

# TERRAX MINERALS INC.

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

For the year ended January 31, 2019

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, 2019 and should be read in conjunction with the accompanying audited financial statements and notes thereto for the year ended January 31, 2019, all of which are available at [www.sedar.com](http://www.sedar.com). This discussion is based on information available as at May 30, 2019.

The accompanying January 31, 2019 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](http://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

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. Readers 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.

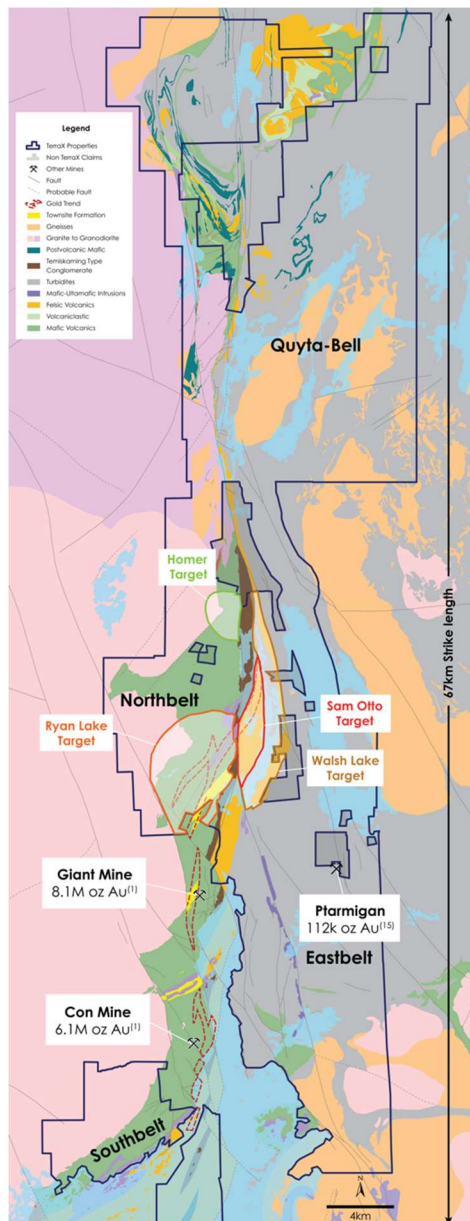
Forward-looking statements are based on the beliefs, estimates and opinions of the Company's management on the date the statements are made. The Company undertakes no obligation to update these forward-looking statements in the event that management's beliefs, estimates, opinions or other factors should 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, 2019 TerraX completed a winter drill program and commenced a summer field exploration program on its wholly-owned Yellowknife City Gold Project (“YCG”) immediately north, south and east of the City of Yellowknife in the Northwest Territories. The Company also staked an additional 337.5 square kilometers immediately to the north of its current properties. These additional 47 claims were staked based on the results of field exploration completed on the YCG during the summer and fall of 2017 and bring the Company’s total holdings in the YCG to 780 sq km and extend the total strike of the project area by 22 km to the north, for a total strike length of 75 km. The new land area has been named **Quyta-Bell** and was the subject of extensive airborne geophysical surveys during field work during the summer.

The YCG lies within the prolific Yellowknife greenstone belt and covers the northern and southern extensions of the shear system that hosts the high-grade Con (6.1 Moz produced) and Giant (8.1 Moz produced) gold mines. 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 all within 40 km of the City of Yellowknife, the YCG is close to vital infrastructure, including transportation, service providers, hydro-electric power and skilled trades people.



TerraX commenced its 2018 winter drill program on the YCG project in early February, 2018. The program totalled approximately 5,684 meters and incorporated two drill rigs to test dip and strike extensions of the **Sam Otto** and **Crestaurem** deposits, two of the Company's most advanced high priority gold targets. Both drill programs were successful. The drilling at Sam Otto confirmed a 2.2 km mineralized zone that remains open along strike and at depth, with the drilling at Crestaurem extending that mineralized zone to 300 meters of vertical depth, doubling the size of the known mineralized structure.

In June 2018 the Company began its summer field program with surface sampling and mapping programs. New gold zones were identified at Gull Lake and Rater Lake on the Northbelt property. These new targets are in the same mafic volcanic geology that also hosted the Giant and Con mines.

During the summer of 2018 TerraX also completed a 6,409 line kilometer helicopter-borne high resolution magnetic and radiometric survey over the Quyta-Bell property and other areas of the YCG that had not previously been surveyed. A 434 square kilometer airborne LiDAR survey was also flown over the Quyta-Bell property. These surveys received funding support totalling \$160,000 through the government of the Northwest Territories ("GNWT") Mining Incentive Program ("MIP"). The MIP is administered by the Industry, Tourism and Investment ministry of the GNWT.

For more information on the YCG, including its exploration history, please visit the Company's web site at [www.terraxminerals.com](http://www.terraxminerals.com)

## EXPLORATION OVERVIEW

TerraX has conducted extensive exploration on the YCG since acquiring its initial property, the Northbelt, in February of 2013. To date, TerraX has drilled over 56,000 m in 274 diamond drill holes ("DDH") at Northbelt to complement a historic drill database that includes 186 DDH totalling 37,500 m of core from the former Giant Mine core yard. This has allowed us to begin developing geologic models of resources along 5 km of strike that encompasses three main high grade gold mineralized zones at Northbelt:

Ryan Lake - 308 drill holes that include:

Barney Shear - 22.4 m @ 6.35 g/t Au  
Crestaurem - 5.0 m @ 62.9 g/t Au  
Hebert Brent - 11.0 m @ 7.55 g/t Au; and  
Shear 20 - 21 m @ 2.97 g/t Au

