and modelled mineralized blocks had a limited strike length. Subsequent drilling has confirmed substantial strike and depth expansion of the zones.

Other Targets

The final significant work on the property was conducted in the first half of the 1990s with work focused on other shear zones (25 gold bearing shears identified in the southern part of the property), and on the southern and northern extensions to the Crestaurum deposit. Significant success was achieved in deeper drilling (up to 300 m below surface) on the northern extension of the Crestaurum, and on what is interpreted as the extension of the main Giant Mine trend.

Beyond the known historical resources at Crestaurum, several drill holes have been drilled over the years to evaluate the extensions to the shears, most importantly to the north where the Crestaurum Shear is intersected by several other shears, including the 20 Shear, the 20 West Splay and the 19 Shear (see the map on the TerraX web site). Drilling in the area in 1995 and 1996 had considerable success in intersecting high grade and wider zones of mineralization, as well as multiple horizons of gold, with some holes reporting up to five significant intersections. Particularly wide intersections occur in some deeper holes, indicating the potential for substantial increases in the size of the

Crestaurum zones. These include:

Hole	From (m)	to (m)	Interval (m)	Au g/t
NB-95-3	109.06	110.09	1.03	102.91
NB-96-02	319.58	338.36	18.78	4.74
incl.	320.95	331.01	10.06	8.39
NB-96-16	337.26	347.01	9.75	8.76

The 20 Shear was a well recognized target early in the exploration of Northbelt and there has been considerable success in drilling gold mineralization as this shear began to intersect the Crestaurum structure, possibly creating a classic dilation along orthogonally intersecting structures. A very significant drill intersection on this structure was drilled and reported by Nebex Resources Ltd. in 1994 (Hole NB-94-1a).

Hole	From (m)	to (m)	Interval (m)	Au g/t
NB-94-1a	285.37	305.58	19.71	4.61

In the northern part of the property there is widespread VMS style mineralization. As with the gold targets it was initially found on surface and later explored with drilling. Trench exposures are generally very narrow (less than 1 meter). Subsequent drill holes under these showings seem to show relatively good continuity, even of the narrow lenses. The horizons are Pb-Zn rich, with minor Cu, very high silver content and locally appreciable gold. Examples include:

Hole	From (m)	to (m)	Interval (m)	Au g/t	Ag g/t	Zn%	Pb%	Cu%
G2	72.24	74.68	2.44	0.69	162.14	7.64	9.95	0.25
38-2	42.06	48.16	6.10	2.54	204.31	10.82	6.03	0.55

Access and logistics for the project are excellent and there are no known substantial environmental liabilities associated with the property that would limit TerraX's ability to begin obtaining permits for field work in 2013. TerraX's immediate focus will be to complete data compilation of information collected during two work sessions in Yellowknife in January and February. This compilation will create a GIS project to direct 2013 field work. A digital drill database will be constructed from historical holes for creation of 3D modeling of mineralized bodies.

It is anticipated that initial work will involve permitting to carry out a detailed airborne magnetic/radiometric/electromagnetic survey across the entire property this spring in preparation for a comprehensive summer field program of mapping, prospecting and location of historical drill holes. Permitting will also be initiated for preliminary drill programs on known mineralized zones. These programs will be subject to consultation with First Nations that have interests in the area.

During the year ended January 31, 2013 the Company incurred \$27,850 in property investigation costs with respect to conducting its due diligence on the Northbelt property and provided the receiver for the property with a deposit of \$21,100.

Stewart Gold-Copper Property, Newfoundland

The Stewart property features an east-northeast striking, 6 km long by up to 1.4 km wide epithermal to porphyry style alteration zone with extensive low grade gold-copper mineralization, of which less than 15% has been drill and trench tested. Our initial target type for the Stewart property was for a mineralized system similar to Oyu Tolgoi in Mongolia (1.39 Bt at 0.93% Cu and 0.37% Au). A geologic model of the anomalies identified at Stewart, with a comparison to those at Oyu Tolgoi, is available on our web site at www.teraxminerals.com.

TerraX can earn a 100% interest in the Stewart property over a four year period by making option payments totalling

\$80,000 (paid) and issuing 295,000 shares (of which 195,000 shares have been issued), and funding \$525,000 of exploration and development work (which has been met). The vendors will retain a 2% NSR, 1% of which can be purchased by TerraX for \$1,000,000.

The original showing was discovered in 1985, and several geochemical and geophysical surveys were completed in 1986. Novamin Resources Inc. collected soil samples with values up to 1570 ppb Au (1.57 g/t Au), and basal till samples up to 1030 ppb Au (1.03 g/t Au). Novamin subsequently drilled four holes in 1986, noting long intervals of consistently anomalous gold and, where analyzed, copper (eg. 102 m @ 135 ppb Au and 385 ppm Cu in hole NG1). Soil sampling by Corona Corporation in 1989 produced coincident anomalies of Au (up to 1440 ppb or 1.44 g/t), Cu (up to 250 ppm) and Mo (up to 145 ppm) over a strike length of 1 km. The highest values corresponded with advanced argillic alteration and minor chalcopyrite. Corona drilled three shallow holes totaling 411 m in 1990 and intersected 63 m @ 0.25 g/t Au, including 5 m @ 0.84 g/t Au in hole 7434-90-02. Other elements were not assayed, but chalcopyrite, azurite, cuprite, and molybdenite were noted in the core. Cornerstone Resources Inc. acquired the property in 2007. They excavated two large trenches and exposed a very large mineralized zone, with 219 m @ 92 ppb Au and 193 ppm Cu in the Vinjer trench, and the 70 x 70 m Stewart trench, which produced 12 m @ 555 ppb Au and 826 ppm Cu.

An associated target type for the property is high sulphidation style epithermal Au deposits. The Burin Peninsula is part of the Avalon terrane, a geologic structure which can be traced from eastern Newfoundland through Nova Scotia and New Brunswick into New England, the Carolinas and northern Georgia. High-level felsic to intermediate magmas likely provided the heat and fluids responsible for numerous large hydrothermal systems along the length of the Avalon, some of which have produced deposits that have been exploited, such as the Ridgeway deposit of 56 Mt at 1.1 g/t Au and Hope Brook in Newfoundland, with 11.2 Mt at 4.54 g/t Au and 0.30% Cu.

Two major belts of epithermal high sulphidation style alteration/mineralization, each greater than 100 km in strike length, occur in the Burin Peninsula. Exploration along the belts has been intermittent, but has produced locally significant gold, silver and copper values. TerraX personnel have worked previously in the area and recognized alteration assemblages indicative of the high sulphidation style environment documented on the Stewart property.

