TERRAX MINERALS INC.

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

For the year ended January 31, 2018

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, 2018 and should be read in conjunction with the accompanying audited financial statements and notes thereto for the year ended January 31, 2018, all of which are available at www.sedar.com. This discussion is based on information available as at May 30, 2018.

The accompanying January 31, 2018 financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of financial statements. All amounts are expressed in Canadian dollars, unless otherwise stated.

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

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

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

The Company's audited financial statements for the year ended January 31, 2018 and this MD&A may contain certain statements that may be deemed "forward- looking statements". All statements in this document, other than statements of historical fact, which address events or developments that the Company expects to occur, are forward looking statements. Forward-looking statements are statements that are not historical facts and are generally, but not always, identified by the words "expects", "plans", "anticipates", "believes", "intends", "estimates", "projects", "potential", "interprets" and similar expressions, or events or conditions that "will", "would", "may", "could" or "should" occur. Forward-looking statements in this document include statements regarding future exploration programs, joint venture partner participation, liquidity and effects of accounting policy changes.

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

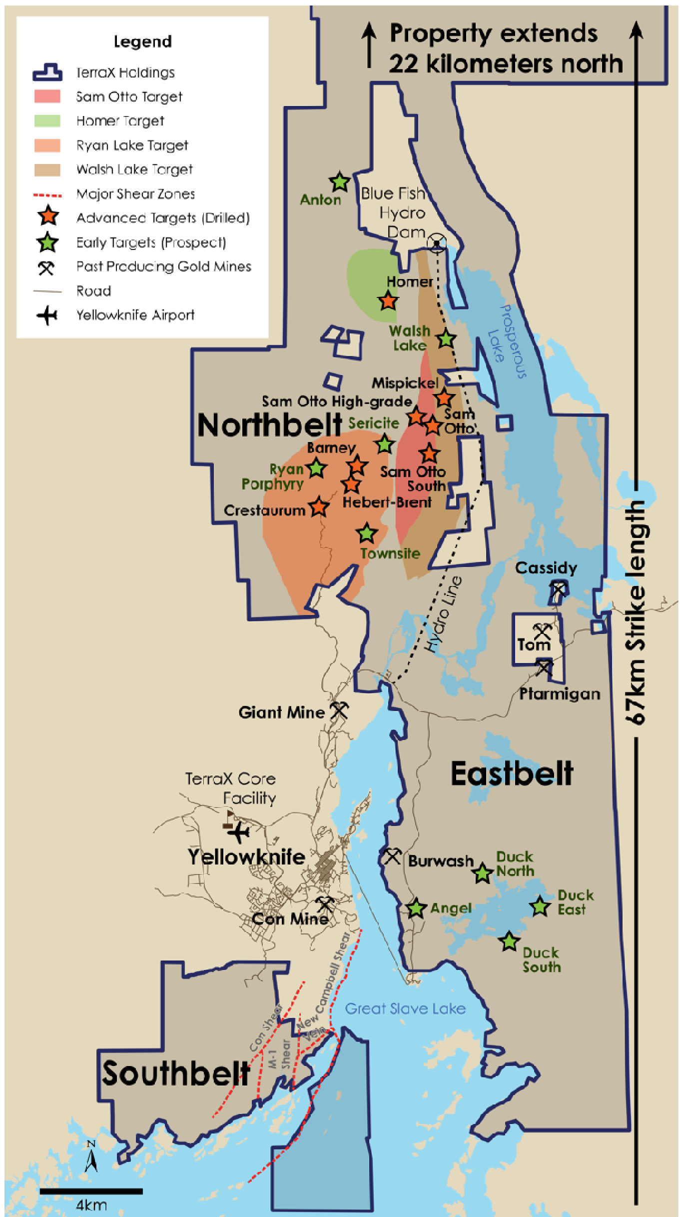
Forward-looking statements are based on the beliefs, estimates and opinions of the Company's management on the date the statements are made. The Company undertakes no obligation to update these forward-looking statements in the event that Management's beliefs, estimates, opinions or other factors should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

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

OVERVIEW

During the year ended January 31, 2018, TerraX completed a winter drill program in early 2017 and undertook a comprehensive surface exploration program on its wholly-owned Yellowknife City Gold Project ("YCG") which now comprises 772 square kilometers of contiguous land immediately north and south of the City of Yellowknife in the Northwest Territories.

The YCG lies within the prolific Yellowknife greenstone belt and covers 45 km of strike length on 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 within 15 km of the City of Yellowknife, the YCG is close to vital infrastructure, including transportation, service providers, hydro-electric power and skilled trades people.



