



**TERRAX MINERALS INC.**

**FINANCIAL STATEMENTS**

**January 31, 2012**

**(Expressed in Canadian Dollars)**

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

## 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, 2012 and 2011 and February 1, 2010, and the statements of comprehensive loss, changes in equity and cash flows for the years ended January 31, 2012 and 2011 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, 2012 and 2011 and February 1, 2010, and the results of its financial performance and its cash flows for the years ended January 31, 2012 and 2011 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 describe certain conditions that give rise to 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.

A handwritten signature in black ink, appearing to read 'DMCL'.

**DALE MATHESON CARR-HILTON LABONTE LLP**  
**CHARTERED ACCOUNTANTS**

Vancouver, B.C.  
May 18, 2012

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

	Notes	January 31, 2012	January 31, 2011 (Note 15)	February 1, 2010 (Note 15)
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	4	\$ 682,644	\$ 2,189,097	\$ 465,586
Trades and other receivables	5	115,218	39,217	3,156
Prepays and deposits		16,000	55,034	33,000
		813,862	2,283,348	501,742
Exploration and evaluation assets	6	2,743,515	1,154,252	213,458
<b>TOTAL ASSETS</b>		<b>\$ 3,557,377</b>	<b>\$ 3,437,600</b>	<b>\$ 715,200</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trades and other payables	7,8	\$ 55,413	\$ 84,058	\$ 19,044
Flow-through share liability	9, 12	-	235,150	-
<b>TOTAL LIABILITIES</b>		<b>55,413</b>	<b>319,208</b>	<b>19,044</b>
<b>SHAREHOLDERS' EQUITY</b>				
Share capital	9	4,730,705	4,381,596	1,708,851
Share-based payment reserve		566,920	502,542	284,617
Deficit		(1,795,661)	(1,765,746)	(1,297,312)
<b>TOTAL EQUITY</b>		<b>3,501,964</b>	<b>3,118,392</b>	<b>696,156</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>\$ 3,557,377</b>	<b>\$ 3,437,600</b>	<b>\$ 715,200</b>

**Nature and continuance of operations** (Note 1)  
**Subsequent events** (Note 16)

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, 2012	Year ended January 31, 2011
			(Note 15)
<b>Expenses</b>			
Consulting	8	\$ 16,493	\$ 18,825
Office, rent and miscellaneous	8	21,678	23,152
Stock-based compensation	9	78,037	154,292
Professional fees		35,880	28,300
Transfer agent, filing fees and shareholder communications		115,417	272,990
Travel and related costs		13,520	17,109
		(281,025)	(514,668)
<b>OTHER ITEMS</b>			
Interest income		15,960	6,027
Flow-through share liability reversal	9,12	235,150	40,207
<b>COMPREHENSIVE LOSS FOR THE YEAR</b>		<b>\$ (29,915)</b>	<b>\$ (468,434)</b>
<b>Loss per share - basic and diluted</b>		<b>\$ (0.01)</b>	<b>\$ (0.03)</b>
<b>Weighted average number of common shares outstanding – basic and diluted</b>		<b>24,810,186</b>	<b>16,765,243</b>

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

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

		Share capital				
	Notes	Number of shares	Amount	Share based payment reserve	Deficit	Total
<b>Balance at February 1, 2010</b>	15	<b>12,770,000</b>	<b>\$ 1,708,851</b>	<b>\$ 284,617</b>	<b>\$ (1,297,312)</b>	<b>\$ 696,156</b>
Comprehensive income:						
Loss for the year		-	-	-	(468,434)	(468,434)
Transactions with owners, in their capacity as owners, and other transfers:						
Shares issued for cash – private placement		10,454,131	3,061,239	-	-	3,061,239
Flow-through premium		-	(275,357)	-	-	(275,357)
Share issuance costs		-	(242,687)	63,633	-	(179,054)
Shares issued to acquire exploration and evaluation asset		300,000	104,550	-	-	104,550
Exercise of warrants		100,000	25,000	-	-	25,000
Stock-based compensation		-	-	154,292	-	154,292
Total transactions with owners and other transfers		10,854,131	2,672,745	217,925	-	2,890,670
<b>Balance at January 31, 2011</b>		<b>23,624,131</b>	<b>\$ 4,381,596</b>	<b>\$ 502,542</b>	<b>\$ (1,765,746)</b>	<b>\$ 3,118,392</b>
Comprehensive income:						
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 asset		330,000	61,050	-	-	61,050
Exercise of warrants		1,650,000	257,500	-	-	257,500
Exercise of options		65,000	30,559	(13,659)	-	16,900
Stock-based compensation		-	-	78,037	-	78,037
Total transactions with owners and other transfers		2,045,000	349,109	64,378	-	413,487
<b>Balance at January 31, 2012</b>		<b>25,669,131</b>	<b>\$ 4,730,705</b>	<b>\$ 566,920</b>	<b>\$ (1,795,661)</b>	<b>\$ 3,501,964</b>

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

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

	<b>Year ended January 31, 2012</b>	<b>Year ended January 31, 2011</b>
		(Note 15)
<b>CASH PROVIDED BY (USED IN):</b>		
<b>OPERATING ACTIVITIES</b>		
Net loss	\$ (29,915)	\$ (468,434)
Items not involving cash		
Flow-through share liability reversal	(235,150)	(40,207)
Stock-based compensation	78,037	154,292
Changes in non-cash working capital items:		
Trades and other receivables	(76,001)	(36,061)
Prepays and deposits	39,034	(54,034)
Trades and other payables	(59,986)	14,731
<b>Net cash used in operating activities</b>	<b>(283,981)</b>	<b>(429,713)</b>
<b>INVESTING ACTIVITIES</b>		
Exploration and evaluation asset expenditures	(1,496,872)	(753,961)
<b>Net cash used in investing activities</b>	<b>(1,496,872)</b>	<b>(753,961)</b>
<b>FINANCING ACTIVITIES</b>		
Issuance of common shares	274,400	2,907,185
<b>Net cash provided by financing activities</b>	<b>274,400</b>	<b>2,907,185</b>
<b>Change in cash and cash equivalents</b>	<b>(1,506,453)</b>	<b>1,723,511</b>
<b>Cash and cash equivalents, beginning</b>	<b>2,189,097</b>	<b>465,586</b>
<b>Cash and cash equivalents, ending</b>	<b>\$ 682,644</b>	<b>\$ 2,189,097</b>

**Supplemental cash flow information** (Note 14)

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”) under the symbol “TXR”.

The head office, principal and registered address and records office of the Company are located at 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, 2012 the Company had not advanced its property to commercial production and is not able to finance day to day activities through operations. 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.

## **2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION**

The financial statements were authorized for issue on May 18, 2012 by the directors of the Company.

### ***Statement of compliance and conversion to International Financial Reporting Standards***

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

These are the Company’s first set of financial statements prepared in accordance with IFRS. The disclosures concerning the transition from Canadian Generally Accepted Accounting Principles (“Canadian GAAP”) to IFRS are provided in Note 15.

### ***Basis of presentation***

The 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 unless otherwise noted.

### ***Significant accounting judgments, estimates and assumptions***

The preparation of the Company’s financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Areas requiring a significant degree of estimation and judgment relate to the recoverability of the carrying value of exploration and evaluation assets, fair value measurements for financial instruments and stock-based compensation and other equity-based payments, the recognition and valuation of provisions for restoration and environmental liabilities, and the recoverability and measurement of deferred tax assets and liabilities. Actual results may differ from those estimates and judgments.

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

***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.

***Exploration and evaluation expenditures (cont'd)***

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. A gain is only recognized when credited proceeds exceed carrying value.

***Share-based payments***

The Company operates an employee 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 share based payment reserve. The fair value of options is determined using the Black-Scholes option pricing model which incorporates market and 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.

***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, 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.



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

### ***Financial instruments (cont'd)***

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.

### ***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.

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

### ***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 balance sheet 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.

#### **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.

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

*Restoration and environmental obligations (cont'd)*

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.

**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, 2012 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) IFRS 9 Financial Instruments (New; to replace IAS 39 and IFRIC 9);
- b) IFRS 10 Consolidated Financial Statements (New; to replace consolidation requirements in IAS 27 (as amended in 2008) and SIC-12);
- c) IFRS 11 Joint Arrangements (New; to replace IAS 31 and SIC-13);
- d) 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);
- e) IFRS 13 Fair Value Measurement (New; to replace fair value measurement guidance in other IFRSs);
- f) IAS 1 Presentation of Financial Statements, (Amendments regarding Presentation of Items of Other Comprehensive Income);
- g) IAS 19 Employee Benefits (Amended in 2011);
- h) IAS 27 Separate Financial Statements (Amended in 2011);
- i) IAS 28 Investments in Associates and Joint Ventures (Amended in 2011); and
- j) IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine (New).

**4. CASH AND CASH EQUIVALENTS**

The components of cash and cash equivalents are as follows:

	<b>January 31, 2012</b>	<b>January 31, 2011</b>	<b>February 1, 2010</b>
Cash at bank	\$ 22,639	\$ 489,092	\$ 15,586
Term deposits	660,005	1,700,005	450,000
	<b>\$ 682,644</b>	<b>\$ 2,189,097</b>	<b>\$ 465,586</b>

**TERRAX MINERALS INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
(Expressed in Canadian dollars)  
Years ended January 31, 2012 and 2011

**5. TRADE AND OTHER RECEIVABLES**

Trade and other receivables consist of the following:

	January 31, 2012	January 31, 2011	February 1, 2010
Government taxes receivable	\$ 101,882	\$ 34,842	\$ 3,076
Interest	13,336	4,375	80
	<b>\$ 115,218</b>	<b>\$ 39,217</b>	<b>\$ 3,156</b>

**6. EXPLORATION AND EVALUATION ASSETS**

Title to exploration and evaluation assets involves certain inherent risks due to the difficulties of determining the validity of certain claims, as well as the potential for problems arising from the frequently ambiguous conveyance history characteristic of many mining properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties are in good standing.

