TERRAX MINERALS INC.

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

July 31, 2019

(Expressed in Canadian Dollars)

NOTICE TO READER

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

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

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

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

	Notes		July 31, 2019		January 31, 2019
ASSETS					(audited)
Current assets					
Cash and cash equivalents	4	$	2,591,135	$	954,126
Receivables	5		101,325		57,436
Prepaids and deposits			43,212		70,188
			2,735,672		**1,081,750**
Non-current assets					
Deposit	16		25,000		25,000
Equipment	6		46,464		78,720
Reclamation deposits	7		162,417		140,000
Right-of-use asset	3		209,838		-
Exploration and evaluation assets	8		29,376,919		28,218,025
TOTAL ASSETS		**$**	**32,556,310**	**$**	**29,543,495**
LIABILITIES					
Current liabilities					
Trade payables and accrued liabilities	9, 10	$	850,566	$	242,182
Deferred premium on flow-through shares	11, 15		354,409		-
Lease liability	3		76,288		-
			1,281,263		242,182
Non-current liabilities					
Lease Liability	3		139,794		-
Deferred Income tax liability	2		202,000		202,000
TOTAL LIABILITIES			**1,623,057**		**444,182**
SHAREHOLDERS' EQUITY					
Share capital	11		41,095,516		38,138,658
Share-based payment reserve	11, 12		3,495,207		3,863,752
Deficit			(13,657,470)		(12,903,097)
TOTAL SHAREHOLDERS' EQUITY			**30,933,253**		**29,099,313**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$**	**32,556,310**	**$**	**29,543,495**

Nature and continuance of operations (Note 1)
Commitments (Notes 8 and 16)
Subsequent event (Note 17)

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

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

	Notes	For the three months ended July 31, 2019	For the three months ended July 31, 2018	For the six months ended July 31, 2019	For the six months ended July 31, 2018
EXPENSES					
Amortization	6	$ 16,128	$ 15,799	$ 32,256	$ 31,598
Consulting	10	92,407	145,206	183,400	253,636
Depreciation of right-of-use asset	3	20,984	-	41,968	-
Directors' fees	10	10,000	15,000	20,000	15,000
Management compensation	10	60,000	83,872	120,000	83,872
Office, rent and miscellaneous		30,317	36,300	64,052	68,311
Professional fees		4,768	17,856	5,260	36,069
Share-based payments	10, 11, 12	14,683	143,502	40,113	200,925
Transfer agent, filing fees and shareholder communications		114,187	96,624	359,210	242,916
Travel and related costs		27,439	43,268	65,340	71,877
		(390,913)	(597,427)	(931,599)	(1,004,204)
OTHER ITEMS					
Interest income		2,549	2,976	4,578	2,976
Finance costs		(7,255)	-	(14,444)	-
Flow-through share premium reversal	2,11,15	187,091	362,708	187,091	362,708
Net and Comprehensive Loss for the Period		$ (208,528)	$ (231,743)	$ (754,374)	$ (638,520)
Loss per Share - Basic And Diluted		$ (0.00)	$ (0.00)	$ (0.01)	$ (0.01)
Weighted average number of common shares outstanding – basic and diluted		127,654,621	117,062,406	126,147,959	103,685,801

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

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

		Share capital				
	Notes	Number of shares	Amount	Share-based payment reserve	Deficit	Total
Balance at January 31, 2018		**107,343,162**	**$ 32,010,874**	**$ 3,738,352**	**$ (11,354,748)**	**$ 24,394,478**
Comprehensive loss:						
Loss for the period					(638,520)	(638,520)
Shares issued for private placement	11	8,419,643	4,025,000	-	-	4,025,000
Share issuance costs	11		(428,376)	71,953	-	(356,423)
Flow-through share premium	2,11		(657,143)	-	-	(657,143)
Shares issued on exercise of options	11	2,150,000	458,200	-	-	458,200
Shares issued on exercise of finders warrants	11	110,430	44,172	-	-	44,172
Reallocation of share-based payment reserves	11		279,306	(279,306)	-	-
Share-based payments	11		-	200,925	-	200,925
Balance at July 31, 2018		**118,023,235**	**$ 35,732,033**	**$ 3,731,924**	**$ (11,993,268)**	**$ 27,470,689**
Balance at January 31, 2019		**124,210,735**	**$ 38,138,658**	**$ 3,863,752**	**$ (12,903,097)**	**$ 29,099,313**
Comprehensive loss:						
Loss for the period					(754,374)	(754,374)
Shares issued for private placement	11	7,212,500	3,138,000	-	-	3,138,000
Share issuance costs	11		(350,842)	57,543	-	(293,299)
Flow-through share premium	2,11		(541,500)	-	-	(541,500)
Shares issued on exercise of options	11	700,000	245,000	-	-	245,000
Reallocation of share-based payment reserves	11		466,200	(466,200)	-	-
Share-based payments	11		-	40,113	-	40,113
Balance at July 31, 2019		**132,123,235**	**$ 41,095,516**	**$ 3,495,208**	**$ (13,657,471)**	**$ 30,933,253**