TerraX conducted a three week field program in October 2010 that focused on mapping and sampling to further delineate the large hydrothermal alteration/mineralization system known to be present on the property and to prospect the entire property. Lesser emphasis was placed on examination of the core of the system. Results include:

- discovery of the **Forty Creek showing**, a collection of angular blocks of quartz vein material with local sulphides in the northeastern part of the property. Several blocks up to 1 m across occur within a 200 square m area. A grab sample from one block assayed **59 g/t Au** and **2290 g/t Ag**. This sample also had the highest values of Pb (>0.5%), Zn (0.44%), Hg, Sb and Se of all the samples collected by TerraX;
- anomalous gold assays obtained over 725 m in soils, with this anomalous zone open for 150 m to the southeast because of the presence of swampy ground that precluded further sampling; and
- the exposed area of hydrothermal alteration at Stewart has now been determined to be larger than originally thought, with a **strike length on the order of 6 km, and a width varying from 400 m to 1.4 km.**

A total of 138 samples were collected for assay and for determination of pathfinder elemental abundance, and 145 samples were analyzed with a Terraspec instrument for identification of key alteration minerals. Gold assay results ranged from below detection to 59 g/t, with 15 samples being 20 ppb Au or higher. The exposed area of hydrothermal alteration was determined to be larger than originally thought, with a strike length on the order of 6 km, and a width varying from 400 m to 1.4 km. This is based on field identification of alteration, distribution of illite/muscovite as determined by a Terraspec instrument, and anomalism in elements such as Cu, Pb, Mo, As and Sb. The western 1.5 km "core" of the alteration system is anomalous in Cu, Au, Pb and Mo, has local development of quartz stockworks and sheeted veins, and is considered to be deeper in the hydrothermal system. A 600 m section of the core zone has been tested by seven shallow drill holes by past operators. Prior to TerraX's work 90% of the

hydrothermal system had not been drill tested. The outer parts of the system contain phyllic to advanced argillic alteration, including high temperature minerals such as pyrophyllite and dickite. Such minerals are common in high temperature advanced argillic zones such as those that overlie porphyry systems. Gold values from surface grab samples collected by TerraX within this hydrothermal system ranged up to 473 ppb Au.

A 1.1 km line of soil samples was collected over the Stewart showing in the core of the alteration system to validate previous soil results. Samples were spaced 25 m apart. Anomalous gold results were obtained over 725 m, and the anomalous zone is open for 150 m to the southeast because of the presence of swampy ground. Within this anomalous interval of 30 samples, 26 were higher than 20 ppb Au, with a high of 640 ppb Au and an average of 160 ppb Au. Background values beyond this interval reached a high of 9 ppb Au (most were below detection). Within the same interval, Cu, Mo, Pb, Zn and Se were also clearly anomalous.

TerraX expanded its land position at Stewart to the northeast due to the discovery of the Forty Creek showing and to cover two anomalous gold samples (68 and 115 ppb Au) collected on open ground south of the Forty Creek showing. An additional 30 claims (7.5 sq km) were staked. TerraX also staked 39 claims (9.75 sq km) to cover the potential southwest extension of the known alteration and mineralization zone.

In January 2011 TerraX carried out soil sampling to follow up the 725 meter wide Au, Cu, Mo soil anomaly from the test line across the strike of the alteration zone. The objective of this soil sampling was to delineate the full extent of the gold anomalism within the large hydrothermal alteration system, and to follow up the newly discovered Forty Creek showing. In addition to the soil surveying, TerraX contracted Quantec Geosciences to carry out Titan 24 ground geophysics across 2.5 km of strike length on the alteration zone. This program was designed to pick up epithermal or more likely porphyry-style mineralization up to a depth of 500 m below surface. Line cutting for the survey commenced in the second week of February, with the Titan surveying following shortly thereafter. In addition, Geo Data Solutions Inc. was contracted to fly an airborne magnetic survey over the entire property; this survey was completed in April.

Three separate Titan 24 chargeability anomalies were identified, collectively defining a zone of anomalous chargeability which spans the entire length of the survey area (2.5 km). One chargeability anomaly intersects the surface in the western portion of the surveyed area where the previous shallow drilling and trenching is coincident with the anomaly. Here the anomaly is shallow, restricted to 250 m of dip length (possibly has had a portion removed by erosion). A much larger buried zone of mineralization is potentially indicated by a significantly thicker and longer strike length anomaly of similar amplitude that is concealed by sulphide-poor altered rocks as it plunges to the northeast. The maximum width of the larger anomaly is 800 m and its vertical extent reaches more than 500 m, plunging deeper towards the northeast. The defined anomalous chargeability is open along strike to the southwest and northeast. Maps showing the results of the Titan 24 IP survey are available on our web site at www.terraxminerals.com.

A total of 609 soil samples were collected over an area similar to the area surveyed by Titan and over the Forty Creek area. Gold values from this survey ranged from below detection to 334 ppb, with 54 of the samples containing >20 ppb gold. Data was combined with results from the 39 orientation soil samples collected in 2010 and the combined data defines a gold anomaly (>20 ppb Au) 800 m long and up to 750 m wide, open to the southwest, where the alteration zone is covered by a lake. The gold anomaly is mostly coincident with a coherent but more areally restricted copper anomaly and a diffuse molybdenum anomaly as defined by the ninety percentile values of both latter elements. All three elemental anomalies, particularly copper, are strongly coincident with the near-surface chargeability anomaly.

The major geological contact on the property between granite in the north and volcanics in the bulk of the property is reflected in the magnetic signature from the airborne data-the volcanics having a higher and more complex magnetic response. The data shows a series of northeast structures offset by east-southeast structures, and importantly, a structural connection between the mapped alteration zone and the Forty Creek showing. One of these northeast structures is coincident with the known alteration system.

Additional fieldwork was undertaken on the property over a two week period in May 2011. During this fieldwork, TerraX discovered a second high grade boulder grading **13.3 g/t Au, 670 g/t Ag** and **>0.5% Pb** in the Forty Creek

area. The field program also included additional geological work to firm up drill targets on the main alteration zone, a structural study to help determine the orientation of the mineralized zones, and an alteration mineralogy study to vector exploration towards potential economic mineralization.

The newly discovered high grade boulder at Forty Creek is angular and more than 0.5 m across; scanning electron microscopy showed that it contains chalcopyrite, lead telluride, silver telluride and native gold. Several other angular mineralized boulders were discovered within a 500 m radius of Forty Creek; these assayed up to 225 ppb Au, 785 ppm Cu, 1.03% Zn and >0.5% Pb (different samples). Outcrop in the Forty Creek vicinity is sparse, but samples of outcrop collected assayed up to 109 ppb Au, 26.6 g/t Ag, 5810 ppm Cu, 1800 ppm Pb, 1500 ppm Zn and 133 ppm Mo (different samples). The outcropping host rock proximal to Forty Creek is a strongly altered felsic volcanic rock most similar geochemically (whole rock data) to the Caribou Tuff, the unit that hosts the bulk of the main alteration zone. Assay values from samples collected ranged from below detection to the values quoted above.

Structural consultant Dr. Kruse of Terrane Geoscience Inc. spent one week on the Stewart property during May, 2011. His observations suggest that the porphyry/epithermal hydrothermal system plunges to the northeast at approximately 65 degrees. This is consistent with the tendency of the major chargeability anomaly to deepen to the northeast. Kruse also recognized three different vein sets, one of which he classes as pre-deformation hydrothermal veins related to the porphyry system.

Our understanding of the geological/hydrothermal system at Stewart is continually improving. Alteration mineralogy is indicative of hot, acid conditions, consistent with a high sulphidation epithermal system collapsing onto a porphyry system. The overall system plunges to the northeast, as shown by structural indicators, by the distribution of chargeability and surface geochemical anomalies, and by the change in alteration style at surface. Alteration at surface varies from porphyry/high sulphidation epithermal in the southwest through high sulphidation epithermal in the center (Bat Zone) to potential bonanza style Au-Ag mineralization with or without base metals at Forty Creek in the northeast, above and distal to the main intrusive center.

Notwithstanding the impressive assays in the Forty Creek area, TerraX considers the prime target on the Stewart property to be the large, low grade interpreted porphyry style hydrothermal system analogous to Oyu Tolgoi in Mongolia. TerraX focused on this porphyry target while building up our knowledge base on the Forty Creek area. To that end, TerraX completed a five hole (2700 m) drill program in the fall of 2011, targeting the chargeability anomalies in the main alteration zone. The five holes were widely spaced over a strike length of 1.7 km, and were designed to examine various geophysical signatures in both the inferred core and the margin of the system. A map showing the locations of the drill holes is available on our website at www.terraxminerals.com.

