TERRAX MINERALS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the three and six months ended July 31, 2016

This Management Discussion and Analysis of TerraX Minerals Inc. ("TerraX" or the "Company") ("MDA") provides analysis of the Company's financial results for the three and six months ended July 31, 2016 and should be read in conjunction with the accompanying unaudited condensed interim financial statements and notes thereto for the three and six months ended July 31, 2016 and with the audited financial statements and notes thereto for the year ended January 31, 2016, all of which are available at www.sedar.com. This discussion is based on information available as at September 26, 2016.

The accompanying July 31, 2016 condensed interim financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the IFRS Interpretations Committee. All amounts are expressed in Canadian dollars, unless otherwise stated.

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

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

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

The Company's condensed interim financial statements for the three and six months ended July 31, 2016 and this accompanying MD&A may contain certain statements that may be deemed "forward-looking statements". All statements in this document, other than statements of historical fact, which address events or developments that the Company expects to occur, are forward looking statements. Forward-looking statements are statements that are not historical facts and are generally, but not always, identified by the words "expects", "plans", "anticipates", "believes", "intends", "estimates", "projects", "potential", "interprets" and similar expressions, or events or conditions that "will", "would", "may", "could" or "should" occur. Forward-looking statements in this document include statements regarding future exploration programs, joint venture partner participation, liquidity and effects of accounting policy changes.

Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results may differ materially from those in forward-looking statements. Factors that could cause the actual results to differ materially from those in forward-looking statements include market prices, exploration success, continued availability of capital and financing, inability to obtain required regulatory or governmental approvals and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward looking statements.

Forward-looking statements are based on the beliefs, estimates and opinions of the Company's management on the date the statements are made. The Company undertakes no obligation to update these forward-looking statements in the event that Management's beliefs, estimates, opinions or other factors should change except as required by law.

These statements are based on a number of assumptions including, among others, assumptions regarding general business and economic conditions, the timing of the receipt of regulatory and governmental approvals for the transactions described herein, the ability of the Company and other relevant parties to satisfy stock exchange and other regulatory requirements in a timely manner, the availability of financing for the Company's proposed transactions and exploration and development programs on reasonable terms and the ability of third-party service providers to deliver services in a timely manner. The foregoing list of assumptions is not exhaustive. Events or circumstances could cause results to differ materially.

OVERVIEW

During the six month period ended July 31, 2016 TerraX conducted a winter drill program at its wholly-owned Yellowknife City Gold Project ("YCG"), which now comprises 129 square kilometres of contiguous land immediately north and south of the City of Yellowknife in the Northwest Territories. The drill program was completed on March 30, 2016, with 7,310 m having been drilled on multiple targets, resulting in a new discovery at the Mispickel target on Walsh Lake, with drill results that included:

- **7.30 m @ 23.60 g/t Au,** including **4.55 m @ 37. 29 g/t Au** in the main zone of hole TWL16-002;
- **8.60 m @ 12.87 g/t Au**, including **5.45 m @ 18.24 g/t Au** in the main zone of hole TWL16-001, and **11.32 m @ 2.14 g/t Au**, including **2.10 m @ 5.92 g/t Au** in the footwall zone; and
- **8.00 m @ 60.60 g/t Au** including **2.25 m @ 212.48 g/t Au** in hole TWL16-016 (see our news release dated Jun 6, 2016).

All three holes reported above were drilled on the same section. The increase in grade and width of zones of mineralization with depth, and the potential to demonstrate continuity of mineralization along strike, have made Mispickel a priority target for further drilling this summer, with a 27,000 metre drill programme commencing at Mispickel in late July, 2016.

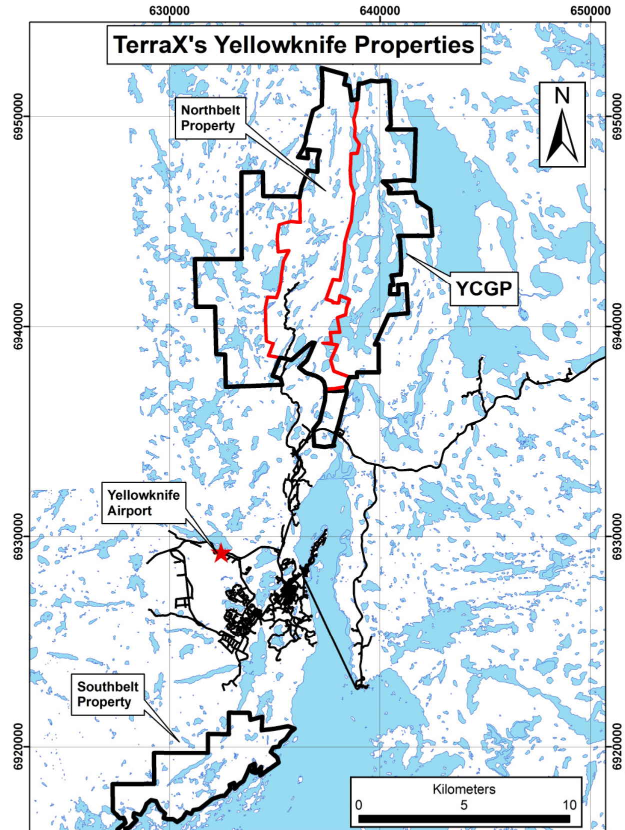
On September 22, 2016 TerraX announced assay results from the first 4 holes (1,076 m) from Mispickel and intersected significant zones of mineralization, with hole TWL16-020 intersecting high grade gold in the both the main zone and the hanging wall. These four holes are located on the two most southerly sections of drilling, and are below previously reported drill holes. The gold zones remain open along strike and down dip; drilling is ongoing.

