TERRAX MINERALS INC.

INTERIM FINANCIAL STATEMENTS

October 31, 2010

(Unaudited – prepared by management)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the 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 interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

TERRAX MINERALS INC.
INTERIM BALANCE SHEETS
(Unaudited – prepared by management)

	October 31, 2010	January 31, 2010 (audited)
ASSETS		
Current assets		
Cash and cash equivalents	$ 828,825	$ 465,586
Receivables	18,313	3,156
Prepaids	1,534	33,000
	848,672	501,742
Reclamation bonds	36,034	-
Mineral properties and deferred exploration costs (Note 3)	909,821	213,458
	$ 1,794,527	$ 715,200
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	$ 74,526	$ 19,044
Shareholders' equity		
Share capital (Note 5)	2,910,457	1,708,851
Contributed surplus (Note 5)	450,206	276,507
Deficit	(1,640,662)	(1,289,202)
	1,720,001	696,156
	$ 1,794,527	$ 715,200

Nature and continuance of operations (Note 1)
Commitments (Note 3)

Approved on behalf of the Board:

"STUART ROGERS" Director
Stuart Rogers

"PAUL REYNOLDS" Director
Paul Reynolds

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

TERRAX MINERALS INC.
INTERIM STATEMENTS OF LOSS, COMPREHENSIVE LOSS AND DEFICIT
Three and Nine Months Ended October 31,
(Unaudited – prepared by management)

	Three months Oct. 31, 2010	Three months Oct. 31, 2009	Nine months Oct. 31, 2010	Nine months Oct. 31, 2009
EXPENSES				
Consulting	$ -	$ 2,478	$ 9,500	$ 2,478
Office, rent and miscellaneous (Note 4)	5,285	5,036	16,162	14,340
Stock-based compensation (Note 6)	40,980	80,584	110,067	80,584
Professional fees	2,885	1,296	10,608	9,736
Transfer agent, filing fees and shareholder communications	82,269	15,003	200,050	34,441
Travel and related costs	1,530	-	8,064	4,881
LOSS BEFORE OTHER ITEM	(132,949)	(104,397)	(354,451)	(146,460)
OTHER ITEM				
Interest income	1,919	362	2,991	1,972
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	(131,030)	(104,035)	(351,460)	(144,488)
DEFICIT, BEGINNING OF PERIOD	(1,509,632)	(266,381)	(1,289,202)	(225,928)
DEFICIT, END OF PERIOD	$ (1,640,662)	$ (370,416)	$ (1,640,662)	$ (370,416)
BASIC AND DILUTED LOSS PER COMMON SHARE	$ (0.01)	$ (0.01)	$ (0.02)	$ (0.01)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING – BASIC AND DILUTED	17,441,266	11,160,604	15,556,566	10,118,187

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

TERRAX MINERALS INC.
INTERIM STATEMENTS OF CASH FLOWS
Three and Nine Months Ended October 31,
(Unaudited – prepared by management)

	Three months Oct. 31, 2010	Three months Oct. 31, 2009	Nine months Oct. 31, 2010	Nine months Oct. 31, 2009
CASH PROVIDED BY (USED IN):				
OPERATING ACTIVITIES				
Net loss for the period	$ (131,030)	$ (104,035)	$ (351,460)	$ (144,488)
Item not involving cash:				
Stock based compensation	40,980	80,584	110,067	80,584
Changes in non-cash working capital items:				
(Increase) decrease in receivables	2,688	(2,029)	(15,158)	(4,480)
(Increase) in prepaid expenses	5,000	-	31,466	-
Increase in accounts payable and accrued liabilities	63,495	55,253	55,482	58,631
Net cash provided by (used in) operating activities	(18,867)	2,773	(169,603)	(9,753)
INVESTING ACTIVITY				
Short-term investments	-	30,000	-	(40,000)
Reclamation bonds	-	-	(36,034)	-
Mineral property and deferred exploration costs	(119,938)	(68,964)	(640,513)	(153,673)
Net cash used in investing activity	(119,938)	(38,964)	(676,547)	(193,673)
FINANCING ACTIVITY				
Issuance of common shares for cash	27,600	247,000	1,209,389	422,900
Net cash provided by financing activity	27,600	247,000	1,209,389	422,900
Change in cash during the period	(111,205)	237,809	363,239	219,474
Cash, beginning of period	940,030	16,473	465,586	34,808
Cash, end of period	$ 828,825	$ 254,282	$ 828,825	$ 254,282

Supplemental disclosures with respect to cash flows:				
Cash paid during the period for interest	$ -	$ -	$ -	$ -
Cash paid during the period for income taxes	$ -	$ -	$ -	$ -

During the nine months ended October 31, 2009 the Company issued 100,000 common shares at $0.10 per share and 50,000 shares at $0.125 per share for the acquisition of an interest in mineral properties. Refer to Note 3.

During the nine months ended July 31, 2010 the Company issued 150,000 common shares at $0.36 per share, 60,000 common shares at $0.355 per share and 30,000 common shares at $0.385 per share for the acquisition of an interest in mineral properties. Refer to Note 3.

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. On June 27, 2008, the Company completed its Initial Public Offering ("IPO") and began trading on the TSX Venture Exchange ("TSX-V").

The Company is a mineral property exploration company and has not yet determined whether its mineral properties contain economically recoverable reserves. The recoverability of the amounts shown for mineral properties and deferred exploration costs is dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain necessary financing to successfully complete their development and upon future profitable production.

These 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 raise adequate financing to develop its mineral properties, and to commence profitable operations in the future. To date the Company has not generated any significant revenues and is considered to be in the exploration stage.

Management is also aware that material uncertainties exist, related to current economic conditions, which could adversely affect the Company's ability to continue to finance its activities. Management's plan includes continuing to pursue additional sources of equity financing to fund its exploration programs. Management expects that the Company will have sufficient capital to fund operations and keep its mineral property in good standing for the upcoming fiscal year. Further discussion of liquidity risk has been disclosed in Notes 7 and 8.

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

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation
These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and are presented in Canadian dollars.

Use of estimates
The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Actual results could differ from these estimates. Significant areas requiring the use of management estimates relate to the determination of impairment of mineral property interests, going concern assessments, future tax rates used to determine future income taxes, determining the fair value of stock-based payments, asset retirement obligations and financial instruments. Where estimates have been used financial results as determined by actual events could differ from those estimates.

Cash and cash equivalents
Cash and cash equivalents include highly liquid Canadian dollar denominated guaranteed investment certificates which are readily convertible to contracted amounts of cash without penalty. Cash equivalents are classified as held-for-trading and are recorded at fair value with realized and unrealized gains and losses reported in net income (loss). At October 31, 2010, the Company had cash equivalents comprised of term deposits issued by major financial institutions in the aggregate amount of $800,005 and bearing interest at rates of 0.40% to 1.00% per annum until maturity.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Cash and cash equivalents (cont'd)

Mineral properties
The Company records its interests in mineral properties and areas of geological interest at cost. All direct and indirect costs relating to the acquisition of these interests are capitalized on the basis of specific claim blocks or areas of geological interest until the properties to which they relate are placed into production, sold or management has determined there to be an impairment. These costs will be amortized on the basis of units produced in relation to the proven reserves available on the related property following commencement of production. Mineral properties which are sold before that property reaches the production stage will have all revenues from the sale of the property credited against the cost of the property. Properties which have reached the production stage will have a gain or loss calculated based on the portion of that property sold.

The recorded cost of mineral exploration interests is based on cash paid, the value of share considerations and exploration and development costs incurred. The recorded amount may not reflect recoverable value as this will be dependent on the development program, the nature of the mineral deposit, commodity prices, adequate funding and the ability of the Company to bring its projects into production.

Management evaluates the carrying value of each mineral interest on a reporting period basis or as changes in events and circumstances warrant, and makes a determination based on exploration activity and results, estimated future cash flows and availability of funding as to whether capitalized costs are impaired. Mineral property interests, where future cash flows are not reasonably determinable, are evaluated for impairment based on management's intentions and determination of the extent to which future exploration programs are warranted and likely to be funded.

Ownership in mineral interests involves certain inherent risks due to the difficulties of determining and obtaining clear title to the claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral interests.

Deferred exploration costs
The Company defers all exploration costs relating to mineral properties and areas of geological interest until the properties to which they relate are placed into production, sold, abandoned or management has determined there to be an impairment. These costs will be amortized on the basis of units produced in relation to the estimated reserves available on the related property following commencement of production or written-off to operations in the period related properties are abandoned.

Values
The amounts shown for mineral properties and deferred exploration costs represent costs incurred to date, and do not necessarily represent present or future values which are entirely dependent upon the economic recovery from production or from disposal.

Asset retirement obligations
The Company follows the Canadian Institute of Chartered Accountants ("CICA") Handbook section 3110, "Asset Retirement Obligations". This standard focuses on the recognition and measurement of liabilities related to obligations associated with the retirement of property, plant and equipment. Under this standard, these obligations are initially measured at fair value and subsequently adjusted for any changes resulting from the passage of time and revisions to either the timing or the amount of the original estimate of undiscounted cash flows. The asset retirement cost is to be capitalized to the related asset and amortized into earnings over time. Mineral property related retirement obligations are capitalized as part of mineral property and deferred exploration and amortized over the estimated useful lives of the corresponding mineral properties.