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

	Sunbeam- Pettigrew	Blackfly	Central Canada	Stewart	Total
Balance, February 1, 2010	\$ 141,189	\$ 49,519	\$ 22,750	\$ -	\$ 213,458
Acquisition costs	94,000	41,300	37,700	23,350	196,350
Exploration costs					
Assays and drilling	98,694	144,325	2,535	8,491	254,045
Consulting	63,446	73,893	6,408	31,377	175,124
Field expenses	29,109	42,380	28,307	36,008	135,804
Geophysical	137,596	41,875	-	-	179,471
	328,845	302,473	37,250	75,876	744,444
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	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

**6. EXPLORATION AND EVALUATION ASSETS (cont'd)**

**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. The Company can earn a 100% interest in the Sunbeam-Pettigrew Property 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
- \$70,000 (subsequently paid), the issuance of 200,000 common shares (subsequently issued) and incurring an additional \$150,000 in exploration work by April 15, 2012 (completed) (Note 16).

The Company has the right, at any time, to purchase 1% of a 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.

During the year ended January 31, 2011, the Company incurred a further \$760 in acquisition costs as a result of staking. To January 31, 2012, the Company has incurred \$639,272 (January 31, 2011 - \$402,583) in exploration work on the Sunbeam-Pettigrew Property.

**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. The Company can earn a 100% interest in the Blackfly Property 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, the issuance of 100,000 common shares and incurring an additional \$51,200 in exploration work by July 2, 2012; and
- incurring an additional \$76,800 in exploration work by July 2, 2013.

The Company has the right, at any time, to purchase 1% of a 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 royalties payable by the Company.

To January 31, 2012, the Company has incurred \$399,936 (January 31, 2011 - \$335,742) in exploration work on the Blackfly Property.

**6. EXPLORATION AND EVALUATION ASSETS (cont'd)**

**Central Canada Property, Ontario (cont'd)**

On December 11, 2009 the Company entered into an option agreement to acquire a 100% interest in the Central Canada Property located in Northwest Ontario. The Company can earn a 100% interest in the Central Canada Property 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);
- \$40,000, the issuance of 100,000 common shares and incurring an additional \$40,000 in exploration work by December 11, 2012; and
- Incurring an additional \$60,000 in exploration work by December 11, 2013.

The Company has the right, at any time, to purchase 1% of a 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.

To January 31, 2012, the Company has incurred \$42,012 (January 31, 2011 - \$37,250) in exploration work on the Central Canada Property.

**Stewart Property, Newfoundland**

On June 28, 2010 the Company entered into an option agreement to acquire a 100% interest in the Stewart Property located in the Burin Peninsula of Newfoundland. The Company can earn a 100% interest in the Stewart Property for the 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);
- \$30,000 (subsequently paid), the issuance of 50,000 common shares (subsequently issued) and incurring an additional \$100,000 in exploration work by April 13, 2012 (completed) (Note 16);
- \$45,000, the issuance of 75,000 common shares and incurring an additional \$150,000 in exploration work by April 13, 2013; and
- the issuance of 100,000 common shares and incurring an additional \$200,000 in exploration work by April 13, 2014

The vendors will retain a 2% NSR, 1% of which can be purchased by the Company for \$1,000,000.

During the year ended January 31, 2011, the Company incurred a further \$1,800 in acquisition costs as a result of staking. To January 31, 2012, the Company has incurred \$1,167,684 (January 31, 2011 - \$75,876) in exploration work on the Stewart Property

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**7. TRADE AND OTHER PAYABLES**

Trade and other payables consist of the following:

	<b>January 31, 2012</b>	<b>January 31, 2011</b>	<b>February 1, 2010</b>
Trade payables	\$ 42,913	\$ 69,058	\$ 9,044
Accrued liabilities	12,500	15,000	10,000
	<b>\$ 55,413</b>	<b>\$ 84,058</b>	<b>\$ 19,044</b>

**8. RELATED PARTY TRANSACTIONS**

**Related Party Balances**

As at January 31, 2012, \$25,442 (January 31, 2011 - \$25,063; February 1, 2010 - \$Nil) was due to related parties and recorded in accounts payable and accrued liabilities. These amounts are unsecured, non-interest bearing with no fixed terms of repayment.

**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, during the years ended January 31, 2012 and 2011 were as follows:

	<b>Year ended</b>	
	<b>January 31, 2012</b>	<b>January 31, 2011</b>
Administrative services	\$ 18,000	\$ 18,000
Consulting fees	15,750	18,100
Geological consulting (included in exploration and evaluation assets)	155,191	174,677

**9. SHARE CAPITAL**

**Authorized share capital**

Unlimited number of voting common shares without par value.

**Issued share capital**

At January 31, 2012, there were 25,669,131 issued and fully paid common shares (January 31, 2011 – 23,624,131).

**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.

On April 12, 2011, the Company issued 40,000 shares at a fair value of \$8,800 pursuant to a mineral property option agreement for the Stewart Property (Note 6).

On April 12, 2011, the Company issued 150,000 shares at a fair value of \$33,000 pursuant to a mineral property option agreement for the Sunbeam-Pettigrew Property (Note 6).

On June 23, 2011, the Company issued 70,000 shares at a fair value of \$13,300 pursuant to a mineral property option agreement for the Blackfly Property (Note 6).

**9. SHARE CAPITAL (cont'd)**

**2012 (cont'd)**

On December 11, 2011, the Company issued 70,000 shares at a fair value of \$5,950 pursuant to a mineral property option agreement for the Central Canada Property (Note 6).

**2011**

On March 31, 2010, the Company completed a non-brokered private placement of 750,000 units at a price of \$0.20 per unit for gross proceeds of \$150,000. Each unit consists of one common share and one share purchase warrant exercisable to purchase an additional share at \$0.25 until March 31, 2012. The Company has not separately disclosed the fair value of the warrants.

On April 15, 2010 the Company issued 150,000 shares at a fair value of \$54,000 pursuant to a mineral property option agreement for the Sunbeam-Pettigrew Property (Note 6).

On June 2, 2010, the Company completed a non-brokered private placement of 3,631,266 units at a price of \$0.30 per unit for gross proceeds of \$1,089,380. Each unit consists of one common share and one half-warrant, with each full warrant entitling the holder to purchase an additional share at an exercise price of \$0.40 per share until June 2, 2012. The Company has not separately disclosed the fair value of the warrants. Finder's fees in cash total \$73,490 were paid with respect to this placement, along with 227,635 finders warrants exercisable at \$0.40 until June 2, 2012 which were allocated a fair value of \$63,633.

On June 28, 2010 the Company issued 30,000 shares at a fair value of \$11,550 pursuant to a mineral property option agreement for the Stewart Property (Note 6).

On July 2, 2010 the Company issued 60,000 shares at a fair value of \$21,300 pursuant to a mineral property option agreement for the Blackfly Property (Note 6).

On December 9, 2010 the Company issued 60,000 shares at a fair value of \$17,700 pursuant to a mineral property option agreement for the Central Canada Property (Note 6).

On December 9, 2010, the Company completed a non-brokered private placement of 4,722,865 flow-through units at a price of \$0.30 per unit for gross proceeds of \$1,416,859. Each unit consists of one common share and one half-warrant, with each full warrant entitling the holder to purchase an additional non-flow-through share at an exercise price of \$0.40 per share until December 9, 2012. The Company has not separately disclosed the fair value of the warrants. Finder's fees in cash totaling \$77,214 were paid with respect to this placement. On issuance, the Company bifurcated the flow-through share into i) a flow-through share premium of \$275,357, investors pay for the flow-through feature, which is recognized as a liability and; ii) share capital \$1,141,503. To January 31, 2012, the Company expended \$1,181,710 (2011 - \$206,887) in eligible exploration expenditures and, accordingly, the deferred income tax liability was reduced to \$Nil (2011 - \$235,150).

On January 27, 2011, the Company completed a non-brokered private placement of 1,350,000 shares at a price of \$0.30 per share for gross proceeds of \$405,000. Finder's fees in cash of \$28,350 were paid with respect to this placement.

During the year ended January 31, 2011, the Company issued 100,000 common shares upon the exercise of warrants, for gross proceeds of \$25,000.

***Basic and diluted income (loss) per share***

The calculation of basic and diluted income per share for the year ended January 31, 2012 was based on the loss attributable to common shareholders of \$29,915 (2010 - \$468,434) and the weighted average number of common shares outstanding of 24,810,186 (2010 - 16,765,243).

***Escrow shares***

As at January 31, 2012, there were Nil (2011 - 345,000) common shares held in escrow which were subject to release under the policies of the TSX-V.



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**9. SHARE CAPITAL (cont'd)**

***Stock options***

The Board of Directors of the Company has adopted a stock option plan (the "Stock Option Plan") which permits the Company to grant to directors, officers and consultants of the Company, non-transferable options ("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 year ended January 31, 2012 and the year ended January 31, 2011 are as follows:

	Year ended January 31, 2012		Year ended January 31, 2011	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning of year	2,395,000	\$ 0.26	1,625,000	\$ 0.25
Options granted	600,000	0.33	770,000	0.30
Options exercised	(65,000)	0.26	-	-
Options expired	(810,000)	0.26	-	-
Options outstanding, end of year	2,120,000	\$ 0.29	2,395,000	\$ 0.26
Options exercisable, end of year	2,120,000	\$ 0.29	2,295,000	\$ 0.26

The following incentive stock options were outstanding and exercisable at January 31, 2012:

Number of options outstanding	Number of options exercisable	Exercise Price	Expiry Date
400,000	400,000	\$ 0.30	March 31, 2012 (subsequently expired, unexercised)
100,000	100,000	0.32	May 10, 2012
100,000	100,000	0.25	August 31, 2012
170,000	170,000	0.30	January 31, 2013
750,000	750,000	0.25	June 27, 2013
600,000	600,000	0.33	September 27, 2013
2,120,000	2,120,000		

**2012**

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 on March 31, 2010.

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**9. SHARE CAPITAL (cont'd)**

***Stock options (cont'd)***

***2011 (cont'd)***

On March 31, 2010, the Company granted 400,000 stock options to a consultant at an exercise price of \$0.30 per share for a 2 year period. These options vested over a one year period. The total fair value was estimated using the Black-Scholes option pricing model assuming an expected life of 2 years, a risk-free interest rate of 1.73% and an expected volatility of 149.8%. At January 31, 2011, the Company had recorded \$64,123 in stock-based compensation expense relating to the vested stock options.

