



**TERRAX MINERALS INC.
FINANCIAL STATEMENTS**

January 31, 2019

(Expressed in Canadian Dollars)



INDEPENDENT AUDITOR'S REPORT

To the Shareholders of TerraX Minerals Inc.

Opinion

We have audited the financial statements of TerraX Minerals Inc. (the "Company"), which comprise the statements of financial position as at January 31, 2019 and 2018, and the statements of comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at January 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which describes conditions and matters that indicate the existence of material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Cherry Ho.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

May 30, 2019

An independent firm associated with
Moore Stephens International Limited
MOORE STEPHENS

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

	Notes	January 31, 2019	January 31, 2018
ASSETS			
Current assets			
Cash and cash equivalents	4	\$ 954,126	\$ 1,072,646
Receivables	5	57,436	116,425
Prepays and deposits		70,188	60,950
		1,081,750	1,250,021
Non-current assets			
Deposit	16	25,000	25,000
Equipment	6	78,720	138,546
Reclamation deposits	7	140,000	140,000
Exploration and evaluation assets	8	28,218,025	23,644,415
TOTAL ASSETS		\$ 29,543,495	\$ 25,197,982
LIABILITIES			
Current liabilities			
Trade payables and accrued liabilities	9, 10	\$ 242,182	\$ 803,504
Non-current liabilities			
Deferred Income tax liability	14	202,000	-
TOTAL LIABILITIES		444,182	803,504
SHAREHOLDERS' EQUITY			
Share capital	11	38,138,658	32,010,874
Share-based payment reserve	11, 12	3,863,752	3,738,352
Deficit		(12,903,097)	(11,354,748)
TOTAL SHAREHOLDERS' EQUITY		29,099,313	24,394,478
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 29,543,495	\$ 25,197,982

Nature and continuance of operations (Note 1)

Commitments (Notes 8, 14 and 16)

Subsequent event (Note 17)

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

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

	Notes	Year ended January 31, 2019	Year ended January 31, 2018
EXPENSES			
Amortization	6	\$ 63,854	\$ 55,886
Consulting fees	10	469,247	375,332
Directors' fees	10	30,000	22,500
Management compensation	10	200,000	144,000
Office, rent and miscellaneous	10	178,693	180,401
Professional fees		73,346	116,021
Share-based payments	10, 11	332,752	708,115
Transfer agent, filing fees and shareholder communications		416,177	535,722
Travel and related costs		247,680	139,508
		<u>(2,011,749)</u>	<u>(2,277,485)</u>
OTHER ITEMS			
Interest income		8,257	36,337
Flow-through share premium reversal	11, 14	657,143	-
LOSS BEFORE INCOME TAXES		<u>(1,346,349)</u>	<u>(2,241,148)</u>
Deferred income tax expense	14	(202,000)	-
NET AND COMPREHENSIVE LOSS FOR THE YEAR		<u>\$ (1,548,349)</u>	<u>\$ (2,241,148)</u>
Loss per share - basic and diluted		<u>\$ (0.01)</u>	<u>\$ (0.02)</u>
Weighted average number of common shares outstanding			
– basic and diluted		<u>115,872,646</u>	<u>103,918,755</u>

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

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

	Notes	Share capital		Share-based payment reserve	Deficit	Total
		Number of shares	Amount			
Balance at January 31, 2017		101,079,644	\$ 28,903,345	\$ 3,213,807	\$ (9,113,600)	\$ 23,003,552
Comprehensive loss:						
Loss for the year		-	-	-	(2,241,148)	(2,241,148)
Shares issued to acquire exploration and evaluation assets	8, 11	90,000	45,500	-	-	45,500
Shares issued on exercise of options	11	1,152,000	314,700	-	-	314,700
Shares issued on exercise of warrants	11	5,021,518	2,563,759	-	-	2,563,759
Reallocation of share-based payment reserves	11	-	183,570	(183,570)	-	-
Share-based payments	11	-	-	708,115	-	708,115
Balance at January 31, 2018		107,343,162	\$ 32,010,874	\$ 3,738,352	\$ (11,354,748)	\$ 24,394,478
Comprehensive loss:						
Loss for the year		-	-	-	(1,548,349)	(1,548,349)
Shares issued for acquire exploration and evaluation assets	11	300,000	115,000	-	-	115,000
Shares issued to private placement	11	14,307,143	6,380,000	-	-	6,380,000
Share issuance costs	11	-	(491,751)	71,954	-	(419,797)
Flow-through share premium	2,11	-	(657,143)	-	-	(657,143)
Shares issued on exercise of options	11	2,150,000	458,200	-	-	458,200
Shares issued on exercise of finders warrants	11	110,430	44,172	-	-	44,172
Reallocation of share-based payment reserves	11	-	279,306	(279,306)	-	-
Share-based payments	11	-	-	332,752	-	332,752
Balance at January 31, 2019		124,210,735	\$ 38,138,658	\$ 3,863,752	\$ (12,903,097)	\$ 29,099,313