The first hole drilled at Stewart, ST11-01, was drilled in a southeast direction along a Titan 24 section line which contains a 250 m wide by 300 m deep chargeability anomaly that intersects the surface. This anomaly is semi-coincident with the Vinjer trench, which contains extensive hydrothermal alteration and anomalous metals. The hole was 440 m long, of which the upper 433 m consistently contains between 1 and 5% pyrite. This interval is also strongly altered; mineralogical analysis with a Terraspec instrument confirmed that the interval is dominated by varying amounts of pyrophyllite and illite, both of which are common in porphyry to epithermal environments. Stockwork quartz veins, chalcopyrite and molybdenite all occur locally within the hole. The upper 185 m of the hole contains strongly altered quartz diorite, tentatively interpreted as the mineralizing intrusion for the extensive hydrothermal system. The lower 7 m of the hole contains a fresh felsic volcanic rock. The contact between the altered rock and the unaltered felsic volcanic corresponds to the edge of the chargeability anomaly.

Hole ST11-02 was drilled in a southerly direction along a Titan 24 section line which contains a 700 m wide by at least 500 m deep chargeability anomaly that is buried beneath the surface. This anomaly is adjacent to the Bat Zone which contains widespread hydrothermal alteration on surface. The hole was 585 m long, of which the upper 172 m intersected strongly altered rock, with a low sulphide content (0.5-1%). This was followed by 413 m of sulphide content ranging from 5-10% pyrite. This interval is also strongly altered; mineralogical analysis with a Terraspec instrument confirmed that the interval is dominated by varying amounts of pyrophyllite, illite, dickite and alunite, all of which are common in porphyry to epithermal environments.

Three holes (ST11-01, 02 and the top of ST11-05) tested the edges of the hydrothermal system as defined by anomalous chargeability. In all three cases, long intervals (up to 585 m in hole ST11-02) of pervasively altered rock with 1 to 10% pyrite were encountered. Mineralogical analysis with a Terraspec instrument confirmed that the zones are dominated by varying amounts of pyrophyllite, illite, dickite and alunite, all of which are common in porphyry to epithermal environments. The margin of the system typically contains felsic volcanic rocks, although hole ST11-01 contains 185 m of strongly altered quartz diorite and ST11-02 contains over 200 m of a fine-grained, interpreted intrusive rock. Zones of intense quartz veining (stockworks) are locally present.

Three holes (ST11-03, 04 and the bottom of ST11-05) tested what had been interpreted to be the core of the system. These holes encountered mostly mafic volcanics and intrusions, as well as several different types of intermediate porphyritic intrusions. Most mafic rocks have undergone patchy epidote-silica alteration and zones of intense alteration up to 15 m wide occur, separated by less altered rocks. The intense alteration includes silica, illite, chlorite, pyrite and locally minor chalcopyrite. Stringers of quartz and pyrite and/or chalcopyrite are present. Hole ST11-03 contains 130 m of silicified mafic volcanics with small amounts of native copper and probable hydrothermal magnetite. The absence of potassic alteration (potassium feldspar and/or biotite) in the drill core suggests that the core of the hydrothermal system was not intersected by TerraX's drilling.

The best assay results are from hole ST11-01 which intersected 111 m @ 0.13 g/t Au and 0.05% Cu and 18.03 m @ 0.11 g/t Au and 0.06% Cu, with anomalous Ag, and Zn. Hole ST11-02, the easternmost hole, contained several short intervals of anomalous Au (up to 118 ppb) and an anomalous Zn intersection of 109.78 m @ 0.02% Zn. Hole ST11-03 contains an intersection of 2.35 m @ 0.08% Cu associated with local chalcopyrite stringers, but no other significant metal anomalism. Hole ST11-04 contains short intervals of anomalous Cu as follows: 3.2 m @ 0.07% Cu associated with quartz-chalcopyrite veinlets; 0.6 m @ 0.24% Cu associated with quartz-pyrite-chalcopyrite veinlets, and 0.56 m @ 0.20% Cu associated with a semi-massive pyrite vein. Hole ST11-05 contains 1.07 m @ 0.08% Cu and 0.80 m @ 0.07% Cu, both associated with structurally controlled illite-pyrite alteration in mafic volcanics.

While TerraX's drill program failed to intersect the core of the porphyry system, it provided valuable information on the three dimensional characteristics of the large hydrothermal system present at Stewart. Intervals of pervasive phyllic/advanced argillic alteration with 1-10% pyrite more than 500 m long were encountered on the margin/top of the system, while other parts of the system contain several porphyry intrusions as well as hydrothermal magnetite, epidote, chlorite and silica, with stringers of pyrite and/or chalcopyrite and local native copper. The mineralized porphyry core has not as yet been intersected, but the presence of porphyry intrusions and quartz-sulphide veinlets are considered encouraging. Ongoing detailed interpretation of the magnetic data suggests that the core of the system may lie immediately south of the area tested by drilling. The lack of anomalous molybdenum (Mo) in any TerraX drill holes, coupled with the Au-Cu-Mo soil anomaly defined by TerraX in the southwestern part of the alteration system, likewise suggest a south/southwest vector toward the center of the system, as indicated on project maps available on our web site.

All drill core from the 2011 drill program at Stewart was logged, split and sampled at a secure core facility in Marystown. Samples were collected from this facility by a shipping company for onward transportation to the Actlabs facility in Fredericton. Actlabs is an ISO/IEC 17025 accredited analytical laboratory. Gold analysis was by fire assay with AA finish; other elements of interest (silver, copper, molybdenum, zinc etc) were obtained by ICP. Analytical accuracy and precision are monitored at the laboratory by the analysis of reagent blanks, reference material and replicate samples. Quality control is further assured by the use of international and in-house standards. TerraX routinely inserts blanks and certified standards into the sample stream in order to independently assess analytical accuracy.

In June 2012 TerraX undertook a multi-disciplinary field program at Stewart. Results included a grab sample from the Forty Creek showing that returned values of **48.8 g/t Ag and 1,990 g/t Ag**. The work completed at Stewart included:

- **Mechanical stripping at the Forty Creek** high grade epithermal system that conclusively confirmed that the original high grade angular boulders discovered in 2010 are virtually in place, with the trenches

exposing in-situ, sub-parallel quartz veins similar in appearance to the boulders and providing strike and dip orientation to guide future drilling on these veins. As well, numerous other angular boulders of mineralized quartz were noted in the vicinity. A map showing sample locations at Forty Creek is available on our web site.

It is now thought that a series of en echelon quartz veins is present at Forty Creek with grades as high as **59 g/t Au and 2,290 g/t Ag and 48.8 g/t Ag and 1,990 g/t Ag** reported in grab samples. TerraX's future drill plans at Forty Creek call for a series of shallow holes crossing the vein structures and totalling approximately 600-800 meters of drilling.

- **Soil and lake sediment sampling at the Stewart porphyry target** extended the multi-element anomaly (Au-Cu-Mo) to the southwest under the Camp Pond. This area is 1.5 km southwest of previous drilling conducted by TerraX in 2011 (ST11-01 with 111 m @ 0.11 g/t Au, 0.05% Cu). The soil and lake sediment sampling combined with other geological and geophysical work have all strongly suggested that the Stewart porphyry alteration zone continues to the southwest under this lake.

As a result of this work, TerraX feels that the core of the Au-Cu porphyry system at Stewart may be under Camp Pond, which has its eastern shore 250 meters southwest of the original Stewart showing. Future drilling at Stewart would include up to 1,200 meters under Camp Pond to test this interpreted extension to the porphyry mineralization.