Highlights from these four drill holes included:

- **5.53 m @ 29.85 g/t Au,** including **1.00 m @ 162.50 g/t Au,** in the **hanging wall zone** of hole **TWL16-020**
- **3.00 m @ 22.44 g/t Au,** including **1.00 m @ 64.70 g/t Au,** in the **main zone** of hole **TWL16-020**
- **5.85 m @ 12.47 g/t Au** including **1.00 m @ 67.00 g/t Au** in hole **TWL16-019**
- **4.67 m @ 13.83 g/t Au** including **1.00 m @ 60.40 g/t Au** in hole **TWL16-021**
- **2.00 m @ 9.37 g/t Au** in hole **TWL16-022**

During April, May and July, 2016 TerraX arranged and completed both flow-through and non-flow through financings totalling $7,479,688. In August 2016 TerraX raised a further $3,238,062 in flow-through funding to fund drilling and exploration on the YCG through to the end of 2017.

The Yellowknife City Gold project lies within the prolific Yellowknife greenstone belt and covers 15 km of strike length on the northern extension of the shear system that hosts the high-grade Con (6.1 Moz) and Giant (8.1 Moz) gold mines as well as 8 km of strike to the south of Con. The project area contains multiple shears that are the recognized hosts for gold deposits in the Yellowknife gold district, with innumerable gold showings and historic high grade drill results. Since February 2013, TerraX has consolidated the project area by acquiring and optioning numerous properties, including: Northbelt, Goodwin, Walsh Lake, and U-Breccia, as well as staking additional contiguous lands to the west at Ryan Lake and the Southbelt property south of the Con Mine. Being all-season road accessible and within 15 km of the City of Yellowknife, the YCG is close to vital infrastructure, including transportation, service providers, hydro-electric power and skilled trades people. For more information on the YCG, including its exploration history, please visit our web site at www.terraxminerals.com



EXPLORATION OVERVIEW

TerraX commenced field exploration at Northbelt in the summer of 2013 with an airborne survey to acquire detailed magnetic, electromagnetic (EM) and radiometric data flown by Aeroquest Ltd. of Aurora, Ontario. The survey was flown by helicopter at a height of between 30 m and 60 m and consisted of a total of 520 line km, comprised of east-west lines spaced 100 m apart. The magnetic survey revealed a major magnetic high in the northern part of the property, as well as strong north-northeast anomaly orientations interpreted to be caused by both stratigraphy and structures. The radiometric data for potassium showed highs corresponding to granites and several moderate strength north-northeast trending linear highs that could represent hydrothermal alteration along mineralized structures. The EM survey revealed a 1.2 km long, north-trending conductor in the northern part of the property, 400 m of which is highly conductive. This conductor was later tested by drilling and consisted of stringer pyrrhotite. A 4 km long, north-northeast trending intermittent conductor is present in the central part of the property, and an 800 m long conductor is present in the southern part of the property possibly caused by graphitic sediments.

LiDAR Services International Inc. flew a LiDAR (Light Detection and Ranging) survey over the YCG in July, 2014. This survey provided detailed elevation data of bare earth (Fig. 1) and vegetated terrain models, as well as a high resolution air photo mosaic. This information allows TerraX to trace mineralized shear zones (commonly topographic lows); provides surface modelling for future NI 43-101 mineral resource estimation; and is an invaluable tool for detailed collar location planning for drill programs.

SURFACE EXPLORATION

TerraX has conducted extensive field programs in 2013, 2014 and 2015. Initially, TerraX concentrated on locating historical drill collars in the field, finding approximately 125 of the collars at Crestaurum and more than 100 elsewhere on the property. All drill hole locations were recorded with a hand-held GPS and 155 of the most important holes in the southern part of the property were subsequently surveyed with a differential GPS. Precise knowledge of the location of historical drill holes allows TerraX to twin specific holes and also to create accurate 3-D models. In many drill holes casing has been left intact and capped, offering the option of carrying out downhole geophysical surveys and wedging directly from holes with mineralized intersections. Many of the historical collars that were not located were drilled from winter ice over lakes and ponds; their locations are known with a considerable degree of accuracy as they were drilled from the same surveyed ground grids as drill collars that were located onshore.

TerraX has collected approximately 3,000 surface (grab, chip and channel) samples to date. Gold is widely distributed throughout the YCG. Most mineralization occurs on north to northeast-trending (000 to 030° trending), sub-vertical structures, although locally northwest-trending structures are important. Structures observed on surface consist of 0.5 to 15 m wide zones of iron carbonate alteration, with or without sericite or chlorite. One or more quartz veins typically occur within the structure; such veins can be up to 1 m wide and have varying amounts of pyrite, arsenopyrite and base metal sulphides (galena, sphalerite, less commonly chalcopyrite). Bands of semi-massive sulphide up to 1 m wide are common in the northern part of the property and less common in the southern part. A concentration of gold on numerous structures has led TerraX to define a 5 km by 3 km **"Core Gold Area"** in the south-central part of the property. TerraX's samples from the YCG collectively returned up to **1205 g/t Au, 529 g/t Ag, >20% Pb, 13.65% Zn, 3.01% Cu and 6.32% Mo** (from different samples).