At October 31, 2010, and 2009 management has determined that there are no material asset retirement obligations to the Company.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Impairment of long-lived assets

The Company follows the recommendations of the CICA Handbook section 3063, "Impairment of Long Lived Assets". Section 3063 establishes standards for recognizing, measuring and disclosing impairment of long-lived assets held for use. The Company conducts its impairment test on long-lived assets when events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment is recognized when the carrying amount of an asset to be held and used exceeds the undiscounted future net cash flows expected from its use and disposal. If there is an impairment, the impairment amount is measured as the amount by which the carrying amount of the asset exceeds its fair value, calculated using discounted cash flows when quoted market prices are not available.

Financial instruments

The Company adopted the CICA Handbook Section 3855, "Financial Instruments – Recognition and Measurement". Section 3855 prescribes when a financial instrument is to be recognized on the balance sheet and at what amount. Under Section 3855, financial instruments must be classified into one of five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets, or other financial liabilities. All financial instruments, including derivatives, are measured at the balance sheet date at fair value except for loans and receivables, held-to-maturity investments, and other financial liabilities which are measured at amortized cost.

The Company's financial instruments consist of cash and cash equivalents, receivables and accounts payable. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency, or credit risks arising from these financial instruments. The Company has made the following classifications for the financial instruments:

(i) Cash and cash equivalents – held-for-trading; measured at fair value;
(ii) Receivables – loans and receivables; measured at amortized cost;
(iii) Accounts payable – other financial liabilities; recorded at amortized cost. .

A net smelter royalty ("NSR") is a form of derivative financial instrument. The fair value of the Company's right to purchase a NSR is not determinable at the current stage of the Company's exploration program. Therefore, no value has been assigned by management.

The Company does not use any hedging instruments.

Future income taxes

Future income taxes are recorded using the asset and liability method whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

Stock-based compensation

The Company follows the accounting standards issued by the CICA Handbook Section 3870, "Stock-Based Compensation And Other Stock-Based Payments", which recommends the fair-value based method for measuring compensation costs. The Company determines the fair value of the stock-based compensation using the Black-Scholes option pricing model. Any consideration paid on the exercise of stock options is credited to share capital.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Comprehensive income (loss)
The Company follows the CICA Handbook Section 1530, “Comprehensive Income”. Section 1530 establishes standards for the reporting and presenting of comprehensive income (loss) which is defined as the change in equity from transaction and other events from non-owner sources. Other comprehensive income (loss) refers to items recognized in comprehensive income (loss) that are excluded from net income (loss). At January 31, 2010 and 2009, the Company had no significant items that caused other comprehensive loss to be different than net loss.

Comparative Figures
Certain comparative figures have been reclassified to conform to the current years presentation.

Loss per share
The Company uses the treasury stock method to determine the dilutive effect of stock options and other dilutive instruments. The treasury stock method assumes that proceeds received from in-the-money stock options are used to repurchase common shares at the prevailing market rate.

Basic loss per share figures have been calculated using the weighted average number of shares outstanding during the respective periods. Diluted loss per share figures are equal to those of basic loss per share for each year since the effects of the share purchase warrants and stock options have been excluded as they are anti-dilutive.

Accounting changes
CICA Handbook Section 1506, “Accounting Changes,” establishes criteria for changes in accounting policies, accounting treatment and disclosure regarding changes in accounting policies, estimates and corrections of errors. In particular, this section allows for voluntary changes in accounting policies only when they result in the financial statements providing reliable and more relevant information. This section requires changes in accounting policies to be applied retrospectively unless doing so is impracticable.

General standards for financial statement presentation
In June 2007, the CICA modified section 1400 “General Standards of Financial Statement Presentation” in order to require that management make an assessment of the Company’s ability to continue as going concern over a period which is at least, but not limited to, twelve months from the balance sheet date. The Company has included this required disclosure in Note 1 to these financial statements.

Credit risk and the fair value of financial assets and financial liabilities
In January 2009, the CICA approved EIC 173, “Credit Risk and the Fair Value of Financial Assets and Liabilities”. This guidance clarified that an entity’s own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities including derivative instruments. The implementation of the recommendations of this section has not had a material impact on the Company’s financial statements.

Mining exploration costs
In March 2009 the CICA approved EIC 174, “Mining Exploration Costs”. The guidance clarified that an enterprise that has initially capitalized exploration costs has an obligation in the current and subsequent accounting periods to test such costs for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. The implementation of the recommendations of this new section has not had a material impact on the Company’s financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Recent accounting pronouncements – Not yet adopted

International financial reporting standards

In 2006, the Canadian Accounting Standards Board ("AcSB") published a strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian generally accepted accounting principles with International Financial Reporting Standards ("IFRS") over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own generally accepted accounting principles. The date is for interim and annual financial statements relating to fiscal years beginning on or after February 1, 2011. The transition date of February 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended January 31, 2011. The Company continues to monitor and assess the impact of Canadian GAAP and IFRS.

Other accounting pronouncements issued by the CICA with future affective dates are either not applicable or are not expected to be significant to the financial statements of the Company.

3. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS

	Needle	Sunbeam-Pettigrew	Blackfly	Central Canada	Stewart	Total
Balance, January 31, 2009	$ 797,201	-	-	-	-	$ 797,201
Acquisition cost	-	67,451	16,250	22,750	-	106,451
Exploration Expenses						
Assays and drilling	-	12,168	5,482	-	-	17,650
Consulting	8,722	38,363	17,837	-	-	64,922
Field expenses	-	23,207	9,950	-	-	33,157
	8,722	73,738	33,269	-	-	115,279
Write-off of mineral property and deferred exploration costs	(805,923)	-	-	-	-	(805,923)
Balance, January 31, 2010	-	$ 141,189	$ 49,519	$ 22,750	-	$ 213,458
Acquisition cost	-	98,755	41,300	-	21,550	161,605
Exploration Expenses						
Assays and drilling	-	95,894	90,685	-	873	187,452
Consulting	-	54,396	40,144	6,408	24,917	125,865
Field expenses	-	6,337	27,946	17,731	31,831	83,845
Geophysical	-	95,721	41,875	-	-	137,596
		252,348	200,650	24,139	57,621	534,758
Balance, October 31, 2010	-	$ 492,292	$ 291,469	$ 46,889	$79,171	$ 909,821

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

3. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS (cont'd)

Needle Property, Nunavut
On August 19, 2007, the Company entered into a letter of intent and subsequently, on April 24, 2008, a letter agreement to earn a 51% interest in the Needle Lake Property, located in Nunavut, Northwest Territories. The Company was obligated to spend up to $1,000,000 in exploration costs by December 31, 2010 and issue 400,000 common shares. During the year ended January 31, 2009, the Company issued 200,000 common shares for property option payments, at a fair value of $50,000.

During the year ended January 31, 2010, the Company elected to write-down its interest in the Needle Property and wrote-off $50,000 of mineral property acquisition costs and $755,923 of deferred exploration costs to operations.

Sunbeam-Pettigrew Property, Ontario
On April 16, 2009, the Company entered into an option agreement to acquire a 100% interest in the Sunbeam-Pettigrew Property located in Northwest Ontario. The Company can earn a 100% interest in the Sunbeam-Pettigrew Property by making option payments totalling $210,000, issuing 600,000 common shares and funding $450,000 of exploration work over a three year period, as follows:

- $10,000 upon execution of the option agreement (paid);
- $40,000 (paid) and the issuance of 100,000 common shares (issued, with a fair value of $10,000) by May 30, 2009;
- $40,000 (paid), the issuance of 150,000 common shares (issued, with a fair value of $54,000) and incurring $150,000 in exploration work by April 15, 2010 (completed);
- $50,000, the issuance of 150,000 common shares and incurring an additional $150,000 in exploration work by April 15, 2011; and
- $70,000, the issuance of 200,000 common shares and incurring an additional $150,000 in exploration work by April 15, 2012.

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

During the year ended January 31, 2010, the Company paid an additional $7,451 for staking fees. To October 31, 2010, the Company has incurred $326,086 in exploration expenses on the Sunbeam-Pettigrew Property.

Blackfly Property, Ontario
On July 2, 2009 the Company entered into an option agreement to acquire a 100% interest in the Blackfly Property located in Northwest Ontario. The Company can earn a 100% interest in the Blackfly Property by making option payments totaling $100,000, issuing 280,000 common shares and funding $179,200 of exploration work over a four year period as follows:

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

3. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS (cont'd)

Blackfly Property, Ontario (cont'd)

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

To October 31, 2010, the Company has incurred $233,919 in exploration expenses on the Blackfly Property.

Central Canada Property, Ontario

On December 11, 2009 the Company entered into an option agreement to acquire a 100% interest in the Central Canada Property located in Northwest Ontario. The Company can earn a 100% interest in the property by funding making option payments totalling $98,000, issuing 280,000 shares and funding $140,000 of exploration work over a four year period, as follows:

- $8,000 (paid) and the issuance of 50,000 common shares (issued, with a fair value of $14,750) upon TSX-V approval of the option agreement;
- $20,000, the issuance of 60,000 common shares and incurring $20,000 in exploration work by December 11, 2010;
- $30,000, the issuance of 70,000 common shares and incurring an additional $20,000 in exploration work by December 11, 2011;
- $40,000, the issuance of 100,000 common shares and incurring an additional $40,000 in exploration work by December 11, 2012; and
- Incurring an additional $60,000 in exploration work by December 11, 2013.