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

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

	Year ended January 31, 2019	Year ended January 31, 2018
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net loss	\$ (1,548,349)	\$ (2,241,148)
Items not involving cash		
Deferred income tax expenses	202,000	-
Amortization	63,854	55,886
Share-based payments	332,752	708,115
Flow-through premium reversal	(657,143)	-
Changes in non-cash working capital items:		
Receivables	58,989	(24,574)
Prepays and deposits	(9,238)	(57,163)
Trade payables and accrued liabilities	66,613	(314,123)
Net cash used in operating activities	(1,490,522)	(1,873,007)
INVESTING ACTIVITIES		
Equipment	(4,028)	(106,200)
Expenditures on exploration and evaluation assets	(5,086,544)	(8,036,446)
Net cash used in investing activities	(5,090,572)	(8,142,646)
FINANCING ACTIVITIES		
Issuance of common shares, net of share issuance costs	6,462,574	2,878,459
Net cash provided by financing activities	6,462,574	2,878,459
Change in cash and cash equivalents	(118,520)	(7,137,194)
Cash and cash equivalents, beginning of year	1,072,646	8,209,840
Cash and cash equivalents, end of year	\$ 954,126	\$ 1,072,646

Supplemental cash flow information (Note 15)

The accompanying notes are an integral part of these financial statement

TERRAX MINERALS INC.
NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

Years ended January 31, 2019 and 2018

1. NATURE AND CONTINUANCE OF OPERATIONS

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

The head office of the Company is located at 1605-777 Dunsmuir Street, Vancouver, British Columbia, Canada, V7Y 1K4. The registered address and records office of the Company is located at 400-725 Granville Street, Vancouver, British Columbia, Canada, V7Y 1G5.

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at January 31, 2019 the Company has not advanced its properties to commercial production and is not able to finance day to day activities through operations. The Company’s continuation as a going concern is dependent upon the successful results from its mineral property exploration activities and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. Management is aware, in making its assessment, of material uncertainties related to events and conditions that may cast a significant doubt upon the Company’s ability to continue as a going concern as described above, and accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

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

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

These financial statements were authorized for issue on May 30, 2019 by the directors of the Company.

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

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

Basis of presentation

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

Significant estimates and assumptions

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

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

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

Significant judgments

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

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

Exploration and evaluation expenditures

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

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

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

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

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

Farm outs

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

Equipment

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

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

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

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

Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the share-based payment reserve. The fair value of options is determined using the Black–Scholes Option Pricing Model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Loss per share

Basic loss per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, the loss attributable to common shareholders equals the reported loss attributable to owners of the Company. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

Comparative information

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

Financial instruments

IFRS 9 Financial Instruments

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

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

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

(i) Classification

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

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

TERRAX MINERALS INC.
NOTES TO THE FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
Years ended January 31, 2019 and 2018

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

Financial instruments (cont'd)

opted to measure them at FVTPL. The Company completed a detailed assessment of its financial assets and liabilities as at February 1, 2018.

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

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

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

(ii) Measurement

Debt investments at FVTOCI

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

Equity investments at FVTOCI

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

Financial assets and liabilities at amortized cost

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

Financial assets and liabilities at FVTPL

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

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

Financial instruments (cont'd)

(iii) Impairment of financial assets at amortized cost

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

(iv) Derecognition

Financial assets

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

Financial liabilities

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

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

Impairment of assets

The carrying amount of the Company's long-lived assets (which includes equipment and exploration and evaluation assets) is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of comprehensive loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

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

Cash and cash equivalents

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

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

Income taxes

Current income tax:

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

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

Deferred income tax:

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

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

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

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

Flow-through shares:

The Company renounces qualifying Canadian exploration expenditures to certain share subscribers who subscribe for flow-through shares in accordance with the Income Tax Act (Canada). Under these provisions, the Company is required to incur and renounce qualifying expenditures on a timely basis for the respective flow-through subscriptions and, accordingly, it is not entitled to the related tax deductions and tax credits for such expenditures.