2016 Winter Drill Program

On February 1, 2016 TerraX commenced its 2016 winter drill program on the YCG. This winter drill campaign totalled 7,310 m of drilling on multiple gold targets, including the recently discovered Hebert-Brent Zone in the Core Gold Area, as well as the recently identified Homer Lake gold zone at the north end of the property. In addition, drilling took at two sulphide replacement-quartz vein targets on the Walsh Lake property of the YCG, the Mispickel target and the Sam Otto Zone 1.5 km to the southwest of Mispickel. A map showing these drilling locations, including the Mispickel and Sam Otto target areas, is available on our web site under "2016 Field Exploration".

Mispickel

TerraX commenced its winter drill program at Mispickel, drilling 384 metres in 4 holes on two parallel sections approximately 50 metres apart. The two holes on each section were designed to hit mineralization approximately 20-25 and 40-50 metres below a surface trench sampled by TerraX in 2013, which returned chip sampling assays across strike on the sulphide-quartz vein zone of **6.0 m @ 7.29 g/t Au** (News release of October 30, 2013).

Assay results from this initial drilling at Mispickel were announced on February 23, 2016 and March 4, 2016 with the following drill intersections reported:

- **7.30 m @ 23.60 g/t Au,** including **4.55 m @ 37. 29 g/t Au** in the main zone of hole TWL16-002
- **8.60 m @ 12.87 g/t Au**, including **5.45 m @ 18.24 g/t Au** in the main zone of hole TWL16-001, and
- **11.32 m @ 2.14 g/t Au**, including **2.10 m @ 5.92 g/t Au** in a footwall zone of hole TWL16-001.
- **4.05 m @ 3.49 g/t Au** in the main zone of hole TWL16-003
- **7.50 m @ 2.08 g/t Au** in the hanging-wall zone of hole TWL16-004

A further five holes totaling 980 metres were drilled at Mispickel at the end of March 2016 to follow up on the success of the initial drill program. Drilling again intersected visible gold zones in quartz veins with highlights that included:

- **8.00 m @ 60.60 g/t Au** including **2.25 m @ 212.48 g/t Au** in hole TWL16-016
- **10.68 m @ 2.34 g/t Au** including **2.57 m @ 6.84 g/t Au** in hole TWL16-015
- **12.95 m @ 1.53 g/t Au** including **4.81 m @ 3.38 g/t Au** in hole TWL16-017

The high grade intersection in TWL16-016 (**8.00 m @ 60.60 g/t Au)** is located 40 meters down dip from TWL16-002 (7.30 m @ 23.60 g/t Au). See the Company’s news release of June 6, 2016 for more details.

All five holes of these holes at Mispickel intersected significant zones of mineralization. Each hole contained wide zones of low grade mineralization, including **145.90 metres @ 0.34 g/t Au** in TWL16-017. This hole was collared in mineralization and ended in mineralization, with the bottom of the hole assaying 4.60 m @ 1.31 g/t Au. Within these pervasive zones of low grade gold mineralization are areas of higher grade gold, usually accompanied by visible gold, as indicated in the highlights listed above.

This drilling, coupled with a recently completed surface magnetic survey, resulted in a re-interpretation of the Mispickel mineralized zones. The pervasive low grade mineralizing trend is contained within a 75-200 metre wide, north to north-northwest trending, sub-vertical shear zone. Within this wider zone of mineralization the higher grade zones migrate in a northwest to north-northwest direction with minor splays along the dominant northerly trend of the shear.

The areal extent of the gold mineralization at Mispickel indicates a large mineralizing system within which exist significant high grade gold zones, as evidenced by the drill results reported above. The summer drill program at Mispickel, now underway, is comprised of 20 drill holes (5,200 m) designed to follow-up on this success by further testing along the strike and dip extensions of the Mispickel structure. To date, TerraX has completed 13 holes of this drill program, with assay results pending on the remaining nine holes.

On September 22, 2016 TerraX announced that assay results from the first 4 holes (1076 m) of the Mispickel drill program. All four holes intersected significant zones of mineralization, with hole TWL16-020 intersecting high grade gold in the both the main zone and the hanging wall. These four holes are located on the two most southerly sections of drilling, and are below previously reported drill holes. The gold zones remain open along strike and down dip; drilling is ongoing. Highlights included:

- **5.53 m @ 29.85 g/t Au,** including **1.00 m @ 162.50 g/t Au,** in the **hanging wall zone** of hole **TWL16-020**
- **3.00 m @ 22.44 g/t Au,** including **1.00 m @ 64.70 g/t Au,** in the **main zone** of hole **TWL16-020**

- **5.85 m @ 12.47 g/t Au** including **1.00 m @ 67.00 g/t Au** in hole **TWL16-019**
- **4.67 m @ 13.83 g/t Au** including **1.00 m @ 60.40 g/t Au** in hole **TWL16-021**
- **2.00 m @ 9.37 g/t Au** in hole **TWL16-022**

TerraX plans to follow-up on this success by further testing along the strike and dip extensions of the Mispickel structure during the winter drill program scheduled to begin in January 2017. The pervasive mineralizing trend is contained within a 75-200 metre wide, north to north-northwest trending, sub-vertical shear zone. Other significant zones of mineralization within the Mispickel trend that were intersected in this program include 12.50 m @ 1.01 g/t Au in hole TWL16-020 and 8.00 m @ 1.13 g/t Au in TWL16-021.