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

To October 31, 2010, the Company has incurred $24,139 in exploration expenses on the Central Canada Property.

Stewart Gold-Copper Property, Newfoundland

In June 2010 the Company entered into an option to acquire a 100% interest in the Stewart Gold-Copper Property in the Burin Peninsula of Newfoundland. TerraX can earn a 100% interest in the Stewart property over a four year period by making option payments totaling $105,000 and issuing 295,000 shares (of which $10,000 and 30,000 shares have been paid), and funding $525,000 of exploration and development work ($75,000 in the first year). The vendors will retain a 2% NSR, 1% of which can be purchased by TerraX for $1,000,000.

To October 31, 2010, the Company has incurred $57,621 in exploration expenses on the Stewart Property

4. RELATED PARTY TRANSACTIONS

During the nine months ended October 31, 2010, the Company entered into the following transactions with related parties:

a) Incurred $13,500 (2009 - $13,500) to a private company, wholly-owned by a director, for the provision of office rent and administrative services.

b) Incurred $134,631 (2009 - $Nil) to a private company in which two directors are principals for consulting services, of which $125,856 has been capitalized to deferred exploration costs and $8,775 has been recorded as consulting expense.

These transactions were in the normal course of operations and were measured at the exchange amount, which was the amount of consideration established and agreed to by the related parties.

5. SHARE CAPITAL

	Number of Shares	Amount	Contributed Surplus
Authorized			
Unlimited number of common shares without par value			
Balance as at January 31, 2009	9,105,000	1,150,760	148,538
Shares issued for private placement	3,075,000	440,000	-
Shares issued for mineral property option payment	200,000	31,000	-
Shares issued for exercise of warrants	390,000	105,691	(19,191)
Share issuance costs	-	(18,600)	-
Stock-based compensation	-	-	147,160
Balance as at January 31, 2010	12,770,000	1,708,851	276,507
Shares issued for private placement	4,381,266	1,239,380	-
Shares issued for mineral properties	240,000	86,850	-
Shares issued for exercise of warrants	50,000	12,500	-
Share issuance costs	-	(137,124)	63,632
Stock-based compensation	-	-	110,067
Balance as at October 31, 2010	17,441,266	$ 2,910,457	$ 450,206

Fiscal 2010

On May 28, 2009 the Company issued 100,000 common shares at a fair value of $10,000 pursuant to a mineral property option agreement for the Sunbeam-Pettigrew Property (Note 3).

On July 2, 2009, the Company completed a non-brokered private placement of 1,750,000 units at a price of $0.10 per unit for gross proceeds of $175,000. Each unit consists of one common share and one share purchase warrant exercisable to purchase an additional share at $0.15 until July 2, 2011. A finder's fee of $600 was paid with respect to a portion of this placement. The Company has not separately disclosed the fair value of the warrants.

On July 8, 2009, the Company issued 50,000 common shares at a fair value of $6,250 pursuant to a mineral property option agreement for the Blackfly Property (Note 3).

On October 2, 2009, the Company completed a non-brokered private placement of 1,325,000 units at a price of $0.20 per unit for gross proceeds of $265,000. Each unit consists of one common share and one share purchase warrant exercisable to purchase an additional share at $0.25 until October 20, 2011. Finder's fees of $18,000 were paid with respect to a portion of this placement. The Company has not separately disclosed the fair value of the warrants.

5. SHARE CAPITAL (cont'd)

Fiscal 2010 (cont'd)

On January 25, 2010 the Company issued 50,000 shares at a fair value of $14,750 pursuant to a mineral property option agreement for the Central Canada Property (Note 3).

During the year ended January 31, 2010, the Company issued 390,000 common shares upon the exercise of warrants, for gross proceeds of $86,500. Of the warrants exercised, 280,000 were Agent's warrants which were allocated a fair value of $24,673 during the year ended January 31, 2009. Accordingly, the Company reallocated $19,191 from contributed surplus to share capital.

Fiscal 2011

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

On April 15, 2010 the Company issued 150,000 shares at a fair value of $54,000 pursuant to a mineral property option agreement for the Sunbeam-Pettigrew Property (Note 3).

On June 2, 2010, the Company completed a non-brokered private placement of 3,631,266 units at a price of $0.30 per unit for gross proceeds of $1,089,380. Each unit consists of one common share and one half-warrant, with each full warrant entitling the holder to purchase an additional share at an exercise price of $0.40 per share until June 2, 2012. The Company has not separately disclosed the fair value of the warrants. Finders fee in cash totaling $73,506 were paid with respect to this placement, along with 227,635 finders warrants exercisable at $0.40 until June 2, 2012 which were allocated a fair value of $63,633.

On June 28, 2010 the Company issued 30,000 shares at a fair value of $11,550 pursuant to a mineral property option agreement for the Stewart Property (Note 3).

On July 2, 2010 the Company issued 60,000 shares at a fair value of $21,300 pursuant to a mineral property option agreement for the Blackfly Property (Note 3).

During the nine months ended October 31, 2010, the Company issued 50,000 common shares upon the exercise of warrants, for gross proceeds of $12,500

Escrow shares

As at October 31, 2010, there were 690,000 common shares being held in escrow which are subject to release under the policies of the TSX-V.

6. STOCK OPTIONS AND WARRANTS

Stock options

The Board of Directors of the Company has adopted a stock option plan (the "Stock Option Plan") for the Company. The Stock Option Plan permits the Company to grant to directors, officers and consultants of the Company, non-transferable options (**"**Options") to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares and be exercisable for a period of up to five years from the date of grant. The number of common shares reserved for issuance to any individual director or officer will not exceed 5% of the issued and outstanding common shares and the number of common shares reserved for issuance to any one consultant or individual conducting investor relations activities will not exceed 2% of the issued and outstanding common shares. Options may be exercised within 90 days following cessation of the optionee's position with the Company, subject to the expiry date of each option, provided that if the cessation of office, directorship, or consulting arrangement was by reason of death, the option may be exercised with a maximum period of one year after such death, subject to the expiry date of such option.

On June 27, 2008, the Company granted 750,000 stock options to directors, officers and consultants at an exercise price of $0.25 per share for a 5 year period. The stock options granted were assigned a fair value of $92,865 using the Black-Scholes option pricing model and recorded as stock-based compensation. The weighted average grant date fair value of these options was $0.12.

On September 15, 2009, the Company granted 220,000 stock options to a consultant at an exercise price of $0.20 per share for a 2 year period. The stock options granted were assigned a fair value of $35,931 using the Black-Scholes option pricing model and are being recorded as stock-based compensation over the stock options 1 year vesting period. At January 31, 2010, the Company has recorded $14,972 in stock-based compensation expense relating to the vested stock options. The weighted average grant date fair value of these options was $0.15.

On October 2, 2009, the Company granted 355,000 stock options to directors, officers and consultants at an exercise price of $0.26 per share for a 2 year period. The stock options granted were assigned a fair value of $74,596 using the Black-Scholes option pricing model and were recorded as stock-based compensation. The weighted average grant date fair value of these options was $0.22.

On January 27, 2010, the Company granted 300,000 stock options to a consultant at an exercise price of $0.25 per share for a two year period. The stock options granted were assigned a fair value of $57,592 using the Black-Scholes option pricing model and recorded as stock-based compensation. The weighted average grant date fair value of these options was $0.19.

On March 31, 2010, the Company granted 400,000 stock options to a consultant at an exercise price of $0.30 per share for a two year period. The stock options granted were assigned a fair value of $85,855 using the Black-Scholes option pricing model and are being recorded as stock-based compensation over the stock options 1 year vesting period. At April 30, 2010, the Company has recorded $7,155 in stock-based compensation expense relating to the stock options vested as at that date. The weighted average grant date fair value of these options was $0.21.

On May 10, 2010, the Company granted 100,000 stock options to consultants at an exercise price of $0.32 per share for a two year period. The stock options granted were assigned a fair value of $22,502 using the Black-Scholes option pricing model and recorded as stock-based compensation. The weighted average grant date fair value of these options was $0.225.

On August 31, 2010, the Company granted 100,000 stock options to consultants at an exercise price of $0.25 per share for a two year period**.** The stock options granted were assigned a fair value of $16,522 using the Black-Scholes option pricing model and recorded as stock-based compensation. The weighted average grant date fair value of these options was $0.165.