Any premium received by the Company on the issuance of flow-through shares is initially recorded as a liability ("deferred premium on flow through shares"). As the qualifying expenditures are incurred, a deferred tax liability is recognized and the deferred premium will be reversed provided that the Company has renounced, or there is reasonable expectation that the Company will renounce, the tax benefits associated with the related expenditures. To the extent that suitable deferred tax assets are available, the Company will reduce the deferred tax liability.

Restoration and environmental obligations

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

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

Restoration and environmental obligations (cont'd)

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

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

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

3. ACCOUNTING STANDARDS ISSUED BUT NOT EFFECTIVE

New standard IFRS 16 "Leases"

This new standard replaces IAS 17 "Leases" and the related interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting is not substantially changed. The standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted in certain circumstances. As at January 31, 2019, the Company will recognize a right-of-use asset and lease liability of approximately \$122,000 in the statement of financial position for its current office lease.

4. CASH AND CASH EQUIVALENTS

The components of cash and cash equivalents are as follows:

	January 31 2019	January 31, 2018
Cash at bank	\$ 54,126	\$ 567,172
Term deposits	900,000	505,474
	\$ 954,126	\$ 1,072,646

At January 31, 2019, the Company has variable rate investments of \$900,000 (January 31, 2018 - \$505,474) yielding variable interest rates of prime – 2.7%. The term deposits allow for early redemption after the first 30 days of investment and mature on various dates.

TERRAX MINERALS INC.
NOTES TO THE FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
Years ended January 31, 2019 and 2018

5. RECEIVABLES

Receivables consist of the following:

	January 31, 2019	January 31, 2018
GST receivable	\$ 52,840	\$ 114,305
Interest receivable	4,596	2,120
	\$ 57,436	\$ 116,425

6. PROPERTY AND EQUIPMENT

Cost

Balance, January 31, 2017	\$ 117,098
Additions	106,200
Balance, January 31, 2018	223,298
Acquisitions	4,028
Balance, January 31, 2019	\$ 227,326

Accumulated amortization

Balance, January 31, 2017	28,866
Amortization	55,886
Balance, January 31, 2018	\$ 84,752
Amortization	63,854
Balance, January 31, 2019	148,606

Net book value, January 31 2018	\$ 138,546
Net book value, January 31, 2019	\$ 78,720

Included in equipment is vehicles with net book value of \$69,679 (2018: \$128,877) and office furniture and equipment with net book value of \$9,041 (2018: \$9,669).

7. RECLAMATION DEPOSITS

To January 31, 2019, security deposits of \$140,000 (January 31, 2018 - \$140,000) were deposited with the Minister of Aboriginal Affairs and Northern Development Canada for land use permits issued by the Mackenzie Valley Land and Water Board ("MVLWB") for the Company's exploration properties in the Northwest Territories. The deposits will be refunded once the land use permit ends and a final report describing land use activities during the respective term of the permits and subsequent reclamation activities have been submitted to the MVLWB.

TERRAX MINERALS INC.
NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Canadian dollars)
Years ended January 31, 2019 and 2018

8. EXPLORATION AND EVALUATION ASSETS

Yellowknife City Gold Project, Northwest Territories

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

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

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

Northbelt Property

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

To January 31, 2019 the Company has incurred exploration and evaluation expenditures, net of recoveries, totalling \$24,179,440 (January 31, 2018 - \$20,452,377) on the Northbelt Property.

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

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

Southbelt Property

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

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

To January 31, 2019, the Company has incurred exploration and evaluation expenditures totalling \$566,859 (January 31, 2018 - \$544,832) on the Southbelt Property.

Eastbelt Property

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

On September 15, 2017, the Company acquired contiguous claims which have been incorporated into the Eastbelt Property. The claims are subject to a 2% NSR. The Company has the right, at any time, to purchase 1% of the 2% NSR for \$1,000,000. On completion of the acquisition, the Company is also obligated to pay an annual advance

8. EXPLORATION AND EVALUATION ASSETS (cont't)

Eastbelt Property (con't)

royalty of \$6,000 until the commencement of production. As consideration, the Company paid \$10,000 and issued 50,000 common shares at a fair value of \$25,500 (Note 11). The Company is obligated to pay a further \$20,000 (paid) and issue 50,000 common shares at a fair value of \$20,000 on or before November 1, 2018 (issued) and pay an additional \$20,000 and issue another 50,000 common shares on or before November 1, 2019.

