# TERRAX MINERALS INC.

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

### For the year ended January 31, 2017

This Management's Discussion and Analysis ("MD&A") of TerraX Minerals Inc. ("TerraX" or the "Company") provides analysis of the Company's financial results for the year ended January 31, 2017 and should be read in conjunction with the accompanying audited financial statements and notes thereto for the year ended January 31, 2017, all of which are available at www.sedar.com. This discussion is based on information available as at May 31, 2017.

The accompanying January 31, 2017 financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of financial statements. All amounts are expressed in Canadian dollars, unless otherwise stated.

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

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

### CAUTION REGARDING FORWARD-LOOKING STATEMENTS

The Company's audited financial statements for the year ended January 31, 2017 and this MD&A may contain certain statements that may be deemed "forward- looking statements". All statements in this document, other than statements of historical fact, which address events or developments that the Company expects to occur, are forward looking statements. Forward-looking statements are statements that are not historical facts and are generally, but not always, identified by the words "expects", "plans", "anticipates", "believes", "intends", "estimates", "projects", "potential", "interprets" and similar expressions, or events or conditions that "will", "would", "may", "could" or "should" occur. Forward-looking statements in this document include statements regarding future exploration programs, joint venture partner participation, liquidity and effects of accounting policy changes.

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

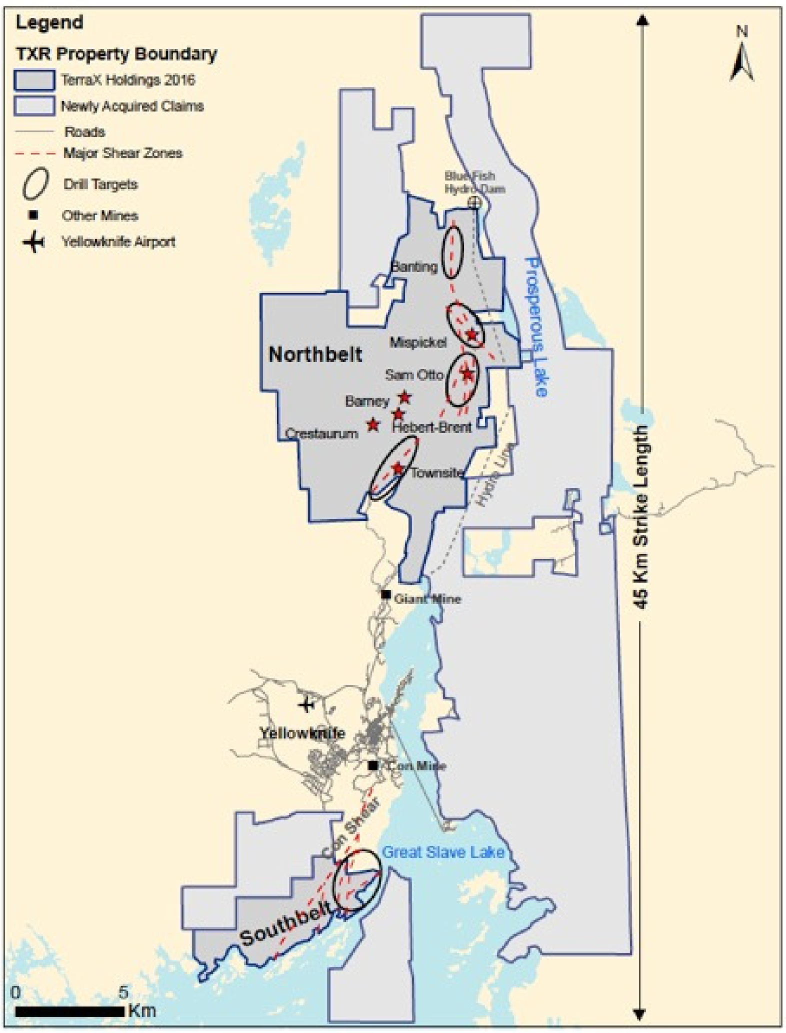
Forward-looking statements are based on the beliefs, estimates and opinions of the Company's management on the date the statements are made. The Company undertakes no obligation to update these forward-looking statements in the event that Management's beliefs, estimates, opinions or other factors should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

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

# OVERVIEW

During the year ended January 31, 2017, TerraX conducted both a winter and summer drill program as well as an extensive field exploration program at its wholly-owned Yellowknife City Gold Project ("YCG"), which now comprises 418 square kilometres of contiguous land immediately north and south of the City of Yellowknife in the Northwest Territories.

The YCG lies within the prolific Yellowknife greenstone belt and covers 20 km of strike length on the northern extension of the shear system that hosts the high-grade Con (6.1 Moz) and Giant (8.1 Moz) gold mines as well as 8 km of strike to the south of Con. The project area contains multiple shears that are the recognized hosts for gold deposits in the Yellowknife gold district, with innumerable gold showings and recent high grade drill results. Being all-season road accessible and within 15 km of the City of Yellowknife, the YCG is close to vital infrastructure, including transportation, service providers, hydro-electric power and skilled trades people.