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

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

	Six months ended July 31, 2019	Six months ended July 31, 2018
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net loss	$ (754,374)	$ (638,520)
Items not involving cash		
Amortization	32,256	31,598
Depreciation - right-of-use assets	41,968	-
Share-based payments	40,113	200,925
Flow-through premium reversal	(187,091)	(362,708)
Changes in non-cash working capital items:		
Receivables	(43,889)	2,337
Prepaids and deposits	26,976	43,048
Trade payables and accrued liabilities	(9,017)	(213,247)
Net cash used in operating activities	(853,058)	(936,567)
INVESTING ACTIVITIES		
Equipment	-	(4,028)
Reclamation deposits	(22,417)	-
Expenditures on exploration and evaluation assets	(541,493)	(2,995,524)
Net cash used in investing activities	(563,910)	(2,999,552)
FINANCING ACTIVITIES		
Payment of lease liability	(35,724)	-
Issuance of common shares	3,383,000	4,527,372
Share issuance costs	(293,299)	(356,423)
Net cash provided by financing activities	3,053,977	4,170,949
Change in cash and cash equivalents	1,637,009	234,830
Cash and cash equivalents, beginning of period	954,126	1,072,646
Cash and cash equivalents, end of period	$ 2,591,135	$ 1,307,476

Supplemental cash flow information (Note 15)

The accompanying notes are an integral part of these unaudited condensed interim financial statement

1. NATURE AND CONTINUANCE OF OPERATIONS

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

The head office of the Company is located at 1605-777 Dunsmuir Street, Vancouver, British Columbia, Canada, V7Y 1K4. The registered address and records office of the Company is located at 2200-885 West Georgia Street, Vancouver, British Columbia, Canada, V6C 3E8.

These unaudited condensed interim 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 July 31, 2019 the Company has not advanced its properties 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 is aware, in making its assessment, of material uncertainties related to events and conditions that may cast a significant doubt upon the Company's ability to continue as a going concern as described above, and accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

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

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

These unaudited condensed interim financial statements were authorized for issue on September 27, 2019 by the directors of the Company.

Statement of compliance to International Financial Reporting Standards ("IFRS")
These financial statements, including comparatives, have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

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

These unaudited condensed interim financial statements should be read in conjunction with the Company's annual financial statements for the year ended January 31, 2019, which have been prepared in accordance with IFRS as issued by the IASB. The accounting policies, methods of computation and presentation applied in these unaudited condensed interim financial statements are consistent with those of the previous financial year, except for the adoption of a new accounting standard (Note 3).

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

Significant estimates and assumptions

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

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

Significant judgments

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

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

Exploration and evaluation expenditures

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

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

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

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

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

Farm outs

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

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

Equipment

Equipment is stated at cost, less accumulated amortization. Amortization expense is calculated using the straight-line method, applying an annual rate of 30%.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of comprehensive loss during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the statement of comprehensive loss.

Share-based payments

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 all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

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.

Comparative information

Certain amounts of the prior year balances have been reclassified to conform with the presentation of the current year financial statements.

Financial instruments

IFRS 9 Financial Instruments

The Company adopted all of the requirements of IFRS 9 Financial Instruments ("IFRS 9") as of February 1, 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 utilizes a revised model for recognition and measurement of financial instruments and a single, forward-looking "expected loss" impairment model. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company's accounting policy with respect to financial liabilities is unchanged. As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets retrospectively, for assets that continued to be recognized at the date of initial application.

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

Financial instruments (cont'd)

The change did not impact the carrying value of any financial assets or financial liabilities on the transition date.

The following is the Company's new accounting policy for financial instruments under IFRS 9:

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost.