6. STOCK OPTIONS AND WARRANTS (cont'd)

Stock options (cont'd)

The following assumptions were used for the Black-Scholes option pricing model's valuation of stock options and Agents' warrants granted:

	2011	2010
Risk-free interest rate	1.73 - 2.01%	1.24 - 1.33%
Expected life	2 years	2 years
Annualized volatility	146%	187%
Dividend yield	0%	0%

The following table summarizes information about stock option transactions:

	Outstanding options	Weighted average exercise price	Weighted average remaining contractual life
Balance, January 31, 2009	750,000	0.25	3.16 years
Options granted	875,000	0.24	
Balance, January 31, 2010	1,625,000	0.25	2.28 years
Options granted	600,000	0.30	
Balance, October 31, 2010	2,225,000	$ 0.26	1.70 years

The following incentive stock options were outstanding and exercisable at October 31, 2010:

Number of options outstanding	Number of options exercisable	Exercise Price	Expiry Date
750,000	750,000	$ 0.25	June 27, 2013
220,000	220,000	0.20	September 15, 2011
355,000	355,000	0.26	October 2, 2011
300,000	300,000	0.25	January 27, 2012
400,000	100,000	0.30	March 31, 2012
100,000	100,000	0.32	May 10, 2012
100,000	100,000	0.25	August 31, 2012
2,225,000	2,225,000		

6. STOCK OPTIONS AND WARRANTS (cont'd)

Warrants

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Life Remaining (in years)
Balance as at January 31, 2009	2,237,500	$ 0.17	-
Issued	3,075,000	0.19	-
Exercised	(390,000)	0.22	-
Expired	(1,947,500)	0.15	-
Balance as at January 31, 2010	2,975,000	$ 0.19	-
Issued	2,793,266	0.36	-
Exercised	(50,000)	0.25	-
Balance as at Oct 31, 2010	5,718,266	$ 0.27	1.16

The following warrants were outstanding and exercisable at October 31, 2010:

Number	Exercise Price	Expiry Date
1,650,000	$ 0.15	July 2, 2011
1,275,000	0.25	October 20, 2011
750,000	0.25	March 31, 2012
2,043,266	0.40	June 2, 2012
5,718,266		

7. CAPITAL MANAGEMENT

The capital of the Company consists of share and working capital. The Company's objectives when managing capital are to: (i) preserve capital, (ii) obtain the best available net return, and (iii) maintain liquidity to carry out its exploration programs.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of its cash and cash equivalents.

The Company's policy is to invest its excess cash and cash equivalents in highly liquid, fully guaranteed, bank - sponsored instruments.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the three months ended October 31, 2009 and 2010. The Company is not subject to externally imposed capital restrictions.

8. RISK MANAGEMENT

Industry risk management

The Company is engaged primarily in mineral exploration and manages related industry risk issues directly. The Company may be at risk for environmental issues and fluctuations in commodity pricing. Management is not aware of and does not anticipate any significant environmental remediation costs or liabilities in respect of its current operations.

Financial risk management

The Company is exposed in varying degrees to a variety of financial instrument related risks.

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 bank accounts and term deposits, whose balances at October 31, 2010 were $100,000 and $700,005 respectively. The bank account and the term deposits are each held with major Canadian financial institutions. As both the Company's cash and cash equivalents are held by two Canadian financial institutions, there is a concentration of credit risk with these institutions. This risk is managed by using major banks and credit unions that are high credit quality financial institutions as determined by rating agencies. The Company's secondary exposure to risk is on its receivables. This risk is minimal as receivables consist primarily of refundable government sales taxes.

Currency risk
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
The Company is exposed to interest rate risk as bank accounts and term deposits earn interest income at variable rates. The fair value of its portfolio is relatively unaffected by changes in short-term interest rates.

Liquidity and funding risk
Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash. As at October 31, 2010, the Company was holding cash and cash equivalents of $828,825. Funding risk is the risk that market conditions will impact the Company's ability to raise capital through equity markets under acceptable terms and conditions. Under current market conditions, both liquidity and funding risk have been assessed as high.

9. SUBSEQUENT EVENTS

On November 19 2010 the Company announced a non-brokered private placement of 2,700,000 flow-through units at a price of $0.30 per unit for gross proceeds of $810,000. This placement was increased to 4,722,865 units and was closed on December 9, 2010. Each unit is comprised of one flow-through common share and one half of one non-flow-through warrant, with each full warrant entitling the holder to purchase an additional non-flow-through common share at an exercise price of $0.40 per share for a period of two years from the closing date of the private placement. Finder's fees of $77,214 were paid with respect to a portion of this placement.

TERRAX MINERALS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
For the three months ended October 31, 2010

The following discussion and analysis should be read in conjunction with the Interim Financial Statements and related notes for the three months ended October 31, 2010. All dollar amounts are stated in Canadian funds. This discussion is based on information available as at December 23, 2010.

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

OVERVIEW

The principal business of the Company is the acquisition and exploration of mineral exploration properties in underexplored areas of Canada and it is now one of the major landholders of prospective ground in the burgeoning Marmion Batholith gold district near Atikokan, Ontario. The Marmion Batholith is host to Osisko Mining Corporation's (TSX: OSK) Hammond Reef gold deposit, which contains a National Instrument 43-101 compliant resource of 259.4 Mt @ 0.80 g/t Au (approximately 6.7 Moz Au). The Brett Resources technical report on the Hammond Reef property is available at www.sedar.com.

In May 2009 the Company completed its due diligence on the Sunbeam-Pettigrew gold property in Northwest Ontario and entered into an option agreement with the vendors for a 100% interest in the property, subject to a 2.5% NSR. The Sunbeam-Pettigrew property consists of 35 claims totalling 417 claim units (~65.95 km2) and occurs 25 km northeast of the town of Atikokan, which is in turn 180 km west of Thunder Bay. The property is 15 km from the Hammond Reef gold deposit.

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

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

In June 2010, TerraX announced an option to acquire a 100% interest in the Stewart Gold-Copper Property in the Burin Peninsula of Newfoundland, subject to acceptance for filing by the TSX Venture Exchange. The Stewart property consisted of two mineral exploration licenses, totaling 173 claims (~43.25 km^2), located 30 km north-northeast of the town of Marystown, which is in turn approximately 300 km by road southwest of St. John's. The Stewart property is considered prospective for a large tonnage, low grade gold-copper deposit.

Sunbeam-Pettigrew Property, Ontario

On April 15, 2009, TerraX entered into an option to acquire a 100% interest in the Sunbeam-Pettigrew gold property in northwest Ontario. The property initially consisted of 27 claims totalling 350 claim units (~55 km^2), but was later expanded to thirty-five claims totalling 417 claim units (~65.95 km2) located 25 km northeast of the town of Atikokan, 180 km west of Thunder Bay and 15 km from Osisko's Hammond Reef deposit. The geology and known mineralization on the Sunbeam-Pettigrew property are similar to the Hammond Reef deposit where Brett Resources had reported wide zones of mineralization, such as 154.5 m @ 1.21 g/t Au.

TerraX can earn a 100% interest in the Sunbeam-Pettigrew property over a three year period by making option payments totalling $210,000 (of which $90,000 has now been paid), issuing 600,000 shares (of which 250,000 shares have been issued), and funding $450,000 of exploration and development work. The vendors will retain a 2.5% NSR, 1% of which can be purchased by TerraX for $1,000,000. An annual pre-production royalty of $20,000 will also be in effect, commencing on April 15, 2013.

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

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

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

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

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

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

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

On the Pettigrew showing of the Pettigrew-Jack Lake structure, six TerraX samples over a 30 by 50 m area averaged 0.90 g/t Au. This is comparable with previous work in the Pettigrew area, including 1983 drilling by Canadian Nickel Company Ltd with reported intersections of 1.81 g/t Au over 18.5 m in borehole 57751 and 0.41 g/t Au over

27.56 m in borehole 57766. In 1987 rehabilitation of the historical underground workings (1898-1900) by Canadian Nickel resulted in wall chip assays of 0.70 g/t Au over 21 m across the strike of the mineralized zone, and an average grade from seven bulk samples of 1.33 g/t Au. All of these results support the potential for a Hammond Reef style deposit on the property.

Table 1: Significant Au Analyses from TerraX Sampling

Structure	Grade (g/t Au)	Description
Sunbeam-Atiko	3.83	highly altered granite, green mica, carbonate, 3-5% coarse-grained py.
	2.79	quartz with minor sericite, 4% coarse-grained pyrite
	2.12	Altered pink-green granite, 2-3% coarse-grained py
	1.49	granite with iron carbonate, sericite, 4% py
	1.48	Altered quartz vein selvage, pale green mica, 2-3% coarse py cubes
	1.18	Quartz vein, green mica, brown carbonate, minor py
	0.87	highly altered granite, green mica, hematite, carbonate, quartz, minor py
Pettigrew-Jack Lake	3.42	Quartz vein with 2% galena, 2% py
	0.98	Sheared, green granite, hematite clots, 3-5% py cubes
	0.84	Sheared, altered and oxidized granite, hematite, minor py

Activation Laboratories Ltd. (Actlabs) carried out the sample analysis in their Thunder Bay, Ontario facility. Samples were subjected to Actlabs' RX2 sample preparation which consists of crushing the entire sample to a nominal 10 mesh (1.7 mm) size, and pulverizing a 100 g sub-sample to 150 mesh (105 mm). A 50 g sub-sample of the pulverized sample was subjected to Actlabs' 1A2-50 analysis (Fire Assay with AA finish) and any analysis over 3000 ppb was re-assayed using Actlabs' 1A3-50 analysis (Fire Assay with gravimetric finish).