The winter drill program was completed on March 30, 2016, with 7,310 metres ("m") having been drilled on multiple targets (see 2016 Drill Programs below), resulting in a new discovery at the Mispickel target on Walsh Lake, with drill results that included **8.00 m @ 60.60 g/t Au** including **2.25 m @ 212.48 g/t Au** in hole TWL16-016 (see our news release dated Jun 6, 2016).

In late July, 2016 TerraX commenced a 27,000 metre diamond drill programme on the YCG, with the first holes of the program being drilled at Mispickel (see 2016 Drill Programs below). Drilling continued until freeze-up at the end of October and resumed in January 2017 and will continue through the summer of 2017. There were three drills operating on the property during the summer phase of the drill program, with 36 holes completed totally 10,078 metres. Highlights from Mispickel included **5.53 m @ 29.85 g/t Au,** including **1.00 m @ 162.50 g/t Au,** in the **hanging wall zone** of hole **TWL16-020.**

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

For more information on the YCG, including its exploration history, please visit our web site at www.terraxminerals.com

## EXPLORATION OVERVIEW

### SURFACE EXPLORATION

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

TerraX has collected approximately 3,000 surface (grab, chip and channel) samples to date. Gold is widely distributed throughout the YCG. Most mineralization occurs on north to northeast-trending (000 to 030° trending), sub-vertical structures, although locally northwest-trending structures are important. Structures observed on surface consist of 0.5 to 15 m wide zones of iron carbonate alteration, with or without sericite or chlorite. One or more quartz veins typically occur within the structure; such veins can be up to 1 m wide and have varying amounts of pyrite, arsenopyrite and base metal sulphides (galena, sphalerite, less commonly chalcopyrite). Bands of semi-massive sulphide up to 1 m wide are common in the northern part of the property and less common in the southern part. A concentration of gold on numerous structures has led TerraX to define a 10 km by 4 km **"Core Gold Area"** in the south-central part of the property. TerraX's samples from the YCG collectively returned up to **1205 g/t Au, 529 g/t Ag, >20% Pb, 13.65% Zn, 3.01% Cu and 6.32% Mo** (from different samples).

#### 2016 Summer Field Exploration

In mid-June 2016, TerraX began a $500,000 summer fieldwork program on the YCG. This field work budget was supplemented by a Northwest Territories Mineral Incentive Program grant worth more than $120,000. After our success in 2015 discovering new zones of previously unreported high-grade gold mineralization, such as Hebert-Brent, with only a modest field exploration budget it was decided to increase our surface exploration expenditure four-fold for the summer of 2016 in order to fully understand the potential mineral endowment on the YCG, which has never been fully explored with modern mineral exploration technology.

The work was focused on:

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

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

- Mapping and sampling the Southbelt property to follow up on 2015 surface sampling (grab samples up to 94.9 g/t Au - see our news release of September 23, 2015). This work was instrumental in identifying drill targets on Southbelt for winter drilling in early 2017.

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

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

- A LiDAR survey over TerraX's Southbelt property;

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

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

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

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

In December 2016, TerraX announced the results of surface sampling at the Sam Otto target area that returned grab samples up to **72.6 g/t Au** from the Main and Hanging Wall mineralized structures on the Sam Otto target area (news release December 14, 2016) and samples as high as **66.7 g/t Au** from the Dave's Pond structure immediately to the west (news release December 1, 2016). These three structures form part of one large and highly prospective gold bearing system in the Sam Otto area, with multiple shear hosted mineralized zones extending 1-2 km in strike length and 500 meters across strike.

The Sam Otto sampling has extended the Main Zone north and south from the drilling completed in the winter 2016 program that included 49.70 m @ 1.00 g/t Au and 30.70 m @ 1.33 g/t Au (news release April 13, 2016), and it has defined new mineralization on the Hanging Wall zone 50 meters to the east.

The three Sam Otto mineralized structures (Main, Hanging Wall and Dave's Pond) are visible in geophysical and LiDAR surveys along more than 2 km of strike length and each mineralized shear extends across 50-100 meters in width. The most pronounced structures occur in low areas with no outcrop, but sufficient rock exposure was sampled to determine the high gold potential. Within this area, 54 grab samples returned values greater than 0.50 g/t Au, with 40 samples greater than 1.00 g/t Au, of which 12 samples were between 3.00 and 10.00 g/t Au, with two high value of **39.4** and **72.6 g/t Au**, as indicated on the Sam Otto sampling map available on our web site.

The best mineralized areas discovered to date occur as sericitic-chlorite shear zones with quartz veins and sulphide mineralization. Of particular interest is a 700 meter strike length along both the Main Zone and the Hanging Wall Zone that contains 120 samples, 45 of which returned values greater than 0.50 g/t Au with 35 samples greater than 3.00 g/t Au. This area will be a priority target for the winter drill program scheduled to start in January 2017.

