



**TERRAX MINERALS INC.**

**CONDENSED INTERIM FINANCIAL STATEMENTS**

**April 30, 2016**

**(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 consolidated 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.**  
**CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION**  
(Expressed in Canadian dollars-unaudited)

	Notes	April 30, 2016	January 31, 2016
<b>ASSETS</b>			
(audited)			
<b>Current assets</b>			
Cash and cash equivalents	4	\$ 3,517,463	\$ 3,919,963
Receivables	5	128,052	64,294
Prepays and deposits		27,020	35,362
		<b>3,672,535</b>	<b>4,019,619</b>
<b>Non-current assets</b>			
Equipment	6	65,429	71,203
Security deposit	7	70,000	70,000
Exploration and evaluation assets	8	9,507,840	7,840,881
<b>TOTAL ASSETS</b>		<b>\$ 13,315,804</b>	<b>\$ 12,001,703</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade payables and accrued liabilities	9, 10	\$ 329,138	\$ 264,469
Deferred premium on flow-through shares	2, 11, 14	314,374	362,518
<b>TOTAL LIABILITIES</b>		<b>643,512</b>	<b>626,987</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	11	17,436,536	16,600,284
Shares to be issued	11	500,500	-
Share-based payment reserve	11, 12	2,643,026	2,590,470
Warrants	11	139,860	140,122
Deficit		(8,047,630)	(7,956,160)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>12,672,292</b>	<b>11,374,716</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>\$ 13,315,804</b>	<b>\$ 12,001,703</b>

**Nature and continuance of operations** (Note 1)

**Commitments** (Note 8 and 14)

**Subsequent events** (Note 16)

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

**TERRAX MINERALS INC.**  
**CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE LOSS**  
(Expressed in Canadian dollars-unaudited)

	Notes	Three months ended April 30, 2016	Three months ended April 30, 2015
<b>EXPENSES</b>			
Amortization	6	\$ 5,773	\$ -
Consulting	10	57,063	41,725
Office, rent and miscellaneous	10	19,793	18,924
Professional fees		12,050	1,037
Share-based payments	10, 11	53,053	223,894
Transfer agent, filing fees and shareholder communications		139,829	131,967
Travel and related costs		26,022	25,748
		(313,583)	(433,925)
<b>OTHER ITEMS</b>			
Interest income		10,134	5,419
Flow-through share premium reversal	2, 11, 14	211,979	-
<b>NET AND COMPREHENSIVE LOSS FOR THE PERIOD</b>		\$ (91,470)	\$ (437,876)
<b>Loss per share - basic and diluted</b>		\$ (0.00)	\$ (0.01)
<b>Weighted average number of common shares outstanding – basic and diluted</b>		68,023,426	54,122,109

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

**TERRAX MINERALS INC.**  
**CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
(Expressed in Canadian dollars - unaudited)

	<b>Share capital</b>						
	Notes	Number of shares	Amount	Warrants	Share-based payment reserve	Deficit	Total
Balance at January 31, 2015		54,121,826	\$ 12,136,174	\$ 71,593	\$ 2,203,912	\$ (6,682,515)	\$ 7,729,164
Comprehensive loss:							
Loss for the period		-	-		-	(437,876)	(437,876)
Transactions with owners, in their capacity as owners, and other transfers:							
Shares issued on exercise of finders warrants	11	2,800	840			-	840
Reallocation of share-based payment reserves	11	-	476	(476)		-	-
Share-based payments	11	-	-		223,894	-	223,894
Balance at April 30, 2015		54,124,626	\$ 12,137,490	\$ 71,117	\$ 2,427,806	\$ (7,120,391)	\$ 7,516,022
Balance at January 31, 2016		67,512,726	\$ 16,600,284	\$ 140,122	\$ 2,590,470	\$ (7,956,160)	\$ 11,374,716
Comprehensive loss:							
Loss for the period		-	-	-	-	(91,470)	(91,470)
Transactions with owners, in their capacity as owners, and other transfers:							
Shares to be issued	11	-	500,500		-	-	500,500
Shares issued on exercise of options	11	190,000	32,300		-	-	32,300
Shares issued on exercise of warrants	11	249,700	74,910		-	-	74,910
Shares issued on exercise of finders warrants	11	40,300	18,941	(6,851)	-	-	12,090
Shares issued for private placements	11	2,340,500	936,200		-	-	936,200
Share issuance costs	11	-	(56,172)		-	-	(56,172)
Share issuance costs – Finders warrants	11	-	(32,052)	32,052	-	-	-
Flow-through share premium	2, 11	-	(163,835)		-	-	(163,835)
Finders warrants expired				(25,463)	25,463	-	-
Reallocation of share-based payment reserves	11	-	25,960		(25,960)	-	-
Share-based payments	11	-	-		53,053	-	53,053
<b>Balance at April 30, 2016</b>		<b>70,333,226</b>	<b>\$ 17,937,036</b>	<b>\$ 139,860</b>	<b>\$ 2,643,026</b>	<b>\$ (8,047,630)</b>	<b>\$ 12,672,292</b>