A winter drill program at the YCG commenced in February 2017 and was shut down in early April when an early spring thaw made conditions on the ice roads unsafe to continue drilling. A total of 43 holes comprising 14,689 meters were drilled on multiple targets on both the Northbelt and Southbelt project areas.

Highlights from the drilling included:

- 8.80 m at 2.33 g/t Au including 1.99 m at 9.19 g/t Au in hole TSO17-015 on the Dave's Pond target at Sam Otto, where eight holes were drilled that all intercepted gold mineralization over 400 m of strike (see our news release of May 2, 2017)
- 123.5 meters at 0.59 gram per tonne gold including 25.07 m at 1.38 g/t Au in hole TSO17-026 at the Sam Otto Main Zone, where nine holes were drilled that more than doubled the strike length, intersected multiple zones of mineralization parallel to the main system and extended the depth of gold mineralization to greater than 300 meters (see our news release of June 15, 2017).

TerraX's summer field exploration program at Yellowknife commenced in June 2017 and was completed in late November. Over 5,600 surface samples were taken from outcrop throughout the property and eight new target areas were identified, as indicated on the map above. In addition, comprehensive geophysical, biogeochemical and lake sediment surveys were completed throughout the entire YCG property. As a result of this work, and the results received the Company staked additional land over 22 km of strike north of the Northbelt property, bringing the total land holdings at YCG to 772 square kilometers.

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

EXPLORATION OVERVIEW

SURFACE EXPLORATION

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

TerraX has collected approximately over 11,000 surface (grab, chip and channel) samples to date. Gold is widely distributed throughout the YCG. Most mineralization occurs on north to northeast-trending (000 to 030° trending), sub-vertical structures, although locally northwest-trending structures are important. Structures observed on surface consist of 0.5 to 15 m wide zones of iron carbonate alteration, with or without sericite or chlorite. One or more quartz veins typically occur within the structure; such veins can be up to 1 m wide and have varying amounts of pyrite, arsenopyrite and base metal sulphides (galena, sphalerite, less commonly chalcopyrite). Bands of semi-massive sulphide up to 1 m wide are common in the northern part of the property and less common in the southern part. A concentration of gold on numerous structures has led TerraX to define a 10 km by 4 km **"Core Gold Area"** in the south-central part of the property. TerraX's samples from the YCG collectively returned up to **1205 g/t Au, 529 g/t Ag, >20% Pb, 13.65% Zn, 3.01% Cu and 6.32% Mo** (from different samples).

Winter Drill Program 2017

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

The assay results from the first 22 holes from the winter program were announced on May 2, 2017. Of these holes, six holes (1,774 meters) were drilled at Dave's Pond covering 400 meters of strike to the south and north of TSO16-

005, the discovery hole drilled in 2016 (2.40 m @ 9.89 g/t Au – news release January 11, 2017). The remaining 16 holes were drilled on areas to the east, north and south of Mispickel in locations that are covered by the waters of Walsh Lake and require winter drilling.

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

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

On **Walsh Lake**, a total of 16 holes totalling 5432 meters were drilled near the area of Mispickel and Sam Otto in locations that are covered by the waters of lake. Two for the four areas drilled returned results that TerraX considers significant and requiring follow-up drilling. The North Structure had two holes drilled totaling 614 meters located between 150 and 250 meters north of the Mispickel zone and encountered wide zones of anomalous gold (**111.10 m @ 0.15 g/t Au in hole TWL17-037**), as well as more discrete areas of visible shearing, mineralization and alteration (**11.30 m @ 0.91 g/t Au in hole TWL17-038**). TerraX believes these two holes are indicating the potential for discovery of high grade shoots on the mineralized shear zones. A new structure 400 meters west of Mispickel is interpreted to deflect as it crosses a major geological contact from the Walsh Lake sediments to the Banting Lake volcanics. Four holes tested 400 meters of strike on this zone and total 1,348 meters. Significant shear, alteration, and mineralization is encountered on the contact, including a zone assaying **11.00 m @ 0.37 g/t Au**. TerraX believes this area has the potential for discovery of high grade shoots on the identified vein/shear zones.

On June 14, 2017 Terrax released the final assay results from the 2017 winter drill program. Included in these results were nine holes (3,713 meters) at the Sam Otto Main zone that have more than doubled the strike length to 750 m, intersected multiple zones of mineralization parallel to the main system and extended the depth of gold mineralization to greater than 300 meters. Highlights include:

- 123.5 meters at 0.59 gram per tonne gold including 25.07 m at 1.38 g/t Au in hole TSO17-026;
- 143 m at 0.48 g/t Au including 34.5 m at 1.1 g/t Au in hole TSO17-028;
- 97.17 m at 0.45 g/t Au including 24 m at 1.15 g/t Au in hole TSO17-031;
- 77.5 m at 0.51 g/t Au including 23.75 m at 1.02 g/t Au in hole TSO17-023.