**<u>Walsh Lake – Mispickel Target</u>**

TerraX commenced its winter drill program at Mispickel, drilling 384 metres in 4 holes on two parallel sections approximately 50 metres apart. The two holes on each section were designed to hit mineralization approximately 20-

25 and 40-50 metres below a surface trench sampled by TerraX in 2013, which returned chip sampling assays across strike on the sulphide-quartz vein zone of **6.0 m @ 7.29 g/t Au** (News release of October 30, 2013).

Assay results from this initial drilling at Mispickel were announced on February 23, 2016 and March 4, 2016 with drill intersections reported that included **7.30 m @ 23.60 g/t Au,** inclusive of **4.55 m @ 37. 29 g/t Au,** in the main zone of hole TWL16-002

A further five holes totaling 980 metres were drilled at Mispickel at the end of March 2016 to follow up on the success of the initial drill program. Drilling again intersected visible gold zones in quartz veins with highlights that included **8.00 m @ 60.60 g/t Au** including **2.25 m @ 212.48 g/t Au** in hole TWL16-016

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

Each hole contained wide zones of low grade mineralization, including **145.90 metres @ 0.34 g/t Au** in TWL16-017. Within these pervasive zones of low grade gold mineralization are areas of higher grade gold, usually accompanied by visible gold, as indicated in the highlights listed above.

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

The areal extent of the gold mineralization at Mispickel indicates a large mineralizing system within which exist significant high grade gold zones, as evidenced by the drill results reported above.

Drilling resumed in the summer at Mispickel with 19 holes (5,780 m) being drilled to test along the strike and dip extensions of the Mispickel structure.

On September 22, 2016 TerraX announced that assay results from the first 4 holes (1076 m) of the Mispickel drill program. All four holes intersected significant zones of mineralization, with hole TWL16-020 intersecting high grade gold in the both the main zone and the hanging wall. Highlights included **5.53 m @ 29.85 g/t Au,** including **1.00 m @ 162.50 g/t Au,** in the **hanging wall zone** of hole **TWL16-020**.

On November 10, 2016 TerraX announced assay results from a further 8 holes (2,415 m) from the summer drilling at Mispickel. All eight holes intersected multiple zones of gold mineralization. Six of these eight holes are located on two sections of drilling approximately 25 and 50 meters north of previously reported drill holes (news release September 22, 2016). Two holes (TWL16-029 and 030) are 40 and 100 metres deeper than previously reported drilling All zones remain open along strike and down dip.

Drilling at Mispickel again intersected visible gold zones in quartz veins within wide zones of lower grade mineralization. Highlights include**7.40 m @ 10.17 g/t Au** including **1.00 m @ 68.50 g/t Au** in the main zone of hole TWL16-026

Several holes showed continuity of the mineralizing structures along strike to the north, and the intersection in TWL16-026 indicates a new high grade lode of mineralization on the main zone structure approximately 50 meters north of the previously reported high grade holes.

A map and cross sections showing the location of these drill holes on the Mispickel target area are available on our web site under "Mispickel" under "Targets" under "Northbelt" in the Projects section.

**Walsh Lake - Sam Otto Zone**

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

A second drill was added to the summer drill program in mid-August 2016 with 14 holes (2,838 m) completed at Sam Otto prior to the completion of drilling in October, 2016. Drilling was carried out on the Main, Dave's Pond and Hanging Wall Zones.

The Main Zone drilling extended the strike to the north for 350 meters and the depth of the zone to 220 meters. Drilling on the new Hanging Wall Zone consisted of four holes and tested 100 meters of strike length and 100 meters of dip length on the zone.

On January 11, 2017 Terrax reported results from drilling at the Hanging Wall, Main Zone and Dave's Pond zone at Sam Otto. These drill locations are indicated on the Sam Otto sampling map available on our web site. Highlights included:

- 129.35 m at 0.52 g/t Au, including 32.13 m at 1.24 g/t Au, including 3.42 m at 4.77 g/t Au in hole TSO16-010 on the Main Zone; and
- 100.25 m at 0.51 g/t Au, including 30.75 m at 1.29 g/t Au, including 6.50 m at 3.79 g/t Au in hole TSO16-007 on the Hanging Wall Zone; 11.50 m at 2.42 g/t Au including 2.40 m at 9.89 g/t Au in hole TSO16-005 on the Dave's Pond Zone.

For more information, please refer to the Company's News Release of January 11, 2017 which is available on our web site at www.terraxminerals.com.

**Winter Drill Program 2017**

In February, 2017 Terrax commenced a 17,000-metre drill program at the YCG. This program incorporated up to four drill rigs testing testing a number of new drill targets identified during 2016 field exploration and was completed in early April of 2017. A total of 43 holes comprising 14,689 metres were drilled on multiple targets on both the Northbelt and Southbelt project areas. A map showing the location of the initial drill targets is available on the company's website under 2017 winter drilling.