TerraX has now completed its work obligations at Stewart and, based on the results, has made the final cash payment due under its option agreement whereby it can acquire a 100% interest in the property, subject to a 2% NSR and the issuance of a further 100,000 shares by April 2014. TerraX intends to follow up on the positive exploration results from the 2012 field work by diamond drilling the newly defined targets at the main Stewart porphyry target and at the high grade Forty Creek epithermal Au-Ag in 2013/2014, subject to receipt of the necessary funding.

During the year ended January 31, 2013 TerraX spent \$28,469 on geological consulting, \$14,513 on assays, \$3,530 on geophysical consulting and \$41,847 on field expenses at the Stewart property. In addition, the Company applied for and received \$100,000 from the government of the Province of Newfoundland under a program designed to encourage exploration in the province by reimbursing a portion of drilling expenditures made on the Stewart property during calendar 2011.

Central Canada Property, Ontario

On January 5, 2010, TerraX announced that it had entered into an option to acquire a 100% interest in the Central Canada gold property in northwest Ontario. The property consists of seven claims totaling 24 claim units (~3.8 km²) located 20 km east of the town of Atikokan, 160 km west of Thunder Bay and 19 km from the Hammond Reef deposit. The Central Canada property is also 3 km south of TerraX's former Sunbeam-Pettigrew property.

TerraX earned a 100% interest in the Central Canada property by making option payments totaling \$98,000, issuing 280,000 common shares and funding \$140,000 of exploration and development work. The vendors retain a 2.5% NSR, 1% of which can be purchased by TerraX for \$1,000,000. An annual pre-production royalty of \$10,000 is also in effect, commencing on December 11, 2013.

The Central Canada property straddles the southern contact of the Marmion Batholith, host to the Hammond Reef deposit and TerraX's Blackfly and former Sunbeam-Pettigrew properties. The bulk of the property is underlain by mafic rocks outside the batholith; these have been intruded by abundant felsic dikes presumably related to the Marmion Batholith. Gold mineralization is associated with quartz-iron carbonate veins with minor pyrite and local tourmaline and/or arsenopyrite. These veins are most common in or close to felsic dikes. Dikes and veins trend easterly, parallel to the contact of the Marmion Batholith and to the strike of the regional scale Quetico Fault, which also occurs on the property.

A shaft was sunk on the property in 1901 and deepened to 130' in 1929. A 1929 Ontario Department of Mines report notes pyrite, chalcopyrite, tetrahedrite and free gold at 30 to 40' depth in the shaft, and values up to 21.0 g/t

gold. Eighteen holes were drilled from 1929 to 1935. A pilot mill was constructed on site, but there is no record of gold production. Three short holes were drilled in 1965, with a best intersection of 7' (2.13 m) @ 44 g/t gold. Thirteen holes were drilled in 1985 - the best intersection was 3.8' (1.16 m) @ 30 g/t gold. A 2003 Ontario Geological Survey property visit report noted that "*gold mineralization is hosted by quartz-tourmaline veins within sheared, deformed, carbonatized and sericitized quartz porphyry. Historical reports indicated up to 7 parallel and extensional quartz vein sets over a strike length of 1000 m and across a width of 400 m..... Exploration programs should consider using induced polarization (IP) geophysical surveys to delineate disseminated sulphide mineralized zones which locally contain gold*". Freewest Resources stripped 17 areas on the property in 2004, and collected 54 samples, of which 21 returned results >100 ppb gold, and the three highest were 1.24, 4.17 and 7.96 g/t gold. Freewest's report recommended geophysics and drilling, but this was not completed.

Induced Polarization ("IP") and magnetic surveys were conducted in February/March 2010 on the Central Canada property. Geophysical surveying covered the main mineralized zone, which returned grab sample values up to **22.9 g/t Au** in 2009. Unfortunately, this grid was not entirely surveyed due to poor weather conditions, but two incompletely defined chargeability anomalies were detected. One of these is roughly coincident with the 22.9 g/t Au sample, and one occurs in an area not previously investigated by TerraX.

A comprehensive prospecting program was carried out on the Central Canada property in June 2010. Extensive zones of shearing and carbonate-chlorite-sericite alteration with quartz veining were noted across the property. This prospecting program collected 21 new grab samples. Results ranged from below detection to a high of **39.6 g/t Au** on a sample collected near the circa 1900 shaft that occurs on the property. Importantly, two samples of approximately 1 g/t Au (907 and 1070 ppb) were taken from a new showing 500 m northeast of the shaft. This showing consists of a northeast trending sericite carbonate shear with disseminated to semi-massive pyrite and arsenopyrite.

In September 2010 TerraX conducted channel sampling on the Central Canada property. 123 channel samples were collected over a strike length of approximately 120 m, perpendicular to a series of easterly trending quartz-carbonate-pyrite veins and felsic dikes. 24 samples contained anomalous gold (20 ppb or higher), with a high value of 7.5 g/t Au. The lowest values were below detection levels. Four separate anomalous intervals were obtained, namely;

- **2.0 m @ 2.51 g/t Au (including 0.45 m @ 7.5 g/t Au);**
- **12.0 m @ 334 ppb Au;**
- **6.2 m @ 325 ppb Au;** and
- **2.65 m @ 754 ppb Au.**

Based on these results and historical information, TerraX commenced drilling at Central Canada in March 2012. Three holes (363 m) were drilled approximately 55 m apart to test a 110 m strike length of the main mineralized structure, which trends east-northeast. Drill holes were aligned to cut normal to the mineralized structures identified in the channel sampling. Drill intersections from southwest to northeast include **23.30 m @ 0.83 g/t Au** (including **0.63 m @ 7.36 g/t Au**) in hole CC12-03, **10.61 m @ 1.32 g/t Au** (including **1.82 m @ 4.77 g/t Au**) in hole CC12-01, and **8.92 m @ 0.74 g/t Au** in hole CC12-02.

Hole CC12-02 encountered extensive alteration and was extended to a final depth of 157 m. Several anomalous gold zones parallel to the main structure were intersected in this hole, indicating the potential for multiple gold horizons. All three holes had significant gold intersections on the main structure indicating a continuously mineralized zone of consistent gold grade. The intersections are especially significant given that the 10.52 million ounces of gold defined at the nearby Hammond Reef deposit by Osisko Mining Corporation are at a grade of 0.62 g/t Au. To follow-up on the success of this initial limited drill program at Central Canada, TerraX is planning further drilling to determine the overall size of the mineralized structure, which remains open along strike and down-dip.

During the year ended January 31, 2013 TerraX spent \$54,909 on assays and drilling, \$10,580 on geological consulting and \$39,443 on field expenses at Central Canada.

Sunbeam-Pettigrew Property, Ontario

On April 15, 2009, TerraX entered into an option to acquire a 100% interest in the Sunbeam-Pettigrew gold property in northwest Ontario. The property initially consisted of 27 claims totalling 350 claim units (~55 km²), but was later expanded to thirty-six claims totalling 425 claim units (~67.27 km²) located 25 km northeast of Atikokan, 180 km west of Thunder Bay and 15 km from Osisko's Hammond Reef deposit. The geology and known mineralization on the Sunbeam-Pettigrew property are similar to the Hammond Reef deposit where Brett Resources had reported wide zones of mineralization, such as 154.5 m @ 1.21 g/t Au.

TerraX had earned a 100% interest in the Sunbeam-Pettigrew property by making option payments totalling \$210,000, issuing 600,000 shares, and funding in excess of \$450,000 of exploration and development work (completed). The vendors will retain a 2.5% NSR, 1% of which can be purchased by TerraX for \$1,000,000. An annual pre-production royalty of \$20,000 was also in effect, commencing on April 15, 2013. In order to conserve cash, TerraX elected not to make the annual pre-production royalty payment when due in April 2013 and the property was returned to the vendors.