The drilling at Sam Otto also intersected multiple narrower horizons parallel to the main Sam Otto structure with significant zones of gold mineralization, particularly in the hangingwall of the main zone. These include:

- 5.5 m at 1.29 g/t Au in hole TSO17-021;
- 5.8 m at 0.98 g/t Au in hole TSO17-023;
- Eight m at 1.07 g/t Au in hole TSO17-024;
- 6.55 m at 2.31 g/t Au in hole TSO17-025;
- 5.05 m at 1.51 g/t Au in hole TSO17-028;
- 2.0 m at 2.91 g/t Au in hole TSO17-031.

Sam Otto is considered a bulk-tonnage, low-grade target with very uniform grade distribution across the zone; however, some intersections encountered higher-grade zones including:

- 7.17 m at 3.24 g/t Au in hole TSO17-031;
- 1.8 m at 5.07 g/t Au in hole TSO17-027a.

Open in all directions, Sam Otto also hosts the Dave's Pond structure of classic high-grade lode gold targets 300 meters to the west and high-grade zones at Mispickel, one km to the northeast. TerraX believes that Sam Otto has potential to host a large, high-grade deposit similar to the past-producing Con mine to the south. This area is a priority target for generating future mineral resources.

Southbelt

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

In January 2017, TerraX received a Land Use Permit ("LUP") for drilling on Southbelt. The Company was only able to test a few targets at Southbelt before spring break precluded further drilling, with a total of six holes (1,535 m) having been drilled, with results announced on June 14, 2017. Five holes tested the southern extension of the Con structure from the Con mine over approximately 850 meters of strike. All holes intersected the Con structure and assays were 0.49 g/t Au to 1.03 g/t Au over 2.30-to-5.30-metre intersections. Terrax is encouraged by the demonstrated continuity of the Con shear. During the summer of 2017, detailed surface exploration was conducted along this greater-than-1.5-kilometer structure to better define controls on higher-grade areas observed in initial surface work prior to resumption of drilling.

Eastbelt

During March 2017, the Company acquired additional claims east of the City of Yellowknife known as the Eastbelt Property that have been incorporated into the YCG. To January 31, 2018, the Company has incurred exploration and evaluation expenditures totalling $1,045,832 (January 31, 2017 - $Nil) on the Eastbelt Property. Of these costs, the Company recovered $170,000 through a Mineral Incentive Program ("MIP") grant from the government of the Northwest Territories.

Summer Field Program for 2017

On June 27, 2017 TerraX announced that a property wide exploration program on the YCG has begun, with a high-resolution airborne Lidar and ortho-photo survey on the property covering approximately 350 square km having been completed in early June. This was followed by electro-magnetic, magnetic and radiometric geophysical surveys totaling approximately 3,200 line kilometers that were flown over all areas of the project that had not previously been surveyed. In addition, ground-based magnetic surveys were conducted in areas of known high grade gold mineralization to identify drill targets that could expand the zones along strike and at depth.

Field work conducted on the newly acquired Eastbelt property included comprehensive field mapping and sampling of historic trenches in known areas of gold mineralization. This work was conducted throughout the summer and early fall and was complemented by an extensive till and lake sediment sampling program to provide a comprehensive dataset to identify mineralized trends in areas of the property covered by overburden and water. This will allow the Company to better prioritize drill targets and more effectively deploy its exploration resources.

On July 18, 2017 the Company announced results from the first 520 samples taken at Eastbelt for which assay results had been received. The two areas of most significance are **Angel** and **Duck Lake**, the results from which are summarized below.

Angel: - 18 samples taken from outcrop over 250 m of north-south strike, with highlights that include:

- **65.7 g/t Au**, 289 g/t Ag
- **30.8 g/t Au**, **4,910 g/t Ag**
- 12.5 g/t Au, 1,395 g/t Ag
- 9.81 g/t Au, 3,100 g/t Ag
- Possible extension of the zone 1 km to the north with 10.15 g/t Au and 19 g/t Ag

<u>Duck Lake:</u>

- 30 samples taken from outcrop over 500 m of east-west strike, with sampling to the west ending at Duck Lake.
- Veins up to 1 meter thick in sericite schist zones, with highlights that include:
  - **20.30 g/t Au**
  - 19.35 g/t Au
  - 15.15 g/t Au
  - 11.55 g/t Au
  - 11.35 g/t Au

The Angel and Duck Lake areas both have significant outcropping mineralization which occurs in a strong east-west structural trend that is due east of the past producing high grade Con gold mine. In addition, the impressive silver results at Angel indicate an exciting new style of mineralization that has not been previously reported in the camp. These initial results have been followed up with further surface work at both target areas that included channel sampling.