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

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

To January 31, 2019 the Company has incurred total exploration and evaluation expenditures, net of recoveries, of \$1,496,872 (January 31, 2018 - \$1,045,832) on the Eastbelt Property.

Quyta-Bell Property

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

During the year ended January 31, 2019, the Company incurred acquisition costs of \$92,261 for staking of the Quyta-Bell claims and \$275,319 on exploration.

Stewart Property, Newfoundland

The Company entered into an option agreement to acquire a 100% interest in the Stewart Property located in the Burin Peninsula of Newfoundland. The Company has completed its commitments and acquired the 100% interest.

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

To January 31, 2019, the Company has incurred expenditures totalling \$1,607,274 (January 31, 2018 - \$1,601,374) on the Stewart Property.

TERRAX MINERALS INC.
NOTES TO THE FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
Years ended January 31, 2019 and 2018

8. EXPLORATION AND EVALUATION ASSETS (cont'd)

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

	Northbelt	Southbelt	Eastbelt	Quyta-Bell	Stewart	Total
Balance, January 31, 2017	\$ 13,292,120	\$ 168,356	\$ 77,365	\$ -	\$ 1,520,674	\$ 15,058,515
Acquisition costs	82,036	534	77,666	-	-	160,236
Exploration costs						
Assays and drilling	3,834,525	169,017	182,320	-	-	4,185,862
Community	170,668	-	1,500	-	-	172,168
Consulting (Note 10)	2,061,748	100,768	422,691	-	-	2,585,207
Environmental	90,783	10,390	-	-	-	101,173
Field expenses	920,497	12,496	192,182	-	80,700	1,205,875
Geophysical	-	122,897	262,108	-	-	385,005
	7,078,221	415,568	1,060,801	-	80,700	8,635,290
Recoveries	-	(39,626)	(170,000)	-	-	(209,626)
Balance, January 31, 2018	20,452,377	544,832	1,045,832	-	1,601,374	23,644,415
Acquisition costs	158,871	1,800	292,380	92,261	2,300	547,612
Exploration costs						
Assays and drilling	1,466,330	-	-	-	3,600	1,469,930
Community	234,782	-	500	-	-	235,282
Consulting (Note 10)	1,138,609	1,951	173,955	24,906	-	1,339,421
Environmental	58,981	14,242	3,328	13,757	-	90,308
Field expenses	583,696	-	111,726	11,796	-	707,218
Geophysical	85,794	4,034	39,901	224,860	-	354,589
	3,568,192	20,227	329,410	275,319	3,600	4,196,748
Recoveries	-	-	(170,750)	-	-	(170,750)
Balance, January 31, 2019	\$ 24,179,440	\$ 566,859	\$ 1,496,872	\$ 367,580	\$ 1,607,274	\$ 28,218,025

TERRAX MINERALS INC.
NOTES TO THE FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
Years ended January 31, 2019 and 2018

9. TRADE PAYABLES AND ACCRUED LIABILITIES

Trade payables and accrued liabilities consist of the following:

	January 31, 2019	January 31, 2018
Trade payables	\$ 105,994	\$ 571,979
Due to related parties (Note 10)	103,688	206,525
Accrued liabilities (Note 10)	32,500	25,000
	\$ 242,182	\$ 803,504

10. RELATED PARTY TRANSACTIONS

Related party balances

As at January 31, 2019, \$103,688 (January 31, 2018 - \$206,525) was due to directors of the Company or to companies controlled by directors of the Company and recorded in trade payables and accrued liabilities. These amounts are unsecured, non-interest bearing with no fixed terms of repayment.

Key Management Compensation

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

	Year Ended	
	January 31, 2019	January 31, 2018
Consulting fees	\$ 371,125	\$ 199,960
Directors' fees	30,000	22,500
Management compensation	200,000	144,000
Accounting fees	25,000	60,000
Share-based payments	273,244	306,197
	\$ 899,369	\$ 732,657

Related party transaction

The Company incurred \$1,423,486 (2018: \$2,390,238) of geological consulting fees for its exploration and evaluation assets with a company related to the Executive Chairman of the Company (Note 8).