For more details, please refer to the Company's news release dated September 22, 2016. A map and cross sections showing the location of the drill holes reported above from the Mispickel target area are available on our web site under "Mispickel 2016 Field Exploration" under the "Walsh Lake" property section.

Sam Otto

Southwest of Mispickel is the Sam Otto zone, where historic work and sampling by TerraX identified a north to northwest, steeply dipping structure in finely laminated sediments. Chip sampling of three of these trenches produced results of **5 m @ 1.90 g/t Au**; **6 m @ 0.98 g/t Au**; and **8 m @ 0.89 g/t Au**. The structure is up to 8 m wide and contains several quartz veins of variable width, with minor pyrite and lesser arsenopyrite. A grab sample from a quartz vein 100 m northeast of the Sam Otto zone assayed **72.6 g/t Au**. A total of nine holes (1,510 m) testing 100 metres of strike were drilled in the Sam Otto target in February of 2016. All drill holes intersected wide, pervasive and persistent zones of mineralization, including **49.70 m @ 1.00 g/t Au** in hole TWL16-001 and **30.70 m @ 1.33 g/t Au** in hole TWL16-013. For more details see our news release of April 13, 2016.

Homer Lake Gold Zone

On May 4, 2016 TerraX announced assay results from a six hole drill program totalling 1,147 metres at Homer Lake.

Two holes (THL16-008 and 009) tested a north striking quartz vein and sulphide gold zone that crosses the Homer Lake base metal structure. This zone had not previously been tested by drilling and returned:

- **15.91 m @ 1.78 g/t Au, 14.9 g/t Ag**, including **2.70 m @ 5.51 g/t Au, 53.6 g/t Ag** in hole THL16-008
- **18.19 m @ 1.20 g/t Au, 9.5 g/t Ag**, including **5.99 m @ 3.31 g/t Au, 20.9 g/t Ag**; and **2.00 m @ 5.53 g/t Au, 10.3 g/t Ag** in hole THL16-009

Four holes (THL16-005 to 007 and THL16-010) tested the northeast striking Homer Lake base metal mineralization that had been identified during drilling in 2014. All holes intersected base metal mineralization, including **4.00 m @ 0.53 g/t Au, 57.1 g/t Ag, 3.82% Pb and 4.63% Zn** in hole THL16-010.

The 2 holes testing the gold-silver zone in historic trenches were placed 25 metres apart, and tested approximately 35 metres below surface. The 4 holes on the base metal target tested 200 metres of strike along the zone and to a vertical depth of approximately 250 metres. A map and cross sections showing the location of drill holes on the Homer Lake target areas are available on our web site under “2016 Field Exploration”.

TerraX is encouraged by the results from this previously untested zone. Surface assays and the 2015 ground magnetic survey indicate potentially multiple sub-parallel structures. The length of the ground magnetic signature from the structure reported here extends for more than 500 metres. A coincident LiDAR structure has a strike length of over 2 kilometres.

Hébert-Brent Area

Geological mapping in 2015 identified several areas of extensive sericite alteration in the Core Gold Area. This work resulted in the identification of the >500 m wide, north-northeast trending Barney Deformation Corridor. An important new surface showing called the Hebert-Brent showing was discovered. This showing features an 11 m wide sulphide-sericite-ankerite schist shear zone, partly within a 10-15 m wide felsic dike which has been slightly offset by the shear zone. Initial channel samples from the showing returned **11.0 m @ 7.55 g/t Au**. Additional channel sampling across the strike of two nearby zones returned **6.0 m @ 10.26 g/t Au** (“Hebert-Brent South”) and **15.3 m @ 2.23 g/t Au, including 6.00 m @ 4.05 g/t Au.** Mineralization is replacement style, and unusually for the Yellowknife gold camp, there is a noticeable lack of quartz veining. Mineralization consists 20% to 60 % semi-massive, fine-grained sulphide needles. Importantly, the sericite-ankerite alteration sampled at the Hebert-Brent has become key exploration criteria for identifying potential gold mineralization in the YCG. Recognition of this style of mineralization is important because replacement style deposits, such as Hemlo and Éléonore, can be very large gold producers. A further nineteen holes (784 m) were drilled at Hebert-Brent in March 2016.

On May 19, 2016 TerraX announced assay results from these nineteen holes. All holes were very shallow (average 41 metres depth) testing interpreted shallow dip, plunge, and strike extensions of the mineralized zones exposed on surface.

The drilling reported here tested several potential extensions to the surface mineralization. Six holes (TCG16-34, 040, 043, 044, 052 and 053) totalling 242 metres tested mineralization along strike and to the south of the surface mineralization. All these holes hit sulphide replacement gold zones over a strike length of 125 metres. Highlights include:

- **8.00 m @ 3.21 g/t Au**, including 3**.00 m @ 7.09 g/t Au** in hole TCG16-052
- **1.86 m @ 15.08 g/t Au** in hole TCG16-040; and
- 7**.10 m @ 3.61 g/t Au,** including **1.04 @ 12.75 g/t Au** in hole TCG16-034.