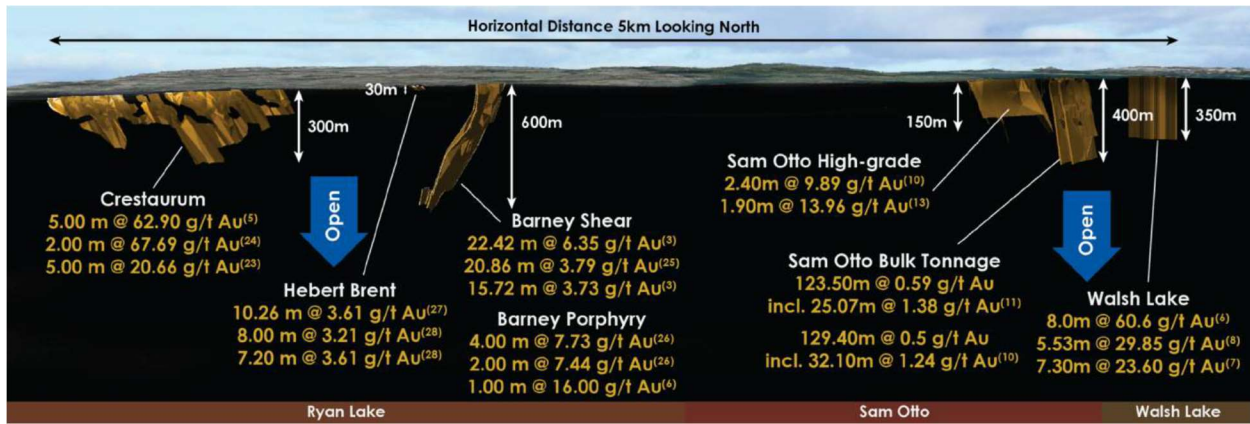
Sam Otto - 58 drill holes that include:

- 123.5m @ 0.59 g/t Au;
- 1.9 m @ 13.96 g/t Au; and
- 27.16 m @ 2.16 g/t Au in a 1.5 km step out to the south of prior drilling (see below).

Walsh Lake - 50 drill holes that include:

- 8.00 m @ 60.60 g/t Au;
- 5.53 m @ 29.85 g/t Au; and
- 7.30 m @ 23.60 g/t Au

All of these mineralized zones are open along strike and down dip and will be further defined in subsequent drill programs.



### Winter Drill Program 2018

In early February 2018 TerraX commenced its 2018 winter drill program on the YCG, incorporating two drill rigs to test dip and strike extensions of the **Sam Otto** and **Crestaurum** deposits in the Core Gold area just north of Yellowknife.

**Sam Otto** is a disseminated wide zone of gold mineralization with the potential to yield both a large bulk tonnage deposit at the main Sam Otto target and a high-grade deposit at Sam Otto West (formerly Dave's Pond target). Sam Otto is currently outlined over approximately 750 meters of strike and 325 meters of depth by 56 drill holes. Recent field work in the summer and fall of 2017 has identified the Sam Otto zone over 3.5 km of strike length, indicating potential for a large deposit. The 2018 drill program extended both the strike and dip of the currently drilled deposit at Sam Otto Main and Sam Otto West.

Assay results from the first 5 holes (2,003 m) of the winter drill at Sam Otto were announced on March 9, 2018. Two of these holes (688 m) tested the Sam Otto South extension, confirming a 2.2 km mineralized zone that remains open along strike and at depth. These holes were drilled as a follow up to a surface sampling program done in 2017 (news release of Sept 26, 2017) that indicated the Sam Otto zone may extend for 3.5 km south of the main zone which was drilled over 750 m of strike length in 2016. Hole TSO18-035 was collared 1.5 km south of the Sam Otto main zone and intersected a broad zone of deformation and alteration (150 m wide) that contained a mineralized zone assaying **2.16 g/t Au over 27.16 m**, including **1 m of 23.1 g/t Au**, and **2.44 m at 7.99 g/t Au**. This extremely long step out hole confirmed the Company's exploration targeting. The higher grade multi-gram intersections reported here exceed the grades typically seen in the Sam Otto main zone and confirm continuity within this large mineralizing system.

The second hole, TSO18-037, drilled 377 m north along strike from TSO18-035 also intersected a broad deformation and alteration zone (231.5 m wide), and contained a mineralized zone assaying **1.92 g/t Au over 11.52 meters**, including **2.89 g/t Au over 3.64 meters**.

Three holes totalling 1,315 m were also drilled on the Sam Otto Main zone testing the down dip extension of previous TerraX drilling to a vertical depth of 350 meters. These three holes were drilled over 230 meters of strike length below previous drilling at the Sam Otto main zone. All holes hit typical Sam Otto main zone deformation and alteration, extending the Sam Otto main zone to depth, but with an increase in mineralized quartz veins relative to the mineralized zones in the previous shallower holes. Hole TSO18-032 intersected deformation and alteration over 247.5 m, with a well mineralized zone of 0.85 g/t Au over 62.24 m, including 2.04 g/t Au over 13.95 m. Hole TSO18-033 intersected deformation and alteration over 216.5 m, with two well mineralized zones of 0.52 g/t Au over 21.50 m and 0.50 g/t Au over 40.00 m. Hole TSO18-034 intersected deformation and alteration over 176.2 m, with well mineralized zones that included 0.51 g/t Au over 31.80 m. For a listing of all significant drill results and a map of drill hole locations at Sam Otto, refer to the Company's news release of March 9, 2018.