Further prospecting and mapping programs by TerraX have extended the gold mineralization associated with the Duck Lake structures two kilometers south of the original Duck Lake discovery into the main granite intrusive areas and three kilometers east into a narrow neck of granite intrusion. The setting of the “flat” stacked veins in close proximity with granite intrusions is analogous to the Lamaque style deposits in Val d’Or, Québec. For more details, including maps of the location of the outcrop and channel samples reported, please see our news release of November 13, 2017.

On September 12 2017 the Company announced that it had budgeted an additional $1.8-million in field exploration spending at the Yellowknife City Gold project to follow up on promising exploration targets identified during the summer fieldwork. This work will be carried out between now and the end of 2017 and will include additional ground magnetic and induced polarized surveys on new and established drill targets and comprehensive biogeochemical surveys over large areas of the property covered by swamps and overburden.

On September 26, 2017 TerraX reported assay results from a new zone of high-grade gold mineralization identified during the summer exploration program at the **new Screamer Island target**, 3.5km to the south of Sam Otto, and included **27.9 g/t Au, 4.46 g/t Au, 4.15 g/t Au and 3.95 g/t Au in representative rock samples** from wide zones of outcropping mineralization**,** with an additional five samples grading greater than 1 g/t Au. These results more than quadruple the strike length of the company’s Sam Otto target, which is now over 5 km and support our belief that Sam Otto is a large mineralized system.

On February 1, 2018 Terrax reported **channel sample results from the Sam Otto South zone on Screamer Island**. Theses channel results, coupled with drilling at the Sam Otto main zone, confirm a consistent 100-meter-wide gold zone, over a strike length of 2.2 kilometers. The drilled and channel sampled areas are themselves contained within a larger area indicated by surface sampling and geophysics, showing the potential for five kilometers of strike length.

The widest channel sampling area is located 1.2 kilometers south of TerraX’s drilling on the Sam Otto main zone and assayed 17.50 m @ 0.80 g/t Au, including 11.0 m @ 1.09 g/t Au. Importantly, this channel ended in good mineralization with 3.40 m @ 1.31 g/t Au before the outcrop was covered by overburden and vegetation. Other results included surface outcrops a further 350 meters south with channel samples of 2.7 m @ 0.97 g/t Au and 2.00 m @ 0.81 g/t Au. Both ends of the exposed outcrop ended in gram level gold assays. Together, the separate channels covered at least 100 meters width across strike, which is comparable to the width and grade of the Sam Otto Main zone.

On December 5, 2017, TerraX announced high-grade surface sampling results from the Homer Lake Gold structure on their Northbelt property, one of 8 new high-grade target areas identified on the Yellowknife City Gold Project during summer field work.

Initial surface exploration in the Homer Lake area in 2013 identified massive lead and zinc mineralization with high silver and gold values over a strike length of approximately 1 kilometer. Drilling on this target in 2016 (6 holes) extended this zone to a vertical depth of at least 250 meters and two of these holes intersected a gold zone trending north-south (see our news release of May 4, 2016). Prospecting and mapping by TerraX in 2017 has followed these mineralized structures over two kilometers of strike length. Mineralization is pervasive and has been discovered in all rock types including mafic volcanics, mafic intrusives, granitic intrusives, felsic volcanics, and quartz veins (60 samples greater than 1 g/t Au, and 192 samples of 567 samples grading greater than 0.10 g/t Au). Maps showing the location of these samples can be viewed on the Company’s web site under “<u>Field Exploration 2017</u>”.

Individual highlights from outcrop samples include:

- Up to **25.5 g/t Au**, with 60 samples greater than 1.00 g/t Au
- Up to **529 g/t Ag**, with 28 samples greater than 100 g/t Ag
- Up to **21.00% Pb**, with 42 samples greater than 3% Pb
- Up to **13.65% Zn**, with 24 samples greater than 3% Zn
- Up to **1.50% Cu**, with 23 samples greater than 0.10% Cu

On December 14, 2017 TerraX reported high-grade surface sampling results from the **new Ryan Lake target** area on its Northbelt property.