Based on this drilling, we believe that the main Hebert-Brent zone and the Hebert-Brent South Zone have potential along a projected southerly dip. Due to the time constraints imposed by winter drilling and the limited metreage budgeted for this program, drilling was terminated before the southern dip potential of both zones could be tested.

The replacement style deposit type evident at Hebert-Brent remains a high priority target for TerraX as larger zones of similar alteration and mineralization have been located to the north, east, and south of Hebert-Brent. These new zones were comprehensively mapped and sampled during the 2016 summer field season.

2016 Summer Field Exploration

In mid-June 2016 TerraX began a $500,000 summer fieldwork program on the YCG. This field work budget has been supplemented by a Northwest Territories Mineral Incentive Program grant worth more than $120,000, making total funding of $620,000 available for comprehensive surface programs that are now underway and will continue until the fall freeze up, likely in late October.

After our success in 2015 discovering new zones of previously unreported high-grade gold mineralization, such as Hebert-Brent, with only a modest field exploration budget we have decided to increase our surface exploration expenditure four-fold this summer in order to fully understand the potential mineral endowment on the YCG, which has never been fully explored with modern mineral exploration technology.

The focus of the work will be:

- Comprehensive field mapping and rock sampling to identify extensions to new areas of mineralization such as the Mispickel zone (8.00 m @ 60.60 g/t Au from drilling reported June 6th, 2016). The Mispickel mineralized structure has been identified in geophysics and historical exploration reports over approximately 5 km of strike length. Summer field work will investigate areas of historical trenching along the mineralized structure to the north of TerraX's winter drilling.

- Identifying new areas of mineralization, particularly sulphide replacement style zones as demonstrated with TerraX's discovery of the Hebert-Brent Zone (11.00 m @ 7.55 g/t Au in channels reported August 11, 2015). The search for sulphide replacement drill targets will focus on three areas identified in the fall of 2015 that have surface expressions of the alteration types associated with the Hebert-Brent zone, but with significantly larger areal extent.

- Mapping and sampling the Southbelt property to follow up on 2015 surface sampling (grab samples up to 94.9 g/t Au - see our news release of September 23, 2015). It is anticipated that drill targets will be identified on Southbelt for winter drilling in early 2017.

In addition to mapping and lithological sampling, TerraX is conducting several other surveys on YCG including:

- A detailed ground magnetic survey over the remainder of the Mispickel structure not covered in the winter survey, and along the Sam Otto structure (49.70m @ 1.00 g/t Au in drilling reported April 13, 2016), a mineralized zone sub-parallel and 300 metres to the west of the Mispickel structure. Sam Otto has been identified over at least 1.5 kilometres of strike length in historical surface trenches and drilling;

- A LiDAR survey over TerraX's Southbelt property;

- POCO time domain EM and Magnetic surveys over sulphide replacement target areas and the Homer Lake gold and base metal area;

- Spectral analysis of mineralized areas to determine the mineralogy signatures of the various gold zones on the YCG; and

- Various soil and till geochemical test programs to identify buried mineralized trends.

The current work programs will be partly funded by a Mineral Incentive Program ("MIP"). This program was initially started in 2014 by the government of the Northwest Territories ("NWT") to provide funding to prospectors and exploration companies who propose new exploration projects or are already carrying out NWT mineral exploration work. The MIP is intended to stimulate and sustain mineral exploration activities throughout the NWT and reduce the risk associated with grass roots mineral exploration. TerraX is pleased to announce that the application of innovative exploration research methods on its YCG project has resulted in an award of $120,000 from the MIP. The support shown through the MIP is seen by TerraX as a progressive move by the NWT government to sustain mining as an important economic driver in the NWT economy. Specifically, this funding will assist TerraX in discovering additional gold deposits within the YCG.

In July, 2016 TerraX began a 27,000 metre diamond drill program that will continue until freeze-up at the end of October and then resume in January 2017 and continue through the summer of next year. There are currently three drills operating on the property.

During the six months ended July 31, 2016 the Company incurred $2,746,012 in exploration expenditures on the Yellowknife City Gold Project, inclusive of geological consulting of $759,766, drilling and assays of $1,348,483, geophysical of $94,156 and field expenses of $543,607.

PRIVATE PLACEMENTS

On April 15, 2016 TerraX closed a non-brokered private placement of 2,340,500 flow-through ("FT") shares at $0.40 per share for gross proceeds of $936,200. The shares are subject to a hold period expiring on August 16, 2016. A cash finder's fee was paid on this placement, along with the issuance of 140,430 finders warrants exercisable at $0.40 until April 15, 2018. In May 2016, TerraX completed additional closings of the private placement of flow-through shares with the issuance of a further 407,500 FT shares at $0.40 per share for gross proceeds of $163,000, bringing the total amount of flow-through funding raised after this final closing to $1,099,200. Finder's fees in cash were paid on a portion of this final closing.

On May 6, 2016 TerraX closed the first tranche of a private placement of non-flow-through ("NFT") common shares with the issuance of 3,231,000 units at 35 cents per unit for gross proceeds of $1,130,850. Each unit will comprise one NFT common share and one-half of one share purchase warrant, with each full warrant entitling the holder to purchase an additional common share at an exercise price of 50 cents per share until May 6, 2019. Finders' fees in shares and cash were paid on these placements, along with the issuance of 14,700 finder warrants exercisable at 40 cents per share until May 6, 2018.