On May 10, 2010, the Company granted 100,000 stock options to consultants at an exercise price of \$0.32 per share for a 2 year period. These options vested immediately. The fair value was estimated using the Black-Scholes option pricing model assuming an expected life of 2 years, a risk-free interest rate of 2.01% and an expected volatility of 145.7%. The granting of these options resulted in a stock based compensation expense of \$22,502 being recorded during the year ended January 31, 2011.

On August 31, 2010, the Company granted 100,000 stock options to consultants at an exercise price of \$0.25 per share for a 2 year period. These options vested immediately. The total fair value of \$16,523 was estimated using the Black-Scholes option pricing model assuming an expected life of 2 years, a risk-free interest rate of 1.21% and an expected volatility of 143.9%. The granting of these options resulted in a stock based compensation expense of \$16,523 being recorded during the year ended January 31, 2011.

On January 31, 2011, the Company granted 170,000 stock options to consultants at an exercise price of \$0.30 per share for a 2 year period. These options vested immediately. The total fair value of \$33,524 was estimated using the Black-Scholes option pricing model assuming an expected life of 2 years, a risk-free interest rate of 1.67% and an expected volatility of 132.6%. The granting of these options resulted in a stock based compensation expense of \$33,524 being recorded during the year ended January 31, 2011.

During the year ended January 31, 2011, the Company recorded a further \$17,620 in stock-based compensation expense for vested options previously issued on September 15, 2009.

***Warrants***

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance as at February 1, 2010	2,975,000	\$ 0.19
Issued	5,154,701	0.31
Exercised	(100,000)	0.25
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 October 31, 2011	5,154,701	\$ 0.38

The following warrants were outstanding and exercisable at January 31, 2012:

Number	Exercise Price	Expiry Date
750,000	\$ 0.25	March 31, 2012 (subsequently expired, unexercised)
2,043,268	0.40	June 2, 2012
2,361,433	0.40	December 9, 2012
5,154,701		

**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. If the options expire unexercised, the amount recorded is transferred to deficit.

**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 other receivables. This risk is minimal as receivables consist primarily of refundable government goods and services taxes and interest receivable from term deposits.

***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***

Foreign currency risk is the risk that a variation in exchange rates between the Canadian dollar and United States dollar will affect the Company's operations and financial results. The majority of major expenses are transacted in Canadian dollars. The Company maintains all of its cash in Canadian dollars. Significant foreign exchange gains or losses are reflected as a separate component of the statement of comprehensive loss. The Company does not hedge its exposure to fluctuations in foreign exchange rates.

***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 for the year of \$2,000.

**11. FINANCIAL RISK AND CAPITAL MANAGEMENT (cont'd)**

***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.

***Classification of financial instruments***

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

	<b>January 31, 2012</b>	<b>January 31, 2011</b>
Cash and cash equivalents	\$ 682,644	\$ 2,189,097
Loans and receivables:		
Receivables	115,218	39,217
	<b>\$ 797,862</b>	<b>\$ 2,228,314</b>

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

	<b>January 31, 2012</b>	<b>January 31, 2011</b>
Non-derivative financial liabilities:		
Trade payables	\$ 42,913	\$ 69,058
	<b>\$ 42,913</b>	<b>\$ 69,058</b>

***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, 2012 and January 31, 2011:

	<b>As at January 31, 2012</b>		
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Cash and cash equivalents	\$ 682,644	\$ -	\$ -

  

	<b>As at January 31, 2011</b>		
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Cash and cash equivalents	\$ 2,189,097	\$ -	\$ -

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**12. INCOME TAXES**

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

	2012	2011
Loss for the year	\$ (265,066)	\$ (510,099)
Statutory tax rate	28.00%	28.33%
Expected income tax recovery	\$ (74,218)	\$ (144,511)
Non-deductible items	21,850	44,124
Renouncement of resource expenditures	338,792	58,611
Impact of tax rate change	(30,688)	85,503
Change in valuation allowance	(255,736)	(43,727)
Deferred income tax recovery	\$	\$

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

	2012	2011
Exploration and evaluation assets	\$ (152,734)	\$ 149,759
Loss carry-forwards	242,880	177,962
Share issuance costs	35,872	54,033
	\$ 126,018	\$ 381,754

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

	Exploration and evaluation assets	Loss carry- forwards	Share issuance costs
2013	\$ -	\$ -	\$ 68,146
2014	-	-	39,531
2015	-	-	35,811
2016	-	-	-
2028	-	36,099	-
2029	-	101,728	-
2030	-	147,024	-
2031	-	426,992	-
2032	-	259,673	-
No expiry	2,132,578	-	-
	\$ 2,132,578	\$ 971,516	\$ 143,488

**12. INCOME TAXES (cont'd)**

a) 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. These amounts will not be available to the Company for future deduction from taxable income.

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 deferred charge. Upon issuance of the flow-through shares, the Company recorded a premium of \$275,357. As expenditures are renounced, a flow-through share liability is recognized and the charge is reversed. The net amount is recognized as flow-through share liability reversal. To January 31, 2012, the Company expended \$1,181,710 (2011 - \$206,887) in eligible exploration expenditures and, accordingly, the flow-through share liability was reduced to \$Nil (2011 - \$235,150).

b) Provision for deferred tax

As future taxable profits of the Company are uncertain, no deferred tax asset has been recognized. As at January 31, 2012, the Company has approximately \$971,516 in 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. SEGMENTED INFORMATION**

The Company operates in a single reportable operating segment – the acquisition, exploration and development of mineral properties in Canada.

**14. SUPPLEMENTAL CASH FLOW INFORMATION**

During the years ended January 31, 2012 and 2011 the Company incurred the following non-cash transactions that are not reflected in the statement of cash flows:

	<b>Year ended</b>	
	<b>January 31, 2012</b>	<b>January 31, 2011</b>
Cash paid for:		
Interest	\$ -	\$ -
Income taxes	\$ -	\$ -
Exploration expenditures included in trade and other payables	\$ 27,515	\$ 50,283
Fair value of shares issued for mineral property option payments	\$ 61,050	\$ 104,550
Fair value of finder’s warrants	\$ -	\$ 63,633
Prepays reallocated to exploration expenditures	\$ -	\$ 32,000
Fair value of stock options reallocated to share capital	\$ 13,659	\$ -

**15. TRANSITION TO IFRS**

As result of the Accounting Standards Board of Canada's decision to adopt IFRS for publicly accountable entities for financial reporting periods beginning on or after January 1, 2011, the Company has adopted IFRS in these financial statements, making them the first annual financial statements of the Company under IFRS. The Company previously applied the available standards under previous Canadian GAAP that were issued by the Accounting Standards Board of Canada.

As required by IFRS 1 "First-time Adoption of International Financial Reporting Standards", February 1, 2010 has been considered to be the date of transition to IFRS by the Company (the "Transition Date"). Therefore, the comparative figures that were previously reported under previous Canadian GAAP have been restated, where appropriate, in accordance with IFRS.

In preparing the opening IFRS statement of financial position and the financial statements for the year ended January 31, 2012, the Company has adjusted amounts reported previously in financial statements that were prepared in accordance with Canadian GAAP. An explanation of how the transition from Canadian GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables. The guidance for the first time adoption of IFRS is set out in IFRS 1, First-time adoption of IFRS. IFRS 1 provides for certain mandatory exceptions and optional exemptions for first time adopters of IFRS. The Company elected to take the following IFRS 1 optional exemption:

- a) to apply the requirements of IFRS 2, Share-based payment, only to equity instruments granted after November 7, 2002 which had not vested as of the Transition Date.

Additionally, in accordance with IFRS 1, an entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under previous GAAP, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates as of February 1, 2010 are consistent with its GAAP estimates for the same date.

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**15. TRANSITION TO IFRS (cont'd)**

*Reconciliation of assets, liabilities and equity*

	Notes	As at January 31, 2011			As at February 1, 2010		
		Canadian GAAP	Effect of Transition	IFRS	Canadian GAAP	Effect of Transition	IFRS
<b>ASSETS</b>							
<b>Current assets</b>							
Cash and cash equivalents		\$ 2,189,097	\$ -	\$ 2,189,097	\$ 465,586	\$ -	\$ 465,586
Trade and other receivables		39,217	-	39,217	3,156	-	3,156
Prepays and deposits		55,034	-	55,034	33,000	-	33,000
		2,283,348	-	2,283,348	501,742	-	501,742
<b>Non-current assets</b>							
Exploration and evaluation assets		1,154,252	-	1,154,252	213,458	-	213,458
<b>TOTAL ASSETS</b>		<b>\$ 3,437,600</b>	<b>\$ -</b>	<b>\$ 3,437,600</b>	<b>\$ 715,200</b>	<b>\$ -</b>	<b>\$ 715,200</b>
<b>LIABILITIES</b>							
<b>Current liabilities</b>							
Trade and other payables		\$ 84,058	\$ -	\$ 84,058	\$ 19,044	\$ -	\$ 19,044
Flow-through share liability	15(a)	-	235,150	235,150	-	-	-
<b>TOTAL LIABILITIES</b>		<b>84,058</b>	<b>235,150</b>	<b>319,208</b>	<b>19,044</b>	<b>-</b>	<b>19,044</b>
<b>SHAREHOLDERS' EQUITY</b>							
Share capital	15(a)	4,656,953	(275,357)	4,381,596	1,708,851	-	1,708,851
Contributed surplus	15(b) and (c)	495,890	(495,890)	-	276,507	(276,507)	-
Share-based payment reserve	15(b) and (c)	-	502,542	502,542	-	284,617	284,617
Deficit	15(a) and (b)	(1,799,301)	33,555	(1,765,746)	(1,289,202)	(8,110)	(1,297,312)
<b>TOTAL EQUITY</b>		<b>3,353,542</b>	<b>(235,150)</b>	<b>3,118,392</b>	<b>696,156</b>	<b>-</b>	<b>696,156</b>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>		<b>\$ 3,437,600</b>	<b>\$ -</b>	<b>\$ 3,437,600</b>	<b>\$ 715,200</b>	<b>\$ -</b>	<b>\$ 715,200</b>



