



**TERRAX MINERALS INC.**

**CONDENSED INTERIM FINANCIAL STATEMENTS**

**October 31, 2014**

**(Expressed in Canadian Dollars)**

## **NOTICE TO READER**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements have been prepared by and are the responsibility of the management.

The Company's independent auditor has not performed a review of these condensed interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of condensed interim financial statements by an entity's auditor.

**TERRAX MINERALS INC.**  
**CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION**  
(Expressed in Canadian dollars-unaudited)

	Notes	October 31, 2014	January 31, 2014
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	\$ 2,863,814	\$ 1,655,703
Receivables	5	60,368	36,697
Prepays and deposits		101,290	1,290
		<b>3,025,472</b>	<b>1,693,690</b>
<b>Non-current assets</b>			
Security deposit	7	70,000	-
Exploration and evaluation assets	8	4,986,515	2,613,035
<b>TOTAL ASSETS</b>		<b>\$ 8,081,987</b>	<b>\$ 4,306,725</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade payables and accrued liabilities	9, 10	\$ 303,190	\$ 156,780
<b>TOTAL LIABILITIES</b>		<b>303,190</b>	<b>156,780</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	11	12,001,785	7,738,905
Share-based payment reserve	11, 12	2,163,649	1,230,819
Deficit		(6,386,637)	(4,819,779)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>7,778,797</b>	<b>4,149,945</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>\$ 8,081,987</b>	<b>\$ 4,306,725</b>

Nature and continuance of operations (Note 1)

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

**TERRAX MINERALS INC.**  
**CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE LOSS**  
(Expressed in Canadian dollars-unaudited)

	Notes	For the three months ended Oct. 31, 2014	For the three months ended Oct. 31, 2013	For the nine months ended Oct. 31, 2014	For the nine months ended Oct. 31, 2013
<b>Expenses</b>					
Consulting	10	\$ 47,873	\$ 17,001	\$ 119,307	\$ 33,070
Office, rent and miscellaneous	10	10,312	10,362	31,736	24,413
Professional fees		11,767	5,524	27,585	29,583
Share-based payments	11	38,390	68,017	933,201	279,233
Transfer agent, filing fees and shareholder communications		195,878	77,559	368,322	157,506
Travel and related costs		58,041	22,781	101,014	36,132
		(362,261)	(200,974)	(1,581,165)	(560,137)
<b>OTHER ITEM</b>					
Interest income		3,443	3,958	14,307	5,844
<b>Loss For The Period</b>		(358,818)	(197,016)	(1,566,858)	(554,293)
Other comprehensive gain (loss):					
Unrealized gain on marketable securities		-	13,200	-	13,200
<b>Comprehensive Loss For The Period</b>		(358,818)	(183,816)	(1,566,858)	(541,093)
<b>Comprehensive Loss per Share - Basic And Diluted</b>		\$ (0.01)	\$ (0.01)	\$ (0.03)	\$ (0.02)
<b>Weighted average number of common shares outstanding – basic and diluted</b>		48,513,241	37,056,520	48,172,271	34,434,212

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

**TERRAX MINERALS INC.**  
**CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
(Expressed in Canadian dollars - unaudited)