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

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

	<b>Three months ended April 30, 2016</b>	<b>Three months ended April 30, 2015</b>
<b>CASH PROVIDED BY (USED IN):</b>		
<b>OPERATING ACTIVITIES</b>		
Net loss	\$ (91,470)	\$ (437,876)
Items not involving cash		
Amortization	5,773	-
Share-based payments	53,053	223,894
Flow-through premium reversal	(211,979)	-
Changes in non-cash working capital items:		
Receivables	(63,757)	(36,171)
Trade payables and accrued liabilities	(183,096)	(325,770)
Prepays and deposits	8,341	37,500
Net cash used in operating activities	(483,135)	(538,423)
<b>INVESTING ACTIVITIES</b>		
Expenditures on exploration and evaluation assets	(1,419,193)	(806,502)
Net cash used in investing activities	(1,419,193)	(806,502)
<b>FINANCING ACTIVITIES</b>		
Shares to be issued	500,500	-
Issuance of common shares, net of share issuance costs	999,328	840
Net cash provided by financing activities	1,499,828	840
<b>Increase (Decrease) in cash and cash equivalents</b>	<b>(402,500)</b>	<b>(1,344,085)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>3,919,963</b>	<b>2,486,412</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 3,517,463</b>	<b>\$ 1,142,327</b>

**Supplemental cash flow information** (Note 15)

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

**1. NATURE AND CONTINUANCE OF OPERATIONS**

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

The head office of the Company is located at 2300-1066 West Hastings Street, Vancouver, British Columbia, Canada, V6E 3X2. The registered address and records office of the Company is located at 1000-840 Howe Street, Vancouver, British Columbia, Canada, V6Z 2M1.

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at April 30, 2016 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 believes that the Company has sufficient funds to finance operating costs over the next twelve months (Note 13).

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 financial statements were authorized for issue on June 17, 2016 by the directors of the Company.

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

These unaudited condensed interim financial statements, including comparatives, 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.

These unaudited condensed interim financial statements do not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the audited annual consolidated financial statements of the Company for the year ended January 31, 2016.

***Basis of presentation***

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

***Significant estimates and assumptions***

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

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

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.

### ***Equipment***

Equipment is stated at cost, less accumulated amortization. Depreciation 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.



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

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.

***Financial instruments***

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

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

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

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

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

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

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

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

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

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

***Impairment of assets***

The carrying amount of the Company's long-lived assets (which 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.

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.

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

***Income taxes (cont'd)***

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.

***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.

**TERRAX MINERALS INC.**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
(Expressed in Canadian dollars - unaudited)  
For the three months ended April 30, 2016 and 2015

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

*Restoration and environmental obligations (cont'd)*

As at April 30, 2016, the Company has no known material restoration and environmental obligations.