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Years ended January 31, 2012 and 2011

**15. TRANSITION TO IFRS (cont'd)**

*Reconciliation of statement of comprehensive loss*

	Notes	Year ended January 31, 2011		IFRS
		Canadian GAAP	Effect of Transition	
<b>Expenses</b>				
Consulting		\$ 18,825	\$ -	\$ 18,825
Office, rent and miscellaneous		23,152	-	23,152
Stock-based compensation	15(b)	155,750	(1,458)	154,292
Professional fees		28,300	-	28,300
Transfer agent, filing fees and shareholder communications		272,990	-	272,990
Travel and related costs		17,109	-	17,109
		(516,126)	1,458	(514,668)
<b>OTHER ITEM</b>				
Interest income		6,027	-	6,027
Flow-through share liability reversal	15(a)	-	40,207	40,207
<b>COMPREHENSIVE LOSS FOR THE YEAR</b>		<b>\$ (510,099)</b>	<b>\$ 41,665</b>	<b>\$ (468,434)</b>

*Reconciliation of equity*

	Notes	January 31, 2011	February 1, 2010
<b>Equity previously reported under Canadian GAAP</b>		<b>\$ 3,353,542</b>	<b>\$ 696,156</b>
Adjustments upon adoption of IFRS:			
Difference in the accounting treatment of flow-through shares	15(a)	(235,150)	-
<b>Equity reported under IFRS</b>		<b>\$ 3,118,392</b>	<b>\$ 696,156</b>

**TERRAX MINERALS INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
 (Expressed in Canadian dollars)  
 Years ended January 31, 2012 and 2011

**15. TRANSITION TO IFRS (cont'd)**

*Reconciliation of cash flows*

	Notes	Year ended January 31, 2011		
		Canadian GAAP	Effect of Transition	IFRS
<b>CASH PROVIDED BY (USED IN):</b>				
<b>OPERATING ACTIVITIES</b>				
Net loss		\$ (510,099)	\$ 41,665	\$ (468,434)
Items not involving cash				
Flow-through share liability reversal	15(a)	-	(40,207)	(40,207)
Stock-based compensation	15(b)	155,750	(1,458)	154,292
Changes in non-cash working capital items:				
Trades and other receivables		(36,061)	-	(36,061)
Prepays and deposits		(54)	-	(54,034)
Trades and other payables		1	-	14,731
Net cash used in operating activities		(429,71)	-	(429,713)
<b>INVESTING ACTIVITIES</b>				
Exploration and evaluation asset expenditures		(753,961)	-	(753,961)
Net cash used in investing activities		(753,961)	-	(753,961)
<b>FINANCING ACTIVITIES</b>				
Issuance of common shares		2,907,185	-	2,907,185
Net cash provided by financing activities		2,907,185	-	2,907,185
<b>Change in cash and cash equivalents</b>		1,723,511	-	1,723,511
<b>Cash and cash equivalents, beginning</b>		465,586	-	465,586
<b>Cash and cash equivalents, ending</b>		\$ 2,189,097	\$ -	\$ 2,189,097

*Notes to reconciliations*

(a) Flow-through shares

Flow-through shares are a unique Canadian tax incentive which is the subject of specific guidance under Canadian GAAP. Under Canadian GAAP the Company accounted for the issue of flow-through shares in accordance with the provisions of CICA Emerging Issues Committee Abstract 146 "Flow-through Shares".

**TERRAX MINERALS INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
(Expressed in Canadian dollars)  
Years ended January 31, 2012 and 2011

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**15. TRANSITION TO IFRS (cont'd)**

*Notes to reconciliations*

(a) Flow-through shares (cont'd)

At the time of issue, the funds received are recorded as share capital. At the time of the filing of the renunciation of the qualifying flow-through expenditures to investors, the Company recorded a future income tax liability with a charge directly to shareholders' equity. Also under Canadian GAAP the Company recorded any deferred tax recovery eligible to be recognized to offset the deferred tax charge to equity as a tax recovery in the statement of comprehensive loss.

IFRS does not contain explicit guidance pertaining to this tax incentive. Therefore, the Company has adopted a policy whereby the premium paid for flow-through shares in excess of the market value of the shares without the flow-through features at the time of issue is initially recorded as a flow-through tax liability. 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.

(b) Share-based payments

The Company grants stock options that have a graded vesting schedule. Under Canadian GAAP, the Company accounted for grants of options with graded vesting as a single award and determined the fair value using the average life of the options granted. Stock-based compensation was recognized on a straight-line basis over the total vesting period. Under IFRS, the Company treats each installment as its own award. Therefore, each installment is measured and recognized separately.

(c) Reserves

Under Canadian GAAP, amounts recorded in relation to the fair value of stock options granted and warrants issued were recorded to contributed surplus. Under IFRS, these amounts have been reclassified as reserves.

**16. SUBSEQUENT EVENTS**

Subsequent to January 31, 2012, the Company:

- a) Paid \$70,000 and issued 200,000 common shares pursuant to the option agreement for the Sunbeam-Pettigrew Property (Note 6).
- b) Paid \$30,000 and issued 50,000 common shares pursuant to the option agreement for the Stewart Property (Note 6).
- c) Applied and received \$103,450 from the Government of Newfoundland and Labrador under the province's Mineral Incentive Program.

## TERRAX MINERALS INC.

### MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS For the year ended January 31, 2012

The following discussion and analysis should be read in conjunction with the audited financial statements and related notes for the year ended January 31, 2012. All dollar amounts are stated in Canadian funds. This discussion is based on information available as at May 28, 2012.

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 and it is now one of the major landholders of prospective ground on the Burin Peninsula in Newfoundland as well as 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 Inferred resource of 530.6 Mt @ 0.62 g/t (10.42 Moz Au). The Osisko Mining Corporation's technical report on the Hammond Reef property is available at [www.sedar.com](http://www.sedar.com).

In May 2009 the Company completed its due diligence on the Sunbeam-Pettigrew gold property in Northwest Ontario and entered into an option agreement with the vendors for a 100% interest in the property, subject to a 2.5% NSR. The Sunbeam-Pettigrew property consists of 36 claims totalling 425 claim units (~67.27 km<sup>2</sup>) 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 km<sup>2</sup>) 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, subject to acceptance for filing by the TSX Venture Exchange. The Stewart property consisted of two mineral exploration licenses, totalling 173 claims (~43.25 km<sup>2</sup>), 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. The property was subsequently increased in size to 242 claims totalling 60.5 km<sup>2</sup> to cover strike extensions of the prospective zones.

During the year ended January 31, 2012 the Company conducted exploration programs on all of the properties referenced above, with core drilling programs conducted at both the Sunbeam-Pettigrew and Stewart properties.

#### **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](http://www.teraxminerals.com).

TerraX can earn a 100% interest in the Stewart property over a four year period by making option payments totalling \$105,000 and issuing 295,000 shares (of which \$55,000 and 120,000 shares have been paid), and funding \$525,000 of exploration and development work (work commitments have already 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.

In early September of 2010, TerraX management conducted an initial visit to the Stewart property. TerraX was encouraged by the style and extent of alteration visible on surface, and also identified several lineaments that do not appear to have previously been prospected. TerraX began a three week field program in October 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 were received and announced in December 2010 and 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 has 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. 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. These results are considered to be very encouraging, and validate the use of soils as an exploration tool at Stewart.

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 resumed fieldwork at Stewart. Soil sampling was carried out on the property to follow up on a 725 meter wide Au, Cu, Mo anomaly previously reported by TerraX from a test line of soil surveying across the strike of the alteration zone. The objective of this soil sampling was to delineate the full extent of the gold anomalism within this large hydrothermal alteration system, and to follow up the newly discovered Forty Creek showing (grab sample of 59 g/t Au and 2290 g/t Ag).

In addition to the soil survey work, TerraX contracted Quantec Geosciences to carry out Titan 24 ground geophysics across 2.5 kilometers 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 meters 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.

On May 9 2011 TerraX announced the results from the Titan IP, soil geochemistry, and airborne magnetic surveys conducted at Stewart. Quantec Geosciences completed Titan 24 ground geophysics (deep penetration IP) across 2.5 km of strike length on the 6 km long alteration zone. Three separate chargeability anomalies were identified, collectively defining a zone of anomalous chargeability which spans the entire length of the survey area (2.5 km).

One Titan 24 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](http://www.terraxminerals.com).

As part of TerraX's exploration strategy for defining potential drill targets, 609 soil samples were collected in January/February 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.

An airborne magnetic survey was flown over the entire property by Geo Data Solutions Inc. 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-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.

The interpretation from the work conducted early in 2011 is that the large hydrothermal system defined by surface mapping contains significant sulphides over a strike length of at least 3 km, and that the sulphide-bearing portion of the system plunges to the east. This ties in well with the soil geochemistry, which shows anomalous gold-copper-molybdenum at surface in the western part of the alteration system, with the anomalies diminishing to the east. The implication is that metal anomalism plunges to the east, coincident with sulphide concentration. This theory is corroborated by the limited historical drilling, which tested the upper portions of a shallow chargeability zone and returned anomalous gold, copper and molybdenum. The majority of the hydrothermal system has not been tested by drilling. In the porphyry gold-copper scenario that is emerging at Stewart, the best grades need not correlate with the highest chargeability (likely abundant pyrite), but may be associated with low to moderate chargeability (lower sulphide content but dominated by chalcopyrite) adjacent to or underneath the strongest chargeability. Multiple drill targets are evident from this line of thinking.

The high grade Forty Creek showing represents a second target on the property. Soil sampling has identified a strong three-line (450 m wide) arsenic anomaly proximal to the showing, and the airborne magnetic survey has shown a structural connection between Forty Creek and the main alteration zone.

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** during prospecting of the Forty Creek area of the property, where TerraX had previously discovered a high grade showing of 59 g/t Au and 2290 g/t Ag one km northeast of any previously known alteration. 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, prospecting focused on the Forty Creek area, 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. 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.