The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL. The Company completed a detailed assessment of its financial assets and liabilities as at February 1, 2018.

The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial assets/liabilities	Original classification IAS 39	New classification IFRS 9
Cash	Loans and receivables	Amortized cost
Receivables	Amortized cost	Amortized cost
Accounts payable	Other financial liabilities	Amortized cost

No changes were made as a result of the adoption of IFRS 9.

(ii) Measurement

Debt investments at FVTOCI
These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income ("OCI"). On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss

Equity investments at FVTOCI
These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

Financial assets and liabilities at amortized cost
Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

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

Financial instruments (cont'd)

Financial assets and liabilities at FVTPL
Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of net (loss) income. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of net (loss) income in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive income (loss).

(iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(iv) Derecognition

Financial assets
The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

Financial liabilities
The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or loss.

Impairment of assets
The carrying amount of the Company's long-lived assets (which includes equipment and 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.

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

Impairment of assets (cont'd)

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

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

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

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

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

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

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

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

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

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 ("deferred premium on flow through shares"). As the qualifying expenditures are incurred, a deferred tax liability is recognized and the deferred premium 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.

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

Restoration and environmental obligations (cont'd)

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

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

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

As at July 31, 2019, the Company has no known material restoration and environmental obligations.

3. NEW ACCOUNTING STANDARD

New standard IFRS 16 "Leases"

Effective January 1, 2019, the Company adopted IFRS 16, Leases, which specifies how to recognize, measure, present and disclose leases. The standard introduces a single lessee accounting model and requires a lessee to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

The Company applied IFRS 16 at the start of the fiscal year beginning on February 1, 2019 and applied the simplified transition approach which does not require restatement of comparative periods, as permitted under the specific transitional provisions in the standard. The right-of use asset was measured on transition as if the new standard had been applied since the respective lease's commencement date but using the Company's incremental borrowing rate of 12% as at February 1, 2019. The reclassifications and the adjustments arising from the new leasing rules are therefore recognized on the opening balance sheet on February 1, 2019. On adoption of IFRS 16, the Company recognized lease liability in relation to an office lease which had previously been classified as "operating lease" under the principles of IAS 17 Leases. This office lease has a term to January 31, 2022. The Company recognized a right-of use asset of $251,806 on February 1, 2019 and a lease liability of $251,806.

(Unaudited - Expressed in Canadian dollars)

3. NEW ACCOUNTING STANDARD (cont'd)

New standard IFRS 16 "Leases" (cont'd)

	Right-of use asset
Cost	
Balance, January 31, 2019	$ -
Initial valuation	251,806
Balance, July 31, 2019	251,806
Accumulated Depreciation	
Balance, January 31, 2019	$ -
Amortization	41.968
Balance, July 31, 2019	41,968
Net book value, July 31, 2019	$ 209,838

4. CASH AND CASH EQUIVALENTS

The components of cash and cash equivalents are as follows:

	July 31, 2019	January 31, 2019
Cash at bank	$ 141,135	$ 54,126
Term deposits	2,450,000	900,000
	$ 2,591,135	$ 954,126

At July 31, 2019, the Company has variable rate investments of $2,450,000 (January 31, 2019 - $900,000) yielding variable interest rates of prime – 2.7%. The term deposits allow for early redemption after the first 30 days of investment and mature on various dates.

5. RECEIVABLES

Receivables consist of the following:

	July 31, 2019	January 31, 2019
GST receivable	$ 96,106	$ 52,840
Interest receivable	5,219	4,596
	$ 101,325	$ 57,436

(Unaudited - Expressed in Canadian dollars)

6. EQUIPMENT

Cost		
Balance, January 31, 2018	$	223,298
Acquisitions		4,028
Balance, January 31, 2019	$	227,326
Acquisitions		-
Balance, July 31, 2019		227,326
Accumulated amortization		
Balance, January 31, 2018	$	84,752
Amortization		63,854
Balance, January 31, 2019	$	148,606
Amortization		32,256
Balance, July 31, 2019		180,862
Net book value, January 31 2018	$	138,546
Net book value, January 31 2019	$	78,720
Net book value, July 31, 2019	$	46,464

Included in equipment is vehicles with net book value of $36,906 and office furniture and equipment with net book value of $9,558 as at July 31, 2019

7. RECLAMATION DEPOSITS

To July 31, 2019, security deposits of $162,417 (January 31, 2019 - $140,000) were deposited with the Minister of Aboriginal Affairs and Northern Development Canada for land use permits issued by the Mackenzie Valley Land and Water Board ("MVLWB") for the Company's exploration properties in the Northwest Territories. The deposits will be refunded once the land use permit ends and a final report describing land use activities during the respective term of the permits and subsequent reclamation activities have been submitted to the MVLWB.