The Company incurred \$nil (2018: \$8,154) of rent and administrative expenses with a company owned by the CFO of the Company.

TERRAX MINERALS INC.
NOTES TO THE FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
Years ended January 31, 2019 and 2018

11. SHARE CAPITAL

Authorized share capital

Unlimited number of voting common shares without par value.

Issued share capital

Fiscal 2019

- a) On April 12, 2018, the Company completed a private placement of 4,312,500 units (“Units”) at a price of \$0.40 per unit and 4,107,143 flow-through units (“FT Units”) at a price of \$0.56 per flow-through unit, for aggregate gross proceeds of \$4,025,000. Each Unit is comprised of one common share and one half of one transferable non-flow-through common share purchase warrant (each whole such common share purchase warrant, a “Warrant”). Each FT Unit is comprised of one flow-through common share and one half of one Warrant (issued on a non-flow-through basis). Each Warrant is exercisable into one additional non-flow-through common share of the Company for a period of three years from closing, subject to an exercise acceleration trigger, at an exercise price of \$0.60 per share. There was a flow-through share premium with respect to this placement of \$0.16 per share, or \$657,143. Share issuance costs of \$419,797 in cash were incurred with respect to this placement along with the issuance of 420,982 finder’s warrants exercisable at \$0.40 per common share for a period of 24 months from closing. The total fair value of these finder’s warrants of \$71,954 was estimated using the Black-Scholes Option Pricing Model assuming an expected life of 2 years, expected dividend yield of 0%, a risk-free interest rate of 1.88% and an expected volatility of 63%.
- b) On November 16, 2018 the Company completed a non-brokered private placement of 5,887,500 units (“Units”) at a price of \$0.40 per unit for aggregate gross proceeds of \$2,355,000. Each Unit is comprised of one common share and one transferable common share purchase warrant (a “Warrant”). Each Warrant shall be exercisable into one additional common share of the Company for a period of three years from closing at an exercise price of \$0.60.
- c) During the year ended January 31, 2019, the Company received net proceeds of \$44,172 from the exercise of 110,430 warrants. The value of these warrants of \$25,205 was reclassified from share-based payment reserve to share capital.
- d) During the year ended January 31, 2019, the Company received net proceeds of \$458,200 from the exercise of 2,150,000 stock options at an average price of \$0.21 per share. The value of these options of \$254,101 was reclassified from share-based payment reserve to share capital.
- e) During the year ended January 31, 2019, the Company issued 300,000 common shares with a value of \$115,000 towards consideration for the acquisition of exploration and evaluation assets (Note 8).

Fiscal 2018

- a) During the year ended January 31, 2018, the Company received net proceeds of \$314,700 from the exercise of 1,152,000 stock options at an average price of \$0.29 per share. The value of these options of \$179,111 was reclassified from share-based payment reserve to share capital.
- b) During the year ended January 31, 2018, the Company received net proceeds of \$2,563,759 from the exercise of 5,021,518 warrants. The value of certain warrants of \$4,459 was reclassified from share-based payment reserve to share capital.

TERRAX MINERALS INC.
NOTES TO THE FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
Years ended January 31, 2019 and 2018

11. SHARE CAPITAL (cont'd)

- c) During the year ended January 31, 2018, the Company issued 90,000 common shares with a value of \$45,500 towards consideration for the acquisition of exploration and evaluation assets (Note 8).

Stock options

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

Stock option transactions are summarized as follows:

	Number of options	Weighted average exercise price
Balance as at January 31, 2017	6,921,000	\$ 0.45
Granted	3,095,000	0.29
Exercised	(1,152,000)	0.27
Expired	(69,000)	0.29
Balance as at January 31, 2018	8,795,000	0.42
Granted	1,250,000	0.41
Exercised	(2,150,000)	0.21
Balance as at January 31, 2019	7,895,000	\$ 0.60

As January 31, 2019, the weighted average remaining life of options outstanding was 1.12 years.