**3. ACCOUNTING STANDARDS ISSUED BUT NOT EFFECTIVE**

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

**4. CASH AND CASH EQUIVALENTS**

The components of cash and cash equivalents are as follows:

	<b>April 30, 2016</b>	<b>January 31 2016</b>
Cash at bank	\$ 966,527	\$ 19,806
Term deposits	2,550,936	3,900,157
	<b>\$ 3,517,463</b>	<b>\$ 3,919,963</b>

At April 30, 2016, the Company has variable rate investments of \$2,550,936 (January 31, 2016 - \$3,900,157) yielding variable interest rates of 1.35% - 1.41%. 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:

	<b>April 30, 2016</b>	<b>January 31, 2016</b>
GST receivable	\$ 123,506	\$ 61,330
Interest receivable	4,546	2,964
	<b>\$ 128,052</b>	<b>\$ 64,294</b>

**6. EQUIPMENT**

**Cost**

Balance, January 31, 2016	\$ 76,976
Additions	-
Balance, April 30, 2016	\$ 76,976

**Accumulated amortization**

Balance, January 31, 2016	\$ 5,773
Amortization	5,773
Balance, April 30, 2016	\$ 11,546

<b>Net book value, January 31 2016</b>	<b>\$ 71,203</b>
<b>Net book value, April 30, 2016</b>	<b>\$ 65,430</b>

**7. SECURITY DEPOSIT**

During the year ended January 31, 2015, a security deposit of \$70,000 was deposited with the Minister of Aboriginal Affairs and Northern Development Canada for a land use permit issued by the Mackenzie Valley Land and Water Board (“MVLWB”) for the Company’s exploration properties in the Northwest Territories. The deposit will be refunded once the land use permit ends and a final report describing land use activities during the term of the permit and subsequent reclamation activities has 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, Walsh Lake and Southbelt properties in the Northwest Territories as well as additional claims and property interests that have been acquired and incorporated into the Northbelt and Southbelt properties as described in more detail below.

On May 12, 2015, the Company entered into an agreement to grant an option to Osisko Gold Royalties Ltd. (formerly Virginia Mines Inc.) (“Osisko”) to purchase a 1.0% net smelter royalty (“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.

***Northbelt Property***

On February 11, 2013 the Company acquired a 100% interest in certain mineral leases collectively known as the Northbelt Property located in the Northwest Territories. As consideration, the Company paid \$211,000.

During the year ended January 31, 2014, the Company acquired a 100% interest in additional mineral claims for consideration of \$10,000, which have been incorporated into the Northbelt Property and paid annual lease payments of \$17,374.

During the year ended January 31, 2015, the Company acquired a 100% interest in additional mineral claims for consideration of \$13,926, which have been incorporated into the Northbelt Property. The Company also acquired a 100% interest in additional mineral claims for consideration by way of issuance of 75,000 common shares (issued, with a fair value of \$56,250), which have also been incorporated into the Northbelt Property. The vendor will retain a 1% NSR, of which 0.5% can be purchased by the Company at any time for \$1,000,000.

During the year ended January 31, 2016, the Company acquired a 100% interest in an additional mineral claim by way of issuance of 20,000 common shares (issued, with a fair value of \$5,500), which have also been incorporated into the Northbelt Property.

To April 30, 2016, the Company has incurred \$8,122,988 (January 31, 2016 - \$7,008,138) in exploration work on the Northbelt Property.

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

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

***Walsh Lake 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 its Northbelt Property, for the following consideration:

- \$5,000 (paid) and the issuance of 30,000 common shares (issued, with a fair value of \$13,500) upon execution of the agreement;
- \$10,000 (paid) and the issuance of 40,000 common shares (issued, with a fair value of \$16,200) and incurring \$25,000 in exploration work by October 28, 2014 (completed);
- \$20,000 (paid), the issuance of 50,000 common shares (issued, with a fair value of \$17,250) by October 28, 2015;
- \$25,000, the issuance of 70,000 common shares and incurring a cumulative total of \$230,000 in exploration work by October 28, 2016; and
- \$30,000, the issuance of 70,000 common shares and incurring a cumulative total of \$400,000 in exploration work by October 28, 2017.