On May 8, 2018, TerraX released the remaining 5 holes (2,081 m) drilled at Sam Otto West to test strike and depth potential (down to 250 meters vertical) on this zone. All holes hit gold mineralized structure with best results of **3.00 g/t Au over 2.69 m** in hole TSO18-038, **1.06 g/t Au over 4.00 m** in hole TSO18-041, and **1.32 g/t Au over 2.70 m** in hole TSO18-036. All holes included intersections of 2.0 to 5.6 meters of 0.71 to 0.81 g/t Au. The continuous presence of the gold mineralized structures that now extend over more than a kilometer of strike and 250 meters of depth, with alteration and mineralization styles like the high grade zones from the nearby Con and Giant mines, makes this a good target for continued exploration.

A single hole (TSO18-039, 430 meters) was drilled approximately 500 m south along strike from the Sam Otto Main zone, and 600 meters north of TSO18-037 (1.92 g/t Au over 11.52 meters, news release Mach 9, 2018). This hole confirmed the continuity of the Sam Otto structure between the known extents of the Sam Otto Main and Sam Otto South zones, intersecting a broad zone of deformation and alteration (0.10 g/t Au over 157.75 m) consistent with the Sam Otto style of mineralization, including multiple 2.50 m - 9.10 m wide zones of 0.35 g/t Au – 0.82 g/t Au.

**Crestaurum** is a high-grade deposit currently outlined with 253 drill holes over 1.4 km of strike and 150 meters of dip. Recent biogeochemical field work, IP surveying, and structural studies carried out in the summer and fall of 2017 have helped define the down dip and down plunge extent of the high-grade lodes at Crestaurum.

On May 8, 2018, TerraX announced the results from the four holes (1,170) drilled on the high-grade Crestaurum gold bearing structure to test whether gold mineralization continued to depth. All four holes hit mineralized structure, with two holes containing visible gold. All holes intersected significant gold with selected intervals of:

- **8.84 g/t Au over 2.49 m** and **5.38 g/t Au over 0.63 m** in hole TCR18-076
- **3.08 g/t Au over 2.80m**, and **5.57 g/t Au over 2.06 m**, in hole TCR18-078
- **13.30 g/t Au over 1.24 m**, and **4.41 g/t Au over 0.80 m**, in hole TCR18-079
- **3.86 g/t Au over 0.56 m** in hole TCR18-077

The upper portion of the Crestaurum structure has been previously drilled with 187 drill holes over 1.4 kilometers of strike length, from surface down to a depth of approximately 100-150 meters depth, outlining a lode style shear and vein deposit (including 5.00 m @ 62.90 g/t Au, news release October 2, 2013). Although the structure is very continuous the high grade lodes are more discrete and these initial widespread deeper holes were designed to intersect structure to determine whether there was probability of high grade lodes continuing at depth potentially doubling the size of the mineralized zones. The 300 meter vertical depth tested with these holes is still considered very shallow for Archean lode gold deposits and mineralization remains open for further expansion, both along strike and at depth. A drill hole location map and a long section of the Crestaurum main shear can be accessed on the Company's news release of May 8, 2018.

### **Field Exploration Summer 2018**

The Company's summer exploration program commenced on the YCG in June 2018 with initial results announced on July 12, 2018.

The first set of assay results come from sampling done on two new zones called Gull Lake and Rater Lake that have been identified on our Northbelt property. These new targets are in the same mafic volcanic geology that also hosted the Giant and Con mines. The highlight assays are **43.7 g/t Au**, **28.0 g/t Au**, and **19.05 g/t Au** on the Gull Lake Zone with several additional assays in the **1 to 5 g/t Au** range on both zones. These gold zones are interpreted as being the continuation of the Giant Mine gold structure, warranting immediate further work along these structural trends. For a map showing the location of these samples, refer to the Company's news release of July 12, 2018.

The second set of assay results come from channel sampling done around the past producing Ptarmigan Mine on Eastbelt, an asset that TerraX acquired in early 2018 (see news release of January 12, 2018). These channels were cut from outcrop along the Ptarmigan vein trends and sampled across the gold mineralized structures. Assay results for gold range up to **226 g/t Au** and **126 g/t Ag** in **0.50 m channel samples** from Channel ECH18-037. Intervals for the 3 sampled areas (ECH18-035 to ECH18-037) are indicated on the map included in our news release of July 12, 2018 and include:

- ECH18-037 - **24.75 g/t Au over 5.50 m** (including **44.82 g/t Au over 3.00 m**)
- ECH18-036 - **5.39 g/t Au over 7.50 m** (including **10.44 g/t Au over 2.50 m**)
- ECH18-035 - **4.25 g/t Au over 2.00 m**

On July 25, 2018 TerraX announced additional assay results from surface sampling at Ptarmigan that extended the mineralized zone 400 m northwest and included channel samples of 53.85 g/t Au over 1.8 m.

Continued channel sampling and prospecting assay results come from the area immediately northwest of the past producing Ptarmigan Mine on Eastbelt. Detailed mapping and prospecting extends the Ptarmigan zone 400 meters northwest of previously reported channel sampling with a **19.00 g/t Au** grab sample along the Ptarmigan trend. Channel sample results were cut from outcrop southeast of previously reported channels (24.75 g/t Au over 5.50 m

including 44.82 g/t Au over 3.00 m reported on July 12, 2018) following the Ptarmigan vein trend and sampling across the gold mineralized structures. Assay results for gold range up to **124 g/t Au in a 0.70 m channel sample** from Channel ECH18-039. Mineralized intervals for the sampled areas (ECH18-034, 038, 039 and ECH18-041) are indicated on the maps included in our news release of July 25, 2018 and include:

- ECH18-034 - **4.76 g/t Au over 2.00 m**
- ECH18-038 - **6.60 g/t Au over 2.10 m**
- ECH18-039 – **53.85 g/t Au over 1.80 m**
- ECH18-041 - **18.13 g/t Au over 3.10 m**

An additional grab sample was collected from a gossanous quartz vein 2.7 kilometers due west of the Ptarmigan Mine and assayed **5.17 g/t Au**. Further work is warranted in this area.