2019

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

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

2018

On May 16, 2017, the Company granted 1,250,000 stock options to directors of the Company that can be exercised at \$0.62 per share until May 16, 2020. These options vest as to 25% immediately and 75% over an eighteen-month period following date of grant. The total fair value of \$312,933 was estimated using the Black-Scholes Option Pricing Model assuming an expected life of 3 years, expected dividend yield of 0%, a risk-free interest rate of 0.72% and an expected volatility of 60.10%. The vesting of granted stock options resulted in a share-based compensation expense of \$251,270 being recorded during the year ended January 31, 2018.

TERRAX MINERALS INC.
NOTES TO THE FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
Years ended January 31, 2019 and 2018

11. SHARE CAPITAL (cont'd)

Stock options (cont'd)

2018 (cont'd)

On June 28, 2017, the Company granted 250,000 stock options to a consultant to the Company that can be exercised at \$0.49 per share until June 28, 2020. These options vest as to 12.5% immediately and 12.5% over a twenty-four-month period following date of grant. The total fair value of \$51,700 was estimated using the Black-Scholes Option Pricing Model assuming an expected life of 3 years, expected dividend yield of 0%, a risk-free interest rate of 1.12% and an expected volatility of 60.12%. The vesting of granted stock options resulted in a share-based compensation expense of \$36,950 being recorded during the year ended January 31, 2018.

On September 8, 2017, the Company granted 1,595,000 stock options to directors, officers and consultants of the Company that can be exercised at \$0.61 per share until September 8, 2020. These options vest as to 25% immediately and 75% over an eighteen-month period following date of grant. The total fair value of \$288,233 was estimated using the Black-Scholes Option Pricing Model assuming an expected life of 3 years, expected dividend yield of 0%, a risk-free interest rate of 1.58% and an expected volatility of 59.54%. The vesting of granted stock options resulted in a share-based compensation expense of \$197,367 being recorded during the year ended January 31, 2018.

The Company recorded a further \$222,528 in share-based compensation expense for stock options which vested during the year ended January 31, 2018.

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

Number of options outstanding	Number of options exercisable	Exercise price	Expiry date
1,050,000	1,050,000	\$ 0.35	March 14, 2019
500,000	500,000	\$ 0.61	May 5, 2019
2,000,000	2,000,000	\$ 0.83	August 26, 2019
1,250,000	1,250,000	\$ 0.62	May 17, 2020
250,000	218,750	\$ 0.49	June 20, 2020
1,595,000	1,395,625	\$ 0.61	September 8, 2020
1,250,000	468,750	\$ 0.41	June 15, 2021
7,895,000	6,883,125		

As of January 31, 2019, the weighted average remaining life of options outstanding was 1.12 years.

Warrants

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

TERRAX MINERALS INC.
NOTES TO THE FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
Years ended January 31, 2019 and 2018

11. SHARE CAPITAL (cont'd)

Warrants (cont'd)

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted average exercise price
Balance as at January 31, 2017	10,168,641	\$ 0.50
Exercised	(5,021,518)	0.51
Expired	(29,220)	0.50
Balance as at January 31, 2018	5,117,903	0.49
Issued	10,518,304	0.59
Exercised	(110,430)	0.40
Expired	(2,191,195)	0.47
Balance as at January 31, 2019	13,334,582	\$ 0.57

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

Number	Exercise Price	Expiry Date
1,436,500	\$ 0.50	May 6, 2019
1,379,778	\$ 0.50	May 12, 2019
4,209,822	\$ 0.60	April 12, 2021
420,982	\$ 0.40	April 12, 2021
5,887,500	\$ 0.60	November 17, 2021
13,334,582		

As at January 31, 2019, the weighted average remaining life of warrants outstanding was 2.05 years.

12. SHARE-BASED PAYMENT RESERVE

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

13. FINANCIAL RISK AND CAPITAL MANAGEMENT

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

Credit risk

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

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

Liquidity risk

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

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

Foreign exchange risk

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

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has positive cash balances at April 30, 2018 and no-interest bearing debt, therefore, interest rate risk is nominal.

Capital management

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

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

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

Fair value

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

14. INCOME TAXES

Flow through shares

	January 31, 2019	January 31, 2018
Balance, beginning of period	\$ -	\$ -
Deferred premium on flow-through shares issued	657,143	-
Recognition of deferred premium on flow-through shares	(657,143)	-
Balance, end of period	\$ -	\$ -

Flow-through common shares require the Company to spend an amount equivalent to the proceeds of the issued flow-through common shares on Canadian qualifying exploration expenditures. The Company may be required to indemnify the holders of such shares for any tax and other costs payable by them in the event the Company has not made the required exploration expenditures.