The vendor will retain a 2% NSR, of which 1.5% can be purchased by the Company for \$2,000,000.

During the year ended January 31, 2016, the Company also recognized claim fees of \$10,645 (January 31, 2015 - \$10,648) and amendment fees of \$5,000 (January 31, 2015 - \$Nil) in acquisition costs. To April 30, 2016 the Company has incurred \$685,904 (January 31, 2016 - \$109,663) in exploration work on the Walsh Lake Property.

***Southbelt Property, Northwest Territories***

In September 2015, the Company staked certain claims south of the City of Yellowknife known as the Southbelt Property that have been incorporated into the YCG. Claim staking costs of \$3,191 were included in acquisition cost during the during the year ended January 31, 2016

During the year ended January 31, 2016, the Company acquired a 100% interest in additional mineral claims by way of issuance of 30,000 common shares (issued, with a fair value of \$8,250). These claims have been incorporated into the Southbelt Property. The vendors will each retain a 1.5% NSR on their respective claims, of which 1.0% can be purchased from each vendor by the Company at any time for \$1,000,000.

***Stewart Property, Newfoundland***

On June 28, 2010, and as last amended on September 26, 2012, the Company entered into an option agreement to acquire a 100% interest in the Stewart Property located in the Burin Peninsula of Newfoundland. To January 31, 2016 and 2015, 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.

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**8. EXPLORATION AND EVALUATION ASSETS (cont'd)****Central Canada Property, Ontario**

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

During the year ended January 31, 2016, the Company determined not to do any further exploration work on the Central Canada Property and, accordingly, all costs related to the Central Canada Property were written-off.

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

	Northbelt	Walsh Lake	Southbelt	Stewart	Central Canada	Total
Balance, January 31, 2015	3,599,521	93,906	-	1,418,636	298,644	5,410,707
Acquisition costs	22,712	52,895	11,441	-	-	87,048
Exploration costs						
Assays and drilling	2,003,179	37,702	-	8,600	-	2,049,481
Consulting (Note 10)	907,850	30,900	-	28,548	-	967,298
Field expenses	555,554	6,495	-	12,357	-	574,406
Geophysical	50,585	-	-	-	-	50,585
	3,517,168	75,097	-	49,505	-	3,641,770
Sale of NSR option	(1,000,000)	-	-	-	-	(1,000,000)
Write-off	-	-	-	-	(298,644)	(298,644)
Balance, January 31, 2016	\$ 6,139,401	\$ 221,898	\$ 11,441	\$ 1,468,141	\$ -	\$ 7,840,881
Acquisition costs	3,230	-	-	-	-	3,230
Exploration costs						
Assays and drilling	744,745	426,680	-	-	-	1,171,425
Consulting (Note 10)	240,406	92,025	-	4,638	-	337,069
Field expenses	129,699	30,205	-	-	-	159,904
Geophysical	-	27,331	-	-	-	27,331
	1,114,850	576,241	-	4,638	-	1,695,729
Recovery of costs	(32,000)	-	-	-	-	(32,000)
Balance, April 30, 2016	\$ 7,225,481	\$ 798,139	\$ 11,441	\$ 1,472,779	\$ -	\$ 9,507,840

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**9. TRADE PAYABLES AND ACCRUED LIABILITIES**

Trade payables and accrued liabilities consist of the following:

	<b>April 30, 2016</b>	<b>January 31, 2016</b>
Trade payables	\$ 193,888	\$ 80,920
Due to related parties (Note 10)	122,750	163,549
Accrued liabilities	12,500	20,000
	<b>\$ 329,138</b>	<b>\$ 264,469</b>

**10. RELATED PARTY TRANSACTIONS**

**Related party balances**

As at April 30, 2016 \$122,750 (January 31, 2016 - \$163,549) was due to directors or companies controlled by directors and recorded in trade payables and accrued liabilities. These amounts are unsecured, non-interest bearing with no fixed terms of repayment.