The Sunbeam-Pettigrew property occurs in the central part of the Marmion batholith, 15 km from the Hammond Reef deposit. Four northeast-striking, mineralized lineaments were identified on the property; these are the **WN2/Pettigrew, Burger, Roy** and **Sunbeam** lineaments. Lineaments are generally small valleys or depressions, typically with incomplete surface exposure. Intermittent alteration and mineralization were noted along the lineaments over strike lengths of up to 9 km, with numerous examples of previously undocumented alteration and mineralization discovered during prospecting. The lineaments are subparallel to the nearby Hammond Reef deposit.

The **WN2/Pettigrew lineament** contains anomalous gold over an 8.9 km strike length, and includes the WN2 zone, historical G97 showing, Pettigrew occurrence, newly discovered Pettigrew NE zone, and other isolated anomalous occurrences. The Pettigrew occurrence has two shafts and underground workings from circa 1900. The Pettigrew Northeast Zone starts 600 m northeast of the Pettigrew occurrence and extends to the northeast for 1.0 km. TerraX sampling returned **5.6 and 2.5 g/t Au** at the southwest end of the zone and **10.2 g/t and 1.0 g/t Au** at the northeast end.

During the summer of 2011, the **Rubble** and **WN2** showings on the WN2/Pettigrew Lineament were stripped and channel sampled. Results included 11 m @ 500 ppb (0.50 g/t) Au at Rubble and 23 m @ 276 ppb (0.28 g/t) Au at WN2. In February 2012, TerraX commenced drilling at these two showings, as well as into the down-dip extension of the old Sunbeam Mine.

The **Rubble** showing consists of four stripped outcrops dispersed along a 190 m strike length of a 025° trending lineament/swamp. Several sub-vertical to northwest dipping shears and quartz-ankerite-pyrite veins with associated ankerite-pyrite alteration occur along the length of the showing. Channels were cut to intersect perpendicular to the main trend of mineralization. Anomalous gold is present along the length of the showing, with a maximum exposed mineralized width of 11 m. The areas immediately east of the outcrops are concealed by swamp and the total true width of this mineralization could be as wide as 30 m. Mineralization at Rubble is also open along strike to the northeast and southwest. The entire width was tested during the 2012 drill program as well as strike extensions of the stripping.

The **WN2** had a 65 m long north-northwest trending outcrop stripped and channel sampled. Wide northeast-trending zones of anomalous gold within shears, quartz-ankerite-pyrite veins and quartz-ankerite alteration on its north and south ends, separated by 15 m of fresh rock, were exposed on the northern and southern ends of the stripped outcrop. The northern outcrop contained 21 m @ 193 ppb Au, whereas the southern zone contains 23 m @ 276 ppb Au, including 1 m @ 2930 ppb (2.93 g/t) Au. Total thickness of the mineralized zones is currently unconstrained, as the area to the north of the outcrop is covered by swamp and the area to the south is covered by till. Drilling was planned to test the true width and gold grade of the WN2 mineralization, as well as strike extensions.

Three holes (326 m) were drilled at WN2, with two holes drilled as a fence along one section line to test across the 75 m wide intermittently mineralized stripped outcrop. The first hole (SP12-14) tested the hangingwall part of the zones and intersected **11.8 m @ 0.33 g/t Au** in iron carbonatized tonalite. Hole SP12-15 tested the footwall zone

and returned a high grade intersection of **0.95 m @ 18.00 g/t Au** in a zone of altered tonalite cut by several quartz-ankerite-pyrite veins. The third hole (SP12-16) was drilled 50 m along strike and intersected a 1.65 m zone which ran 0.46 g/t Au.

Three holes drilled at the Rubble showing tested a 150 m strike length of a north-northeast trending structure where previous channel sampling results included 11 m @ 500 ppb (0.50 g/t) Au. A consistently anomalous gold zone was intersected in SP12-19, which produced **12.34 m @ 0.61 g/t Au**. Holes SP12-17 and SP12-18 contained patchy anomalous gold, with assays of up to 0.30 g/t Au in both holes.

The quartz vein/shear zone that comprises the Sunbeam structure was intersected in hole SP12-20; assays returned a weakly anomalous intersection of 1.18 m @ 0.23 g/t Au.

The 2012 drilling on WN2 and Rubble brings to five the number of gold mineralized zones drilled at Sunbeam-Pettigrew since early 2011, including the Road (13.90 m @ 1.11 g/t Au reported March 16, 2011), Roy (14.70 m @ 0.67 g/t Au reported April 12, 2011), and AL198 (5.63m @ 0.98 g/t Au reported April 12, 2011) zones. Based on these results, and in order to conserve cash, TerraX elected not to make the annual pre-production royalty payment when due in April 2013 and returned the property to the vendors.

All drill core from the drilling at Sunbeam-Pettigrew and Central Canada was logged, split and sampled at a secure core facility near Atikokan. Samples were delivered by TerraX personnel to the Activation Laboratories ("Actlabs") facility in Thunder Bay. Actlabs is an ISO/IEC 17025 accredited analytical laboratory. Analysis was by fire assay with AA finish. Analytical accuracy and precision are monitored at the laboratory by the analysis of reagent blanks, reference material and replicate samples. Quality control is further assured by the use of international and in-house standards. TerraX routinely inserted blanks and certified standards into the sample stream in order to independently assess analytical accuracy.

The work programs at Central Canada and Sunbeam-Pettigrew were supervised by Tom Setterfield, PhD, P.Geol., and Joseph Campbell, P.Geol., who are qualified persons under the definition of National Instrument 43-101. They are responsible for all aspects of the work including the quality control/quality assurance program. The foregoing technical information has been verified by Tom Setterfield, PhD, P. Geol., Vice-President Exploration.

During the year ended January 31, 2013 TerraX spent \$22,780 on geological consulting, \$152,924 on assays and drilling and \$15,644 on field expenses at Sunbeam-Pettigrew. As the property was abandoned subsequent to the period, the Company wrote-off \$1,162,831 in acquisition and exploration expenses related to the Sunbeam-Pettigrew during the fiscal year ended January 31, 2013.

Blackfly Property, Ontario

In July 2009 TerraX entered into an option to acquire the Blackfly gold property in northwest Ontario. The property consists of five claims totalling 64 claim units (~10.1 km²) located 10 km northwest of the town of Atikokan, 180 km west of Thunder Bay and 17 km from Osisko's Hammond Reef deposit. As does the Hammond Reef deposit, the Blackfly property occurs on the western edge of the Marmion Batholith. The geology and known mineralization on the Blackfly property are similar to the Hammond Reef deposit and the Blackfly deposit appears to be along strike from Hammond Reef.

TerraX has earned a 100% interest in the Blackfly property over a four year period by making option payments totalling \$100,000, issuing 280,000 shares, and funding in excess of \$179,200 of exploration and development work (completed). The vendors retain a 2.5% NSR, 1% of which can be purchased by TerraX for \$1,000,000. An annual pre-production royalty of \$10,000 is in effect, commencing on July 2, 2013.

Gold-bearing quartz and quartz-carbonate veins were discovered on the Blackfly property around 1897, but the majority of previous exploration took place between 1938 and 1949. This includes the sinking of a 14 m shaft in 1938. According to the Ontario Geological Survey, mineralization consists of pyrite, galena, and possible arsenopyrite with accessory chlorite, sericite, ankerite and epidote. Sampling by the Ontario Geological Survey produced values of 8.75 g/t Au over 0.35 m in a quartz vein and 3.44 g/t Au in wallrock. Although the over-riding

target for TerraX is a large, low grade gold deposit similar to Hammond Reef, the grades obtained to date from the quartz veins suggest that the property may also have potential for a smaller, higher grade deposit.