8. EXPLORATION AND EVALUATION ASSETS

Yellowknife City Gold Project, Northwest Territories

The Yellowknife City Gold Project ("YCG") is comprised of the Northbelt, Southbelt, Eastbelt and Quyta-Bell properties in the Northwest Territories as well as additional claims and property interests that have been acquired and incorporated into the Northbelt, Southbelt and Eastbelt properties as described in more detail below.

In May 2013, the Company granted Osisko Gold Royalties Ltd. (formerly Virginia Mines Inc.) ("Osisko") an option to acquire a 2% net smelter return royalty ("NSR") on the Northbelt property. Osisko may exercise the option by payment of $2,000,000 within three months following the commencement of production. In consideration of granting the option, the Company received 20,000 common shares of Osisko at a market value of $10 per share, the value of which was applied to reduce the acquisitions costs recorded for Northbelt by $200,000 during the period.

On May 12, 2015, the Company entered into an agreement to grant an option to Osisko to purchase a 1.0% NSR on the YCG. To purchase this option, Osisko paid the Company $1,000,000 (received), which was applied as a reduction to the carrying value of the YCG. The option also entitles Osisko to purchase a 1.0% NSR on production from the properties that comprise the YCG by payment of an additional $2,000,000 within 3 months following commencement of production.

8. EXPLORATION AND EVALUATION ASSETS (cont'd)

Yellowknife City Gold Project, Northwest Territories (cont'd)

Northbelt Property

The Company owns 100% of the mineral lease and claims in the Northbelt Property.

To July 31, 2019 the Company has incurred exploration and evaluation expenditures, net of recoveries, totalling $25,355,390 (January 31, 2019 - $24,179,440) on the Northbelt Property.

On October 28, 2013, as amended on October 21, 2015, the Company entered into an option agreement to acquire a 100% interest in the Walsh Lake Property, which is contiguous with and immediately east of the Northbelt Property.

Effective as of February 1, 2017, the Walsh Lake property has now become part of the Northbelt property and exploration costs incurred on the former Walsh Lake claims or leases are now accounted for under the Northbelt cost centre. The Company had incurred exploration and evaluation expenditures totalling $2,447,538 on the Walsh Lake Property prior to its acquisition in January of 2017.

Southbelt Property

The Company owns 100% of the mineral claims in the Soutbelt Property.

During the year ended January 31, 2019, the Company incurred additional staking costs of $1,800.

To July 31, 2019, the Company has incurred exploration and evaluation expenditures totalling $581,367 (January 31, 2019 - $566,859) on the Southbelt Property.

Eastbelt Property

On February 1, 2017, the Company announced that it had staked certain claims east of the City of Yellowknife known as the Eastbelt Property that have been incorporated into the YCG.

On September 15, 2017, the Company acquired contiguous claims which have been incorporated into the Eastbelt Property. The claims are subject to a 2% NSR. The Company has the right, at any time, to purchase 1% of the 2% NSR for $1,000,000. On completion of the acquisition, the Company is also obligated to pay an annual advance royalty of $6,000 until the commencement of production. As consideration, the Company paid $10,000 and issued 50,000 common shares at a fair value of $25,500 (Note 11). The Company is obligated to pay a further $20,000 (paid) and issue 50,000 common shares at a fair value of $20,000 on or before November 1, 2018 (issued) and pay an additional $20,000 and issue another 50,000 common shares on or before November 1, 2019.

On November 17, 2017, the Company acquired an additional contiguous claim that has been incorporated into the Eastbelt Property. As consideration, the Company paid $5,000 and issued 40,000 common shares at a fair value of $20,000 (Note 11). The Company also incurred additional acquisition costs of $17,166.

On September 25, 2018 the Company acquired additional contiguous claims, the Tom and Sickle claims, that have been incorporated into the Eastbelt Property. As consideration, the Company paid $25,000 and issued 250,000 common shares at a fair value of $95,000 (Note 11). The Company also incurred additional acquisition costs of $132,380. These claims are subject to a 2% net smelter royalty.