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

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

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

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

Four northeast-striking, mineralized lineaments have been identified to date on the Sunbeam property; these are the

WN2/Pettigrew, **Burger**, **Roy** and **Sunbeam** lineaments. Lineaments are generally small valleys or depressions, typically with incomplete surface exposure. Intermittent alteration and mineralization were noted along the lineaments over strike lengths of up to 9 km, with numerous examples of previously undocumented alteration and mineralization discovered during prospecting. The lineaments are subparallel to the nearby Hammond Reef deposit. In addition, historical zones were sampled in detail and their known areal extent expanded. Updated graphics and maps are available on our website at **www.terraxminerals.com** and should be reviewed to assist in understanding the following detail:

WN2/Pettigrew Lineament: This lineament contains anomalous gold over an 8.9 km strike length, and includes the WN2 zone, historical G97 showing, Pettigrew occurrence, newly discovered Pettigrew NE zone, and other isolated anomalous occurrences. The Pettigrew occurrence has two shafts and underground workings from circa 1900. A 1983 drill hole by the Canadian Nickel Company Ltd reported an intersection of 18.5 m @ 1.81 g/t Au. TerraX found iron carbonate alteration and anomalous gold over a 50 m width, and collected samples which returned up to **3.4 g/t Au**.

The Pettigrew Northeast Zone is the most exciting new mineralization discovered by TerraX. It starts 600 m northeast of the Pettigrew occurrence (there are no outcrops between Pettigrew and this point), and extends to the northeast for 1.0 km. TerraX sampling returned **5.6 and 2.5 g/t Au** at the southwest end of the zone and **10.2 g/t and 1.0 g/t Au** at the northeast end. The zone is characterized by quartz-ankerite-pyrite veins surrounded by altered granite. Although the surface mineralization had not previously been documented, two holes were drilled in the area of the zone by the Canadian Nickel Company Ltd, based on a VLF response. One hole was not assayed and the other had 5.58 m @ 0.23 g/t Au. Based on the results of our recent exploration, neither hole targeted the best part of the mineralization. The WN2 Zone, which was previously known but poorly documented, is a 50 m wide x 300 m long zone of intense iron carbonate and lesser chlorite alteration in granite. Five samples in excess of 250 ppb Au were collected by TerraX, with a high of 952 ppb. TerraX obtained a value of 291 ppb at the historical G97 showing. Other isolated new showings contain up to 805 ppb Au.

Burger Lineament: This lineament contains anomalous gold over a 2.8 km strike length, and includes the Burger Zone, for which limited historic information is available. TerraX delineated this zone over a 400 m strike length; 28 of 34 samples collected were anomalous in Au (>20 ppb), including samples of **15.6 g/t, 6.14 g/t and 4.79 g/t Au**. The best part of the zone contains a quartz-pyrite vein on the edge of a mafic dike cutting granite. No prior drilling has been reported on this lineament.

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

Sunbeam Lineament: This lineament features anomalous gold over at least 3.9 km of strike length, including the Road Zone, past-producing Sunbeam deposit (not owned by TerraX) and the AL198 Zone. Three historical shafts occur at the Road Zone, where TerraX's samples returned up to **2.6 g/t Au**. Over a 190 m strike length, 19 of 24 samples collected were anomalous (>20 ppb Au), and 8 were over 0.5 g/t Au. A drill hole by Nahanni Mines Limited in 1981 at the Road Zone intersected **8.5 m @ 4.8 g/t Au**, including **1.8 m @ 15.8 g/t Au**. The AL198 Zone is exposed for 215 m, and is open in both directions. Of 21 samples collected, 14 were anomalous in gold, with a high of **16.2 g/t Au**, and 7 with greater than 0.5 g/t Au. This zone has not been drill tested.

Mineralization on the Company's properties in the Marmion Batholith occurs in quartz veins and altered granite. In both cases, gold content appears to be roughly proportional to the amount of pyrite in the rock. Induced Polarization ("IP") surveying is the best method to detect disseminated pyrite, thus IP (or chargeability) anomalies will constitute drill targets. Magnetic surveying was also completed in order to provide more information about structures and alteration. Chargeability anomalies occur on all grids on which IP surveying was conducted, and in all cases they are approximately coincident with surface alteration/mineralization. In early 2010, TerraX performed a magnetic survey on a 1.6 km strike length of the Sunbeam lineament, including the AL198 Zone which returned **16.2 g/t Au**, and a magnetic/IP survey on a 2 km strike length of the Pettigrew lineament, including a zone which ran up to **10.2 g/t Au;**

the latter produced a northeast-striking chargeability and coincident resistivity high anomaly occurring over at least a 1.4 km strike length.

In March 2010 TerraX added an additional forty-seven claim units in five claims (approximately 7.5 sq km) to the southern portion of the Sunbeam-Pettigrew property. The claims were staked to cover the southwest extension of the 2.8 km long Burger Lineament - an additional three km of strike length has now been acquired. The lineament contains the Burger Zone, a mineralized zone at least 400 m long, where 28 of 34 samples collected by TerraX in 2009 were anomalous in Au (>20 ppb), including previously reported samples of **15.6 g/t, 6.14 g/t and 4.79 g/t Au.**

On June 7 2010 TerraX commenced core drilling on the Sunbeam-Pettigrew property following completion of a six hole drill program at Blackfly (described more fully below). The initial Sunbeam-Pettigrew drill program comprised five holes testing near-surface IP chargeability anomalies on the Pettigrew Northeast target.

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

TerraX is encouraged by the alteration and sulphides encountered in the Pettigrew Northeast holes as well as the anomalous gold values. The experience of Brett Resources in similar alteration systems is that the width and continuity of the gold mineralization improves with depth.

In addition to the drilling program undertaken in June, prospecting programs were carried out over additional claims acquired to the Northeast and Southwest on the Sunbeam-Pettigrew property, with 229 new grab samples having been taken. Results ranged from below detection to a high of **4.05 g/t Au** from a sample collected along strike from the historic <u>Burger showing</u>. A new showing on the <u>Roy Lineament</u> (which was identified in 2009) yielded an assay of **2.70 g/t Au**. Mineralization on the <u>WN2/Pettigrew Lineament</u>, also identified in 2009, was extended 900 m to the southwest to the edge of the property; the best grab sample was 498 ppb Au. Two newly defined lineaments in the southern part of the property were sampled in some detail. The first outcrops over a strike length of 1.4 km, and 13 of 30 samples contained >20 ppb Au, with a high value of 405 ppb Au. The second is intermittently exposed over a strike length of 3.3 km, and produced a high value of 952 ppb Au. Alteration and anomalous gold (high value of 77 ppb Au) were discovered on a lineament trending southwest from the <u>Rubble showing</u>, where sampling by the Ontario Geological Survey has returned up to **48.6 g/t Au**; this lineament was followed for 1.4 km. Alteration and local anomalous gold was noted on several other newly prospected lineaments in the extreme southwest of the property, which TerraX acquired by staking in January, 2010.

In September, 2010 TerraX conducted further surface work at Pettigrew Northeast as well as the other target areas at Sunbeam-Pettigrew. This has enabled us to more effectively position drill collars for drilling planned for January, when freeze-up will make them more readily accessible. Mapping and additional sampling were conducted on the **Pettigrew Northeast, Road, AL198** and **Roy targets** on the Sunbeam-Pettigrew property as well as the **Blackfly** and **Blackfly NE** targets on the Blackfly property.

Sampling of the **Road Zone** in 2009 produced anomalous mineralization over a strike length of 165 m, with a high value of **2.6 g/t Au**. Mapping of this zone in September revealed that the controlling shear structure in the immediate area of the best surface mineralization strikes approximately 240° and dips 65° northwest. Drilling by Nahanni Mines Ltd in 1982 produced an intersection of **8.5 m @ 4.8 g/t Au.** This target will be a high priority for drilling in January.

The **Pettigrew Northeast** target on the Sunbeam-Pettigrew property returned significant results from 2009 surface prospecting (up to **10.2 g/t Au**), and there were indications of some success in finding wider zones of mineralization from historical work on the structure (0.70 g/t Au over 21 m in underground workings and 26.8 m @ 0.43 g/t Au in hole 57766 drilled by Canadian Nickel in 1983). These historical results are of a similar grade and width to the initial results reported from Hammond Reef. The Pettigrew structure has been defined over 1.5 km. Outcrop stripping and mapping completed in September and re-analysis of the geophysical data relative to the surface showings, and a more detailed review of the historical drilling, all establish that the Pettigrew structure dips steeply to the northwest. It is apparent that none of the holes recently drilled by TerraX (drilled to the northwest at -50°) could have reached the mineralized zone. This target remains essentially untested, and it is still a high priority as a Hammond Reef analogy.

Terrax sampling of the **AL198 Zone** in 2009 produced values up to 16.2 g/t Au, over a strike length of 220 m of exposed mineralization. This zone, which is along strike from the Road Zone, was also mapped in September, revealing a consistent shear control striking southwest and dipping 65° northwest. As with most of the Sunbeam-Pettigrew property targets, this zone is defined by a topographic low along the controlling structure. This low is linear and approximately 20 m wide. Alteration and mineralization have been uncovered at surface from both sides of the topographic low, and therefore it has more strongly established that it has significant width associated with it.

The **Roy** occurrence has four historical small shafts; TerraX obtained up to **3.83 g/t Au** from waste piles in 2009. Mapping in the Roy area in September established that the shear structure controlling mineralization is parallel to that of the Road and AL198 zones. New occurrences with up to **515 ppb Au** were found along this trend to the southwest, 500 to 700 m from the Roy zone, including one zone of mineralization and alteration approximately 15 m wide.