**Related party transactions**

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:

	<b>Three months ended</b>	
	<b>April 30, 2016</b>	<b>April 30, 2015</b>
Rent and administrative services	\$ 18,000	\$ 18,000
Consulting fees	28,901	17,775
Geological consulting – exploration and evaluation assets (Note 8)	327,875	135,575
	<b>\$ 374,776</b>	<b>\$ 171,350</b>

**11. SHARE CAPITAL**

***Authorized share capital***

Unlimited number of voting common shares without par value.

***Issued share capital***

**2017**

- a) During the three months ended April 30, 2016, the Company received net proceeds of \$32,300 from the exercise of 190,000 options at \$0.17 per share. The fair value of these options of \$25,960 was reclassified from share-based payment reserve to share capital.
- b) During the three months ended April 30, 2016, the Company received net proceeds of \$87,000 from the exercise of 290,000 warrants at \$0.30 per share.
- c) On April 15, 2016, the Company completed a private placement of 2,340,500 flow-through common shares at \$0.40 per share for gross proceeds of \$936,200. On issuance, the Company bifurcated the flow-through shares into i) a flow-through share premium of \$163,835 that investors pay for the flow-through feature, which is recognized as a liability and; ii) share capital of \$772,365. Share issuance costs of \$56,172 in cash were incurred with respect to this placement along with the issuance of 140,370 finder's warrants exercisable at \$0.40 per share until April 15, 2018. The total fair value of these finder's warrants of \$32,052 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 0.62% and an expected volatility of 89.39%.



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

*Issued share capital (cont'd)*

**2017 (cont'd)**

- d) During the three months ended April 30, 2016 the Company received \$500,500 in share subscriptions for which the shares were not issued as of the end of the period. These shares were issued subsequent to the period.

**2016**

- a) During the year ended January 31, 2016, the Company issued 100,000 common shares at a fair value of \$31,000 towards consideration for the acquisition of exploration and evaluation assets (Note 8).
- b) During the year ended January 31, 2016, the Company received net proceeds of \$100,750 from the exercise of 325,000 options at \$0.31 per share. The fair value of these options of \$60,088 was reclassified from share-based payment reserve to share capital.
- c) During the year ended January 31, 2016, the Company received net proceeds of \$840 from the exercise of 2,800 warrants at \$0.30 per share. The fair value of these warrants of \$476 was reclassified from share-based payment reserve to share capital.
- d) On June 5, 2015, the Company completed a private placement of 5,000,000 flow-through common shares at \$0.40 per share for gross proceeds of \$2,000,000. On issuance, the Company bifurcated the flow-through shares into i) a flow-through share premium of \$250,000, investors pay for the flow-through feature, which is recognized as a liability and; ii) share capital of \$1,750,000. To January 31, 2016, the Company expended \$767,641 in eligible exploration expenditures and, accordingly, the flow-through liability was reduced to \$154,046. Share issuance costs of \$123,179 were incurred with respect to this placement along with the issuance of 300,000 finder's warrants exercisable at \$0.55 per share until June 5, 2018. The total fair value of these finder's warrants of \$72,232 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 0.71% and an expected volatility of 131.67%.
- e) On June 17, 2015, the Company completed a private placement of 6,250,000 flow-through shares at \$0.40 per share for gross proceeds of \$2,500,000. On issuance, the Company bifurcated the flow-through shares into i) a flow-through share premium of \$312,500, investors pay for the flow-through feature, which is recognized as a liability and; ii) share capital of \$2,187,500. To January 31, 2016, the Company expended \$959,551 in eligible exploration expenditures and, accordingly, the flow-through liability was reduced to \$192,556.
- f) On June 18, 2015 the Company completed a non-brokered private placement of 1,058,100 flow-through units at \$0.45 per unit and 125,000 flow-through common shares at \$0.40 per share for gross proceeds of \$526,145. Each flow-through unit consists of one flow-through common share and one-half of one share purchase warrant, with each full warrant entitling the holder to purchase an additional common share at an exercise price of \$0.55 per share until June 18, 2018. On issuance, the Company bifurcated the flow-through share into i) a flow-through share premium of \$112,060, investors pay for the flow-through feature, which is recognized as a liability and; ii) share capital of \$414,085. To January 31, 2016, the Company expended \$495,336 in eligible exploration expenditures and, accordingly, the flow-through liability was reduced to \$3,851. Share issuance costs of \$12,622 were paid with respect to this placement along with the issuance of 21,486 finder's warrants exercisable at \$0.55 until June 18, 2018. The total fair value of these finder's warrants of \$5,079 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 0.59% and an expected volatility of 128.96%.