The assay results from the first 22 holes from the winter program were announced on May 2, 2017. Of these holes, six holes (1,774 meters) were drilled at Dave's Pond covering 400 meters of strike to the south and north of TSO16-005, the discovery hole drilled in 2016 (2.40 m @ 9.89 g/t Au – news release January 11, 2017). The remaining 16 holes were drilled on areas to the east, north and south of Mispickel in locations that are covered by the waters of Walsh Lake and require winter drilling.

The drilling on the **Dave's Pond Zone** (8 holes totalling approximately 2,300 meters) was designed to test 400 meters of strike south and north of hole TSO16-005. Highlights included **3.32 m @ 6.96 g/t Au** including **2.08 m @ 10.90 g/t Au** in hole TSO17-016

A new zone of mineralization was intersected in the footwall of the Dave's Pond. The zone has exciting potential as it contains the same structural, alteration and mineralization signatures that characterized the high grade gold ore zones at the Con Mine. Three holes (TSO17-017, 019 and 020) intersected the zone with modest gold grades (7.08 m @ 0.57 g/t Au in TSO17-017 and 11.75 m @ 0.31 g/t Au in TSO17-019) and the zone showed good strike and dip continuity. TerraX will be carrying out follow up drilling in the summer of 2017 to locate higher grade gold lodes.

On **Walsh Lake**, a total of 16 holes totalling 5,432 meters were drilled near the area of Mispickel and Sam Otto in locations that are covered by the waters of lake. Two for the four areas drilled returned results that TerraX considers significant and requiring follow-up drilling. The North Structure had two holes drilled totaling 614 meters located between 150 and 250 meters north of the Mispickel zone and encountered wide zones of anomalous gold (**111.10 m @ 0.15 g/t Au in hole TWL17-037**), as well as more discrete areas of visible shearing, mineralization and alteration (**11.30 m @ 0.91 g/t Au in hole TWL17-038**). TerraX believes these two holes are indicating the potential for discovery of high grade shoots on the mineralized shear zones. A new structure 400 meters west of Mispickel is interpreted to deflect as it crosses a major geological contact from the Walsh Lake sediments to the Banting Lake volcanics. Four holes tested 400 meters of strike on this zone and total 1,348 meters. Significant shear, alteration, and mineralization is encountered on the contact, including a zone assaying **11.00 m @ 0.37 g/t Au**. TerraX believes this area has the potential for discovery of high grade shoots on the identified vein/shear zones.

**Land Use Permit Received for Southbelt**

The Southbelt property immediately adjoins the mine leases for the past producing Con Mine, where over 6.0 Moz of gold were mined at an average grade of 16.1 g/t Au over a 60 year mine life, and covers the extensions of several mineralized trends previously mined at the Con, including the namesake “Con Shear”, which appears to continue on to our property for up to 5 km. Other structures have been identified on surface that strike south from the Con property for distances of greater than 1 km onto our claims and contain values up to 94.9 g/t Au (news release September 23, 2015), with values in the 2016 exploration work up to **33.6 g/t Au and 16.4 g/t Au in grab samples** (news release December 21, 2016). A map of the sampling at Southbelt is available on our web site under "2016 Field Exploration" under the "Southbelt" project section.

In January 2017, TerraX received a Land Use Permit (“LUP”) for drilling on Southbelt. The application is for a five year LUP across the entire Southbelt property, giving TerraX maximum exploration flexibility for making a discovery. A total of six holes were drilled at Southbelt prior to spring break-up, with assay results pending.

The 2016 exploration results combined with LiDAR surveys flown over the property this summer and compilation of historical exploration data have enabled us to define the extensions of the mineralized structures mined at Con onto the TerraX ground, with multiple additional parallel and cross-cutting gold bearing structures discovered by TerraX. After just one field season on Southbelt, TerraX was able to identify multiple drill targets at Southbelt that warrant immediate drilling.

For more information on the Southbelt property, visit the “Southbelt” property section at www.terraxminerals.com.

During the year ended January 31, 2017, the Company incurred $7,025,697 in exploration expenditures on the YCG, inclusive of geological consulting of $1,424,703, drilling and assays of $3,966,073, geophysical of $285,806 and field expenses of $1,026,649.

**Russell Starr and Rene Carrier appointed as Directors, Alan Sexton, P. Geo, appointed VP Exploration.**

On May 8, 2017, TerraX announced the appointments of Russell Starr and Rene Carrier as Directors of the Company and of Alan Sexton, P. Geo, as VP Exploration.

Mr. Starr is a successful mining entrepreneur having most recently been a director and senior member of the management team of Cayden Resources, which was acquired by Agnico Eagle Mines in 2014. He has over 16 years of experience with global investment banks and independent boutique investment dealers; working as a salesperson, trader and investment banker. He is currently an SVP at Auryn Resources and holds an MBA from the Richard Ivey School of Business and a Master of Economics from the University of Victoria.