During field exploration at Blackfly in 2009, sampling was concentrated in and around the northeast-trending, historical Blackfly Zone. Sampling along the exposed 300 m strike length of this zone in September returned assays up to **167 g/t Au**, with 13 samples in excess of 1 g/t Au. Sampling of a parallel structure 70 m northwest of the Blackfly Zone produced assays up to 1.10 g/t Au. Two additional zones of anomalous mineralization (assays up to 383 ppb Au) were discovered during limited examination of the remainder of the property. The 276 samples taken in 2009 collectively defined a northeast-striking, mineralized lineament with intermittent alteration and mineralization over a strike length of 4.4 km on the property. This lineament is sub-parallel to and potentially along strike with the nearby Hammond Reef deposit. Three other northeast-striking lineaments with alteration were identified on the property, but anomalous gold was only detected on the main lineament, which had not previously been drill tested.

TerraX conducted a detailed IP survey (50 to 100 m line spacing) in early 2010 over a 500 m strike length containing the Blackfly Zone, and reconnaissance IP (150 m line spacing) over a 1.8 km strike length of the main lineament in the northeast part of the property. On the Blackfly Zone, the survey identified a 300 m long by 200 m wide, northeast-striking, chargeability anomaly that is open at both ends, and is coincident with anomalously high resistivity (possibly indicating silicification). In the northeast part of the property, a 1.6 km long by up to 200 m wide, northeast-striking chargeability anomaly was identified. This anomaly is open to the southwest, towards the Blackfly Zone. The chargeability anomaly corresponds to a resistivity high and occurs along an 8 km long airborne magnetic lineament. This lineament contains the Blackfly Zone and an auriferous zone immediately northeast of the Blackfly property, recently drilled by Sparton Resources Inc. Alteration and anomalous gold values were noted on surface along the length of this anomaly during TerraX's 2009 field program.

TerraX drilled six shallow holes at Blackfly in May/June 2010, testing near-surface IP chargeability and resistivity anomalies on the Blackfly and Blackfly Northeast targets. These target areas are considered to have potential for both high grade gold related to quartz veins of significant width, and for lower grade, bulk mineable gold. The initial drill program successfully encountered both styles of mineralization.

Four holes totalling 670 m were drilled at the **Blackfly Target**, which consists of the Blackfly Vein and a coincident chargeability/resistivity anomaly identified during TerraX's IP survey. Each drill hole encountered extensive silicification with associated pyrite, as well as abundant quartz-ankerite veining. Hole BF10-01 intersected 3.96 m @ 0.79 g/t Au in weakly sericitized tonalite near the end of the hole at 130 m. Hole BF10-02 also intersected locally anomalous values (up to 214 ppb Au) throughout much of the hole. Hole BF10-03 intersected 0.51 m @ 2.22 g/t Au in the Blackfly Vein, and **8.26 m @ 0.94 g/t Au** in silicified tonalite with minor pyrite and chalcopyrite. Hole BF10-04 intersected **1.07 m @ 15.1 g/t Au** in the Blackfly Vein and 1.48 m @ 0.81 g/t Au in a sericitized mafic dike that has mineralized tonalite shoulders for a total intersection of 3.2 m @ 0.47 g/t Au.

An initial drill test of the **Blackfly Northeast Target** comprised two drill holes totalling 293 m, targeted solely on IP anomalies. These holes also encountered extensive silicification and pyrite development. Hole BF10-05 intersected 1.23 m @ 0.57 g/t Au, **1.47 m @ 2.70 g/t Au** and 1.47 m @ 0.73 g/t Au, as well as intermittent anomalous gold values. The latter two intersections were in a magnetic quartz diorite not previously noted on the property. An intersection of 1.11 m @ 0.79 g/t Au occurred in hole BF10-06 in strongly silicified tonalite with minor pyrite. Numerous isolated intervals of anomalous gold (up to 431 ppb) were present in the hole.

Detailed mapping in the region of the Blackfly Vein in 2010 resulted in a more accurate delineation of the two main mineralized vein structures. Most of TerraX's previous sampling was concentrated on the main vein, where 2009 grab samples returned up to **167 g/t Au**, and from which drill hole BF10-04 produced an intersection of **1.07 m @ 15.1 g/t Au**, and hole BF10-03 produced an intersection of **0.51 m @ 2.22 g/t Au**. This vein was traced on surface for a strike length of 350 m. Mapping indicated that the intersections of **8.26 m @ 0.94 g/t Au** from hole BF10-03 and **1.31 m @ 0.50 g/t Au** are likely related to the Blackfly NW vein system, which is sub-parallel to and occurs 75 m to the northwest of the main vein. The Blackfly NW vein system varies along strike from a single 30 cm quartz vein with pyrite and galena to a ~5 m wide zone of thin quartz-ankerite veins with associated pyrite. Grab sampling

of the latter zone returned up to **2.08 g/t Au**. The Blackfly NW vein was traced for 150 m on surface; it has been intersected by two drill holes to date. Twenty grab samples were collected from the Blackfly target during this fieldwork; assay results ranged from below detection to 2.08 g/t Au and include six samples with >40 ppb Au.

Mapping and sampling was also conducted on the Blackfly Northeast target, where the June 2010 drilling intersected **1.47 m @ 2.70 g/t Au** in a magnetic quartz diorite that had not previously been noted on the property. This intrusion was mapped on surface over a strike length of 285 m (and is inferred from drilling to be at least 400 m long), and was only been completely drill tested at one location. A grab sample result of **1.80 g/t Au** was obtained directly above the mineralized drill intersection, a vertical distance of 80 m. Four grab samples were collected from the Blackfly Northeast target; results ranged from 10 to 1800 ppb Au.

TerraX completed two drill holes in the northeastern portion of the Blackfly property in early 2011, testing along strike from a TerraX drill intersection of 1.47 m @ 2.7 g/t Au in hole BF10-05, which was obtained from veins within a distinct, highly magnetic mafic intrusive. The holes were collared 75 m on either side of BF10-05. Both holes intersected mineralization within the same geological setting, presumably part of the same structure. BF11-11, drilled northeast of BF10-05, had an intersection of **2.0 m of 10.96 g/t Au**, which includes **0.7 m @ 29.8 g/t Au** with an adjacent sample of **1.3 m @ 0.821 g/t Au**. Hole BF11-12, drilled southwest of BF10-05, returned **1.4 m @ 0.452 g/t Au** on this same structure. This hole also had isolated intersections of **3.34 m @ 0.396 g/t Au** and **0.76 m @ 0.777 g/t Au** related to individual quartz-ankerite veins. The mineralized structure is open along strike and down-dip, and will be the target of future drill testing.

Previous work in the southern part of the property established that there are two mineralized trends, Blackfly Main and Blackfly Northwest. Blackfly Main is a narrow, locally high grade system which has returned grab samples up to 167 g/t Au and drill intercepts up to 1.07 m @ 15.1 g/t Au. Blackfly Northwest is wider and lower grade, of a similar style to mineralization in the Hammond Reef deposit. It has returned grab samples up to 2.08 g/t Au and drill intersections up to 8.26 m @ 0.94 g/t Au. Five holes were drilled in this area in late 2010/early 2011, but the first hole was abandoned so only four holes were completed, intersecting both mineralized zones.