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

*Issued share capital (cont'd)*

**2016 (cont'd)**

- g) On June 24, 2015 the Company completed a non-brokered private placement with the issuance of 385,000 flow-through common shares at \$0.40 per share and 145,000 non-flow-through units at \$0.36 per unit for gross proceeds of \$206,200. Each unit consists of one common share and one-half of one share purchase warrant, with each full warrant entitling the holder to purchase an additional common share at an exercise price of \$0.55 per share until June 24, 2018. On issuance, the Company bifurcated the flow-through share into i) a flow-through share premium of \$19,250, investors pay for the flow-through feature, which is recognized as a liability and; ii) share capital of \$134,750. To January 31, 2016, the Company expended \$59,108 in eligible exploration expenditures and, accordingly, the flow-through liability was reduced to \$12,065. Share issuance costs of \$49,380 were paid with respect to this placement along with the issuance of 23,100 finder's warrants exercisable at \$0.55 until June 24, 2018. The total fair value of these finder's warrants of \$5,087 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 0.59% and an expected volatility of 129.09%.

*Stock options*

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

The changes in options during the three months ended April 30, 2016 and year ended January 31, 2016 are as follows:

	<b>Three months ended</b>		<b>Year ended</b>	
	<b>April 30, 2016</b>		<b>January 31, 2016</b>	
	<b>Number of options</b>	<b>Weighted average exercise price</b>	<b>Number of options</b>	<b>Weighted average exercise price</b>
Options outstanding, beginning of the period	5,915,000	\$ 0.31	4,490,000	\$ 0.40
Options granted	440,000	0.33	1,750,000	0.32
Options exercised	(190,000)	0.17	(325,000)	0.31
Options expired	-	-	-	-
Options outstanding, end of the period	6,165,000	\$ 0.32	5,915,000	\$ 0.31
Options exercisable, end of the period	6,165,000	\$ 0.32	5,915,000	\$ 0.31

As April 30, 2016, the weighted average remaining life of options outstanding was 1.95 years.

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

*Stock options (cont'd)*

**2017**

On February 11, 2016, the Company granted 250,000 stock options to consultants that can be exercised at \$0.32 per share until February 11, 2018. These options vested immediately. The total fair value of \$29,637 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 0.48% and an expected volatility of 67.62%. The granting of these options resulted in a share-based compensation expense of \$29,637 being recorded during the three months ended April 30, 2016.

On March 16, 2016, the Company granted 190,000 stock options to consultants that can be exercised at \$0.35 per share until March 16, 2018. These options vested immediately. The total fair value of \$23,416 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 0.55% and an expected volatility of 63.88%. The granting of these options resulted in a share-based compensation expense of \$23,416 being recorded during the three months ended April 30, 2016.

**2016**

On March 26, 2015, the Company granted 650,000 stock options to consultants that can be exercised at \$0.38 per share until March 26, 2018. These options vested immediately. The total fair value of \$187,178 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 0.57% and an expected volatility of 134.45%. The granting of these options resulted in a share-based compensation expense of \$187,178 being recorded during the year ended January 31, 2016.

On July 14, 2015, the Company granted 200,000 stock options to consultants that can be exercised at \$0.31 per share until July 14, 2017. These options vested immediately. The total fair value of \$32,667 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 0.45% and an expected volatility of 100.97%. The granting of these options resulted in a share-based compensation expense of \$32,667 being recorded during the year ended January 31, 2016.