Mr. Carrier also served as Director of Cayden Resources prior to its acquisition by Agnico Eagle. He has been the President of Euro-American Capital Corporation, a private investment company, since May 1991. He served as Vice-President of Pacific International Securities Inc. where he worked for ten years until 1991. He served as Lead Director of International Royalty Corp. ("IRC") from 2003 to 2010. IRC was a global mineral royalty company engaged in the acquisition and creation of natural resource royalties which was acquired by Royal Gold Inc. in 2010.

Additionally, Mr. Alan Sexton, P. Geo was appointed as VP Exploration. Much of Al Sexton’s career has been with major mining companies, specifically Western Mining Corporation (WMC) where he was the Site Manager for the Meliadine gold project in Nunavut (now owned by Agnico Eagle Mines) over a seven year period from discovery through to pre-feasibility. Mr. Sexton has also been the technical expert on mine development Environmental Impact Assessment reviews on several projects in the Kivalliq Region of Nunavut for the Kivalliq Inuit Association. In addition, he has managed several advanced diamond drilling programs on gold projects throughout the Abitibi Greenstone Belt of northeastern Ontario and authored numerous NI 43-101 compliant mineral resource estimates.

Mr. Tom Setterfield, one of the original founders of TerraX, resigned as a director to facilitate the appointment of Mr. Starr and Mr. Carrier to the board.

## PRIVATE PLACEMENTS

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

On May 6, 2016, TerraX closed the first tranche of a private placement of non-flow-through ("NFT") common shares with the issuance of 3,231,000 units at $0.35 per unit for gross proceeds of $1,130,850. Each unit will comprise one NFT common share and one-half of one share purchase warrant, with each full warrant entitling the holder to purchase an additional common share at an exercise price of $0.50 per share until May 6, 2019. Finders' fees in shares and cash were paid on these placements, along with the issuance of 14,700 finder's warrants exercisable at $0.40 per share until May 6, 2018.

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

On July 29, 2016, TerraX closed the first tranche of a non-brokered private placement of 17.5 million FT shares at $0.40 per share announced July 4, 2016, with the issuance of 10,654,846 shares at $0.40 per share for gross proceeds of $4,261,938. The shares were subject to a hold period expiring on November 30, 2016. Finders' fees in cash and shares, along with finders' warrants exercisable at $0.42 for a two-year period, were paid with respect to a portion of this placement on closing of the final tranche in August 2016.

On August 18, 2016, the final tranche of the non-brokered private placement announced July 4, 2016 was completed, with the issuance of a further 8,095,154 shares at $0.40 per share for gross proceeds of $3,238,062, increasing the total raised in this financing to $7.5 million. Finders' fees in cash were paid with respect to this placement, along with 1,447,400 finders' shares and 1,266,475 finders' warrants exercisable at $0.42 until August 18, 2018. The shares, and all shares issued upon the exercise of warrants, were subject to a hold period expiring on December 19, 2016.

## Use of Proceeds from Flow-through Private Placements

FT common shares require the Company to incur an amount equivalent to the proceeds of the issued FT common shares on Canadian qualifying exploration expenditures. The Company may be required to indemnify the holders of such shares for any tax and other costs payable by them in the event the Company has not incurred the required exploration expenditures. Under the IFRS framework, the increase to share capital when FT shares are issued is measured based on the current market price of the common shares. The incremental proceeds, or "premium", are recorded as a FT liability.

Upon issuance of the FT shares in June 2015 for gross proceeds of $5,180,145, the Company recorded a FT liability of $693,810. As expenditures are incurred, the FT share liability is reversed. During the year ended January 31, 2016, the Company incurred all $5,180,145 in eligible exploration expenditures and, accordingly, the FT share liability from the June 2015 financing was reduced to $nil and the reduction of $362,518 has been recognized in the statements of comprehensive loss for the year ended January 31, 2017.

As at December 31, 2016, all funds were spent from the FT financings completed in June 2015.

During the year ended January 31, 2017, the Company received $1,099,200 from the issue of FT shares at a premium to the market price of the Company's shares and recognized a deferred premium on FT shares of $137,400. The Company incurred and renounced expenditures of $1,099,200 from these FT shares during the period and, accordingly, the FT share liability from the 2016 financings were reduced to $nil and the reduction of $137,400 has been recognized in the statements of comprehensive loss for the year ended January 31, 2017. These expenditures will not be available to the Company for future deduction from taxable income.

During the year ended January 31, 2017, the Company received a further $7,500,000 from the issuance of FT shares. These shares were not issued at a premium to the market price of the Company's shares. As a result, no deferred premium on FT shares was recognized. The Company has incurred and renounced expenditures of approximately $3,192,460 with respect to this FT financing, the remaining proceeds of which (approximately $4,307,540 as of January 31, 2017) must be spent on eligible exploration expenditures prior to December 31, 2017.