		Share capital				
	Notes	Number of shares	Amount	Share-based payment reserve	Deficit	Total
<b>Balance at January 31, 2013</b>		<b>29,829,131</b>	<b>\$ 5,024,404</b>	<b>\$ 610,078</b>	<b>\$ (3,180,226)</b>	<b>\$ 2,454,256</b>
Comprehensive loss:						
Loss for the period		-	-	-	(63,633)	(63,633)
Transactions with owners, in their capacity as owners, and other transfers:						
Shares issued to acquire exploration and evaluation assets	8, 11	75,000	17,250	-	-	17,250
Shares issued for private placement		6,911,085	1,382,217	-	-	1,382,217
Share issuance costs		-	(39,958)	18,118	-	(21,840)
Share based payments		-	-	211,216	-	211,216
<b>Balance at July 31, 2013</b>		<b>36,815,216</b>	<b>\$ 6,383,913</b>	<b>\$ 839,412</b>	<b>\$ (3,537,504)</b>	<b>\$ 3,685,821</b>
<b>Balance at January 31, 2014</b>		<b>39,918,140</b>	<b>\$ 7,738,905</b>	<b>\$ 1,230,819</b>	<b>\$ (4,819,779)</b>	<b>\$ 4,149,945</b>
Comprehensive loss:						
Loss for the year		-	-	-	(1,566,858)	(1,566,859)
Transactions with owners, in their capacity as owners, and other transfers:						
Shares issued to acquire exploration and evaluation assets	8, 11	215,000	134,450	-	-	134,450
Shares issued on exercise of options	11	1,050,000	105,000	-	-	105,000
Shares issued on exercise of warrants	11	715,900	142,770	-	-	142,770
Shares issued for private placements	11	10,727,786	4,034,725	-	-	4,034,725
Share issuance costs	11	-	(194,042)	39,606	-	(154,436)
Reallocation of share-based payment reserves	12	-	39,977	(39,977)	-	-
Share based payments	12	-	-	933,201	-	933,201
<b>Balance at October 31, 2014</b>		<b>52,626,826</b>	<b>\$ 12,001,785</b>	<b>\$ 2,163,649</b>	<b>\$ (6,386,637)</b>	<b>\$ 7,778,798</b>

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

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

	<b>Nine months ended Oct. 31, 2014</b>	<b>Nine months ended Oct. 31, 2013</b>
<b>CASH PROVIDED BY (USED IN):</b>		
<b>OPERATING ACTIVITIES</b>		
Net loss	\$ (1,566,858)	\$ (554,293)
Items not involving cash		
Stock-based compensation	933,201	279,233
Changes in non-cash working capital items:		
Receivables	(23,671)	(35,300)
Trade payables and accrued liabilities	146,409	70,107
Prepays and deposits	(100,000)	19,810
<b>Net cash used in operating activities</b>	<b>(610,919)</b>	<b>(220,443)</b>
<b>INVESTING ACTIVITIES</b>		
Security Deposit	(70,000)	-
Expenditures on exploration and evaluation assets	(2,104,580)	(969,900)
<b>Net cash used in investing activities</b>	<b>(2,174,580)</b>	<b>(969,900)</b>
<b>FINANCING ACTIVITIES</b>		
Issuance of common shares, net of share issuance costs	3,993,610	1,558,378
<b>Net cash provided by financing activities</b>	<b>3,993,610</b>	<b>1,558,378</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>1,208,111</b>	<b>368,035</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>1,655,703</b>	<b>386,558</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 2,863,814</b>	<b>\$ 754,593</b>

**Supplemental cash flow information** (Note 14)

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

**1. NATURE AND CONTINUANCE OF OPERATIONS**

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

The head office of the Company is located at 2300-1066 West Hastings Street, Vancouver, British Columbia, Canada, V6E 3X2. The registered address and records office of the Company is located at 1000-840 Howe Street, Vancouver, British Columbia, Canada, V6Z 2M1. The Company has no subsidiaries.

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at October 31, 2014 the Company had not advanced its properties to commercial production and is not able to finance day to day activities through operations. These uncertainties may cast significant doubt about the Company’s ability to continue as a going concern. The Company’s continuation as a going concern is dependent upon the successful results from its mineral property exploration activities and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. Management believes that the Company has sufficient funds to finance operating costs over the next twelve months (Note 13).

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

**2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION**

These financial statements were authorized for issue on December 23, 2014 by the directors of the Company.

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

These unaudited condensed interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) using accounting policies consistent with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the IFRS Interpretations Committee.

These unaudited condensed interim financial statements do not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the audited annual consolidated financial statements of the Company for the year ended January 31, 2014.