Geological reconnaissance provided further information on the overall geology of the core of the property prior to drilling. In particular, confidence in the presence and distribution of strongly altered quartz diorite, the presumed mineralizing intrusion, was increased. Additional terraspec data were acquired, and all available data were sent to AusSpec International for interpretation. AusSpec believes that there are variations in the compositions of the ubiquitous white mica and chlorite which may serve as vectors towards the more acidic and/or hotter parts of the hydrothermal system and ultimately as vectors to ore. The high temperature minerals topaz and diaspore were identified in several samples.

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 intends to initially focus on this porphyry target while we build up our knowledge base on the Forty Creek area. To that end, TerraX began drilling in August that targeted the chargeability anomalies in the main alteration zone where the Titan 24 survey conducted in 2011 identified strong IP anomalies over a strike length of 2.5 km, with widths up to 800 m and vertical extents in excess of 500 m. A drill program was planned to test various geophysical scenarios along the 2.5 km strike length of known anomalous chargeability.

The first hole of the current drill program at Stewart, ST11-01, was completed in late August. This drill hole intersected an extensive porphyry style alteration zone with significant sulphide over 433 metres (m).

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.

The second hole of the current drill program at Stewart, SST11-02, was completed in Mid-September. ST11-02 was collared 1.7 km northeast of ST11-01 along the strike trend of the mapped alteration on surface, targeting a large, buried Titan IP anomaly. This second hole intersected porphyry style alteration with significant sulphides similar to ST11-01 from 172 m to the end of the hole at 585 m. The hole was stopped at the limit of the drill capability, still within the zone of alteration and sulphides.

SST11-02 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.

Drilling at Stewart was completed in October, 2011 with five holes totalling 2,700 m having been drilled to test the western half of a large (6 km x 1.4 km) hydrothermal system defined by surface mapping; the western half has been partially defined in the third dimension by a Titan 24 deep penetration IP survey. 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](http://www.terraXminerals.com).

TerraX's president, Joe Campbell, states *"TerraX is confident that the Stewart property has potential to host a major porphyry Cu-Au deposit. This initial five hole drill program, while only testing a small portion of the property, has greatly increased our knowledge of this very large hydrothermal system. Three dimensional modeling is now underway using this new information which will result in better defined targets for follow-up drilling."*



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 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 porphyry core it has 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 have been 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 (TerraX news release May 9, 2011), likewise suggest a south/southwest vector toward the center of the system, as indicated on project maps available on our web site at [www.terraxminerals.com](http://www.terraxminerals.com).

TerraX remains confident in the potential of the Stewart property and plans to construct and review a three dimensional model of all available data (geology, geophysics, geochemistry, alteration mineralogy and drilling) prior to further drilling. The eastern portion of the porphyry-epithermal system has not been geophysically surveyed, and the Forty Creek epithermal showing (grab samples of 13.3 and 59 g/t Au and 670 and 2290 g/t Ag) still needs to be followed up with geophysics and drilling.

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.

The work programs at the Stewart property are being supervised by Tom Setterfield, PhD, P.Geo., and Joseph

Campbell, P. Geo., 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. Geo., Vice-President Exploration.

During the year ended January 31, 2012 TerraX spent \$498,593 on drilling and assays, \$90,629 on geological consulting, \$205,744 on field expenses and \$296,842 on geophysical surveys at the Stewart property.

### **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 km<sup>2</sup>), but was later expanded to thirty-six claims totalling 425 claim units (~67.27 km<sup>2</sup>) located 25 km northeast of the town 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 can earn a 100% interest in the Sunbeam-Pettigrew property over a three year period by making option payments totalling \$210,000, issuing 600,000 shares, and funding \$450,000 of exploration and development work (completed). All of these obligations have now been satisfied, with the final cash and share payments having been made subsequent to the period. 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 will also be in effect, commencing on April 15, 2013.

The property occurs in the Archean Marmion Batholith, which contains a number of phases, varying from tonalite to quartz diorite. Gold mineralization is associated with northeast-trending lineaments traceable for up to 80 km within and along the margin of the batholith. The lineaments are thought to represent faults or shear zones. Mineralization occurs in and adjacent to quartz vein systems within the shear zones, and is associated with pyrite and alteration consisting of sericitization, saussuritization, carbonatization and chloritization. The Hammond Reef deposit occurs on the western edge of the Marmion Batholith.

The Sunbeam-Pettigrew property occurs in the central part of the batholith, 15 km from the Hammond Reef deposit. The property contains two northeast-trending intermittently mineralized zones: the so-called Sunbeam-Atiko Shear Zone and the Pettigrew-Jack Lake Shear Zone. Both shear zones contain significant gold occurrences, including past producers, over approximately 15 km of strike length. Historic gold values from these showings reportedly range from less than one gram per tonne to 898 grams per tonne (sample collected by Ontario Geological Survey). The majority of the previous work on the property was around 1900; exploration activity since then has been highly intermittent, and no work has been completed since 1990. The presence of regional shear zones as controls on mineralization does not appear to have been recognized during previous exploration, and all previous work was concentrated on exposed quartz veins. Exploration for a large low grade deposit similar to Hammond Reef has not been undertaken. Although the over-riding target for TerraX is a large, low grade gold deposit, the grade reported from some of the showings on the property suggests that a smaller, higher grade deposit might also be present.

The due diligence period in the option agreement allowed TerraX to carry out site investigations in the area of old mine workings (circa 1900) and known Au showings to confirm that the property has the geological attributes for a Hammond Reef type mineralization model. During prospecting and sample collection, emphasis was placed on finding Hammond Reef style mineralization in and adjacent to quartz vein systems within shear zones.

TerraX initially collected 53 samples from seven locations along the 15 km strike length of the mineralized structures on the property (four on the Sunbeam-Atiko, and three on the Pettigrew-Jack Lake). These samples displayed weak to intense alteration and shearing, and minor to 5% pyrite mineralization. These areas were consistent with the known visual mineralization associated with the Hammond Reef deposit, and the samples taken were expected to be representative of the large, low grade gold target potential on the property.

Of the 53 samples taken, 36 analyses contained measurable Au, and 24 of these were significantly anomalous (>100 ppb Au) and collectively averaged 1.0 g/t Au, with values ranging up to 3.83 g/t Au. In addition a hand sample (not assayed) collected on the property near one of the historical workings contained visible coarse-grained Au which confirmed historical reports of visible Au found on the property. These results are consistent with expected Au grade

distribution in a Hammond Reef style system.

Of particular interest, seven samples taken by TerraX at the **Roy showing** on the Sunbeam-Atiko structure, over an area of 60 by 40 m, averaged 1.34 g/t Au. Historically (1898-1904) this area had mineralization exposed in underground workings, pits and trenches for 180 m along the strike of the main vein.

At the **Road showing** on the Sunbeam-Atiko structure, two samples were collected grading 1.48 g/t Au in a quartz vein and 2.12 g/t Au in altered granite. This area had a drill intersection reported by Nahanni Mines Limited in 1982 of **1.8 m @ 15.8 g/t Au** within a zone of **8.5 m @ 4.8 g/t Au**.

On the **Pettigrew showing** of the Pettigrew-Jack Lake structure, six TerraX samples over a 30 by 50 m area averaged 0.90 g/t Au. This is comparable with previous work in the Pettigrew area, including 1983 drilling by Canadian Nickel Company Ltd with reported intersections of 1.81 g/t Au over 18.5 m in borehole 57751 and 0.41 g/t Au over 27.56 m in borehole 57766. In 1987 rehabilitation of the historical underground workings (1898-1900) by Canadian Nickel resulted in wall chip assays of 0.70 g/t Au over 21 m across the strike of the mineralized zone, and an average grade from seven bulk samples of 1.33 g/t Au. All of these results support the potential for a Hammond Reef style deposit on the property.

The discovery of the **Rubble showing** (up to 48.6 g/t Au grab sample) during staking in 2008 attests to the strong possibility of finding additional mineralization at surface on the property. Results from a government-sponsored airborne magnetic survey, justified in part by the results of Brett Resources' exploration, were released on July 7, 2009. This data helped TerraX develop additional targets on the property for exploration conducted in September 2009, as described more fully below.

On September 8, 2009 TerraX began field exploration on the Sunbeam-Pettigrew and Blackfly properties. Prior to commencing fieldwork, TerraX received the recently released government airborne magnetic survey. The survey is part of the Ontario Geological Survey's Atikokan Mineral Development Initiative, and is specifically designed to cover the promising Marmion Batholith that contains the Hammond Reef deposit. The geophysical signatures of the Hammond Reef deposit and of mineralization within the northeast-trending Sunbeam-Atiko and Pettigrew-Jack Lake shear zones on the Sunbeam-Pettigrew property were used to produce a template of the desired geophysical response. From this, more than 20 new geophysical targets were identified on the Sunbeam-Pettigrew property and five on the nearby Blackfly property. Targets are defined by intersections of structural trends which appear to exert a control on known mineralization, and by magnetic features which may reflect hydrothermal alteration.

Mineralization discovered on the properties typically consists of quartz or quartz-iron carbonate veins with pyrite, surrounded by zones of granite (or mafic dikes) with strong iron carbonate alteration and 1 to 10% pyrite. While the highest gold grades are commonly associated with quartz veins, numerous samples of granite-only samples with potentially economic grades (up to 10.2 g/t Au, many in excess of 1 g/t Au) were collected in the September 2009 field program. This is important because altered and mineralized granite is much more areally extensive than mineralized quartz veins.

In December 2009 TerraX released the results from a total of 575 samples collected on its Sunbeam-Pettigrew gold property during the fall of 2009. The highest assay from the Sunbeam property sampling was **16.2 g/t Au**. Based on these results, TerraX staked an additional 18 claim units (~2.9 km<sup>2</sup>) on the eastern margin of the Sunbeam property to protect a 600 m strike length of mineralized lineament that extended off the property.