**Options Granted**

On February 11, 2016, TerraX granted 250,000 stock options to consultants at an exercise price of $0.32 per share for a two year period from the date of grant. These options all vested immediately.

On March 16, 2016, TerraX granted 190,000 stock options to consultants at an exercise price of $0.35 per share for a two year period from the date of grant. These options all vested immediately.

On August 26, 2016, the Company granted 2,000,000 stock options to directors, officers and consultants that can be exercised at $0.83 per share until August 26, 2019. These options vest as to 25% on date of grant with 75% vesting over the following nine-month period.

On May 16, 2017, the Company granted 1,250,000 stock options to directors and consultants that can be exercised at $0.62 per share until May 16, 2019. These options vest as to 25% on date of grant with 12.5% vesting every three months over the following eighteen-month period.

## CURRENT ECONOMIC CONDITIONS

During the calendar year 2016, ongoing global economic weakness made for extremely volatile capital markets characterized by weaker equity prices for mineral exploration companies and an environment in which limited opportunities exist to raise additional capital. While periods of stronger commodity prices have provided financing opportunities which TerraX has capitalized on in the past to augment its working capital, management of the Company remains cautious and will continue to take the necessary precautions to maintain its cash reserves. The Company has commitments in the future (in fiscal 2017 and beyond) on its mineral properties and the Company may be forced to abandon and write-off one or more of these properties if the Company does not have the means to meet these commitments, or does not feel it is fiscally prudent to do so.

With the completion of the final tranche of a FT private placement of $7,500,000 in August 2016, the Company anticipates having sufficient cash to meet all of its obligations through the end of the fiscal year ending January 31 2018, with in excess of $4.2 Million available as of the date of this report to fund extensive exploration at the YCG as well as our general and administrative operating expenses through to the end of that same period. The Company continues to review its mineral property commitments as well as its working capital position on an ongoing basis and, as a result, elected to abandon its Central Canada property during fiscal 2016 when the annual pre-production royalty became due, returning the property to the vendors while it was still in good standing, thus avoiding further work obligations. While management does not believe that the abandonment of any of the Company's other mineral properties is required at this time, management may elect to abandon properties when obligations become due if deemed necessary in order to maintain the long-term viability of the Company.

## RESULTS OF OPERATIONS – YEAR ENDED JANUARY 31, 2017

Operating expenses for the year ended January 31, 2017 (the "current year") totaled $1,735,737 as compared to $1,352,839 incurred during the year ended January 31, 2016 (the "comparative year"). The significant variances in expenditures were as follows:

Consulting expense increased to $268,424 during the current year ended January 31, 2017 from $237,369 incurred during comparative year prior due to a resumption in investor presentations and road shows during the current year to raise additional money for exploration and to discuss the results of exploration then underway at the YCG project.

Office, rent and miscellaneous expenses of $76,220 incurred during the current year were consistent with the $77,556 incurred during the comparative year.

During the current year, the company incurred $595,460 for share-based payments expense (a non-cash expense) for stock options granted and vested during the current year. This is reduced from share-based payment expense of $433,253 incurred during the comparative year prior when a smaller number of options were granted and vested.

The Company spent $601,440 for transfer agent, filing fees and shareholder communications during the current year, an increase from the $435,715 incurred during the comparative year, when increased costs were incurred for advertising.

During the current year, the Company earned interest income of $78,379 on cash and cash equivalents on hand. This compares to $46,546 earned during the comparative year when the Company had less cash on hand.

As a result of completing eligible exploration expenditures of $4,142,959 during the current year, the Company reduced its FT premium liability related to the 2017 FT financings of $137,400 to $nil. As a result of completing further eligible exploration expenditures of $2,898,508 during the current year, the Company reduced its outstanding FT share premium liability related to the 2016 FT financings by $362,518 to $nil during the current year.

During the comparative year, the Company wrote-off exploration and acquisition costs of $298,644 related to the Central Canada property which it abandoned in December 2015 when the advance royalty payment became due. There was no comparable transaction during the current year.

As a result of the foregoing, the Company recorded a comprehensive loss for the year ended January 31, 2017 of $1,157,440 as compared to a loss of $1,273,645 incurred during the year ended January 31, 2016.

**Selected Annual Information**

| | **Year ended January 31, 2017 ($)** | **Year ended January 31, 2016 ($)** | **Year ended January 31, 2015 ($)** |
|---|---|---|---|
| Revenue | Nil | Nil | Nil |
| Loss before Other Items | (1,735,737) | (1,352,839) | (1,879,555) |
| Per Share | (0.01) | (0.02) | (0.04) |
| Net Loss | (1,157,440) | (1,273,645) | (1,862,736) |
| Per Share | (0.01) | (0.02) | (0.04) |
| Total Assets | 23,617,225 | 12,001,703 | 8,078,635 |
| Long-Term Liabilities | Nil | Nil | Nil |

The net loss for the fiscal year ended January 31, 2017 was reduced slightly to $1,157,440 from the loss of $1,273,645 incurred during fiscal 2016 primarily due to an increase in share-based payment expense, a non-cash item, of $162,207 over the prior year, offset by an increase of interest income and FT share premium reversal.