***Basis of presentation***

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

***Significant estimates and assumptions***

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

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

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

### *Significant judgments*

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

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

### *Exploration and evaluation expenditures*

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

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

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

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

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

### *Farm outs*

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

### *Share-based payments*

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



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

***Loss per share***

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

***Financial instruments***

The Company classifies its financial instruments in the following categories: at fair value through profit or loss ("FVTPL"), loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a Company of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost. Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Company commits to purchase the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

The Company does not have any derivative financial assets and liabilities.

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

***Impairment of assets***

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

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

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

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

***Cash and cash equivalents***

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

***Income taxes***

**Current income tax:**

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

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

**Deferred income tax:**

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

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

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

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

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

***Income taxes (cont'd)***

Flow-through shares:

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

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

***Restoration and environmental obligations***

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

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

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

As at October 31, 2014, the Company has no known material restoration and environmental obligations.

***Adoption of new and revised standards***

The following standards, amendments and interpretations have been adopted by the Company as of February 1, 2013. There was no impact on the financial statements as a result of the adoption of these standards, amendments and interpretations:

- a) IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine (New).
- b) IFRS 10 Consolidated Financial Statements (New; to replace consolidation requirements in IAS 27 (as amended in 2008) and SIC-12);
- c) IFRS 11 Joint Arrangements (New; to replace IAS 31 and SIC-13);
- d) IFRS 12 Disclosure of Interests in Other Entities (New; to replace disclosure requirements in IAS 27 (as amended in 2008), IAS 28 (as revised in 2003) and IAS 31);
- e) IFRS 13 Fair Value Measurement (New; to replace fair value measurement guidance in other IFRSs);

**TERRAX MINERALS INC.**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
(Expressed in Canadian dollars - unaudited)  
For the three and nine months ended October 31, 2014 and 2013

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**TERRAX MINERALS INC.**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
(Expressed in Canadian dollars - unaudited)  
For the three and nine months ended October 31, 2014 and 2013

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

*Adoption of new and revised standards (cont'd)*

- f) IAS 1 Presentation of Financial Statements, (Amendments regarding Presentation of Items of Other Comprehensive Income);
- g) IAS 19 Employee Benefits (Amended in 2011);
- h) IAS 27 Separate Financial Statements (Amended in 2011); and
- i) IAS 28 Investments in Associates and Joint Ventures (Amended in 2011).

**3. ACCOUNTING STANDARDS ISSUED BUT NOT EFFECTIVE**

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods beginning after January 1, 2014 or later periods.

- a) IFRS 9 Financial Instruments (New; to replace IAS 39 and IFRIC 9);
- b) IFRIC 21 Levies (Interpretation of IAS 37); and
- c) IAS 32 Financial Instruments (Amended in 2011).

The above new standards, amendments and interpretations that have not been early adopted in these financial statements, is not expected to have a material effect on the Company's future results and financial position.

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

**4. CASH AND CASH EQUIVALENTS**

The components of cash and cash equivalents are as follows:

	<b>October 31, 2014</b>	<b>January 31, 2014</b>
Cash at bank	\$ 346,537	\$ 330,703
Term deposits	2,517,277	1,325,000
	<b>\$ 2,863,814</b>	<b>\$ 1,655,703</b>

At October 31, 2014, the Company has variable rate investments of \$2,517,277 (January 31, 2014 - \$1,325,000) yielding a variable interest rate of prime less 1.70%. The term deposits allow for early redemption after the first 30 days of investment and mature on various dates.

**5. RECEIVABLES**

Receivables consist of the following:

	<b>October 31, 2014</b>	<b>January 31, 2014</b>
GST receivable	\$ 54,623	\$ 31,509
Interest receivable	5,745	5,188
	<b>\$ 60,368</b>	<b>\$ 36,697</b>

**TERRAX MINERALS INC.****NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**

(Expressed in Canadian dollars - unaudited)

For the three and nine months ended October 31, 2014 and 2013

**6. MARKETABLE SECURITIES**

In May 2013 the Company received an option payment, consisting of 20,000 shares with a market value of \$200,000 from Virginia Mines Inc. (TSX: VGQ). The Company recorded these available for sale shares at their fair value. During the year ended January 31, 2014 the Company disposed of these shares and realized a gain of \$65,873 on the sale of these marketable securities.