On May 13, 2016 TerraX closed the final tranche of this private placement of NFT common shares with the issuance of a further 2,804,000 units @ $0.35 per unit for gross proceeds of $981,400, increasing the aggregate gross proceeds raised in this NFT placement to $2,112,250. Each unit is comprised of one NFT common share and one-half of one share purchase warrant, with each full warrant entitling the holder to purchase an additional NFT common share at an exercise price of $0.50 per share until May 13, 2019.

On July 29, 2016 TerraX closed the first tranche of a non-brokered private placement of 17.5 million flow-through shares at 40 cents per share announced July 4, 2016, with the issuance of 10,654,846 shares at 40 cents per share for gross proceeds of $4,261,938. The shares are subject to a hold period expiring on November 30, 2016. Finders' fees in cash and shares, along with finders' warrants exercisable at 42 cents for a two-year period, were paid with respect to a portion of this placement on closing of the final tranche in August, 2016.

On August 18, 2016 the final tranche of the non-brokered private placement announced July 4, 2016 was closed, with the issuance of a further 8,095,154 shares at 40 cents per share for gross proceeds of $3,238,062, increasing the total raised in this financing to $7.5 million. Finders' fees in cash were paid with respect to this placement, along with 1,447,500 finders' shares and 1,266,475 finders' warrants exercisable at 42 cents until August 19, 2018. The shares, and all shares issued upon the exercise of warrants, are subject to a hold period expiring on December 19, 2016.

With completion of these financings, TerraX has cash on hand in excess of $10.9 million as of the date of this report, which will be more than adequate to finance the 27,000-metre drill program and extensive field exploration programs currently under way on the Yellowknife City gold project.

Use of Proceeds from Flow-through Private Placements

Flow-through common shares require the Company to incur 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 incurred the required exploration expenditures. Under the IFRS framework, the increase to share capital when flow-through shares are issued is measured based on the current market price of the common shares. The incremental proceeds, or "premium", are recorded as a flow-through liability.

Upon issuance of the flow-through shares in June 2015 for gross proceeds of $5,180,145, the Company recorded a flow-through liability of $693,810. As expenditures are incurred, the flow-through share liability is reversed. To July 31, 2016, the Company has incurred $5,031,445 in eligible exploration expenditures and, accordingly, the flow-through share liability from the June 2015 financing was reduced to $9,245 as at July 31, 2016 and the reduction of $353,273 has been recognized in the condensed interim statement of comprehensive loss for the six month period ended July 31, 2016.

As at July 31, 2016 there was a total of $148,700 remaining to be spent before December 31, 2016 from the flow-through financings completed in June 2015. This amount was spent in August 2016.

During the six months ended July 31, 2016, the Company received $1,099,200 from the issue of flow-through shares. Upon issuance of these shares, the Company recorded a flow-through liability of $185,360. As expenditures are incurred, the flow-through share liability will be reversed; the Company has not yet incurred and renounced expenditures with respect to this recent flow-through financing, the proceeds of which must be spent on eligible exploration expenditures prior to December 31, 2017.

Options Granted

On August 26, 2016 the Company granted 2,000,000 stock options to directors, officers and consultants that can be exercised at $0.83 per share until August 26, 2019. These options are subject to vesting provisions and regulatory approval.

CURRENT ECONOMIC CONDITIONS

During the calendar year 2015 and the first half of 2016, ongoing global economic weakness made for extremely volatile capital markets characterized by weaker equity prices for mineral exploration companies and an environment in which limited opportunities exist to raise additional capital. While periods of stronger commodity prices have provided financing opportunities which TerraX has capitalized on in the past to augment its working capital, management of the Company remains cautious and will continue to take the necessary precautions to maintain its cash reserves. The Company has commitments in the future (in fiscal 2017 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.

With the completion of the final tranche of a flow-through private placement of $7,500,000 in August 2016, the Company anticipates having sufficient cash to meet all of its obligations through the end of the fiscal year ending January 31 2018, with in excess of $10.9 Million available as of the date of this report to fund extensive exploration at Yellowknife City Gold as well as our general and administrative operating expenses through to the end of that same period. The Company continues to review its mineral property commitments as well as its working capital position on an ongoing basis and, as a result, elected to abandon its Central Canada during fiscal 2016 when the annual pre-production royalty became due, returning the property to the vendors while it was still in good standing, thus avoiding further work obligations. While management does not believe that the abandonment of any of the Company's other mineral properties is required at this time, management may elect to abandon properties when obligations become due if deemed necessary in order to maintain the long-term viability of the Company.

RESULTS OF OPERATIONS - THREE MONTHS ENDED JULY 31, 2016

Operating expenses for the three months ended July 31, 2016 totaled $281,865 as compared to $312,637 incurred during the three months ended July 31, 2015. The significant differences in expenditures were as follows:

Amortization expense of $5,773 was incurred during the three months end July 31, 2016 for depreciation of two trucks acquired during the fourth quarter of fiscal 2016. There was no comparable expense during the same period a year prior, when the Company did not own any vehicles.