To July 31, 2019 the Company has incurred total exploration and evaluation expenditures, net of recoveries, of $1,485,902 (January 31, 2019 - $1,496,872) on the Eastbelt Property.

8. EXPLORATION AND EVALUATION ASSETS (cont't)

Quyta-Bell Property

On March 7, 2018, TerraX announced that it had expanded its land position at the YCG project through the staking of an additional 337.5 square kilometers immediately to the north of its current properties. These additional 47 claims have been named the Quyta-Bell property and have been incorporated into the YCG.

To July 31, 2019 the Company has incurred total exploration and evaluation expenditures, net of recoveries, of $332,523 (January 31, 2019 - $367,580).

Stewart Property, Newfoundland

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 has completed its commitments and acquired the 100% interest.

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

To July 31, 2019, the Company has incurred expenditures totalling $1,621,737 (January 31, 2019 - $1,607,274) on the Stewart Property.

(Unaudited - Expressed in Canadian dollars)

8. EXPLORATION AND EVALUATION ASSETS (cont'd)

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

	Northbelt	Southbelt	Eastbelt	Quyta-Bell	Stewart	Total
Balance, January 31, 2018	$ 20,452,377	$ 544,832	$ 1,045,832	$ -	$ 1,601,374	$ 23,644,415
Acquisition costs	158,871	1,800	292,380	92,261	2,300	547,612
Exploration costs						
Assays and drilling	1,466,330	-	-	-	3,600	1,469,930
Community	234,782	-	500	-	-	235,282
Consulting (Note 10)	1,138,609	1,951	173,955	24,906	-	1,339,421
Environmental	58,981	14,242	3,328	13,757	-	90,308
Field expenses	583,696	-	111,726	11,796	-	707,218
Geophysical	85,794	4,034	39,901	224,860	-	354,589
	3,568,192	20,227	329,410	275,319	3,600	4,196,748
Recoveries	-	-	(170,750)	-	-	(170,750)
Balance, January 31, 2019	$ 24,179,440	$ 566,859	$ 1,496,872	$ 367,580	$ 1,607,274	$ 28,218,025
Acquisition costs	11,775	5,177	12,307	2,612	-	31,871
Exploration costs						
Assays and drilling	717,622	-	-	-	-	717,622
Community	99,308	-	-	-	-	99,308
Consulting (Note 10)	191,666	8,256	600	12,303	13,338	226,163
Environmental	13,873	-	-	-	-	13,873
Field expenses	141,706	1,075	123	-	-	142,904
Geopysical surveys	-	-	-	3,563	1,125	4,688
	1,164,175	9,331	723	15,866	14,463	1,204,558
Recoveries	-	-	(24,000)	(53,535)	-	(77,535)
Balance, July 31, 2019	$ 25,355,390	$ 581,367	$ 1,485,902	$ 332,523	$ 1,621,737	$ 29,376,919

(Unaudited - Expressed in Canadian dollars)

9. TRADE PAYABLES AND ACCRUED LIABILITIES

Trade payables and accrued liabilities consist of the following:

	July 31, 2019	January 31, 2019
Trade payables	$ 619,097	$ 105,994
Due to related parties (Note 10)	231,469	103,688
Accrued liabilities (Note 10)	-	32,500
	$ 850,566	$ 242,182

10. RELATED PARTY TRANSACTIONS

Related party balances

As at July 31, 2019, $231,469 (January 31, 2019 - $103,688) was due to directors of the Company or to companies controlled by directors of the Company and recorded in trade payables and accrued liabilities. These amounts are unsecured, non-interest bearing with no fixed terms of repayment.

Key Management Compensation

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

	Six months ended	
	July 31, 2019	July 31, 2018
Consulting fees	$ 126,800	$ 211,625
Directors' fees	20,000	15,000
Geological consulting- exploration and evaluation assets (Note 8)	345,811	808,594
Management compensation	120,000	83,872
Professional fees	-	25,000
Share-based payments	36,530	169,976
	$ 649,141	$ 1,314,067

Related party transaction

The Company incurred $345,811 (2018: $808,594) of geological consulting fees for its exploration and evaluation assets with a company related to the Executive Chairman of the Company (Note 8).

11. SHARE CAPITAL

Authorized share capital

Unlimited number of voting common shares without par value.