The net loss for the fiscal year ended January 31, 2016 was reduced to $1,273,645 from the loss of $1,862,736 incurred during fiscal 2015 primarily due to a reduction in share based payment expense, a non-cash item, of $622,157 over the prior year.

## RESULTS OF OPERATIONS - THREE MONTHS ENDED JANUARY 31, 2017

Operating expenses for the three months ended January 31, 2017 totaled $618,657 as compared to $277,321 incurred during the three months ended January 31, 2016. The significant variances in expenditures were as follows:

Consulting expense increased to $127,740 during the three months ended January 31, 2017 from $70,829 incurred during the same period a year prior due to a resumption in investor presentations and road shows during the current period to discuss results of exploration then underway at the YCG project.

Professional fees were increased to $42,675 during the three months ended January 31, 2017 from the $12,973 incurred during the same period a year prior due to increased requirements for legal services following the completion of private placements and an increase provision for audit fees.

During the three months ended January 31, 2017 the company incurred $259,232 for share-based payments (a non-cash expense) for stock options granted and vested during the period. This is increased from share-based payment expense of $37,903 incurred during the same period a year prior when fewer options were granted or vested.

Expenditures for transfer agent, filing fees and shareholder communications increased to $142,177 during the three months ended January 31, 2017 from the $111,972 the Company spent during the same period a year prior due to increased costs during the current period for investor relations activities, road shows, and advertising.

As a result of the foregoing, the Company recorded a comprehensive loss for the three months ended January 31, 2017 of $647,412 as compared to a loss of $195,636 during the same period a year prior.

**Summary of Quarterly Results**

| | Q4-2016 | Q3-2016 | Q2-2016 | Q1-2016 | Q4-2015 | Q3-2015 | Q2-2015 | Q1-2015 |
|---|---|---|---|---|---|---|---|---|
| **Net loss ($)** | 647,411 | 289,352 | 129,207 | 91,470 | 195,636 | 438,099 | 202,034 | 437,876 |
| **Per Share ($)** | 0.01 | 0.00 | 0.00 | 0.00 | 0.01 | 0.01 | 0.01 | 0.01 |

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

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

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

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

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

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

The loss for the third quarter of fiscal 2017 increased to $289,352 from the loss of $129,207 incurred during the second quarter primarily due to reduction in the FT share premium reversal in the current period to $146,645from the $141,294 recorded during the prior quarter, offset by an increase in share-based payments expense of $283,174 as compared with nil recorded during the first quarter.

The loss for the fourth quarter of fiscal 2017 increased to $647,411 from the loss of $289,352 incurred during the third quarter.

**Liquidity and Solvency**

TerraX is in the development stage and therefore has no regular cash flow. As at January 31, 2017, the Company had working capital of $7,716,805 (excluding the deferred premium on FT shares), inclusive of cash and cash equivalents of $8,209,840. This compares to the working capital at January 31, 2016 of $3,392,632 (excluding the deferred premium on FT shares), inclusive of cash and cash equivalents of $3,919,963.

As at January 31, 2017, the Company had current assets of $8,330,478, total assets of $23,617,225, and total liabilities of $613,673. 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 $15,058,515 as at January 31, 2017.

The increase in cash and cash equivalents during the year ended January 31, 2017 of $4,289,877 was due to net cash received from the issuance of common shares of $13,071,372 offset by cash used for mineral property acquisition and exploration of $7,217,634, acquisition of equipment for $40,122 and a security deposit of $70,000, and cash used in operating activities of $617,816.

In April, May, July and August of 2017, the Company completed FT and NFT private placements for total net proceeds of $10,458,394. In addition, during the year ended January 31, 2017, the Company received $1,774,622 in conjunction with the exercise of stock options and share purchase warrants. The net proceeds of these transactions, along with cash on hand, will be sufficient to fund the Company's planned exploration activities through the remainder of fiscal 2018 and into fiscal 2019, as well as its general and administrative expenses through the same period. As at the date of this report, the Company has approximately $4.0 million in cash and cash equivalents.

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

**Commitments**

At January 31, 2017, the Company is committed to spend $4,307,540 by December 31, 2017 on eligible exploration and evaluation expenses under FT share purchase agreements completed in fiscal 2017. The Company has no commitments for capital expenditures.