On September 14, 2018 TerraX announced further assay results from **Gull and Rater Lake zones**, where high grade gold assays from grab sampling have extended the strike of the mineralized zones. As previously reported these new targets are in the same mafic volcanic geology that also hosted the Giant and Con mines and are within TerraX's Core Gold exploration area. The highlight assays are **171.0 g/t Au, 5.60 g/t Au, 5.29 g/t Au, and 4.49 g/t Au** on the Rater Lake zones, and **72.0 g/t Au, 52.5 g/t Au, 29.0 g/t Au, and 12.95 g/t Au** on the Gull Lake Zone.

These gold zones are interpreted as being the continuation of the Giant Mine gold system. The Rater Lake structure has been followed for 300 meters north, and then appears to be offset to the west on the Akaitcho Fault, possibly continuing as the Gull Lake structure for another 1,200 meters north. A second sub-parallel zone appears on the south side of Rater Lake with high grade values up to 171 g/t Au. For a map showing the location of these samples, refer to the Company's news release of September 14, 2018. The multiple gold bearing structures in this area enhance the expanding resource potential of the Northbelt Core Gold Area.

#### **Acquisition of 16,000 m of drill core from Northbelt**

In January 2019 the Company announced that, in cooperation with The Geological Survey of the NWT and The Giant Mine Remediation Project, it was able to recover 16,000 meters of historical drill core that was stored in the Giant Mine core yard.

On March 18, 2019 TerraX announced the results from the relogging and sampling of 1,579 meters of this core. Mineralization within the historical drill core is adjacent to historical high-grade assays within vein and shear zone structures across broad zones of alteration similar to Giant. Individual assay values from the margins of the historical sampling included **5.06 g/t Au, 2.74 g/t Au, 1.65 g/t Au, 0.99 g/t Au, and 0.96 g/t Au**. These assay results indicate that gold structures mined by Giant just south of TerraX property continue north for 4 km on our Barney Deformation Corridor target at Northbelt.

The historical sampling of these drill holes in the 1960s preferentially sampled the high-grade quartz veins by removing the entire pieces of core. TerraX geologically logged and sampled core along the margins of these quartz veins immediately adjacent to the gaps left from the original samples. Because of the historical whole core sampling method TerraX cannot verify the reported historical assays, but the adjacent core that was sampled demonstrates significant gold mineralization within the shear zones and displays the same quartz-carbonate veining containing abundant pyrite and arsenopyrite with sericite-chlorite-carbonate alteration haloes that are seen within high grade mineralization at Giant's GKP Mine and the Supercrest deposit.

#### **TerraX receives new Land Use and Water Permits for YCG**

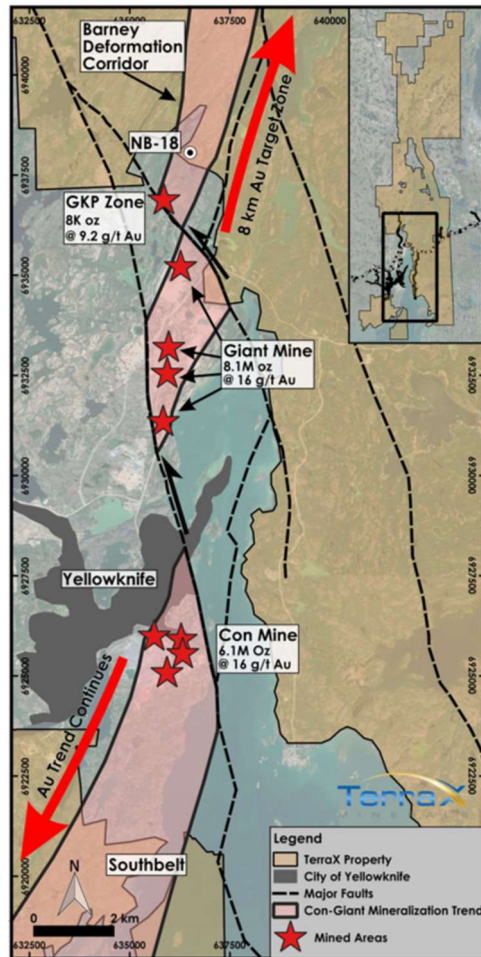
In February of 2019, Terrax announced that a Land Use Permit (LUP) has been issued by the Mackenzie Valley Land and Water Board approving the Company's exploration plan on the entire YCG property. The new LUP replaces two smaller LUPs and provides for water usage required in exploration drilling. The new permit is effective until January 2024, extendible to 2026, and covers all of TerraX's claims and leases, providing complete flexibility in planning and carrying out long term exploration activities on the entire 70 kilometer length of the YCG property.

On March 21, 2019 the Company announced that a Type B Water License has been issued by the Mackenzie Valley Land and Water Board for the YCG project. The Water License also covers all of TerraX's claims and leases on the YCG and is effective for 7 years until March 6, 2026.