Consulting expense decreased to $31,097 during the three months ended July 31, 2016 from $40,850 incurred during the same period a year prior due to a reduction in attendance by management at investor presentations and road shows during the current period.

Professional fees decreased to $1,483 during the three months ended July 31, 2016 from the $24,363 incurred during the same period a year prior due to a reduction in legal expenses during the current period.

During the three months ended July 31, 2016 the company did not incur ant expense for share-based payments (a non-cash expense) as no stock options were granted or vested during the period. This is reduced from share-based payment expense of $98,477 incurred during the same period a year prior when options were granted and vested.

Expenditures for transfer agent, filing fees and shareholder communications increased to $211,535 during the three months ended July 31, 2016 from the $108,620 the Company spent during the same period a year prior due to increased costs during the current period for investor relations activities and advertising.

Travel and related were reduced to $6,726 during the three month period ended July 31, 2016 from the $21,464 incurred during the same period a year prior due to a reduction in road show attendance during the current period.

During the three months ended July 31, 2016, the Company earned interest income of $11,364 on cash and cash equivalents on hand. This compares to $10,005 earned during the three months ended July 31, 2015 when the Company had less cash on hand.

As a result of completing eligible exploration expenditures of $1,054,930 during the three months ended July 31, 2016, the Company reduced its outstanding deferred flow-through share premium related to this flow-through financing by $141,294 during the period and recorded this same amount as a flow-through share premium reversal. This compares to a share premium reversal of $100,598 recorded during the same period a year prior.

As a result of the foregoing, the Company recorded a comprehensive loss for the three months ended July 31, 2016 of $129,207 as compared to a loss of $202,034 during the same period a year prior.

RESULTS OF OPERATIONS – SIX MONTHS ENDED JULY 31, 2016

Operating expenses for the six months ended July 31, 2016 totaled $595,448 as compared to $755,932 incurred during the six months ended July 31, 2015. The significant differences in expenditures were as follows:

Amortization expense of $11,546 was incurred during the six months ended July 31, 2016 for depreciation of two trucks acquired during the fourth quarter of fiscal 2016. There was no comparable expense during the same period a year prior, when the Company did not own any vehicles.

Consulting expense increased to $88,159 during the six months ended July 31, 2016 from $82,575 incurred during the same period a year prior due to increased attendance by management at investor presentations and road shows during the current period.

Professional fees decreased to $13,533 during the six months ended July 31, 2016 from the $25,400 incurred during the same period a year prior when due to a reduction in legal expenses during the current period.

During the six months ended July 31, 2016 the company incurred $53,053 for share-based payments (a non-cash expense) as no stock options were granted or vested during the period. This is reduced from share-based payment expense of $322,371 incurred during the same period a year prior when a larger number of stock options were granted and vested.

Expenditures for transfer agent, filing fees and shareholder communications increased to $351,366 during the six months ended July 31, 2016 from the $240,587 the Company spent during the same period a year prior due to increased costs during the current period for trade shows, investor relations activities and advertising.

Travel and related were reduced to $32,747 during the six month period ended July 31, 2016 from the $47,212 incurred during the same period a year prior due to a reduction in road show attendance by management during the current period.

During the six months ended July 31, 2016, the Company earned interest income of $21,498 on cash and cash equivalents on hand. This compares to $15,425 earned during the six months ended July 31, 2015 when the Company had less cash on hand.

As a result of completing eligible exploration expenditures of $2,749,808 during the six months ended July 31, 2016, the Company reduced its outstanding deferred flow-through share premium related to this flow-through financing by $353,273 during the period and recorded this same amount as a flow-through share premium reversal. This compares to a share premium reversal of $100,598 recorded during the same period a year prior.

As a result of the foregoing, the Company recorded a comprehensive loss for the six months ended July 31, 2016 of $220,677 as compared to a loss of $639,909 during the same period a year prior.

Summary of Quarterly Results

	Q2-2017	Q1-2017	Q4-2016	Q3-2016	Q2-2016	Q1-2016	Q4-2015	Q3-2015
Net loss ($)	129,207	91,470	195,636	438,099	202,034	437,876	295,878	358,818
Per Share ($)	0.00	0.00	0.01	0.01	0.01	0.01	0.01	0.01

The loss for the third quarter of fiscal 2015 increased to $358,818 from the loss of $257,666 incurred during the second quarter primarily due to increased expenditures in the third quarter for investor relations presentations, news dissemination and advertising as well as filing fees for the private placement completed during the period.

The loss for the fourth quarter of fiscal 2015 decreased to $295,878 from the loss of $358,818 incurred during the prior quarter primarily due to reduced expenditures for travel and shareholder communications expense during the fourth quarter.

The loss for the first quarter of fiscal 2016 increased to $437,876 from the loss of $295,878 incurred during the prior quarter primarily due to an increase in share-based payment expense, a non-cash item, of $101,686 for additional options granted and vested during the said period as well as increased expenditures for travel and shareholder communications expense.

The loss for the second quarter of fiscal 2016 was reduced to $202,034 from the loss of $437,876 incurred during the first quarter primarily due to a reduction in share-based payment expense from $223,824 to $108,620 during the said period as well as further reduction in the loss due to a flow-through share premium reversal of $100,598 on completion of flow-through eligible exploration expenditures during the said period.