Exploration during the summer of 2017 focused on defining the surface extent of polymetallic mineralization associated with the Ryan Lake intrusion originally identified in 2013. A total of 230 surface outcrop samples were taken in the Ryan Lake area with assay results up to **97.7 g/t Au**, **32.4 g/t Ag, 2.09% Cu, and 0.32% Mo.** The gold mineralization at surface is widespread and appears to stretch for 3.8 km along the eastern contact with the Ryan Lake intrusion, with high grade molybdenum mineralization overlapping the gold and covering 3.0 kilometers of that strike length. The high grade gold trend also appears to extend gold mineralization identified at Shear 17 (see news release of August 4, 2015) a further 2 kilometers north of its previously known extent.

Background History of Ryan Lake Porphyry Gold Target

Initial surface exploration in the Ryan Lake area in 2013 identified molybdenum-gold-copper-silver mineralization associated with veins within the Ryan Lake Porphyry intrusion and in mafic volcanics near the contact with the intrusion. In late 2013 a buried carbonate altered porphyry with well mineralized quartz veins was observed in a drill hole extending below the Barney Shear Zone, located approximately one kilometer from the surface expression of the Ryan Lake intrusion (4.0 m 7.73 g/t Au, 0.13% Mo; and 7.44 g/t Au, 14.5 g/t Ag, 0.24% Cu reported Dec 3, 2013). Significant Au-Cu-Ag mineralization was also reported in drilling within the mafic volcanics next to the porphyry intrusion (26.5 m @ 0.59 g/t Au, 11.3 g/t Ag, 0.15% Cu reported Dec 3, 2013).

Surface outcrop sampling in 2014 confirmed the presence of wide spread and very high grade veins associated with the intrusion (up to 141 g/t Au; 445 g/t Ag; 3.01% Cu; 6.35% Mo reported August 19, 2014). Subsequent surface work conducted in 2015 included chip sampling on mineralized zones which are sub-parallel to the contact of the Ryan Lake intrusion and included 2.0 m @ 21.40 g/t Au on Shear 17 (reported August 4, 2015). TerraX drilled a new hole into the Barney porphyry target in 2016 and intersected high grade veins up to 1.0 m @ 16.0 g/t Au, and broad areas of molybdenum including 52 meters of 0.02% Mo (reported June 6, 2016). All these results pointed to a strong probability of a large porphyry hosted gold-molybdenum-copper-silver deposit in the area.

A total of 609 samples have now been taken in the Ryan Lake area, including 52 chip samples. Individual highlights from outcrop samples include:

- Up to **141.0 g/t Au**, with 5 samples greater than 30 g/t and 54 samples greater than 1.00 g/t Au
- Up to **6.32% Mo**, with 53 samples greater than 0.10% Mo
- Up to **3.01% Cu**, with 44 samples greater than 0.10% Cu
- Up to **445 g/t Ag**, with 32 samples greater than 10 g/t Ag

Acquisition of Burwash Mine property

In October 25, 2017 TerraX announced that it had entered into an agreement to acquire the historic Burwash Mine property, immediately adjacent to its Eastbelt property. This acquisition gives TerraX complete coverage of a 3 km trend of very high grade gold and silver values extending from our Angel target to the Burwash Mine area.

The Burwash Mine ("Burwash") was the first gold producer in the Yellowknife gold district in 1935 when a pit was excavated and a shallow shaft (40 meters) was sunk on a high grade gold vein. Burwash assays were recorded up to 10,300 g/t Au and 2,540 g/t Ag. The average production grade at Burwash was 13.6 ounces per tonne (466 g/t Au) with approximately 450 ounces of gold produced (Source: The Operation History of Mines in the Northwest Territories, R. Silke, 2009).

An initial surface sampling program at Burwash consisting of 85 grab samples from outcrop was carried out by TerraX during the summer of 2017 as part of its due diligence prior to completing the agreement to acquire the property. A map showing the location of these samples can be viewed on the Company's web site under "Field Exploration 2017".

Highlights Include:

- **201 g/t Au, 23.2 g/t Ag** in outcrop grab sample
- **2.87 g/t Au, 16.2 g/t Ag, 5.55% Zn, 0.68% Pb** in outcrop grab sample

The sample grading 2.87 g/t Au, 16.2 g/t Ag, 5.55% Zn, and 0.68% Pb occurs in a highway quarry approximately 1.1 kilometers south of the 201 g/t Au sample located near the old Burwash shaft. This sample is also 1.8 kilometers north of TerraX's Angel vein showing on Eastbelt (up to 65.7 g/t Au and 4,910 g/t Ag reported July 18, 2017). All three of these areas could be on related structures.