Four northeast-striking, mineralized lineaments have been identified to date on the Sunbeam 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. In addition, historical zones were sampled in detail and their known areal extent expanded. Graphics and maps are available on our website at [www.terraxminerals.com](http://www.terraxminerals.com) and should be reviewed to assist in understanding the following detail:

**Burger Lineament:** This lineament contains anomalous gold over a 2.8 km strike length, and includes the Burger Zone, for which limited historic information is available. TerraX delineated this zone over a 400 m strike length; 28 of 34 samples collected were anomalous in Au (>20 ppb), including samples of **15.6 g/t, 6.14 g/t and 4.79 g/t Au**. The best part of the zone contains a quartz-pyrite vein on the edge of a mafic dike cutting granite. No prior drilling has been reported on this lineament. In March 2010 TerraX added an additional forty-seven claim units in five claims (approximately 7.5 sq km) to the southern portion of the Sunbeam-Pettigrew property. The claims were staked to cover the southwest extension of the 2.8 km long Burger Lineament - an additional three km of strike length has now been acquired. In June 2010 a prospecting programs was carried out over the additional claims and results ranged from below detection to a high of **4.05 g/t Au** from a sample collected along strike from the historic Burger showing.

**Roy Lineament:** The Roy lineament contains anomalous gold over an 8.4 km strike length. This includes the Roy occurrence, historical X605, BG43 and B45 showings, and two newly discovered important gold zones. The Roy occurrence has four historical shafts; TerraX obtained up to **3.83 g/t Au** from waste piles, and several anomalous gold values from altered granite nearby. New mineralization discovered by TerraX northeast of the Roy occurrence contains up to **3.27 g/t Au** in quartz flooded granite with abundant pyrite, as well as strongly anomalous values on an extension of the lineament which was recently staked by TerraX. TerraX sampling yielded 1.54 g/t Au in altered granite from the X605 showing. A mineralized zone with up to **10.4 g/t Au** was discovered in the southwest extension of the Roy lineament, in the southern part of the Sunbeam-Pettigrew property.

In June 2010 a prospecting programs was carried out over the additional claims acquired to the Northeast and Southwest on the Sunbeam-Pettigrew property, with 229 new grab samples having been taken. A new showing on the Roy Lineament (which was identified in 2009) yielded an assay of **2.70 g/t Au**.

In February/March 2011 TerraX drilled two holes 70 m apart proximal to the shafts. Both holes passed through a 12 to 14 m wide zone of moderately sericitized and chloritized tonalite, with thin mafic dikes and quartz ± ankerite veins up to 50 cm across. The veins locally contain pyrite, galena, and fine-grained visible gold. In hole SP11-12, this zone ran **14.70 m @ 0.67 g/t Au**, including a higher grade interval of **1.85 m @ 4.01 g/t Au** (see Table 1). In hole SP11-13, the Roy Zone assayed **12.28 m @ 0.43 g/t Au**, with a core of **3.78 m @ 1.05 g/t Au**.

**Sunbeam Lineament:** This lineament features anomalous gold over at least 3.9 km of strike length, including the **Road Zone**, past-producing Sunbeam deposit (not owned by TerraX) and the **AL198 Zone**. Three historical shafts occur at the Road Zone, where TerraX's samples returned up to **2.6 g/t Au**. Over a 190 m strike length, 19 of 24 samples collected were anomalous (>20 ppb Au), and 8 were over 0.5 g/t Au. The AL198 Zone is exposed for 215 m, and is open in both directions. Of 21 samples collected, 14 were anomalous in gold, with a high of **16.2 g/t Au**, and 7 with greater than 0.5 g/t Au.

Mapping of the Road Zone revealed that the controlling shear structure in the immediate area of the best surface mineralization strikes approximately 240° and dips 65° northwest. Drilling on this target was conducted in February 2011. In March 2011 TerraX received assay results from the three holes (449.3 m) that were drilled at the Road Zone to test a 100 m strike length of the zone. Each hole intersected the same 5 to 15 m wide alteration zone, consisting of strongly sericitized rock with pyrite and minor amounts of fuchsite and pyrrhotite. In hole SP11-06, this zone contained an intersection of **13.90 m of 1.11 g/t Au**, including **6.4 m of 1.74 g/t Au**. In hole SP11-07, the zone returned 2.85 m @ 115 ppb Au, and in hole SP11-08, the zone contained anomalous values of 102 ppb Au over 5.92 m. These three holes collectively provide information on the shallow portion of a coherent alteration zone that at least locally contains ore grade mineralization. The intersection in hole SP11-06 is at a higher grade than the average grade at Hammond Reef; it is worth noting that mineralization at Hammond Reef tends to improve with depth. Clearly the Road Zone needs to be further tested down-dip and along strike.

TerraX drilled three holes totalling 336.0 m at AL 198, testing a 150 m strike length of the zone. Each hole intersected the same 6 to 10 m wide alteration zone, consisting of moderately sericitized rock with hematite, quartz-ankerite veining, pyrite and minor amounts of fuchsite and pyrrhotite. In hole SP11-11, this zone contained an intersection of **5.63 m of 0.98 g/t Au**, including **0.8 m of 6.12 g/t Au**. The alteration zone in hole SP11-10 ran **10.25 m @ 303 ppb Au**, and in hole SP11-09 it ran **6.16 m @ 70 ppb Au**. These three holes collectively provide the first information on the shallow portion of a coherent alteration zone that, at least locally, contains mineralization

of similar grade to the resource at Hammond Reef. The intersection in hole SP11-11 is at a higher grade than the average grade at Hammond Reef.

The alteration zone intersected at AL198 is visually identical to that intersected at the Road Zone, 2 km to the northeast (see map on web site). Combining results from the two areas, TerraX thus interprets the existence of a coherent northeast-trending alteration zone at least 2 km long, from AL198 in the southwest to the Road Zone in the northeast. The extended alteration zone has been tested by six TerraX drill holes, all of which intersected at least 5 m intervals of anomalous gold. The central part of the alteration zone has supported underground mining on the Sunbeam patent, wherein at least 1,000 ounces of gold were mined in the early 1900's. The alteration zone is open along strike in all directions as well as down-dip. Approximately 800 m of untested strike length occur between TerraX drilling at AL198 and the Sunbeam patent; no outcrops occur in this area. Likewise, 450 m of strike length occur between TerraX drilling at the Road Zone and the Sunbeam patent. Intermittent drilling along this part of the zone by Nahanni Mines in 1982 was mostly ineffective due to a combination of drill placement and core recovery issues, although the one hole to definitively intersect the alteration zone produced an intersection of 8.5 m @ 4.8 g/t Au.

**WN2/Pettigrew Lineament:** This 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 is the most exciting new mineralization discovered by TerraX. It starts 600 m northeast of the Pettigrew occurrence (there are no outcrops between Pettigrew and this point), 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. The zone is characterized by quartz-ankerite-pyrite veins surrounded by altered granite. Although the surface mineralization had not previously been documented, two holes were drilled in the area of the zone by the Canadian Nickel Company Ltd, based on a VLF response. One hole was not assayed and the other had 5.58 m @ 0.23 g/t Au. Based on the results of our recent exploration, neither hole targeted the best part of the mineralization. The WN2 Zone, which was previously known but poorly documented, is a 50 m wide x 300 m long zone of intense iron carbonate and lesser chlorite alteration in granite. Five samples in excess of 250 ppb Au were collected by TerraX, with a high of 952 ppb. TerraX obtained a value of 291 ppb at the historical G97 showing. Other isolated new showings contain up to 805 ppb Au.

On June 7 2010 TerraX commenced core drilling on the Sunbeam-Pettigrew property. Drilling at Pettigrew Northeast focused on an 1100 m long by 100-200 m wide, northeast striking IP anomaly, from which grab samples returned up to **10.2 g/t Au** during 2009 field work. The initial Phase 1 drill program at Sunbeam-Pettigrew comprised five holes totalling 661 m that consistently encountered weak to moderate silicification, with variable chloritization and sericitization. All holes had minor amounts of pyrite, and the first two had trace pyrrhotite and chalcopyrite. Only hole 5 had significant amounts of anomalous gold, with four non-contiguous intervals of >1 m each containing > 100 ppb Au.

During prospecting in June 2010 mineralization on the WN2/Pettigrew Lineament was extended 900 m to the southwest to the edge of the property; the best grab sample was 498 ppb Au. Two newly defined lineaments in the southern part of the property were sampled in some detail. The first outcrops over a strike length of 1.4 km, and 13 of 30 samples contained >20 ppb Au, with a high value of 405 ppb Au. The second is intermittently exposed over a strike length of 3.3 km, and produced a high value of 952 ppb Au.

Outcrop stripping and mapping completed in September 2010 and re-analysis of the geophysical data relative to the surface showings, and a more detailed review of the historical drilling, all establish that the Pettigrew structure dips steeply to the northwest. It is apparent that none of the holes recently drilled by TerraX (drilled to the northwest at -50°) could have reached the mineralized zone. This target remains essentially untested, and it is still a high priority as a Hammond Reef analogy.

In February 2012 TerraX commenced drilling at two new showings at Sunbeam-Pettigrew, **Rubble** and **WN2**. During the summer of 2011, Rubble and WN2 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.

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 outcropping 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.

Drilling was completed in March 2012 and, in addition to the drilling conducted at Rubble and WN2, also included the first hole into the down-dip extension of the old Sunbeam Mine (circa 1900). Assay results were received in April and highlights from WN2 included **0.95 m @ 18.00 g/t Au**, whereas Rubble returned a best intersection of **12.34 m @ 0.61 g/t Au**. Drill holes were aligned to cut normal to the mineralized structures identified in the channel sampling.

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.

This recent 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. These zones occur on mineralized structures defined by prospecting to be up to 10 kilometers long. TerraX believes that the consistency in successfully drilling mineralized zones over widespread target areas is an indication of the promising gold endowment on the property.

During the year ended January 31, 2012 Terrax spent \$142,056 on drilling and assays, \$35,187 on geological consulting and \$59,446 on field expenses at Sunbeam-Pettigrew.

### **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 km<sup>2</sup>) 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 Sunbeam-Pettigrew property.