Effective February 1, 2017, the Company entered into a lease agreement for the rental of office premises. The future lease payment schedule is as follows:

| | | |
|---|---|---|
| 2018 | $ | 48,720 |
| 2019 | | 50,400 |
| 2020 | | 52,080 |
| 2021 | | 53,760 |
| 2022 | | 55,440 |
| | $ | 260,400 |

**Risk, Uncertainties and Outlook**

The business of mineral deposit exploration and extraction involves a high degree of risk. Few properties that are explored ultimately become producing mines. At present, none of the Company's properties has a known commercial ore deposit. Other risks facing the Company include competition for mineral properties, environmental and insurance risks, fluctuations in metal prices, fluctuations in exchange rates, share price volatility and uncertainty of additional financing.

**Going concern**

The Company is in the exploration stage and has no revenue or income from operations. The Company has limited capital resources and has to rely upon the sale of equity and/or debt securities for cash required for exploration and development purposes, for acquisitions and to fund the administration of the Company. Since the Company does not expect to generate any revenues from operations in the near future, it must continue to rely upon the sales of its equity or debt securities or joint venture agreements to raise capital. It follows that there can be no assurance that financing, whether debt or equity, will be available to the Company in the amount required by the Company at any particular time or for any period and that such financing can be obtained on terms satisfactory to the Company.

The Company's financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to obtain the necessary financing to meet its ongoing commitments and further its mineral exploration programs.

The Company may encounter difficulty sourcing future financing in light of the recent economic downturn. The current financial equity market conditions and the inhospitable funding environment make it difficult to raise capital through the private placements of shares. The junior resource industry has been severely affected by the world economic situation as it is considered speculative and high-risk in nature, making it even more difficult to fund. While the Company is using its best efforts to achieve its business plans by examining various financing alternatives, there is no assurance that the Company will be successful with any financing ventures.

**Related Party Transactions**

During the year ended January 31, 2017, $66,365 (2016 - $72,000) was paid to a private company wholly-owned by Stuart Rogers, a director and officer of the Company, for office rent and administration services provided to the Company.

During the year ended January 31, 2017, the Company paid $1,873,127 (2016 – $808,616) to a private company in which Joseph Campbell, the President of the Company, and Thomas Setterfield, a director of the Company, are principals, for geologic consulting services incurred on the Company's properties during the current period. In addition, a further $152,703 (2016 – $97,629) was paid to this same private company for consulting services provided during the year.

During the year ended January 31, 2017, the Company paid $21,000 to a private company with whom the Company's current CFO is related.

During the year ended January 31, 2017, the Company recognized share-based payments expense totalling $344,220 relating to stock options granted to directors and officers of the Company.

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

**Financial risk management**

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

***Credit risk***
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The majority of cash is deposited in bank accounts held with a major bank in Canada. As most of the Company's cash is held by one bank there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies. The Company's secondary exposure to risk is on its other receivables. This risk is minimal as receivables consist primarily of refundable government goods and services taxes.

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

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

***Foreign exchange risk***
The Company's functional currency is the Canadian dollar. All of its major expenses are transacted in Canadian dollars and the Company maintains all of its cash in Canadian dollars. As such, the Company has no immediate exposure to fluctuations in foreign exchange rates at the present time.

***Interest rate risk***
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on its cash equivalents as these instruments have original maturities of three months or less and are therefore exposed to interest rate fluctuations on renewal. A 1% change in market interest rates would have an impact on the Company's net loss of approximately $82,000 over the course of a year.

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

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

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

***Classification of financial instruments***

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

| | January 31, 2017 | January 31, 2016 |
|---|---|---|
| FVTPL: | | |
| Cash and cash equivalents | $ 8,209,840 | $ 3,919,963 |
| Security deposits | 140,000 | 70,000 |
| | $ 8,349,840 | $ 3,989,963 |

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

| | January 31, 2017 | January 31, 2016 |
|---|---|---|
| Non-derivative financial liabilities: | | |
| Trade payables | $ 323,049 | $ 80,920 |
| Due to related parties | 250,853 | 163,549 |
| | $ 573,902 | $ 244,469 |

***Fair value***

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

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The following is an analysis of the Company's financial assets measured at fair value as at January 31, 2017 and January 31, 2016:

| | As at January 31, 2017 | | |
|---|---|---|---|
| | Level 1 | Level 2 | Level 3 |
| Cash and cash equivalents | $ 8,209,840 | $ - | $ - |

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

**<u>Contingencies</u>**

The Company is aware of no contingencies or pending legal proceedings as of May 31, 2017.

**Off Balance Sheet Arrangements**

The Company has no off balance sheet arrangements.

**Equity Securities Issued and Outstanding**

The Company had 102,329,644 common shares issued and outstanding as of May 31, 2017. In addition, there were 8,121,000 incentive stock options and 8,868,641 share purchase warrants outstanding as of May 31, 2017.

Subsequent to January 31, 2017:

a) the Company granted 1,250,000 stock options exercisable at $0.62 for a period of 3 years; and

b) 1,200,000 warrants were exercised for proceeds of $653,000.