The Burwash property consists of mineral leases totaling 252 hectares. The property has no environmental liabilities, having been fully remediated by the Canadian federal and territorial governments. The option agreement is for a 100% interest in the property with the following terms:

- A total of $50,000 in cash payments, with $10,000 payable on TSX-V approval of the option agreement (paid subsequent to the period), $20,000 payable on the first anniversary, and a further $20,000 payable on the second anniversary of the agreement.
- A total of 150,000 TerraX shares, with 50,000 shares having been issued subsequent to the period on approval of the option agreement, 50,000 shares payable on the first anniversary, and a further 50,000 shares payable on the second anniversary of the agreement.
- On exercise of the option agreement, the vendors will retain a 2% net smelter return royalty on the Burwash property, of which 1.5% can be purchased by TerraX for $1 million.

Acquisition of Ptarmigan Mine Property

On January 12, 2018 TerraX announced that it had entered into an agreement to acquire the Ptarmigan Mine property, located within its Eastbelt property, Yellowknife City Gold Project.

The Ptarmigan Mine ("Ptarmigan") was a gold producer in the Yellowknife gold district from 1941-42, in 1983, and from 1985-1997. The main Ptarmigan vein was accessed by a shaft extending to 275 meters depth and mined over 400 meters of strike length. Production from Ptarmigan totaled 364,874 tonnes producing 112,213 ounces of gold (average 9.56 g/t Au recovered). The gold is free milling with recoveries in the 1940's reported at 97-98%. Gold recovery in the 1985-97 period consisted of gravity and flotation concentration with reported recovery of 94%. When the mine closed in 1997 the vein was still open along strike to the west on claims now owned by TerraX, and open down dip below the mine workings. (Source: The Operation History of Mines in the Northwest Territories, R. Silke, 2009; and Treminco Resources Limited, Annual Report 1990).

The acquisition of the Ptarmigan mine property gives TerraX nearly 1 km of strike coverage along the Ptarmigan vein trend. This provides an opportunity not only to extend the mineralization below and along strike of the main vein at the mine, but also offers opportunity to explore parallel vein systems discovered south of the main vein and reported in historical documents and identified as potential production areas.

The Ptarmigan property consists of a mineral lease and a mineral claim totalling 47 hectares. The Ptarmigan Mine can be accessed by paved road from Yellowknife, with access to high-tension powerlines on sit. TerraX has no liability for any remediation of the previous mine site.

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 project through the staking of 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 adjacent to the City of Yellowknife to 771.6 sq km and extend the total strike by 22 km to the north.

The new land area has been named **Guyta-Bell** and will be comprehensively explored during field work scheduled to begin in June 2018.

During the year ended January 31, 2018, the Company incurred $8,635,290 in exploration expenditures on the YCG, inclusive of geological consulting of $2,585,207, drilling and assays of $4,185,862, community relations of $172,168, geophysical of $385,005, environmental work of $101,173 and field expenses of $1,205,875.

Winter Drill Program 2018

In early February 2018 Terrax commenced its 2018 winter drill program on the Yellowknife City Gold project. The initial program totalled approximately 6,000 meters and incorporated two dill rigs to test dip and strike extensions of the **Sam Otto** and **Crestaurum** deposits, two of our most advanced high priority gold targets, with a goal of significantly expanding the size of these zones of gold mineralization.

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) (**see map here**). Sam Otto is currently outlined over approximately 750 meters of strike and 250 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 will consist of 11 holes that will extend 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 kilometers 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 our 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 totaling 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, please see 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 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 our news release of May 8, 2018**.**

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.

During the year ended January 31, 2017, the Company received a total of $8,599,200 from the issuance of FT shares. These shares were not issued at a premium to the market price of the Company's shares. As a result, no deferred premium on FT shares was recognized. The Company completed its commitment to incur and renounce expenditures of $8,599,200 with respect to these FT financings prior to December 31, 2017.

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

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

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

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

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

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

Private Placement Closed 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.

The Units and FT Units are subject to a statutory hold period in Canada expiring four months and one day from the closing date of the offering, being August 13, 2018.

Options Granted

On May 16, 2017, the Company granted 1,250,000 stock options to directors and consultants that can be exercised at $0.62 per share until May 16, 2020. These options vest as to 25% on date of grant with 12.5% vesting every three months over the following eighteen-month period.

On June 28, 2017, the Company granted 250,000 stock options to a consultant that can be exercised at $0.49 per share until June 28, 2020. These options vest as to 25% on date of grant with 12.5% vesting every three months over the following eighteen-month period.

On September 8, 2017, the Company granted 1,595,000 stock options to directors, officers and consultants that can be exercised at $0.61 per share until September 8, 2020. 190,000 of these options and 25% of the remaining 1,405,000 options vest immediately on date of grant with 12.5% of 1,405,000 options vesting every three months over the following eighteen-month period.