TerraX can earn a 100% interest in the Central Canada property over a four year period by making option payments totaling \$98,000 (of which \$58,000 has been paid), issuing 280,000 common shares (of which 180,000 shares have been issued) and funding \$140,000 of exploration and development work. 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 \$10,000 will also be 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 Sunbeam-Pettigrew and Blackfly 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. TerraX visited the property in October 2009, collecting 18 grab samples of veins and alteration. Assay values range from 9 ppb to **22.9 g/t gold**, and seven samples had >250 ppb Au. This includes results of **2.8, 4.48 and 22.9 g/t gold**.

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, following up on assay results from prospecting undertaken at Central Canada in early 2010 that returned a **grab sample of 39.6 g/t gold**. One hundred and twenty-three 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. Twenty-four 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 meters 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.

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. Hole CC12-02 encountered extensive alteration and was extended to a final depth of 157 meters. Several anomalous gold zones parallel to the main structure were intersected in this hole indicating the potential for multiple gold horizons at Central Canada. 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.

During the year ended January 31, 2012 TerraX spent \$4,237 on assays and \$525 on geological consulting at Central Canada, in preparation for the drill program that was conducted in March of 2012.

### **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 km<sup>2</sup>) located 10 km northwest of the town of Atikokan, 180 km west of Thunder Bay and 17 km from Brett Resources' 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. The Blackfly property is 22 km west of TerraX's Sunbeam-Pettigrew property.

TerraX can earn a 100% interest in the Blackfly property over a four year period by making option payments totalling \$100,000 (of which \$60,000 has been paid), issuing 280,000 shares (of which 180,000 shares have been issued) and funding \$179,200 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 \$10,000 will also be 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. TerraX visited the property briefly in May of 2009, taking two sulphide-bearing quartz vein samples which ran **2.24 g/t** and **167 g/t Au** respectively. 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 September 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 **85.6 g/t Au**, with 11 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. As a result, TerraX undertook a second field program on the Blackfly property in late October 2009 to extend the known mineralization and explore for new alteration/mineralization zones.

On February 2, 2010, TerraX announced that it received the final results from a total of 276 samples collected on its Blackfly gold property during the spring and fall 2009. The sampling has defined a northeast-striking, mineralized lineament with intermittent alteration and mineralization noted over a strike length of 4.4 km on the property. The



highest assay from the lineament was **167 g/t Au**. This lineament is sub-parallel to and potentially along strike with the nearby Hammond Reef deposit.

Four northeast-striking lineaments with alteration have been identified to date on the Blackfly property, but anomalous gold has so far only been detected on the main lineament. TerraX collected 179 grab samples from this lineament; assays ranged from below detection to 167 g/t Au. Fifty-four samples had >50 ppb Au, 37 had >250 ppb Au and 16 had more than 1,000 ppb Au (1 g/t), including the highest values of **85.6 and 167 g/t Au**. Fifty-one samples were collected from a 410 m long high grade section of the lineament called the Blackfly Zone; 35 of these samples had >50 ppb Au, 26 had >250 ppb Au and 15 had more than 1,000 ppb Au. The Blackfly Zone has several historical pits along it, but had not previously been drill tested.

On the Blackfly property, 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.

In May 2010 TerraX commenced core drilling at Blackfly. This first phase Blackfly drill program comprised six shallow holes testing near-surface IP chargeability and resistivity anomalies on the Blackfly and Blackfly Northeast targets. These targets are on the western margin of the Marmion Batholith, in a similar geological environment to the nearby Hammond Reef gold deposit. 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. This initial drill program successfully encountered both styles of mineralization, intersecting **8.26 m @ 0.94 g/t Au** in altered tonalite, and **1.07 m @ 15.1 g/t Au** in a high grade quartz vein (the "Blackfly Vein") that is open down-dip and along strike. In addition, some of the better disseminated mineralized zones were encountered near the ends of the drill holes. On the Blackfly target, hole BF10-02 was drilled behind hole BF10-01 and stopped short of the gold zone encountered at the bottom of this hole. At Blackfly Northeast, BF10-05 hit its best mineralization (**1.47 m of 2.7 g/t Au**) in altered quartz diorite near the end of the hole. Hole BF10-06 was stopped short just as it entered this rock unit, prior to intersecting the better alteration and 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 earlier this year. Each drill hole encountered extensive silicification with associated pyrite, an important feature in this gold camp, 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 (see Table 2 below). As well, erratic anomalous values (20 to 685 ppb Au) were encountered throughout the entire length of the hole. 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.

TerraX has so far tested only the upper parts of a gold-bearing hydrothermal system, and it is encouraged by the extent of the alteration zones and the associated gold mineralization. It is considered significant that the small drill program on the Blackfly Target encountered both high grade gold associated with major quartz veins, and several

intersections of low grade material (the average grade of the nearby Hammond Reef deposit is 0.8 g/t Au) associated with alteration and narrow veins. The Blackfly Vein has been tested only in the upper ten vertical metres; it is open down-dip and along strike. Brett Resources' experience in similar alteration systems is that the width and continuity of the ore improve with depth. In the Hammond Reef A Deposit, many of the shallow drill holes encountered grades of 0.30-0.50 g/t Au overlying much wider and higher grade mineralization. It is also significant that TerraX has only tested a 100 m strike length of the Blackfly Target and a 150 m strike length of the Blackfly Northeast Target, both of which occur on the 4.4 km Blackfly lineament. The remainder of the strike length of this lineament has never been drill tested.

A map showing the location of the drill holes completed in May 2010 at Blackfly is available on our web site at [www.terraxminerals.com](http://www.terraxminerals.com).

In September 2010 TerraX began a program of detailed mapping that was then used to more accurately locate the second phase of drilling on these gold zones, which commenced in November 2010.

Detailed mapping in the region of the Blackfly Vein resulted in a more accurate delineation of the two main mineralized vein structures on the property. 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 has now been 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 has been 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 has 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.

In late November 2010 TerraX commenced core drilling on the Blackfly Target. Results from the seven holes drilled during this program were announced in March 2011. At Blackfly Northeast, where TerraX drilled two holes, hole BF11-11 intercepted **2.0 m of 10.96 g/t Au**, including **0.7 m of 29.8 g/t Au**, at a vertical depth of 93 meters.

TerraX completed two drill holes in the northeastern portion of the Blackfly property, 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 has 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 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 345 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 trend 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, 2012 TerraX spent \$21,675 on assays, \$23,187 on geological consulting and \$19,332 on field expenses at Blackfly.

### **Current Economic Conditions**

During fiscal 2012 and the first four months of fiscal 2013, the ongoing global credit crisis and economic weakness have made for extremely volatile capital markets characterized by weaker equity prices 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 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.

The Company currently has sufficient cash to meet all obligations during through fiscal 2013 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 2013 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, 2012**

Operating expenses for the year ended January 31, 2012 totaled \$281,025 as compared to \$508,641 during the year ended January 31, 2011. The significant expenditures were as follows:

The Company incurred consulting expense of \$16,493 during the year ended January 31, 2012 primarily for administrative services provided by management on an as-needed basis. This represents a decrease from the \$18,825 incurred for the same purpose during the same period a year prior.

During the year ended January 31, 2012, the Company incurred \$21,678 for office, rent and miscellaneous expenses, which is slightly reduced from the \$23,152 incurred during the same period a year prior.

During the year ended January 31, 2012 the company incurred \$78,037 for stock-based compensation expense (a non-cash item) for stock options granted and vested during the period. This includes a re-valuation, as required under IFRS, on the final vesting of incentive stock options granted to consultants during a prior period. This compares to stock-based compensation expense incurred during the year ended January 31, 2011 of \$154,292.

Professional fees of \$35,880 were incurred during the year ended January 31, 2012, primarily for accounting services related to tax filings and the issuance of flow-through shares during a prior period. This is increased from

the \$28,300 incurred during the same period a year prior, primarily for completion and filing of property agreements and private placement documentation.

The Company spent \$115,417 for transfer agent, filing fees and shareholder communications during the year ended January 31, 2012. This is reduced from the \$272,900 incurred during the same period a year prior due to a significant reduction in expenditures on advertising, regulatory filing fees and news release dissemination.

The Company incurred travel and related expenses of \$13,520 during the year ended January 31, 2012 as compared to \$17,109 incurred during the same period a year prior for the same purpose.

During the year ended January 31, 2012, the Company earned interest income of \$15,690 on cash and cash equivalents on hand. This compares to \$6,027 earned during the year ended January 31, 2011 when the Company had less cash on hand.

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 fiscal 2011, the Company reduced its outstanding flow-through share liability related to this flow-through financing by \$235,150 during the period and recorded this same amount as a flow-through share liability reversal. This compares to a flow-through share liability reversal of \$40,207 recorded during the same period a year prior for eligible exploration expenditures completed during the fourth quarter of fiscal 2011.

As a result of the foregoing, the Company recorded a comprehensive loss for the year ended January 31, 2012 of \$29,915 as compared to a loss of \$468,434 during the comparable period a year prior.

### **Selected Annual Information**

	<b>Year ended January 31, 2012 (IFRS)</b>	<b>Year ended January 31, 2011 (IFRS)</b>	<b>Year ended January 31, 2010 (CDN GAAP)</b>
Revenue	Nil	Nil	Nil
Income (Loss) before Other Items	(281,025)	(514,668)	(259,323)
Per Share	(0.01)	(0.03)	(0.02)
Net Income or (Loss)	(29,915)	(468,434)	(1,063,274)
Per Share	(0.01)	(0.03)	(0.10)
Total assets	\$3,557,377	\$3,437,600	\$715,200
Long-Term Liabilities	Nil	Nil	Nil

The net loss for the fiscal year ended January 31, 2011 decreased to \$510,099 from the loss of \$1,063,274 incurred during fiscal 2010 primarily due to the elimination of write-offs of mineral property expenditures during the current period. Expenditures for transfer agent, filing fees and shareholder communications expenses increased to \$272,990 during the current fiscal period from the \$59,510 incurred during fiscal 2010 due to increased shareholder communications expenses, such as advertising, IR consultants and trade shows. In addition, stock-based compensation expense, a non-cash item, increased slightly to \$155,750 (2010-\$147,160) due to additional stock options granted and vested during the current period.