The Blackfly Main vein system was recognized in two of the holes. In hole BF10-07, multiple quartz-ankerite-sericite-pyrite veins returned 1.1 m @ 361 ppb Au. In hole BF10-09, the structure occurs as a 0.8 m shear zone which ran 82 ppb Au. The vein system was not recognized in the other two holes. These results corroborate surface observations that the thickness and grade of this vein system fluctuate dramatically along strike; clearly the same behaviour occurs down dip. The Blackfly Northwest mineralized trend was recognized in all four holes. In hole BF10-07A it is a pyrite-rich shear zone which returned **0.91 m @ 0.873 g/t Au**. In hole BF10-08, the Blackfly Northwest trend is a quartz vein-rich zone which ran 12.06 m @ 77 ppb Au. In hole BF10-09 the zone produced 6.37 m @ 98 ppb Au. Hole BF11-10, drilled 50 m along strike from all previous drilling generated two intersections which could plausibly be related to Blackfly Northwest: 3.75 m @ 611 ppb Au, and 2.16 m @ 124 ppb Au.

The Blackfly Main trend has now been identified on surface over a strike length of 350 m and drill tested over a strike length of 210 m. It has been tested by a total of seven holes, to a maximum vertical depth of 70 m. Although high grade in places, the structure is a challenge to quantify because it varies erratically in character. The Blackfly Northwest trend appears to be relatively continuous over the 210 m strike length of drill testing, to a vertical depth of at least 135 m. It contains significant widths of anomalous gold (true thicknesses up to 9.5 m encountered to date). Future exploration will concentrate on delineating higher grade portions of this mineralized trend.

During the year ended January 31, 2013 TerraX spent \$1,023 on geological consulting and field expenses at Blackfly.

Options Granted

On April 30, 2012 TerraX agreed to grant incentive stock options to consultants on up to 500,000 common shares at an exercise price of \$0.10 per share for a period of two years.

On August 2, 2012 the Company agreed to grant incentive stock options to directors and consultants on up to 650,000 common shares at an exercise price of \$0.10 per share for a period of two years.

Private Placement

In January, 2013, the Company completed a non-brokered private placement of 3,710,000 units at a price of \$0.07 per unit for gross proceeds of \$259,700. Each unit consists of one common share and one-half of one share purchase warrant, exercisable to purchase an additional share at \$0.10 until January 21, 2015.

Private Placement Completed in May 2013

On May 8, 2013 Terrax completed a non-brokered private placement of 6,786,085 units at 20 cents per share of its for gross proceeds of \$1,357,217. Each unit consists of one common share and one-half of one share purchase warrant, with each full warrant entitling the holder to purchase an additional common share at an exercise price of 30 cents per share until May 8, 2016. The shares and any shares acquired on the exercise of warrants will be subject to a hold period expiring on Sept. 9, 2013. Finders' fees of \$21,840 were paid with respect to this placement along with the issuance of 109,200 finders' warrants exercisable at 30 cents until May 8, 2016.

Virginia Mines Inc. (TSX:VGQ) purchased 3,617,085 units of this private placement for net proceeds to Terrax of \$723,417. Concurrent with completion of the private placement, Terrax entered into a royalty option agreement with Virginia whereby Virginia has been granted an option to acquire a 2-per-cent net smelter returns royalty on the Northbelt property. Virginia may exercise the option by payment of \$2-million within three months following commencement of production. In consideration of granting the option, Terrax received 20,000 common shares of Virginia.

Current Economic Conditions

During fiscal 2013, the ongoing global credit crisis and economic weakness have made for extremely volatile capital markets characterized by weaker equity prices for mineral exploration companies and an environment in which limited opportunities existed to raise additional capital. While stronger commodity prices have provided financing opportunities which TerraX has capitalized on in the past to augment its working capital, management of the Company remains cautious and will continue to take the necessary precautions to maintain its cash reserves. The Company has commitments in the future (later this fiscal year and beyond) on its mineral properties and the Company may be forced to abandon and write-off one or more of these properties if the Company does not have the means to meet these commitments, or does not feel it is fiscally prudent to do so. In order to conserve cash, TerraX elected not to make the annual pre-production royalty payment on the Sunbeam-Pettigrew property when due in April 2013 and returned the property to the vendors while it was still in good standing, thus avoiding further provincial work obligations that would come due in 2014.

With the completion of a private placement for gross proceeds of \$1,357,217 in May 2013 the Company currently has sufficient cash to meet all obligations during through fiscal 2014 and does not believe that any write-downs of its mineral properties are required at this time. The Company will be reviewing its mineral property commitments as well as its working capital position on an ongoing basis during fiscal 2014 and may elect to abandon properties when obligations become due if management deems it necessary in order to maintain the long-term viability of the Company.

Results of Operations – Year ended January 31, 2013

Operating expenses for the year ended January 31, 2013 totaled \$224,527 as compared to \$281,025 during the year ended January 31, 2012. The significant differences in expenditures were as follows:

Consulting expense was reduced to \$3,688 during the year ended January 31, 2013 from the \$16,493 incurred during the same period a year prior due to a reduction in trade show attendance and investor presentations during the current period.

During the three months ended April 30, 2012 the Company incurred Part XII.6 tax expense of \$4,154 related to flow-through exploration expenditures made during fiscal 2012. There was no comparable expense during the same period a year prior.

Professional fees of \$23,952 were incurred during the year ended January 31, 2013 for legal and accounting fees. This compares to professional fees of \$35,880 incurred during the same period a year prior for additional accounting services.

During the year ended January 31, 2013 the company incurred \$43,158 for share-based payments (a non-cash item) for stock options granted and vested during the period. This is reduced from the \$78,037 incurred for share-based payments during the year ended January 31, 2012 when a comparable number of options were granted but the volatility of the stock was higher, as estimated using the Black-Scholes Option Pricing Model.

The Company spent \$98,787 for transfer agent, filing fees and shareholder communications during the year ended January 31, 2013. This is reduced from the \$115,417 incurred during the same period a year prior primarily due to a reduction in expenditures on advertising.

Travel expenditures were reduced to \$2,201 during the current period from the \$13,520 incurred during the year ended January 31, 2012 due to reduced attendance at trade shows and at broker presentations.

During the year ended January 31, 2013, the Company earned interest income of \$2,792 on cash equivalents on hand. This compares to \$15,960 earned during the year ended January 31, 2012 when the Company held more funds in cash equivalents.

As a result of completing eligible exploration expenditures during the year ended January 31, 2012 and renunciation of the tax benefits related to a flow-through private placement completed during calendar 2010, the Company reduced its outstanding flow-through share liability related to this flow-through financing by \$235,150 during the year ended January 31, 2012 and recorded this same amount as a flow-through share liability reversal. There was no comparable recovery during the year ended January 31, 2013.

During the year ended January 31, 2013, the Company recorded a \$1,162,831 write-off of exploration and evaluation assets in connection with the return of the Sunbeam-Pettigrew property in Ontario to the vendors subsequent to the period. There was no comparable write-off during the same period a year prior.

As a result of the foregoing, the Company recorded a comprehensive loss for the year ended January 31, 2013 of \$1,384,566 as compared to comprehensive income of \$29,915 during the same period a year prior.

Summary of Quarterly Results

	Q4-2013	Q3-2013	Q2-2013	Q1-2013	Q4-2012	Q3-12	Q2-12	Q1-12
Net income (loss) (\$)	(1,244,736)	(56,501)	(43,587)	(39,742)	(50,983)	(26,529)	10,001	37,596
Per Share (\$)	(0.05)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	0.00	0.00

As a result of a flow-through share liability reversal of \$78,153, the Company reported a gain of \$37,596 during the first quarter of fiscal 2012. This compares to a loss of \$158,639 incurred during the prior fiscal quarter when the Company also incurred additional amounts for filing fees as well as trade shows, travel and shareholder communications expenses.