## Summer Drilling Plan

In early 2019, TerraX identified four top priority targets for drilling this summer. Comprehensive review of the targets including the use of historical data and 2019 assays of historical core, has led to a focus on deposit expansion at Crestaurum and Sam Otto, as well as the advancement of targeting on the North Giant Extension within the Barney Deformation Corridor.

**Barney Deformation Corridor:** Earlier this year, TerraX confirmed the extension of gold mineralization on structures that hosted the Giant Mine onto TerraX property. TerraX will conduct surface work including geophysical and geochemical surveys for future drill targeting, as well as continuing our review of historical core data (**Figure 1**)



**Figure 1: Extension of gold mineralization structures from Giant Mine**

**Crestaurem Target:** A drill program focused on high grade deposit expansion will center on the Crestaurem Main zone, the previously undrilled Crestaurem North (Shear 17), and the Crestaurem hanging wall structures, particularly in the favourable yet underexplored area where they intersect with the Barney Deformation Corridor (**figure 2**).

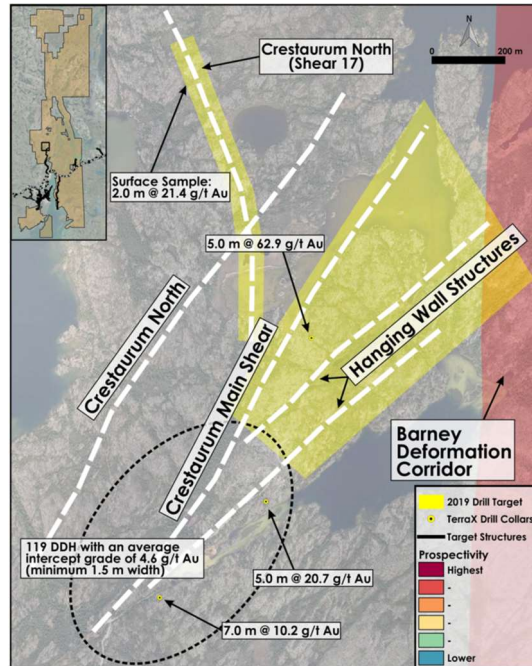


Figure 2: Crestaurem Target

**Sam Otto Target:** Step-out drilling will target Sam Otto South which features higher grade gold lenses within a 100 meter wide bulk tonnage zone (**figure 3**). The identification of this through-going structure has provided the possibility to expand the deposit significantly. There is potential to extend strike from 1km to 4km.

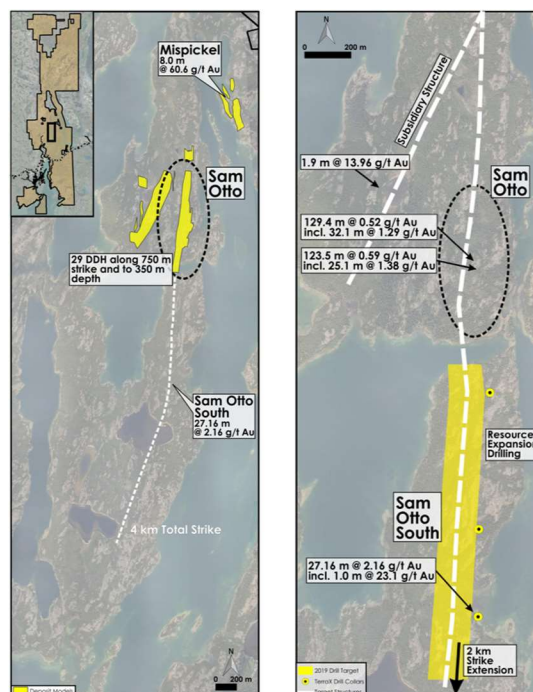
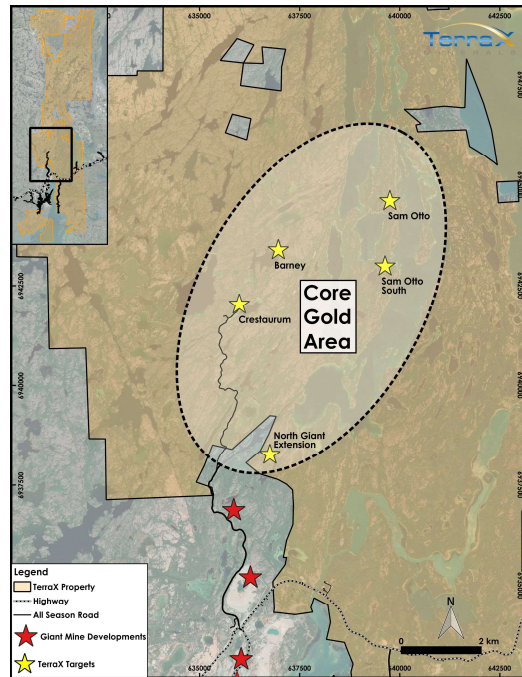


Figure 3: Sam Otto Target



**Historical Core:** Analysis of the historical core acquired in late 2018 from our core gold area (**figure 4**) is continuing in conjunction with surface work to define the extension of the Con/Giant trend onto our property, as well as provide vectors to drilling our other two targets.



**Figure 4: Core Gold Area**

For more information, please refer to our news release of May 8, 2019.

During the year ended January 31, 2019 the Company incurred \$4,193,148 in exploration expenditures on the YCG, inclusive of geological consulting of \$1,339,421, drilling and assays of \$1,466,330, community relations of \$235,282, geophysical work of \$354,589, environmental studies of \$90,308 and field expenses of \$707,218.