On July 22, 2015, the Company granted 300,000 stock options to consultants that can be exercised at \$0.31 per share until July 22, 2018. These options vested immediately. The total fair value of \$65,810 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 0.39% and an expected volatility of 128.45%. The granting of these options resulted in a share-based compensation expense of \$65,810 being recorded during the year ended January 31, 2016.

On August 31, 2015, the Company granted 350,000 stock options to consultants that can be exercised at \$0.25 per share until August 31, 2017. These options vested immediately. The total fair value of \$42,589 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 0.44% and an expected volatility of 91.96%. The granting of these options resulted in a share-based compensation expense of \$42,589 being recorded during the year ended January 31, 2016.

On September 2, 2015, the Company granted 250,000 stock options to a director that can be exercised at \$0.25 per share until September 2, 2017. These options vested immediately. The total fair value of \$30,389 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 0.42% and an expected volatility of 91.87%. The granting of these options resulted in a share-based compensation expense of \$30,389 being recorded during the year ended January 31, 2016.

The Company recorded a further \$36,717 in share-based compensation during the year ended January 31, 2016, relating to the vesting of previously granted stock options.

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

*Stock options (cont'd)*

The following incentive stock options were outstanding and exercisable at April 30, 2016:

<b>Number of options outstanding</b>	<b>Number of options exercisable</b>	<b>Exercise price</b>	<b>Expiry date</b>
1,860,000	1,860,000	\$ 0.17	June 28, 2018
100,000	100,000	\$ 0.61	September 30, 2016
295,000	295,000	\$ 0.45	December 23, 2016
1,050,000	1,050,000	\$ 0.35	March 14, 2019 *
500,000	500,000	\$ 0.61	May 5, 2019
395,000	395,000	\$ 0.35	December 24, 2017
100,000	100,000	\$ 0.38	January 29, 2018
650,000	650,000	\$ 0.38	March 26, 2018
175,000	175,000	\$ 0.31	July 22, 2018
350,000	350,000	\$ 0.25	August 31, 2017
250,000	250,000	\$ 0.25	September 2, 2017
250,000	250,000	\$ 0.32	February 11, 2018
190,000	190,000	\$ 0.32	March 16, 2018
<b>6,165,000</b>	<b>6,165,000</b>		

\* During the year ended January 31, 2016, these stock options were repriced from \$0.75 to \$0.35. The Company calculated the incremental increase in the fair value of the stock option reprice to be \$37,903 using the Black-Scholes Option Pricing Model assuming an expected life of 3.33 years, expected dividend yield of 0%, a risk-free interest rate of 0.69% and an expected volatility of 125.16%. The Company recorded the fair value of the modified stock options as share-based compensation expense.

*Warrants*

The Company measures warrants issued with common shares in unit private placements using the residual method. During the years ended January 31, 2016 and 2015, 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:

	<b>Number of warrants</b>	<b>Weighted average exercise price</b>
Balance as at January 31, 2015	9,991,317	0.44
Issued	946,136	0.55
Exercised	(2,800)	0.30
Expired	(57,274)	0.50
Balance as at January 31, 2016	10,877,379	\$ 0.45
Issued	140,430	\$0.40
Exercised	(290,000)	0.30
Expired	(70,000)	0.50
Balance as at April 30, 2016	10,657,809	\$ 0.45

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

*Warrants (cont'd)*

The following warrants were outstanding and exercisable at April 30, 2016:

Number	Exercise Price	Expiry Date
2,853,543	\$ 0.30	May 8, 2016
62,500	\$ 0.30	May 30, 2016
1,130,906	\$ 0.50	December 20, 2016*
105,556	\$ 0.50	December 27, 2016*
750,000	\$ 0.51	February 12, 2017*
650,000	\$ 0.57	February 28, 2017*
2,803,000	\$ 0.50	September 30, 2017
672,465	\$ 0.50	October 8, 2017
543,273	\$ 0.50	October 16, 2017
140,430	\$ 0.40	April 15, 2018
300,000	\$ 0.55	June 5, 2018
550,536	\$ 0.55	June 18, 2018
95,600	\$ 0.55	June 24, 2018
<b>10,657,809</b>		

\* During the year ended January 31, 2016, the expiry dates of these warrants were extended. The Company does not recognize a fair value to modifications of warrants.