**7. SECURITY DEPOSITS**

A security deposit of \$70,000 has been deposited with the Minister of Aboriginal Affairs and Northern Development Canada for a land use permit issued by the Mackenzie Valley Land and Water Board ("MVLWB") for the Company's exploration properties in the Northwest Territories. The deposit will be refunded once the land use permit ends and a final report describing land use activities during the term of the permit and subsequent reclamation activities has been submitted to the MVLWB.

**8. EXPLORATION AND EVALUATION ASSETS**

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

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

	Blackfly	Central Canada	Stewart	Northbelt	Walsh Lake	Total
<b>Balance, January 31, 2013</b>	<b>\$ 550,309</b>	<b>\$267,844</b>	<b>\$ 1,262,493</b>	-	-	<b>\$ 2,080,646</b>
Acquisition costs	10,000	30,000	18,939	238,374	22,492	319,805
Recovery of costs (Note 6)	-	-	-	(200,000)	-	(200,000)
Acquisition costs, net	10,000	30,000	18,939	38,374	22,492	119,805
Exploration costs						
Assays and drilling	-	-	-	107,261	-	107,261
Consulting (Note 9)	825	-	6,300	415,981	-	423,106
Field expenses	43	-	8,035	331,781	-	339,859
Geophysical	-	-	-	103,535	-	103,535
	868	-	14,335	958,558	-	973,761
Write-off	(561,177)	-	-	-	-	(561,177)
<b>Balance, January 31, 2014</b>	<b>\$ -</b>	<b>\$ 297,844</b>	<b>\$ 1,295,767</b>	<b>\$ 996,932</b>	<b>\$ 22,492</b>	<b>\$ 2,613,035</b>
Acquisition costs (recoveries)	-	(10,000)	62,000	69,745	34,278	156,023
Exploration costs						
Assays and drilling	-	-	-	890,292	1,920	892,212
Consulting (Note 9)	-	800	-	629,906	18,167	648,873
Field expenses	-	-	-	585,5038	2,500	588,038
Geophysical	-	-	-	76,354	11,979	88,334
	-	-	-	2,182,090	34,567	2,217,457
<b>Balance, October 31, 2014</b>	<b>\$ -</b>	<b>\$288,644</b>	<b>\$ 1,357,767</b>	<b>\$3,248,767</b>	<b>\$ 91,336</b>	<b>\$ 4,986,515</b>

**8. EXPLORATION AND EVALUATION ASSETS (Cont'd)**

**Blackfly Property, Ontario**

On July 2, 2009 the Company entered into an option agreement to acquire a 100% interest in the Blackfly Property located in Northwest Ontario, for the following consideration:

- \$10,000 (paid) and the issuance of 50,000 common shares (issued, with a fair value of \$6,250) upon TSX-V approval of the option agreement;
- \$20,000 (paid), the issuance of 60,000 common shares (issued, with a fair value of \$21,300) and incurring \$25,600 in exploration work by July 2, 2010 (completed);
- \$30,000 (paid), the issuance of 70,000 common shares (issued, with a fair value of \$13,300) and incurring an additional \$25,600 in exploration work by July 2, 2011 (completed);
- \$40,000 (paid), the issuance of 100,000 common shares (issued, with a fair value of \$8,500) and incurring an additional \$51,200 in exploration work by July 2, 2012 (completed); and
- incurring an additional \$76,800 in exploration work by July 2, 2013 (completed).

To January 31, 2014 the Company had incurred \$401,827 (January 31, 2013 - \$400,959) in exploration work on the Blackfly Property.