### **TerraX stakes 337.5 square km of contiguous ground north of YCG**

On March 7, 2018, TerraX announced that it had expanded its land position at the YCG through the staking of an additional 337.5 square kilometers, named **Quyta-Bell**, immediately to the north of its current properties. These additional 47 claims were staked based on the results of field exploration completed on the YCG during the summer and fall of 2017 and brought the Company's total holdings adjacent to the City of Yellowknife to 780 sq km and extend the total strike by 22 km to the north.

### **Acquisition of Tom Mine and Sickle Claims on Eastbelt**

In September 2018 TerraX announced the purchase of a 100% interest in the Tom Mine (6 sq. km) and Sickle (2 sq. km) properties from Altamira Gold Corp. These two properties are contiguous with, and surrounded by, the Company's Eastbelt property to the east of Yellowknife. For a map showing the location of these properties, refer to the Company's news release of September 19, 2018.

The Tom Mine was a gold producer in the Yellowknife gold district from 1985-1997. The Tom and C vein systems were accessed by ramp to 122 vertical metres over 300 metres of strike length. The Tom Mine production was milled at the Ptarmigan Mine (January 12, 2018 press release) so separate production records for the Tom Mine are not available. The Tom Mine gold ore has the same characteristics as the Ptarmigan Mine which is free milling with reported recovery of 94%. When the mine closed in 1997 the veins were still open at depths below the current mine

workings. (Source: The Operational History of Mines in the Northwest Territories, R. Silke, 2009; and Treminco Resources Limited, Annual report 1990). The southern portion of the property is contiguous with the Ptarmigan Gold Mine property owned by TerraX.

The Sickle property is underlain by the Walsh Lake sediments, which are host to TerraX's Mispickel Zone (September 22, 2016, press release). Several historic gold showings occur on the property with gold values up to 4 g/t.

As part of the agreement, TerraX paid Altamira a total of \$25,000 cash and 250,000 shares of TerraX. Altamira will retain a 2% NSR royalty.

#### **Private Placement Closed in April 2018 for \$4.0 Million**

On April 12, 2018, TerraX closed a bought deal equity financing led by PI Financial Corp. (the "Underwriter"), with the overallotment option granted to the Underwriter having been exercised in full.

Pursuant to the Offering, the Company issued an aggregate of 4,312,500 units of the Company ("Units") at a price of \$0.40 per Unit and 4,107,143 flow-through units of the Company ("FT Units") at a price of \$0.56 per FT 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.

In connection with the offering, the Company paid a cash fee of \$241,500 and 420,982 compensation warrants. Each compensation warrant is exercisable into one common share of the Company at a price of \$0.40 per common share for a period of 24 months from closing.

#### **Private Placement Closed in November 2018 for \$2.3 Million**

On November 16, 2018 the Company closed a non-brokered private placement for \$2,355,000.

The placement consisted of 5,887,500 units of the Company ("Units") at a price of \$0.40 per Unit. Each Unit consists 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. Certain directors, officers and insiders of TerraX participated in this private placement. Finder's fees in cash were paid on a portion of this placement.

#### **Use of Proceeds from Flow-through Private Placements**

Flow-through ("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.

On April 12, 2018, the Company received a total of \$2,300,000 from the issuance of 4,107,143 FT units as part of a larger financing that totalled \$4,025,000, as described in more detail in the financial statements. These units were issued at a premium of \$0.16 per share, for a total premium of \$657,143 that was accounted for as a "Deferred Premium on Flow Through Shares" and recorded as a liability on the Company's financial statements.

During the year ended January 31, 2019 the Company incurred and renounced expenditures of \$2,300,000 with respect to the FT financing, eliminating the deferred premium on flow-through shares as of the end of the period.

#### **Management Changes**

On June 15, 2018, the Company appointed David Suda as President and CEO. Mr. Suda has over 11 years of capital markets experience. He graduated with honours from York University with a bachelor's degree in environmental studies. Most recently, Mr. Suda was Head of trading and managing director at Beacon Securities. He has established

relationships with investors including institutional managers and public companies. His extensive capital markets experience with a focus on public resource-based companies will provide TerraX access to a skill set which includes marketing, corporate strategy and investment banking.

To accommodate Mr. Suda's appointment, Stuart Rogers agreed to step down as President and to serve as Chief Financial Officer, replacing Mark Gelmon, who left the company at the end of June 2018.

### **Options Granted**

On June 15, 2018, the Company granted 1,250,000 stock options to an officer 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.

### **Exercise of Stock Options and Share Purchase Warrants**

During the year ended January 31, 2019, the Company received proceeds totalling \$458,200 in conjunction with the exercise of 2,150,000 stock options with exercise prices ranging between \$0.17 and \$0.38 per share and \$44,172 in conjunction with the exercise of 110,430 share purchase warrants with an exercise price of \$0.40 per share.

### **CURRENT ECONOMIC CONDITIONS**

During the calendar year 2018, 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 2019 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 a non-brokered private placement of \$2,355,000 in November 2018 and the receipt of funds from the exercise of stock options in March 2019, the Company anticipates having sufficient cash to meet all of its obligations through the second quarter of fiscal 2020. The Company continues to review its mineral property commitments as well as its working capital position on an ongoing basis. While management does not believe that the abandonment of any of the Company's 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**

#### **Results of Operations - Year ended January 31, 2019**

Operating expenses for the year ended January 31, 2019 (the "current year") totaled \$2,011,749 as compared to \$2,277,485 incurred during the year ended January 31, 2018 (the "comparative year"). The significant variances in expenditures were as follows:

Consulting expense increased to \$469,247 during the current year from \$375,332 incurred during the comparative year due to the engagement of additional contract staff.