The gain for the second quarter of fiscal 2012 was reduced to \$10,001 due to the reduction of the flow-through share liability to \$51,420 during the current period. This compares to a gain of \$37,596 during the prior fiscal quarter when the Company recorded a flow-through share liability reversal of \$78,153 due to higher exploration expenditures incurred during that period.

The Company incurred a loss for the third quarter of fiscal 2012 of \$26,529 primarily because of share-based

payments expense of \$82,669, a non-cash expense, incurred during the period due to the granting of incentive stock options to management, directors and consultants. The loss was reduced to \$26,529 as a result of a flow-through share liability reversal of \$105,577 due to the completion of flow-through eligible exploration expenditures during the period.

The loss for the fourth quarter of fiscal 2012 increased to \$50,983 from the loss of \$26,529 incurred during the third quarter as operating expenses were not offset by any flow-through share liability reversal during the current period, although operating expenses were reduced by the elimination of share-based payments expense during the fourth quarter as no options were granted during the period.

The loss for the first quarter of fiscal 2013 decreased to \$39,742 from the loss of \$50,983 incurred during the fourth quarter of fiscal 2012 primarily due to a reduction in professional fees and travel expenses during the current period.

During the second quarter of fiscal 2013, the loss increased to \$43,587 from the loss of \$39,742 incurred during the first quarter primarily due to a share-based payment expense of \$5,185 incurred during the period.

The loss for the third quarter of fiscal 2013 increased to \$56,501 from the loss of \$43,587 incurred during the second quarter primarily due to an additional share-based payment expense incurred during the current period for the granting of options.

The loss for the fourth quarter of fiscal 2013 increased to \$1,244,736 from the \$56,501 incurred during the prior quarter primarily due to a \$1,162,831 write-off of exploration and evaluation assets related to the Sunbeam-Pettigrew property in Ontario subsequent to the period.

Liquidity and Solvency

TerraX is in the development stage and therefore has no regular cash flow. As at January 31, 2013, the Company had working capital of \$373,610, inclusive of cash and cash equivalents of \$386,558. This compares to working capital at January 31, 2012 of \$758,449, inclusive of cash and cash equivalents of \$682,644.

As at January 31, 2013, the Company had current assets of \$420,246, total assets of \$2,500,892 and total liabilities of \$46,636. The Company has no long-term debt. There are no known trends in the Company's liquidity or capital resources.

The principal assets of the Company are its mineral exploration properties, amounting to \$2,080,646 as at January 31, 2013.

The decrease in cash during the year ended January 31, 2013 of \$296,086 was due to cash used in mineral property acquisition and exploration of \$434,642 and cash used by operating activities of \$121,144, offset by cash received from the issuance of common shares of \$259,700. During the year ended January 31, 2012, cash decreased by \$1,506,453 as a result of cash spent on mineral property acquisition and exploration of \$1,496,872 and cash used by operating activities of \$283,981, offset by cash received from the issuance of common shares of \$274,400.

During the current fiscal year, the Company received \$100,000 from the government of the Province of Newfoundland under a program designed to encourage exploration in the province by reimbursing a portion of eligible exploration expenditures on the Stewart property during 2011.

Subsequent to the period, the Company completed a private placement for gross proceeds of \$1,357,217 in May 2013. The net proceeds from this placement, along with cash on hand, will be sufficient to fund the Company's planned exploration activities during fiscal 2013, although it is anticipated that the Company will have to obtain other financing or raise additional funds in order to conduct further exploration on its properties during subsequent periods. While the Company has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in the delay or indefinite postponement of further exploration and development of its properties

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 sale of equity securities to meet its cash requirements. Future developments, in excess of funds on hand, 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 property.

Risk, Uncertainties and Outlook

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, none of the Company's properties has a known commercial ore deposit. Other risks facing the Company include competition for mineral properties, environmental and insurance risks, fluctuations in metal prices, fluctuations in exchange rates, share price volatility and uncertainty of additional financing.

Going concern

The Company is in the exploration stage and has no revenue or income from operations. The Company has limited capital resources and has to rely upon the sale of equity and/or debt securities for cash required for exploration and development purposes, for acquisitions and to fund the administration of the Company. Since the Company does not expect to generate any revenues from operations in the near future, it must continue to rely upon the sales of its equity or debt securities or joint venture agreements to raise capital. It follows that there can be no assurance that financing, whether debt or equity, will be available to the Company in the amount required by the Company at any particular time or for any period and that such financing can be obtained on terms satisfactory to the Company.

The Company's 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 obtain the necessary financing to meet its ongoing commitments and further its mineral exploration programs.

The Company may encounter difficulty sourcing future financing in light of the recent economic downturn. The current financial equity market conditions and the inhospitable funding environment make it difficult to raise capital through the private placements of shares. The junior resource industry has been severely affected by the world economic situation as it is considered speculative and high-risk in nature, making it even more difficult to fund. While the Company is using its best efforts to achieve its business plans by examining various financing alternatives, there is no assurance that the Company will be successful with any financing ventures.

Related Party Transactions

During the year ended January 31, 2013, \$18,000 (2012 - \$18,000) was paid to a private company wholly-owned by Stuart Rogers, a director and officer of the Company, for office rent and administration services provided to the Company.

During the year ended January 31, 2013, the Company paid \$80,175 (2012 - \$115,191) to a private company in which Joe Campbell, the President of the Company, and Tom Setterfield, a director of the Company, are principals for geologic consulting services incurred on the Company's properties during the current period. In addition, a further \$3,688 (2012- \$15,750) was paid to this same private company for consulting services provided during this same period.

These transactions were in the normal course of operations and were measured at the exchange amount as agreed to by the related parties.

Financial risk management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The majority of cash is deposited in bank accounts held with major banks in Canada. As most of the Company's cash is held by two banks there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies. The Company's secondary exposure to risk is on its other receivables. This risk is minimal as receivables consist primarily of refundable government goods and services taxes.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

Foreign exchange risk

The Company's functional currency is the Canadian dollar. All of its major expenses are transacted in Canadian dollars and the Company maintains all of its cash in Canadian dollars. As such, the Company has no immediate exposure to fluctuations in foreign exchange rates at the present time.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on its cash equivalents as these instruments have original maturities of three months or less and are therefore exposed to interest rate fluctuations on renewal. A 1% change in market interest rates would have an impact on the Company's net loss of approximately \$3,800 over the course of a year.

Capital Management

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity, comprising share capital, net of accumulated deficit.

There were no changes in the Company's approach to capital management during the period.

The Company is not subject to any externally imposed capital requirements.

Classification of financial instruments

Financial assets included in the statement of financial position are as follows:

	January 31, 2013	January 31, 2012
Cash and cash equivalents	\$ 386,558	\$ 682,644
Loans and receivables:		
Interest receivable	-	13,336
	\$ 386,558	\$ 695,980

Financial liabilities included in the statement of financial position are as follows:

	January 31, 2013	January 31, 2012
Non-derivative financial liabilities:		
Trade payables	\$ 34,136	\$ 42,913

Fair value

The fair value of the Company's financial assets and liabilities approximates the carrying amount.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The following is an analysis of the Company's financial assets measured at fair value as at January 31, 2013 and January 31, 2012:

	As at January 31, 2013		
	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 386,558	\$ -	\$ -
	As at January 31, 2012		
	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 682,644	\$ -	\$ -

Contingencies

The Company is aware of no contingencies or pending legal proceedings as of May 30, 2013.

Off Balance Sheet Arrangements

The Company has no Off Balance Sheet arrangements.

Equity Securities Issued and Outstanding

The Company had 36,690,216 common shares issued and outstanding as of May 30, 2013. In addition, there were 2,500,000 incentive stock options and 5,357,243 share purchase warrants outstanding as of May 30, 2013.

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.

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, 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.