<u>Exercise of Stock Options and Share Purchase Warrants</u>

During the year ended January 31, 2018, the Company received proceeds totalling $314,700 in conjunction with the exercise of 1,152,000 stock options with exercise prices ranging between $0.17 and $0.38 per share and $2,563,759 in conjunction with the exercise of 5,021,518 share purchase warrants with exercise prices ranging between $0.51 and $0.57 per share.

CURRENT ECONOMIC CONDITIONS

During the calendar year 2017, 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 2018 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 bought-deal brokered private placement of $4,025,000 in April 2018, the Company anticipates having sufficient cash to meet all of its obligations through the end of the fiscal year ending January 31 2019, with in excess of $2.0 Million available as of the date of this report to fund exploration at the YCG as well as our general and administrative operating expenses through to the end of that same period. The Company continues to review its mineral property commitments as well as its working capital position on an ongoing basis. 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 – YEAR ENDED JANUARY 31, 2018

Operating expenses for the year ended January 31, 2018 (the "current year") totaled $2,277,485 as compared to $1,735,737 incurred during the year ended January 31, 2017 (the "comparative year"). The significant variances in expenditures were as follows:

Consulting expense increased to $519,332 during the current year from $268,424 incurred during comparative year due to a resumption in investor presentations and road shows during the current year to raise additional money for exploration and to discuss the results of exploration then underway at the YCG project.

Office, rent and miscellaneous expenses increased to $180,401 during the current year from $76,220 incurred during the comparative year due to increased rent regarding the Company's new premises.

During the current year, the company incurred $708,115 for share-based payments expense (a non-cash expense) for stock options granted and vested during the current year. This is reduced from share-based payment expense of $595,460 incurred during the comparative year prior when a smaller number of options were granted and vested.

The Company spent $535,722 for transfer agent, filing fees and shareholder communications during the current year, a decrease from the $601,440 incurred during the comparative year, when increased costs were incurred for advertising.

During the current year, the Company earned interest income of $36,337 on cash and cash equivalents on hand. This compares to $78,379 earned during the comparative year when the Company had more cash on hand.

As a result of the foregoing, the Company recorded a comprehensive loss for the year ended January 31, 2018 of $2,241,148 as compared to a loss of $1,157,440 incurred during the year ended January 31, 2017.

Selected Annual Information

	Year ended January 31, 2018 ($)	Year ended January 31, 2017 ($)	Year ended January 31, 2016 ($)
Interest income	36,337	78,379	46,546
Loss before Other Items	(2,277,485)	(1,735,737)	(1,352,839)
Per Share	(0.02)	(0.01)	(0.02)
Net Loss	(2,241,148)	(1,157,440)	(1,273,645)
Per Share	(0.02)	(0.01)	(0.02)
Total Assets	25,197,982	23,617,225	12,001,703
Long-Term Liabilities	Nil	Nil	Nil

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.

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

RESULTS OF OPERATIONS - THREE MONTHS ENDED JANUARY 31, 2018

Operating expenses for the three months ended January 31, 2018 totaled $463,837 as compared to $618,657 incurred during the three months ended January 31, 2017. The significant variances in expenditures were as follows:

Professional fees expense of $48,574 incurred during the three months ended January 31, 2018 were consistent with the $42,675 incurred during the same period a year prior.

During the three months ended January 31, 2018, the Company incurred $115,882 for share-based payments (a non-cash expense) for stock options vested during the period. This is decreased from share-based payment expense of $259,232 incurred during the same period a year prior when more options vested during that period.

Expenditures for transfer agent, filing fees and shareholder communications decreased to $101,091 during the three months ended January 31, 2018 from the $142,177 the Company spent during the same period a year prior due to decreased costs during the current period for investor relations activities, road shows, and advertising.

As a result of the foregoing, the Company recorded a comprehensive loss for the three months ended January 31, 2018 of $462,713 as compared to a loss of $647,411 during the same period a year prior.

Summary of Quarterly Results

	Q4-2018	Q3-2018	Q2-2018	Q1-2018	Q4-2017	Q3-2017	Q2-2017	Q1-2017
Net loss ($)	462,713	633,822	565,603	579,010	647,411	289,352	129,207	91,470
Per Share ($)	0.01	0.01	0.01	0.00	0.01	0.00	0.00	0.00

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

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

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

The loss for the fourth quarter of fiscal 2017 increased to $647,411 from the loss of $289,352 incurred during the third quarter primarily due to the FT share premium reversal in the comparative period of $289,352 and an increase in consulting fees incurred during the fourth quarter.

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.