Directors' fees expense incurred during the current year totaled \$30,000 as compared to \$22,500 paid during the comparative year when directors fees were only paid for a nine month period. Independent directors of the Company commenced receiving directors' fees totaling \$7,500 per quarter on May 1, 2017.

Management fees of \$203,114 were incurred during the current year as a result of the hiring of David Suda as President and CEO in June 2018. This compares to consulting fees of \$144,000 paid to the President during the comparative year.

Professional fees during the current year were \$73,346 as compared to \$116,021 incurred during the comparative year. The decrease was due to a reduction in accounting fees incurred during the current year.

During the current year, the Company incurred \$332,752 for share-based payments expense (a non-cash expense) for stock options granted during the period. This is a reduction from the share-based payment expense of \$708,115 incurred during the comparative year.

Transfer agent, filing fees and shareholder communications expenses were reduced to \$416,177 during the current year from the \$535,722 incurred during the comparative year due to a reduction in expenditures for advertising and road shows

Travel and related costs increased to \$247,680 during the current year from the \$139,508 incurred during the comparative year due to additional travel expenses incurred during the current period for the recruitment and relocation to Vancouver of David Suda as President and CEO.

During the current year, the Company earned interest income of \$8,257 on cash and cash equivalents on hand. This compares to \$36,337 earned during the comparative year when the Company had more cash on hand.

As a result of completing \$2,300,000 of eligible exploration expenditures during the current year, the Company reduced its outstanding deferred flow-through share premium related to the flow-through financing completed in April 2018 by \$657,143 and recorded this same amount as a flow-through share premium reversal. There was no share premium reversal recorded during the comparative period.

Due to a decrease in the valuation allowance for deferred tax assets during the current year, the Company recorded a deferred income tax expense of \$202,000 (a non-cash expense) during the period. There was no similar expense during the comparative year.

As a result of the foregoing, the Company recorded a comprehensive loss for the current year of \$1,548,349 as compared to a loss of \$2,241,148 incurred during the comparative year.

### **Selected Annual Information**

	<b>Year ended January 31, 2019 (\$)</b>	<b>Year ended January 31, 2018 (\$)</b>	<b>Year ended January 31, 2017 (\$)</b>
Interest income	8,257	36,337	78,379
Loss before Other Items	(2,011,749)	(2,277,485)	(1,735,737)
Per Share	(0.02)	(0.02)	(0.01)
Net Loss	(1,548,349)	(2,241,148)	(1,157,440)
Per Share	(0.01)	(0.02)	(0.01)
Total Assets	29,543,495	25,197,982	23,617,225
Non-current Liabilities	202,000	Nil	Nil

The net loss for the fiscal year ended January 31, 2019 was reduced to \$1,548,349 from the loss of \$2,241,148 incurred during fiscal 2018 primarily due to a reduction in share-based payment expense, a non-cash item, of \$375,363 over the prior year and FT share premium reversal of \$657,143, offset by increases in management and consulting fees of \$153,029.

The net loss for the fiscal year ended January 31, 2018 increased to \$2,241,148 from the loss of \$1,157,440 incurred during fiscal 2017 primarily due to an increase in share-based payment expense, a non-cash item, of \$112,655 over the prior year, an increase in consulting fees of \$250,908 and the reversal of FT share premium of \$499,918 recorded during fiscal 2017.

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.

### Results of Operations - Three months ended January 31, 2019

Operating expenses for the three months ended January 31, 2019 (the “current period”) totaled \$455,792 as compared to \$463,837 incurred during the three months ended January 31, 2018 (the “comparative period”). The significant variances in expenditures were as follows:

Consulting expense increased to \$111,000 during the current period from the \$71,578 incurred during the comparative period due to the hiring of additional staff on a consulting basis.

Management fees of \$60,000 were incurred during the current period as a result of the hiring of David Suda as President and CEO in June 2018. This compares to management fees paid during the comparative period of \$36,000.

Professional fees were reduced to \$30,226 during the current period from \$48,574 in the comparative period due to a reduction in accounting staff.

During the current period, the Company incurred \$56,110 for share-based payments expense (a non-cash expense) for stock options. This is a decrease from the share-based payment expense of \$115,879 incurred during the comparative period.

Transfer agent, filing fees and shareholder communications expenses were reduced to \$88,217 during the current period from the \$101,901 incurred during the comparative period due to a reduction in expenditures for advertising and road shows.

As a result of completing \$47,576 of eligible exploration expenditures during the current period, the Company reduced its outstanding deferred flow-through share premium related to the April 2018 flow-through financing by \$13,594 during the period and recorded this same amount as a flow-through share premium reversal. There was no share premium reversal recorded during the comparative period.

Due to a decrease in the valuation allowance for deferred tax assets during the current period, the Company recorded a deferred income tax expense of \$202,000. There was no similar expense during the comparative period.

As a result of the foregoing, the Company recorded a comprehensive loss for the current period of \$633,304 as compared to a loss of \$462,713 incurred during the comparative period.

#### Summary of Quarterly Results

	Q4-2019	Q3-2019	Q2-2019	Q1-2019	Q4-2018	Q3-2018	Q2-2018	Q1-2018
<b>Net loss (\$)</b>	633,304	269,025	231,743	414,277	462,713	633,822	565,603	579,010
<b>Per Share (\$)</b>	0.00	0.00	0.00	0.00	0.01	0.01	0.01	0.00

The loss for the first quarter of fiscal 2018 decreased to \$579,010 from the loss of \$647,411 incurred during the fourth quarter of fiscal 2017 primarily due to a residual adjustment of \$54,960 to the flow-through share premium reversal recorded in the fourth quarter.