During the year ended January 31, 2017, the Company received \$8,599,200 from the issue of flow-through shares and has incurred and renounced expenditures of \$8,599,200 of which \$4,291,660 was incurred during the year ended

TERRAX MINERALS INC.
NOTES TO THE FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
Years ended January 31, 2019 and 2018

14. INCOME TAXES (cont'd)

January 31, 2017 and the remaining \$4,307,540 was incurred during the year ended January 31, 2018. These expenditures will not be available to the Company for future deduction from taxable income.

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

Under the IFRS framework, the increase to share capital when flow-through shares are issued is measured based on the current market price of common shares. The incremental proceeds, or "premium", are recorded as deferred income. As at January 31, 2019, the Company has no further qualifying expenditure commitments regarding flow-through share proceeds from flow-through shares issued during the year ended January 31, 2019.

Provision for deferred tax

As future taxable profits of the Company are uncertain, the net deferred tax asset has not been recognized. As at January 31, 2019, the Company has approximately \$8,292,000 of non-capital losses that can be offset against taxable income in future years which begin expiring at various dates commencing in 2028.

A reconciliation of the expected income tax recovery to the actual income tax expense is as follows:

	January 31, 2019	January 31, 2018
Loss for the year before income taxes	\$ (1,346,348)	\$ (2,241,148)
Statutory tax rate	27.00%	26.00%
Expected income tax recovery	(363,514)	(582,698)
Non-deductible items	89,843	139,698
Impact of flow-through shares	443,571	-
Effect of rate change	(64,516)	-
True up	371,727	-
Impact of share issuance costs not recognized	(113,345)	-
Change in valuation allowance	(161,766)	443,000
Deferred income tax expense	\$ 202,000	\$ -

The Company has the following tax effected deductible temporary differences for which a deferred tax liability has been recognized:

	January 31, 2019	January 31, 2018
Exploration and evaluation assets	\$ (2,602,000)	\$ (1,279,000)
Loss carry-forwards	2,239,000	1,646,000
Equipment	40,000	18,000
Share issuance costs	121,000	58,000
Valuation allowance	-	(443,000)
Deferred income tax liability	\$ (202,000)	\$ -

TERRAX MINERALS INC.
NOTES TO THE FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
Years ended January 31, 2019 and 2018

14. INCOME TAXES (cont'd)

The tax pools relating to the significant deductible temporary differences expire as follows:

	Exploration and evaluation assets and equipment	Loss carry-forwards	Share issuance costs
2020	\$ -	\$ -	\$ 158,000
2021	-	-	121,000
2022	-	-	84,000
2023	-	-	84,000
2028	-	36,000	-
2029	-	102,000	-
2030	-	147,000	-
2031	-	427,000	-
2032	-	260,000	-
2033	-	219,000	-
2034	-	438,000	-
2035	-	892,000	-
2036	-	953,000	-
2037	-	1,292,000	-
2038	-	1,725,000	-
2039	-	1,801,000	-
No expiry	18,132,000	-	-
	\$ 18,132,000	\$ 8,292,000	\$ 447,000

15. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Year Ended	
	January 31, 2019	January 31, 2018
Exploration expenditures included in trade payables and accrued liabilities	\$ 111,258	\$ 739,192
Fair value of shares issued for mineral property option payments	\$ 115,000	\$ 45,500
Fair value of finder's warrants	\$ 71,953	\$ -
Fair value of share-based payments reallocated to share capital	\$ 254,101	\$ 179,111
Fair value of warrants reallocated to share capital	\$ 25,205	\$ 4,459

TERRAX MINERALS INC.
NOTES TO THE FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
Years ended January 31, 2019 and 2018

16. COMMITMENT

Effective February 1, 2017, the Company entered into a lease agreement for the rental of office premises and made a deposit payment of \$25,000 (2018: \$25,000). The future lease payment schedule is as follows:

2020	52,080
2021	53,760
2022	55,440
	<hr/>
	\$ 161,280

17. SUBSEQUENT EVENT

Subsequent to January 31, 2019 the Company:

- a) Issued 700,000 common shares for proceeds totaling \$245,000 in conjunction with the exercise of stock options; and 850,000 stock options with an average exercise price of \$0.50 per share expired unexercised.