A total of 35 grab samples were collected from the Sunbeam-Pettigrew property during this recent fieldwork. Results ranged from below detection to 515 ppb Au, including 10 samples with >20 ppb Au.

Blackfly Property, Ontario

In July 2009 TerraX entered into an option to acquire the Blackfly gold property in northwest Ontario. The property consists of five claims totalling 64 claim units (~10.1 km^2) located 10 km northwest of the town of Atikokan, 180 km west of Thunder Bay and 17 km from Brett Resources' Hammond Reef deposit. As does the Hammond Reef deposit, the Blackfly property occurs on the western edge of the Marmion Batholith. The geology and known mineralization on the Blackfly property are similar to the Hammond Reef deposit and the Blackfly deposit appears to be along strike from Hammond Reef. The Blackfly property is 22 km west of TerraX's Sunbeam-Pettigrew property.

TerraX can earn a 100% interest in the Blackfly property over a four year period by making option payments totalling $100,000 (of which $30,000 has been paid), issuing 280,000 shares (of which 110,000 have been issued) and funding $179,200 of exploration and development work. The vendors will retain a 2.5% NSR, 1% of which can be purchased by TerraX for $1,000,000. An annual pre-production royalty of $10,000 will also be in effect, commencing on July 2, 2013.

Gold-bearing quartz and quartz-carbonate veins were discovered on the Blackfly property around 1897, but the majority of previous exploration took place between 1938 and 1949. This includes the sinking of a 14 m shaft in 1938. According to the Ontario Geological Survey, mineralization consists of pyrite, galena, and possible arsenopyrite with accessory chlorite, sericite, ankerite and epidote. Sampling by the Ontario Geological Survey produced values of 8.75 g/t Au over 0.35 m in a quartz vein and 3.44 g/t Au in wallrock. TerraX visited the property briefly in May of 2009, taking two sulphide-bearing quartz vein samples which ran **2.24 g/t** and **167 g/t Au** respectively. Although the over-riding target for TerraX is a large, low grade gold deposit similar to Hammond Reef, the grades obtained to date from the quartz veins suggest that the property may also have potential for a smaller, higher grade deposit.

During field exploration at Blackfly in September 2009, sampling was concentrated in and around the northeast-trending, historical Blackfly Zone. Sampling along the exposed 300 m strike length of this zone in September returned assays up to **85.6 g/t Au**, with 11 samples in excess of 1 g/t Au. Sampling of a parallel structure 70 m northwest of the Blackfly Zone produced assays up to 1.10 g/t Au. Two additional zones of anomalous mineralization (assays up to 383 ppb Au) were discovered during limited examination of the remainder of the property. As a result, TerraX undertook a second field program on the Blackfly property in late October to extend the known mineralization and explore for new alteration/mineralization zones.

On February 2, 2010, TerraX announced that it received the final results from a total of 276 samples collected on its Blackfly gold property during the spring and fall 2009. The sampling has defined a northeast-striking, mineralized lineament with intermittent alteration and mineralization noted over a strike length of 4.4 km on the property. The highest assay from the lineament was **167 g/t Au**. This lineament is sub-parallel to and potentially along strike with the nearby Hammond Reef deposit.

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

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

In May 2010 TerraX commenced core drilling at Blackfly. This first phase Blackfly drill program comprised six shallow holes testing near-surface IP chargeability and resistivity anomalies on the Blackfly and Blackfly Northeast targets. These targets are on the western margin of the Marmion Batholith, in a similar geological environment to the nearby Hammond Reef gold deposit. These target areas are considered to have potential for both high grade gold related to quartz veins of significant width, and for lower grade, bulk mineable gold. This initial drill program successfully encountered both styles of mineralization, intersecting **8.26 m @ 0.94 g/t Au** in altered tonalite, and **1.07 m @ 15.1 g/t Au** in a high grade quartz vein (the "Blackfly Vein") that is open down-dip and along strike. In addition, some of the better disseminated mineralized zones were encountered near the ends of the drill holes. On the Blackfly target, hole BF10-02 was drilled behind hole BF10-01 and stopped short of the gold zone encountered at the bottom of this hole. At Blackfly Northeast, BF10-05 hit its best mineralization (**1.47 m of 2.7 g/t Au**) in altered quartz diorite near the end of the hole. Hole BF10-06 was stopped short just as it entered this rock unit, prior to intersecting the better alteration and mineralization.

Four holes totaling 670 m were drilled at the **Blackfly Target**, which consists of the Blackfly Vein and a coincident chargeability/resistivity anomaly identified during TerraX's IP survey earlier this year. Each drill hole encountered extensive silicification with associated pyrite, an important feature in this gold camp, as well as abundant quartz-ankerite veining. Hole BF10-01 intersected 3.96 m @ 0.79 g/t Au in weakly sericitized tonalite near the end of the hole at 130 m (see Table 2 below). As well, erratic anomalous values (20 to 685 ppb Au) were encountered throughout the entire length of the hole. Hole BF10-02 also intersected locally anomalous values (up to 214 ppb Au) throughout much of the hole. Hole BF10-03 intersected 0.51 m @ 2.22 g/t Au in the Blackfly Vein, and **8.26 m @ 0.94 g/t Au** in silicified tonalite with minor pyrite and chalcopyrite. Hole BF10-04 intersected **1.07 m @ 15.1 g/t Au** in the Blackfly Vein and 1.48 m @ 0.81 g/t Au in a sericitized mafic dike that has mineralized tonalite shoulders for a total intersection of 3.2 m @ 0.47 g/t Au.

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

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

Table 2: Mineralized Intersections on the Blackfly Property

Target	Hole	From (m)	To (m)	Intersection
Blackfly	BF10-01	130.14	134.10	3.96 m @ 0.79 g/t Au
Blackfly	BF10-03	11.43	11.94	0.51 m @ 2.22 g/t Au
Blackfly	BF10-03	84.92	93.18	**8.26 m @ 0.94 g/t Au**
Blackfly	BF10-04	13.00	14.07	**1.07 m @ 15.1 g/t Au**
Blackfly	BF10-04	80.32	81.80	1.48 m @ 0.81 g/t Au
Blackfly Northeast	BF10-05	47.45	48.68	1.23 m @ 0.57 g/t Au
Blackfly Northeast	BF10-05	105.58	107.05	**1.47 m @ 2.70 g/t Au**
Blackfly Northeast	BF10-05	118.81	120.28	1.47 m @ 0.73 g/t Au
Blackfly Northeast	BF10-06	22.88	23.99	1.11 m @ 0.79 g/t Au

A map showing the location of the drill holes completed in May 2010 at Blackfly is available on our web site at www.terraxminerals.com.

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

Detailed mapping in the region of the Blackfly Vein resulted in a more accurate delineation of the two main mineralized vein structures on the property. Most of TerraX's previous sampling was concentrated on the main vein, where 2009 grab samples returned up to **167 g/t Au**, and from which drill hole BF10-04 produced an intersection of **1.07 m @ 15.1 g/t Au,** and hole BF10-03 produced an intersection of **0.51 m @ 2.22 g/t Au.** This vein has now been traced on surface for a strike length of 350 m. Mapping indicated that the intersections of **8.26 m @ 0.94 g/t Au** from hole BF10-03 and **1.31 m @ 0.50 g/t Au** are likely related to the Blackfly NW vein system, which is sub-parallel to and occurs 75 m to the northwest of the main vein. The Blackfly NW vein system varies along strike from a single 30 cm quartz vein with pyrite and galena to a ~5 m wide zone of thin quartz-ankerite veins with associated pyrite. Grab sampling of the latter zone returned up to **2.08 g/t Au**. The Blackfly NW vein has been traced for 150 m on surface; it has been intersected by two drill holes to date. Twenty grab samples were collected from the Blackfly target during this fieldwork; assay results ranged from below detection to 2.08 g/t Au and include six samples with >40 ppb Au.

Mapping and sampling was also conducted on the Blackfly Northeast target, where the June 2010 drilling intersected

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

In late November 2010 TerraX commenced core drilling on the Blackfly Target. This follow-up drill program tested along strike and down dip of the mineralization intercepted in May 2010 in Hammond Reef style altered granite zones. As of the date of this report, four holes totalling approximately 804 m have been drilled, including one hole which had to be partially re-drilled; an additional 200 m hole is planned for January 2011.
Following the drilling on the Blackfly Zone in January, TerraX will drill test the Blackfly Northeast anomaly where previous TerraX drilling in the spring of 2010 identified a gold mineralized quartz diorite that returned assays up to **1.47 m @ 2.70 g/t Au.** This mineralized unit was subsequently encountered on surface during geological mapping in September 2010 and returned assays up to **1.80 g/t Au**.

Central Canada Property, Ontario

On January 5, 2010, TerraX announced that it had entered into an option to acquire a 100% interest in the Central Canada gold property in northwest Ontario. The property consists of seven claims totaling 24 claim units (~3.8 km^2) located 20 km east of the town of Atikokan, 160 km west of Thunder Bay and 19 km from the Hammond Reef deposit. The Central Canada property is also 3 km south of TerraX's Sunbeam-Pettigrew property.