The loss for the second quarter of fiscal 2018 decreased to \$565,603 from the loss of \$579,010 incurred during the first quarter of fiscal 2018 primarily due to lower share-based payment expense recorded during the second quarter.

The loss for the third quarter of fiscal 2018 increased to \$633,822 from the loss of \$565,603 incurred during the second quarter of fiscal 2018 primarily due to higher consulting and shareholder communication expense recorded during the third quarter.

The loss for the fourth quarter of fiscal 2018 decreased to \$462,713 from the loss of \$633,822 incurred during the third quarter primarily as a result of lower share-based payments expense recorded during this quarter.

The loss for the first quarter of fiscal 2019 decreased to \$414,277 from the loss of \$462,713 incurred during the fourth quarter of fiscal 2018 primarily as a result of lower professional fees and share-based payments expense recorded during the more recent quarter.

The loss for the second quarter of fiscal 2019 decreased to \$231,743 from the loss of \$414,277 incurred during the first quarter of fiscal 2019 primarily due to the FT share premium reversal of \$362,708 incurred during the second quarter. There was no FT share premium reversal recorded during the first quarter.

The loss for the third quarter of fiscal 2019 increased to \$269,025 from the loss of \$231,743 incurred during the second quarter primarily due to a reduction in the FT share premium reversal in the current period to \$280,841 from the \$362,708 recorded during the prior quarter.

The loss for the fourth quarter of fiscal 2019 increased to \$633,304 from the loss of \$269,025 incurred during the third quarter primarily due to a reduction in the FT share premium reversal in the current period to \$13,594 from the \$280,841 recorded during the prior quarter and a decrease in the allowance for deferred income tax of \$202,000.

### Liquidity and Solvency

TerraX is in the development stage and therefore has no regular cash flow. As of January 31, 2019 the Company had working capital of \$839,568 (January 31, 2018 – working capital of \$446,517), inclusive of cash and cash equivalents of \$954,126 (January 31, 2018 - \$1,072,646).

At January 31, 2019, the Company had current assets of \$1,081,750, total assets of \$29,543,495, and total liabilities of \$444,182, inclusive of the deferred income tax liability of \$202,000. 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 \$28,218,025 as at January 31, 2019.

The decrease in cash and cash equivalents during the year ended January 31, 2019 of \$118,520 was due to cash used for equipment purchases (\$4,028) and mineral property acquisition and exploration of \$5,086,544 and cash used in operating activities of \$1,490,522, offset by net cash received from the issuance of common shares of \$6,462,574.

In November 2018, the Company completed a non-brokered private placement for total gross proceeds of \$2,355,000. The net proceeds of this transaction, along with cash received from the exercise of stock options in May 2019, will be sufficient to fund the Company's general and administrative expenses through the second quarter of fiscal 2020.

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

The Company was required to spend \$2,300,000 on eligible exploration and evaluation expenditures under FT share purchase agreements completed in April 2018. These expenditures were completed by December 31, 2018. 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 in Vancouver, B.C. The future lease payment schedule is as follows:

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

**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, 2019, \$144,000 (2018 - \$152,100) was paid to a private company wholly-owned by Stuart Rogers, a director and officer of the Company, for office rent and management and consulting services provided to the Company.

During the year ended January 31, 2019, the Company paid \$1,423,486 (2018 - \$2,390,238) to a private company in which Joseph Campbell, the Executive Chairman of the Company, and Thomas Setterfield, a former director of the Company, are principals, for geologic consulting services incurred on the Company's properties during the current period. In addition, a further \$166,475 (2018 - \$155,020) was paid to this same private company for consulting services provided during the period.

During the year ended January 31, 2019, the Company paid \$25,000 (2018 - \$60,000) to a private company with whom the Company's former Chief Financial Officer is related.

During the year ended January 31, 2019, the Company paid \$60,000 (2018 - \$45,000) to a private company controlled by Russell Starr, a director of the Company, for consulting fees.

During the year ended January 31, 2019, the Company paid or accrued directors' fees totalling \$30,000 (2018 - \$22,500) to independent directors of the Company.

During the year ended January 31, 2019, the Company recognized share-based payments expense totalling \$273,244 (2018 - \$306,197) 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.

**Accounting Standards Issued but not yet 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.

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

**Financial risk management**

The Company is exposed in varying degrees to a variety of financial 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 has positive cash balances at January 31, 2019 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.

**Classification of financial instruments**

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

	January 31, 2019	January 31, 2018
Amortized cost:		
Cash and cash equivalents	\$ 954,126	\$ 1,072,646
	\$ 954,126	\$ 1,072,646

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

	January 31, 2019	January 31, 2018
Non-derivative financial liabilities:		
Trade payables	\$ 209,681	\$ 778,504
	\$ 209,681	\$ 778,504

**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, 2019 and January 31, 2018:

	As at January 31, 2019		
	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 954,126	\$ -	\$ -
	\$ 954,126	\$ -	\$ -
	As at January 31, 2018		
	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 1,072,646	\$ -	\$ -
	\$ 1,072,646	\$ -	\$ -

**Contingencies**

The Company is aware of no contingencies or pending legal proceedings as of May 30, 2019.

**Off-Balance Sheet Arrangements**

The Company has no off-balance sheet arrangements.

**Equity Securities Issued and Outstanding**

The Company had 124,910,735 common shares issued and outstanding as of May 30, 2019. In addition, there were 6,345,000 incentive stock options and 10,518,304 share purchase warrants outstanding as of May 30, 2019.