As at April 30, 2016 the weighted average remaining life of warrants outstanding was 0.94 years (January 31, 2016 – 1.15 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 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.

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

***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 April 30, 2016 and no-interest bearing debt, therefore, interest rate risk is nominal.

***Capital management***

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

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

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

***Classification of financial instruments***

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

	<b>April 30, 2016</b>	<b>January 31, 2016</b>
Loans and receivables:		
Cash and cash equivalents	\$ 3,517,463	\$ 3,919,963
Security deposit	70,000	70,000
	<b>\$ 3,587,463</b>	<b>\$ 3,989,963</b>

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

	<b>April 30, 2016</b>	<b>January 31, 2016</b>
Non-derivative financial liabilities:		
Trade payables	\$ 193,888	\$ 80,920
Due to related parties	122,750	163,549
	<b>\$ 316,638</b>	<b>\$ 244,469</b>

***Fair value***

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

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**14. DEFERRED PREMIUM ON FLOW-THROUGH SHARES**

	<b>Three months ended</b>		<b>Year ended</b>
	<b>April 30, 2016</b>	<b>January 31, 2016</b>	
Balance, beginning of period	\$ 362,518	\$ -	
Deferred premium on flow-through shares issued	163,835	693,810	
Recognition of deferred premium on flow-through shares	(211,979)	(331,292)	
Balance, end of period	\$ 314,374	\$ 362,518	

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, 2016, the Company received \$5,180,145 from the issue of flow-through shares and recognized a deferred premium on flow-through shares of \$693,810. TerraX has incurred and renounced expenditures of \$3,976,515 as of April 30, 2016. 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 April 30, 2016, the Company is committed to renounce and expend a further \$1,203,630 of the flow-through share proceeds from the flow-through shares issued during calendar 2015 prior to December 31, 2016.

During the three months ended April 30, 2016, the Company received \$936,200 from the issue of flow-through shares and recognized a deferred premium on flow-through shares of \$163,835. The Company has not yet incurred and renounced expenditures with respect to this flow-through financing, the proceeds of which must be spent on eligible exploration expenditures prior to December 31, 2017.

**15. SUPPLEMENTAL CASH FLOW INFORMATION**

During the three months ended April 30, 2016 and 2015, the Company incurred the following non-cash transactions that are not reflected in the statements of cash flows:

	<b>Three months ended</b>	
	<b>April 30, 2016</b>	<b>April 30, 2015</b>
Exploration expenditures included in trade payables and accrued liabilities	\$ 247,766	\$ 332,403
Fair value of finder’s warrants	\$ 32,052	\$ -
Fair value of share-based payments reallocated to share capital	\$ 25,960	\$ 476

**16. SUBSEQUENT EVENTS**

Subsequent to April 30, 2016:

- a) The Company closed a private placement of 407,500 flow-through shares at \$0.40 per share for gross proceeds of \$163,000.
- b) The Company issued a total of 1,009,800 shares on the exercise of warrants at \$0.30 per share for total proceeds of \$302,940. The remaining 1,906,243 warrants exercisable at \$0.30 per share expired unexercised.

**16. SUBSEQUENT EVENTS (cont'd)**

- c) The Company closed a private placement of 6,035,000 non-flow-through (“NFT”) units at \$0.35 per unit for gross proceeds of \$2,112,250. Each unit is comprised of one common share and one-half of one share purchase warrant, with each full warrant entitling the holder to purchase an additional common share at an exercise price of \$0.50 per share for three years from the date of closing.