Issued share capital

Fiscal 2020

a) On June 26, 2019 the Company completed a private placement comprised of 1,782,500 common shares of the Company (the "Shares") at a price of $0.36 per Share, 2,430,000 flow-through common shares of the Company (the "FT Shares") at a price of $0.41 per FT Share and 3,000,000 charity flow-through common shares of the Company (the "Charity FT Shares") at a price of $0.50 per Charity FT Share, for aggregate gross proceeds of $3,138,000. Share issuance costs of $293,299 in cash were incurred with respect to this placement along with the issuance of 373,546 compensation warrants exercisable at $0.36 per common share until June 26, 2021. The total fair value of these finder's warrants of $57,543 was estimated using the Black-Scholes Option Pricing Model assuming an expected life of 2 years, expected dividend yield of 0%, a risk-free interest rate of 1.46% and an expected volatility of 51%.

b) During the six months ended July 31, 2019, the Company received net proceeds of $245,000 from the exercise of 700,000 options at $0.35 per share. The value of these options of $466,200 was reclassified from share-based payment reserve to share capital.

Fiscal 2019

a) On April 12, 2018, the Company completed a private placement of 4,312,500 units ("Units") at a price of $0.40 per unit and 4,107,143 flow-through units ("FT Units") at a price of $0.56 per flow-through unit, for aggregate gross proceeds of $4,025,000. Each Unit is comprised of one common share and one half of one transferable non-flow-through common share purchase warrant (each whole such common share purchase warrant, a " Warrant"). Each FT Unit is comprised of one flow-through common share and one half of one Warrant (issued on a non-flow-through basis). Each Warrant is exercisable into one additional non-flow-through common share of the Company for a period of three years from closing, subject to an exercise acceleration trigger, at an exercise price of $0.60 per share. There was a flow-through share premium with respect to this placement of $0.16 per share, or $657,143. Share issuance costs of $419,797 in cash were incurred with respect to this placement along with the issuance of 420,982 finder's warrants exercisable at $0.40 per common share for a period of 24 months from closing. The total fair value of these finder's warrants of $71,954 was estimated using the Black-Scholes Option Pricing Model assuming an expected life of 2 years, expected dividend yield of 0%, a risk-free interest rate of 1.88% and an expected volatility of 63%.

b) On November 16, 2018 the Company completed a non-brokered private placement of 5,887,500 units ("Units") at a price of $0.40 per unit for aggregate gross proceeds of $2,355,000. Each Unit is comprised of one common share and one transferable common share purchase warrant (a "Warrant"). Each Warrant shall be exercisable into one additional common share of the Company for a period of three years from closing at an exercise price of $0.60.

c) During the year ended January 31, 2019, the Company received net proceeds of $44,172 from the exercise of 110,430 warrants. The value of these warrants of $25,205 was reclassified from share-based payment reserve to share capital.

(Unaudited - Expressed in Canadian dollars)

11. SHARE CAPITAL (cont'd)

Fiscal 2019 (cont'd)

d) During the year ended January 31, 2019, the Company received net proceeds of $458,200 from the exercise of 2,150,000 stock options at an average price of $0.21 per share. The value of these options of $254,101 was reclassified from share-based payment reserve to share capital.

e) During the year ended January 31, 2019, the Company issued 300,000 common shares with a value of $115,000 towards consideration for the acquisition of exploration and evaluation assets (Note 8).

Stock options

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

Stock option transactions are summarized as follows:

	Number of options	Weighted average exercise price
Balance as at January 31, 2018	8,795,000	$ 0.42
Granted	1,250,000	0.41
Exercised	(2,150,000)	0.21
Balance as at January 31, 2019	7,895,000	0.60
Exercised	(700,000)	0.35
Expired	(1,100,000)	0.57
Balance as at July 31, 2019	6,095,000	$ 0.63

As July 31, 2019, the weighted average remaining life of options outstanding was 0.89 years.

Fiscal 2020

The Company recorded $40,113 in share-based compensation expense for stock options which vested during the six months ended July 31, 2019, but were granted in previous periods.

Fiscal 2019

On June 15, 2018, the Company granted 1,250,000 stock options to an officer of the Company that can be exercised at $0.41 per share until June 15, 2021. These options vest as to 12.5% immediately and 12.5% every three months over a twenty-one month period following date of grant. The total fair value of $219,442 was estimated using the Black-Scholes Option Pricing Model assuming an expected life of 3 years, expected dividend yield of 0%, a risk-free interest rate of 1.92% and an expected volatility of 62.43%. The vesting of granted stock options resulted in a share-based compensation expense of $168,559 being recorded during the year ended January 31, 2019.