The loss for the third quarter of fiscal 2016 increased to $438,099 primarily due to a write-off of $298,644 with respect to the abandonment of the Central Canada property. This increased loss was partially offset by a flow-through share premium reversal of $163,306 on completion of flow-through eligible exploration expenditures during the said period.

The loss for the fourth quarter of fiscal 2016 decreased to $195,636 from the loss of $438,099 incurred during the third quarter primarily as there was no write-off required during the fourth quarter on the abandonment of mineral claims, an expense of $298,644 during the previous quarter.

The loss for the first quarter of fiscal 2017 was reduced to $91,470 from the loss of $195,636 incurred during the fourth quarter of fiscal 2016 primarily due to an increase in the flow-through share premium reversal in the current period to $211,979 from the $67,388 incurred during the prior period.

The loss for the second quarter of fiscal 2017 increased to $129,207 from the loss of $91,470 incurred during the first quarter primarily due to reduction in the flow-through share premium reversal in the current period to $141,294 from the $211,979 recorded during the prior period, offset by an increase in expenditures during the current period for transfer agent, filing fees and shareholder communications to $211,535 from the $139,831 incurred during the first quarter.

Liquidity and Solvency

TerraX is in the development stage and therefore has no regular cash flow. As at July 31, 2016, the Company had working capital of $8,367,830 (excluding the deferred premium on flow-through shares), inclusive of cash and cash equivalents of $8,789,836. This compares to working capital at January 31, 2016 of $3,755,150, inclusive of cash and cash equivalents of $3,919,963 and excluding the deferred premium on flow-through shares of $362,518.

As at July 31, 2016 the Company had current assets of $8,917,502, total assets of $19,549,393, and total liabilities of $751,277, inclusive of flow-through premium liability of $201,605. 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 $10,473,218 as at July 31, 2016.

The increase in cash and cash equivalents during the six months ended July 31, 2016 of $4,869,873 was due to net cash received from the issuance of common shares of $7,783,383, offset by cash used for mineral property acquisition and exploration of $2,260,266, acquisition of equipment of $29,016 and cash used by operating activities of $624,228. The increase in cash and cash equivalents during the six months ended July 31, 2015 of $3,658,864 was due to net cash received from the issuance of common shares of $5,057,540 and $1,000,000 in cash received for the sale of an option on a 1% NSR, offset by cash used for mineral property acquisition and exploration of $1,616,181, and cash used by operating activities of $782,495.

In April, May, July and August of 2016 the Company completed flow-through and non-flow through private placement for total gross proceeds of $10,711,450. The net proceeds of these transactions, along with cash on hand, will be sufficient to fund the Company's planned exploration activities through the remainder of fiscal 2017 and at least the first three quarters of fiscal 2018, as well as its general and administrative expenses through the same period. As at the date of this report, the Company has approximately $10.9 Million in cash and cash equivalents.

Cash flow to date has not satisfied the Company's operational requirements. The development of the Company in the future will 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; failure to obtain such additional financing could result in the delay or indefinite postponement of further exploration and development of the Company's properties.

Commitments

At July 31, 2016 the Company was committed to spend $148,700 by December 31, 2016 on eligible exploration and evaluation expenses under flow-through share purchase agreements completed in June 2015. In addition, the Company completed flow-through financings in April, May, July and August 2016 that total $8,599,200 and must be spent on eligible exploration and evaluation expenses by December 31, 2017. The Company has no commitments for capital expenditures.

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 six months ended July 31, 2016, $42,000 (2015 - $36,000) 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 six months ended July 31, 2016 the Company paid $712,123 (2015 – $398,702) to a private company of which Joseph Campbell, the President of the Company, and Thomas Setterfield, a director of the Company, are principals, for geologic consulting services incurred on the Company's properties during the current period. In addition, a further $47,248 (2015 – $44,625) was paid to this same private company for consulting services provided during the period.

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

Financial risk management

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

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The majority of cash is deposited in bank accounts held with a major bank in Canada. As most of the Company's cash is held by one bank 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 $87,898 over the course of a year.

Capital Management

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

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

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

Classification of financial instruments

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

	July 31, 2016	January 31, 2016
FVTPL:		
Cash and cash equivalents	$ 8,789,836	$ 3,919,963
Security deposit	70,000	70,000
	$ 8,859,836	$ 3,989,963

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

	July 31, 2016	January 31, 2016
Non-derivative financial liabilities:		
Trade payables	$ 248,517	$ 80,920
Due to related parties	301,155	163,549
	$ 549,672	$ 244,469

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 July 31, 2016 and January 31, 2016:

	As at July 31, 2016		
	Level 1	**Level 2**	**Level 3**
Cash and cash equivalents	$ 8,789,836	$ -	$ -

	As at January 31, 2016		
	Level 1	**Level 2**	**Level 3**
Cash and cash equivalents	$ 3,919,963	$ -	$ -

<u>Contingencies</u>

The Company is aware of no contingencies or pending legal proceedings as of September 26, 2016.

<u>Off Balance Sheet Arrangements</u>

The Company has no off balance sheet arrangements.

<u>Equity Securities Issued and Outstanding</u>

The Company had 99,337,891 common shares issued and outstanding as of September 26, 2016. In addition, there were 7,285,000 incentive stock options and 10,632,380 share purchase warrants outstanding as of September 26, 2016.