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

The Central Canada property straddles the southern contact of the Marmion Batholith, host to the Hammond Reef deposit and TerraX's Sunbeam-Pettigrew and Blackfly properties. The bulk of the property is underlain by mafic rocks outside the batholith; these have been intruded by abundant felsic dikes presumably related to the Marmion Batholith. Gold mineralization is associated with quartz-iron carbonate veins with minor pyrite and local tourmaline and/or arsenopyrite. These veins are most common in or close to felsic dikes. Dikes and veins trend easterly, parallel to the contact of the Marmion Batholith and to the strike of the regional scale Quetico Fault, which also occurs on the property. TerraX visited the property in October 2009, collecting 18 grab samples of veins and alteration. Assay values range from 9 ppb to **22.9 g/t gold**, and seven samples had >250 ppb Au. This includes results of **2.8, 4.48 and 22.9 g/t gold**.

A shaft was sunk on the property in 1901 and deepened to 130' in 1929. A 1929 Ontario Department of Mines report notes pyrite, chalcopyrite, tetrahedrite and free gold at 30 to 40' depth in the shaft, and values up to 21.0 g/t gold. Eighteen holes were drilled from 1929 to 1935. A pilot mill was constructed on site, but there is no record of gold production. Three short holes were drilled in 1965, with a best intersection of 7' (2.13 m) @ 44 g/t gold. Thirteen holes were drilled in 1985 - the best intersection was 3.8' (1.16 m) @ 30 g/t gold. A 2003 Ontario Geological Survey property visit report noted that "*gold mineralization is hosted by quartz-tourmaline veins within sheared, deformed, carbonatized and sericitized quartz porphyry. Historical reports indicated up to 7 parallel and extensional quartz vein sets over a strike length of 1000 m and across a width of 400 m…… Exploration programs should consider using induced polarization (IP) geophysical surveys to delineate disseminated sulphide mineralized zones which locally contain gold*". Freewest Resources stripped 17 areas on the property in 2004, and collected 54 samples, of which 21 returned results >100 ppb gold, and the three highest were 1.24, 4.17 and 7.96 g/t gold. Freewest's report recommended geophysics and drilling, but this was not completed.

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

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

In September 2010 TerraX conducted channel sampling on the Central Canada property; assay results are pending.

The work programs at the Sunbeam-Pettigrew, Blackfly, and Central Canada properties are being supervised by Tom Setterfield, PhD, P.Geo., and Joseph Campbell, P.Geo., who are qualified persons under the definition of National Instrument 43-101. They are responsible for all aspects of the work including the quality control/quality assurance program. All samples collected are delivered directly to Activation Laboratories Ltd. Actlab's quality control system complies with ISO/IEC 17025 and CAN-P-1579. The foregoing technical information has been verified by Tom Setterfield, PhD, P Geo., Vice-President Exploration.

Stewart Gold-Copper Property, Newfoundland

In June 2010 TerraX entered into an option to acquire a 100% interest in the Stewart Gold-Copper Property in the Burin Peninsula of Newfoundland. The Stewart property consisted of two mineral exploration licenses, totaling 173 claims (~43.25 km^2), located 30 km north-northeast of the town of Marystown, which is in turn approximately 300 km by road southwest of St. John's. The Stewart property is considered prospective for a large tonnage, low grade gold-copper deposit.

TerraX can earn a 100% interest in the Stewart property over a four year period by making option payments totalling $105,000 and issuing 295,000 shares (of which $10,000 and 30,000 shares have been paid), and funding $525,000 of exploration and development work ($75,000 in the first year). The vendors will retain a 2% NSR, 1% of which can be purchased by TerraX for $1,000,000.

A primary focus for TerraX on the Stewart property is extensive alteration and gold-copper mineralization that suggests the presence of a shallowly buried porphyry gold-copper deposit. The property has a historically defined 4 km long by up to 700 m wide advanced argillic alteration zone with variable amounts of pyrophyllite, alunite, hematite, sericite, pyrite and fluorite. It has been recognized that the Stewart property's sheeted and stockwork quartz veins, and its widespread advanced argillic alteration with low grade Au and Cu values, are similar to other large porphyry systems where advanced argillic alteration closely overlies porphyry mineralization, such as at **Oyu Tolgoi in Mongolia (1.39 Bt at 0.93% Cu and 0.37% Au)**. Exploration below the advanced argillic zone in search of this style and size of deposit will be a primary target for TerraX on the Stewart Property.

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

An associated target type for the property is high sulphidation style epithermal Au deposits. The Burin Peninsula is part of the Avalon terrane, a geologic structure which can be traced from eastern Newfoundland through Nova

Scotia and New Brunswick into New England, the Carolinas and northern Georgia. High-level felsic to intermediate magmas likely provided the heat and fluids responsible for numerous large hydrothermal systems along the length of the Avalon, some of which have produced deposits that have been exploited, such as the Ridgeway deposit of 56 Mt at 1.1 g/t Au and Hope Brook in Newfoundland, with 11.2 Mt at 4.54 g/t Au and 0.30% Cu.

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

In early September of 2010, TerraX management conducted an initial visit to the Stewart property. TerraX was encouraged by the style and extent of alteration visible on surface, and also identified several lineaments that do not appear to have previously been prospected. Terrax began a three week field program in October that focused on mapping and sampling to further delineate the large hydrothermal alteration/mineralization system known to be present on the property and to prospect the entire property. Lesser emphasis was placed on examination of the core of the system. Results were received and announced in December 2010 and include:

- discovery of the **Forty Creek show**ing, a collection of angular blocks of quartz vein material with local sulphides in the northeastern part of the property. Several blocks up to 1 m across occur within a 200 square m area. A grab sample from one block assayed **59 g/t Au** and **2290 g/t Ag**. This sample also had the highest values of Pb (>0.5%), Zn (0.44%), Hg, Sb and Se of all the samples collected by TerraX;

- anomalous gold assays obtained over 725 m in soils, with this anomalous zone open for 150 m to the southeast because of the presence of swampy ground that precluded further sampling; and

- the exposed area of hydrothermal alteration at Stewart has now been determined to be larger than originally thought, with a **strike length on the order of 6 km, and a width varying from 400 m to 1.4 km.**

A total of 138 samples were collected for assay and for determination of pathfinder elemental abundance, and 145 samples were analyzed with a Terraspec instrument for identification of key alteration minerals. Gold assay results ranged from below detection to 59 g/t, with 15 samples being 20 ppb Au or higher. The exposed area of hydrothermal alteration has been determined to be larger than originally thought, with a strike length on the order of 6 km, and a width varying from 400 m to 1.4 km. This is based on field identification of alteration, distribution of illite/muscovite as determined by a Terraspec instrument, and anomalism in elements such as Cu, Pb, Mo, As and Sb. The western 1.5 km "core" of the alteration system is anomalous in Cu, Au, Pb and Mo, has local development of quartz stockworks and sheeted veins, and is considered to be deeper in the hydrothermal system. A 600 m section of the core zone has been tested by seven shallow drill holes by past operators; 90% of the hydrothermal system has not been drill tested. The outer parts of the system contain phyllic to advanced argillic alteration, including high temperature minerals such as pyrophyllite and dickite. Such minerals are common in high temperature advanced argillic zones such as those that overlie porphyry systems. Gold values from surface grab samples collected by TerraX within this hydrothermal system ranged up to 473 ppb Au.

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

TerraX has expanded its land position at Stewart due to the discovery of the Forty Creek showing and to cover two anomalous gold samples (68 and 115 ppb Au) collected on open ground south of the Forty Creek showing. An additional 30 claims (7.5 sq km) were staked.

TerraX has an aggressive exploration program planned for Stewart that includes comprehensive soil and lake sediment sampling in January 2011, followed by airborne and/or ground geophysics and further geological evaluation, with the goal of defining drill targets for the summer of 2011.

Private Placement

On November 19, 2010 TerraX announced a non-brokered private placement of 2,700,000 flow-through units at a price of $0.30 per unit. Due to demand, the placement was increased to 4,722,865 flow-through units at a price of $0.30 per unit and closed on December 9, 2010 for gross proceeds of $1,416,889.

Each unit consists of one flow-through common share and one half of one non-flow-through warrant, with each full warrant entitling the holder to purchase an additional non-flow-through common share at an exercise price of $0.40 per share until December 9, 2012. The shares and any shares acquired on the exercise of warrants will be subject to a hold period expiring on April 10, 2011. Finders fee in cash totalling $77,214 were paid with respect to a portion of this placement.

The net proceeds from this private placement will be used to accelerate exploration drilling on the Company's Blackfly, Sunbeam-Pettigrew and Central Canada gold exploration projects near Atikokan in northwestern Ontario as well as exploration of the Stewart gold-copper property in Newfoundland in early 2011.

Current Economic Conditions

During 2010, the ongoing global credit crisis and economic weakness have made for extremely volatile capital markets characterized by weaker equity prices and an environment in which limited opportunities existed to raise additional capital. While stronger commodity prices have provided financing opportunities which TerraX has capitalized on to augment its working capital, management of the Company remains cautious and will continue to take the necessary precautions to maintain its cash reserves. The Company has commitments in the future (later this fiscal year and beyond) on its mineral properties and the Company may be forced to abandon and write-off one or more of these properties if the Company does not have the means to meet these commitments, or does not feel it is fiscally prudent to do so.