The Company recorded $164,193 of share-based compensation expense for stock options that were granted in previous periods but which vested during the year ended January 31, 2019.

(Unaudited - Expressed in Canadian dollars)

11. SHARE CAPITAL (cont'd)

Stock options (cont'd)

The following incentive stock options were outstanding and exercisable at July 31, 2019:

Number of options outstanding	Number of options Exercisable	Exercise price	Expiry date
1,800,000	1,800,000	$ 0.83	August 26, 2019*
1,250,000	1,250,000	$ 0.62	May 17, 2020
250,000	250,000	$ 0.49	June 20, 2020
1,545,000	1,545,000	$ 0.61	September 8, 2020
1,250,000	625,000	$ 0.41	June 15, 2021
6,095,000	5,470,000		

* expired subsequent to the period

Warrants

The Company measures warrants issued with common shares in unit private placements using the residual method. During the years ended January 31, 2019 and 2018, the issue price of units was not higher than the market price of the Company's shares at the time of issuance. Accordingly, no value was allocated to such warrants.

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted average exercise price
Balance as at January 31, 2018	5,117,903	$ 0.49
Issued	10,518,303	0.59
Exercised	(110,430)	0.40
Expired	(2,191,195)	0.47
Balance as at January 31, 2019	13,334,581	$ 0.57
Issued	375,546	0.36
Expired	(2,816,278)	0.50
Balance as at July 31, 2019	10,891,849	$ 0.58

The following warrants were outstanding and exercisable at July 31, 2019:

Number	Exercise Price	Expiry Date
420,982	$ 0.40	April 12, 2020
4,209,821	$ 0.60	April 12, 2021
373,546	$ 0.36	June 26, 2021
5,887,500	$ 0.60	November 17, 2021
10,891,849		

As at July 31, 2019, the weighted average remaining life of warrants outstanding was 1.45 years.

12. SHARE-BASED PAYMENT RESERVE

The share-based payment reserve records items recognized as share-based payments until such time that the stock options and finder's warrants are issued, granted and exercised, at which time the corresponding amount will be transferred to share capital.

13. 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.

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

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

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

Interest rate risk
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has positive cash balances at July 31, 2019 and no interest bearing debt, therefore, interest rate risk is nominal.

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

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

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

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

(Unaudited - Expressed in Canadian dollars)

14. SUPPLEMENTAL CASH FLOW INFORMATION

During the six month periods ended July 31, 2019 and 2018, the Company incurred the following non-cash transactions that are not reflected in the statements of cash flows:

	Six months ended	
	July 31, 2019	**July 31, 2018**
Exploration expenditures included in trade payables and accrued liabilities	$ 617,401	$ 505,334
Fair value of finder's warrants	$ 57,543	$ 71,953
Fair value of share-based payments reallocated to share capital	$ 466,200	$ 279,306

15. DEFERRED PREMIUM ON FLOW-THROUGH SHARES

	July 31, 2019	**January 31, 2019**
Balance, beginning of period	$ -	$ -
Deferred premium on flow-through shares issued	541,500	657,143
Recognition of deferred premium on flow-through shares	(187,091)	657,143
Balance, end of period	$ 354,409	$ -

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, 2019, the Company received $2,300,000 from the issue of flow-through shares at a premium to the market price and recognized a deferred premium on flow-through shares of $657,143. During the year ended January 31, 2019 the Company incurred and renounced eligible expenditures of $2,300,000. These expenditures will not be available to the Company for future deduction from taxable income.

During the six months ended July 31, 2019, the Company received $2,496,300 from the issuance of flow-through shares at a premium to the market price of the Company's shares and recognized a deferred premium on flow-through shares of $541,500. During the six months ending July 31, 2019 the Company incurred and renounced eligible expenditures of $862,486. These expenditures 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 deferred income. As at July 31, 2019, the Company has a remaining qualifying expenditure commitment of $1,633,814 from the proceeds of flow-through shares issued on June 26, 2019. These funds must be spent on eligible exploration expenditures prior to December 31, 2020.

16. COMMITMENT

Effective February 1, 2017, the Company entered into a lease agreement for the rental of office premises and made a deposit payment of $25,000 at that date. The future lease payment schedule is as follows:

2020	26,040
2021	53,760
2022	55,440
	$ 135,240