Liquidity and Solvency

TerraX is in the development stage and therefore has no regular cash flow. As at January 31, 2018, the Company had working capital of $471,517, inclusive of cash and cash equivalents of $1,072,646. This compares to the working capital at January 31, 2017 of $7,716,805 (excluding the deferred premium on FT shares), inclusive of cash and cash equivalents of $8,209,840.

As at January 31, 2018, the Company had current assets of $1,275,021, total assets of $25,197,982, and total liabilities of $803,504. 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 $23,644,415 as at January 31, 2018.

The decrease in cash and cash equivalents during the year ended January 31, 2018 of $7,137,194 was due to net cash received from the issuance of common shares of $2,878,459 offset by cash used for mineral property acquisition and exploration of $8,036,446, acquisition of equipment for $106,200 and cash used in operating activities of $1,873,007.

In April 2018, the Company completed flow-through and non-flow-through private placements for total gross proceeds of $4,025,000. In addition, during the year ended January 31, 2018, the Company received $2,878,459 in conjunction with the exercise of stock options and share purchase warrants. The net proceeds of these transactions, along with cash on hand, will be sufficient to fund the Company's planned exploration activities through the remainder of fiscal 2019 and into fiscal 2020, as well as its general and administrative expenses through the same period. As at the date of this report, the Company has approximately $2.05 million in cash and cash equivalents.

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

Commitments

At January 31, 2018 the Company had satisfied its obligation to expend $8,599,200 on eligible exploration and evaluation expenses under FT share purchase agreements completed in fiscal 2017. The Company has no commitments for capital expenditures.

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

2019	50,400
2020	52,080
2021	53,760
2022	55,440
	$ 211,680

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, 2018, $152,100 (2017 - $102,365) was paid to a private company wholly-owned by Stuart Rogers, a director and officer of the Company, for office rent and management services provided to the Company.

During the year ended January 31, 2018, the Company paid $2,390,238 (2017 – $1,346,002) to a private company in which Joseph Campbell, the President 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 $154,960 (2017 – $152,703) was paid to this same private company for consulting services provided during the year.

During the year ended January 31, 2018, the Company paid $60,000 (2017 - $21,000) to a private company with whom the Company's current CFO is related.

During the year ended January 31, 2018, the Company paid or accrued directors' fees totalling $22,500 (2017 - $Nil) to independent directors of the Company.

During the year ended January 31, 2018, the Company paid $45,000 (2017 - $Nil) to a company controlled by Russell Starr, a director of the Company, for consulting fees.

During the year ended January 31, 2018, the Company recognized share-based payments expense totalling $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 for entities that have adopted IFRS 15.

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

Credit risk

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

Liquidity risk

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

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

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

Interest rate risk
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on its cash equivalents as these instruments have original maturities of three months or less and are therefore exposed to interest rate fluctuations on renewal. A 1% change in market interest rates would have an impact on the Company's net loss of approximately $10,700 over the course of a year.

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

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

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

Classification of financial instruments

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

	January 31, 2018	January 31, 2017
FVTPL:		
Cash and cash equivalents	$ 1,072,646	$ 8,209,840
Security deposits	140,000	140,000
	$ 1,212,646	$ 8,349,840

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

	January 31, 2018	January 31, 2017
Non-derivative financial liabilities:		
Trade payables	$ 571,979	$ 323,049
Due to related parties	206,525	250,853
	$ 778,504	$ 573,902

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, 2018 and January 31, 2017:

	As at January 31, 2018		
	Level 1	**Level 2**	**Level 3**
Cash and cash equivalents	$ 1,072,646	$ -	$ -

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

Contingencies

The Company is aware of no contingencies or pending legal proceedings as of May 30, 2018.

Off Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Equity Securities Issued and Outstanding

The Company had 116,663,235 common shares issued and outstanding as of May 30, 2018. In addition, there were 8,005,000 incentive stock options and 9,596,877 share purchase warrants outstanding as of May 30, 2018.

Subsequent to January 31, 2018:

a) Issued 4,312,500 non-flow-through units at a price of $0.40 per unit and 4,107,143 flow-through units at a price of $0.56 per unit, for aggregate gross proceeds of $4,025,000, in conjunction with a bought-deal brokered private placement. Each unit is comprised of one common share and one-half of one transferable non-flow-through share purchase warrant where each whole warrant is exercisable into one additional common share of the Company for a period of three years at an exercise price of $0.60 per share.

   In connection with the offering, the Company paid a cash fee of $241,500 and issued 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.

b) Issued 110,430 common shares for proceeds totaling $44,172 in conjunction with the exercise of share purchase warrants.

c) Issued 790,000 common shares for proceeds totaling $227,000 in conjunction with the exercise of stock options.