The Company currently has sufficient cash to meet all obligations during fiscal 2011 and does not believe that any further write-downs of its mineral properties are required at this time. The Company will be reviewing its mineral property commitments as well as its working capital position on an ongoing basis during fiscal 2011 and may elect to abandon properties when obligations become due if management deems it necessary in order to maintain the long-term viability of the Company.

Results of Operations – Three months ended October 31, 2010

Operating expenses for the three months ended October 30, 2010 totaled $132,949 as compared to $104,397 during the three months ended October 31, 2009. The significant expenditures were as follows:

The Company incurred consulting expense of $2,478 during the three months ended October 31, 2009 primarily for review of potential property acquisitions; there was no comparable expense during the current period.

During the three months ended October 31, 2010, the Company incurred $5,285 for office, rent and expenses which is comparable to the $5,036 incurred during the same period a year prior.

The Company spent $82,269 for transfer agent, filing fees and shareholder communications during the three months ended October 31, 2010. This represented a substantial increase from the $15,003 incurred during the same period a year prior, primarily due to a significant increase in shareholder communications activity during the current period.

Professional fees of $2,885 were incurred during the three months ended October 31, 2010. This represents a slight increase from the $1,296 incurred during the same period a year prior.

Stock-based compensation expense of $40,980 (a non-cash item) was incurred during the three months ended October 31, 2010 due to the vesting of incentive stock options granted to consultants during the current and prior periods. This compares to stock based compensation expense of $80,584 incurred during the same period a year prior when options were granted to directors and consultants that vested immediately on grant.

The Company incurred travel expenses of $1,530 during the three months ended October 31, 2010 for investor presentations; there were no travel expenses incurred during the same period a year prior.

During the three months ended October 31, 2010, the Company earned interest income of $1,919 on short-term investments and cash on hand. This compares to $362 earned during the three months ended October 31, 2009 when the company had less cash on hand.

As a result of the foregoing, the Company incurred a net and comprehensive loss for the three months ended October 31, 2010 of $131,030 as compared to a loss of $104,035 during the comparable period a year prior.

Summary of Quarterly Results

	Q3	**Q2**	**Q1-11**	**Q4-10**	**Q3-10**	**Q2-10**	**Q1-10**	**Q4-09**
Revenue	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Net Loss ($)	131,030	159,630	60,800	918,786	104,035	25,436	15,017	13,478
Per Share ($)	0.01	0.01	0.01	0.10	0.01	0.01	0.01	0.01

The loss for the third quarter of fiscal 2009 decreased to $24,612 from the $119,770 incurred during the second quarter of fiscal 2008 primarily due to the elimination of stock based compensation expense, a non-cash item, as there were no stock options granted or vested during the current period.

The loss for the fourth quarter of fiscal 2009 decreased to $13,478 from the $24,612 incurred during the third quarter of fiscal 2008 primarily due to the elimination of management fees during the fourth quarter in order to conserve cash.

During the first quarter of fiscal 2010, the loss increased slightly to $15,017 from the $13,478 incurred during the prior fiscal quarter due to an increase in travel expenses during the current period.

The loss for the second quarter of fiscal 2010 increased to $25,436 from the $15,017 incurred during the first quarter due to an increase in professional fees and filing fees during the current period for property acquisitions and private placements completed during the period.

The loss for the third quarter of fiscal 2010 increased to $104,035 primarily because of stock-based compensation, a non-cash expense, incurred during the current period due to the granting of incentive stock options to management, directors and consultants. There were no incentive stock options granted during the two prior fiscal quarters.

The loss for the fourth quarter of fiscal 2010 increased to $918,786 primarily due to the write-off of mineral property acquisition and deferred exploration costs totalling $805,923 during the period.

The loss for the first quarter of fiscal 2011 (the three months ended April 30, 2010) decreased to $60,800 as there were no write-offs of mineral properties during the period, as compared to write-offs totalling $805,923 during the fourth quarter of fiscal 2010.

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

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

Liquidity and Capital Resources

TerraX is in the development stage and therefore has no regular cash flow. As at October 31, 2010, the Company had working capital of $774,146, inclusive of cash and cash equivalents of $828,825. This compares to working capital of $482,698 at January 31, 2010, inclusive of cash and cash equivalents on hand at that time of $465,586.

As at October 31, 2010, the Company had current assets of $848,672, total assets of $1,794,527 and total liabilities of $74,526. 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 $909,821 as at October 31, 2010.

The decrease in cash during the three months ended October 31, 2010 of $111,205 was due to cash used by operating activities of $18,867 and cash used in mineral property acquisition and exploration of $119,938, offset by cash received from the issuance of common shares of $27,600. During the three months ended October 31, 2009, cash increased by $237,809 as a result of cash provided by operating activities of $2,773, cash received from the issuance of common shares of $247,000 and cash provided by short-term investments of $30,000, offset by cash used in mineral exploration of $68,964.

On March 31, 2010, the Company completed a private placement for $150,000. In June 2010 another private placement was completed for gross proceeds of $1,089,380. A flow-through private placement for gross proceeds of $1,416,860 was completed in December 2010. The proceeds of the this flow-through private placement must be spent on eligible Canadian exploration expenses during calendar 2011 and will provide sufficient funding to conduct the required exploration at the Sunbeam-Pettigrew, Blackfly, Central Canada and Stewart properties during fiscal 2012. It is anticipated that the Company will have to obtain other financing or raise additional funds in order to conduct further exploration on its properties during fiscal 2013. While the Company has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in the delay or indefinite postponement of further exploration and development of its properties

Cash flow to date has not satisfied the Company's operational requirements. The development of the Company may in the future depend on the Company's ability to obtain additional financings. In the past, the Company has relied on the sale of equity securities to meet its cash requirements. Future developments, in excess of funds on hand, will depend on the Company's ability to obtain financing through joint venturing of projects, debt financing, equity financing or other means. There can be no assurances that the Company will be successful in obtaining any such financing or in joint venturing its property.

New Accounting Pronouncements Not Yet Adopted

In 2006, the Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transitional date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended January 31, 2010. Management has attended briefing seminars on the transition to IFRS, and we are awaiting the release of various exposure drafts and reports which will more clearly define the accounting standards for the mining exploration industry.

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 three months ended October 31, 2010, $4,500 (2009 - $4,500) 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 three months ended October 31, 2010, the Company paid $48,585 (2009 – $35,975) to a private company in which Joe Campbell, the President of the Company, and Tom Setterfield, a director of the Company, are principals for geologic consulting services incurred on the Company's properties during the current period.

These transactions were in the normal course of operations and were measured at the exchange amount, which was the amount of consideration established and agreed to by the related parties.

Capital Management

The capital structure of the Company consists of common shares and working capital. The Company's objectives when managing capital are to: (i) preserve capital, (ii) obtain the best available net return, and (iii) maintain liquidity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic condition and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents and investments.

The Company's policy is to invest its excess cash in highly liquid, fully guaranteed, bank-sponsored instruments.

This strategy is unchanged from fiscal 2010.

The Company is not subject to externally imposed capital restrictions. There were no changes to its capital management approach in the year.

Risk, Uncertainties and Outlook

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Risk Management

Management of Industry Risk

The Company is engaged primarily in mineral exploration and manages related industry risk issues directly. The Company may be at risk for environmental issues and fluctuations in commodity pricing. Management is not aware of and does not anticipate any significant environmental remediation costs or liabilities in respect of its current operations.

Management of Financial Risk

The Company's financial instruments are exposed to certain financial risks, which include credit risk, liquidity risk, and market risk.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to fulfil an obligation causing the other party to incur a financial loss. The Company is exposed to credit risks arising from its cash holdings. The Company manages credit risk by placing cash with reputable Canadian financial institutions and management believes the risk of loss to be remote. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

Liquidity Risk

Liquidity risk is the risk that the Company will not have sufficient funds to meet its financial obligations when they are due. To manage liquidity risk, the Company reviews additional sources of capital to continue its operations and discharge its commitments as they become due.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and price risk.

Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's functional currency is the Canadian dollar. The Company is not exposed to currency risk as all of its mineral property interests are located in Canada.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to significant interest rate risk.

Financial Instruments

The Company's financial instruments consist of cash, short-term investments, receivables and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

Contingencies

The Company is aware of no contingencies or pending legal proceedings as of December 23, 2010.

Off Balance Sheet Arrangements

The Company has no Off Balance Sheet arrangements.

Equity Securities Issued and Outstanding

The Company had 22,224,131 common shares issued and outstanding as of December 23, 2010. In addition, there were 2,225,000 incentive stock options and a total of 8,079,701 share purchase warrants outstanding as of December 23, 2010.

Disclaimer

The information provided in this document is not intended to be a comprehensive review of all matters concerning the Company. It should be read in conjunction with all other disclosure documents provided by the Company, which can be accessed at www.sedar.com. No securities commission or regulatory authority has reviewed the accuracy or adequacy of the information presented herein.

Certain statements contained in this document constitute "forward-looking statements". Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance, or achievements of the Company to be materially different from any future results, performance, or achievements expressly stated or implied by such forward-looking statements. Such factors include, among others, the following: mineral exploration and development costs and results, fluctuation in the prices of commodities for which the Company is exploring, competition, uninsured risks, recoverability of resources discovered, capitalization requirements, commercial viability, environmental risks and obligations, and the requirement for obtaining permits and licenses for the Company's operations in the jurisdictions in which it operates.