The net loss for the fiscal year ended January 31, 2012 decreased to \$29,915 from the loss of \$468,434 incurred during fiscal 2011 primarily due to a recovery of flow-through share liability of \$235,150.. Operating expenses during fiscal 2012 were reduced to \$281,025 from the \$514,668 incurred during fiscal 2011 due to a reduction in transfer agent, filing fees and shareholder communications expenses during the current period to \$115,417 (2011 - \$272,990) as well as a reduction in stock-based compensation expense, a non-cash item, to \$78,037 from the \$154,292 incurred during the prior fiscal year.

**Summary of Quarterly Results**

	<b>Q4-2012</b>	<b>Q3-12</b>	<b>Q2-12</b>	<b>Q1-12</b>	<b>Q4-11</b>	<b>Q3-11</b>	<b>Q2-11</b>	<b>Q1-11</b>
	(IFRS)	(IFRS)	(IFRS)	(IFRS)	(IFRS)	(IFRS)	(IFRS)	(IFRS)
<b>Net income (loss) (\$)</b>	(50,983)	(26,529)	10,001	37,596	(158,639)	(117,771)	(160,579)	(79,935)
<b>Per Share (\$)</b>	(0.00)	(0.00)	0.00	0.00	(0.01)	(0.01)	(0.01)	(0.01)

The loss for the first quarter of fiscal 2011 (the three months ended April 30, 2010) decreased to \$79,935 as there were no write-offs of mineral properties during the period, as compared to write-offs totalling \$805,923 during the fourth quarter of fiscal 2010.

The loss for the second quarter of fiscal 2011 increased to \$159,630 primarily due to stock-based compensation, a non-cash expense, of \$85,526 incurred during the current period due to the granting of incentive stock options to management, directors and consultants.

The loss for the third quarter of fiscal 2011 decreased to \$131,030 primarily due to elimination of consulting expense and reductions in stock-based compensation (a non-cash expense), professional fees, travel expenses and shareholder communications expenses.

The loss for the fourth quarter of fiscal 2011 increased to \$158,639 from the \$131,030 incurred during the prior quarter primarily due to additional filing fees incurred with respect to private placements completed during the current period and additional expenditures on trade shows and shareholder communications.

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 stock-based compensation expense of \$82,669, a non-cash expense, incurred during the current 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 stock-based compensation during the fourth quarter as no options were granted during the period.

**Liquidity and Solvency**

TerraX is in the development stage and therefore has no regular cash flow. As at January 31, 2012, the Company had working capital of \$758,449, inclusive of cash and cash equivalents of \$682,644. This compares to working capital of \$1,964,140 at January 31, 2011, inclusive of cash and cash equivalents on hand at that time of \$2,189,097.

As at January 31, 2012, the Company had current assets of \$813,862, total assets of \$3,557,377 and total liabilities of \$55,413. 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 \$2,743,515 as at January 31, 2012.

The decrease in cash during the year ended January 31, 2012 of \$1,506,453 was due to cash used in mineral property acquisition and exploration of \$1,496,872 and cash used in operating activities of \$283,981, offset by cash received from the issuance of shares on the exercise of warrants and options of \$274,400. During the year ended January 31, 2011, cash increased by \$1,723,511 as a result of net cash received from the issuance of common shares of \$2,907,185, offset by cash used by operating activities of \$429,713 and cash spent on mineral property exploration of \$753,961.

A flow-through private placement for gross proceeds of \$1,416,859 was completed in December 2010. The proceeds of this flow-through private placement were spent on eligible Canadian exploration expenses during calendar 2011 and provided sufficient funding to conduct the required exploration at the Sunbeam-Pettigrew, Blackfly, Central Canada and Stewart properties during fiscal 2012. In January 2011 the Company completed a further private placement for gross proceeds of \$405,000. Subsequent to the period, the Company received \$103,450 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.

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 fiscal 2013. 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.

#### **Changes in Accounting Policies including Initial Adoption of IFRS**

These are the first audited financial statements prepared in accordance with IFRS. The Company adopted IFRS in accordance with IFRS 1, First-time Adoption of International Financial Reporting Standards ("IFRS 1"). The first date at which IFRS was applied was February 1, 2010 ("Transition Date"). IFRS 1 provides for certain mandatory exceptions and optional exemptions for first time adopters of IFRS.

IFRS 1 requires that the same policies are applied for all periods presented in the first IFRS financial statements and that those policies comply with IFRSs in effect as at the end of the first IFRS annual reporting period. Accordingly, the opening IFRS statement of financial position, 2010 comparatives and current period financial statements have been prepared using the same policies. The previously presented 2011 GAAP financial information has been reconciled to the IFRS information as part of the transition note in accordance with the requirements of IFRS1. Further, the policies applied have been done so on a full retrospective bases unless alternative treatment is permitted or required by an IFRS 1 election or exception.

### ***Elections upon first time adoption of IFRS***

The following IFRS 1 mandatory exceptions and optional exemptions apply to TerraX:

Mandatory exceptions:

1. Estimates - An entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date in accordance with GAAP, unless there is objective evidence that those estimates were in error;

Optional Exemptions Elected:

1. IFRS 2 Share-Based Payments – TerraX has elected this exemption from retroactive restatement of equity instruments granted before November 2, 2002 and those which were granted after November 2, 2002 but which vested prior to transition.

The most significant area identified to date by management where changes in accounting policies have the highest potential impact on the Company's financial statements based on the accounting policy choices approved by the Audit Committee and Board of Directors is with respect to share based payments.

### ***Share Based Payments***

Canadian GAAP

- The fair value of share based payments with graded vesting are calculated as one grant and the resulting fair value is recognized on an accelerated or straight line basis over the vesting period.
- Forfeitures of awards are recognized as they occur.

IFRS

- Each tranche of a grant with different vesting dates is considered a separate grant for the calculation of fair value and the resulting fair value is amortized over the vesting period of the respective tranches.
- Forfeiture estimates are recognized in the period they are estimated, and are revised for actual forfeitures in subsequent periods.

To transition to IFRS the Company has reviewed the terms of its currently granted stock options and has made the transitional adjustments necessary for those option grants that were not fully vested prior to the date of transition.

### ***Exploration and Evaluation Assets***

Under the Company's current accounting policy, acquisition costs of mineral properties, together with direct exploration and development expenses incurred thereon are capitalized. Upon adoption of IFRS, the Company has to determine the accounting policy for exploration and evaluation (E&E) assets which are the exploration expenses incurred subsequent to obtaining the right to explore the resource property.

The comments on the Extractive Industries Discussion Paper published April 2010 indicate that the consensus is to capitalize E&E assets. Based on this, management has decided to continue with its current accounting policy of capitalizing all E&E expenditures.

E&E assets will be classified as intangible assets rather than tangible assets. This has been chosen as expenditures reflect an increased knowledge of the property rather than a tangible asset.

There are no IFRS 1 exemptions for this category.

### ***Asset Impairment***

Canadian GAAP generally uses a two-step approach to impairment testing: first comparing asset carrying values with undiscounted future cash flows to determine whether impairment exists; and then measuring any impairment by

comparing asset carrying values with discounted cash flows. International Accounting Standard (IAS) 36, "Impairment of Assets" uses a one-step approach for both testing and measurement of impairment, with asset carrying values compared directly with the higher of fair value less costs to sell and value in use (which uses discounted future cash flows). This may potentially result in write downs where the carrying value of assets were previously supported under Canadian GAAP on an undiscounted cash flow basis, but could not be supported on a discounted cash flow basis.

Currently the Company has no significant assets for which impairment testing is required. Based on the Company's assessment of its resource property costs, there was no impairment charge on transition to IFRS.

### ***Income Taxes***

Like Canadian GAAP, deferred income taxes under IFRS are determined using the liability method for temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, and by generally applying tax rates applicable to the Company to such temporary differences. IFRS prohibits recognition where deferred income taxes arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting nor taxable net earnings. There will be no impact on the financial statements upon implementation of IAS 12, Income Taxes.

### ***Information System, Internal Controls and Reporting Procedures***

Based on management's assessment of the information system currently used by the Company, all information required to be reported under IFRS is expected to be available with minimal system changes. In addition, based upon the Company's current operations, it is management's opinion that the adoption of IFRS is not expected to have a significant impact on internal controls and reporting procedures. The Company currently does not have any debt covenants, capital requirements, compensation arrangements, or material contracts that impact its current business activities that would affect the conversion to IFRS.

### ***Financial Statement Presentation and Disclosure***

One of the more significant impacts identified to date of adopting IFRS is the expanded presentation and disclosure requirements. Disclosure requirements under IFRS generally contain more breadth and depth than those required under Canadian GAAP and, therefore, will result in more extensive note references.

### **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, 2012, \$18,000 (2011 - \$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, 2012, the Company paid \$155,191 (2011 - \$174,677) 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, this same private company was paid \$15,750 (2011- \$18,100) for consulting services rendered to the Company during the year ended January 31, 2012.

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 \$6,800 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 year.

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:

	<b>January 31, 2012</b>	<b>January 31, 2011</b>
Cash and cash equivalents	\$ 682,644	\$ 2,189,097
Loans and receivables:		
Receivables	115,218	39,217
	<b>\$ 797,862</b>	<b>\$ 2,228,314</b>

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

	<b>January 31, 2012</b>	<b>January 31, 2011</b>
Non-derivative financial liabilities:		
Trade payables	42,913	69,058
	<b>\$ 42,913</b>	<b>\$ 69,058</b>

**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, 2012 and January 31, 2011:

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

  

	As at January 31, 2011		
	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 2,189,097	\$ -	\$ -

### **Contingencies**

The Company is aware of no contingencies or pending legal proceedings as of May 28, 2012.

### **Off Balance Sheet Arrangements**

The Company has no Off Balance Sheet arrangements.

### **Equity Securities Issued and Outstanding**

The Company had 25,919,131 common shares issued and outstanding as of May 28, 2012. In addition, there were 2,120,000 incentive stock options and a total of 4,404,701 share purchase warrants outstanding as of May 28, 2012.

### **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](http://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.