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

As the Company did not intend to conduct any work on the property in the immediate future, due to market conditions, the Blackfly Property was written-off at January 31, 2014. The property was subsequently abandoned in July 2014 when the annual pre-production royalty became due.

**Central Canada Property, Ontario**

On December 11, 2009, and as amended on December 5, 2012, the Company entered into an option agreement to acquire a 100% interest in the Central Canada Property located in Northwest Ontario, for the following consideration:

- \$8,000 (paid) and the issuance of 50,000 common shares (issued, with a fair value of \$14,750) upon TSX-V approval of the option agreement;
- \$20,000 (paid), the issuance of 60,000 common shares (issued, with a fair value of \$17,700) and incurring \$20,000 in exploration work by December 11, 2010 (completed);
- \$30,000 (paid), the issuance of 70,000 common shares (issued, with a fair value of \$5,950) and incurring an additional \$20,000 in exploration work by December 11, 2011 (completed);
- \$20,000 (paid), the issuance of 100,000 common shares (issued, with a fair value of \$4,500) and incurring an additional \$40,000 in exploration work by December 11, 2012 (completed);
- the payment of \$20,000 by March 31, 2013 (paid) and
- incurring an additional \$60,000 in exploration work by December 11, 2013 (completed).

To October 31, 2014, the Company has incurred \$147,744 (January 31, 2014 - \$146,944) in exploration work on the Central Canada Property.

8. **EXPLORATION AND EVALUATION ASSETS (cont'd)**

**Central Canada Property, Ontario (cont'd)**

The Central Canada Property is subject to a 2.5% NSR. The Company has the right, at any time, to purchase 1% of the 2.5% NSR for \$1,000,000, or in increments of \$500,000 per 0.5%. A pre-production royalty of \$10,000 per year is to be in effect, with the first payment to be made on December 11, 2013. This payment is to continue annually until production commences on the Central Canada Property and this amount will be deducted from royalties payable by the Company. During the year ended January 31, 2014, the Company paid \$10,000 for the annual pre-production royalty.

On February 24, 2014, the Company entered into an option agreement with Alberta Star Development Corp. ("Alberta Star"), a company related by a common director, whereby Alberta Star can earn up to a 60% in the Central Canada Property by making cash payments to the Company totaling \$85,000 over a three year period, with \$10,000 due upon execution of the option agreement (paid), \$25,000 due on the second anniversary of the option agreement, and the remaining \$50,000 due on the third anniversary. Alberta Star must also incur an aggregate of \$500,000 in exploration expenditures over a three year period, with \$100,000 due by March 31, 2015, \$150,000 due by March 31, 2016 and \$250,000 due on March 31, 2017. Alberta Star will also be responsible for payment of the annual pre-production royalty of \$10,000 to the original vendors of the property due annually in December.

**Stewart Property, Newfoundland**

On June 28, 2010, and as amended on February 21, 2012 and September 26, 2012, the Company entered into an option agreement to acquire a 100% interest in the Stewart Property located in the Burin Peninsula of Newfoundland, for the following consideration:

- \$10,000 (paid) and the issuance of 30,000 common shares (issued, with a fair value of \$11,550) upon TSX-V approval of the option agreement;
- \$20,000 (paid), the issuance of 40,000 common shares (issued, with a fair value of \$8,800) and incurring \$75,000 in exploration work by April 13, 2011 (completed);
- \$25,000 (paid), the issuance of 50,000 common shares (issued, with a fair value of \$4,000) and incurring an additional \$100,000 in exploration work by April 13, 2012 (completed);
- the payment of \$25,000 by September 30, 2012 (paid);
- the issuance of 75,000 common shares (issued, with a fair value of \$17,250) and incurring an additional \$150,000 in exploration work by April 13, 2013 (completed); and
- the issuance of 100,000 common shares (issued, with a fair value of \$62,000) and incurring an additional \$200,000 in exploration work by April 13, 2014 (completed).

To October 31, 2014, the Company paid \$3,789 in staking costs and has incurred \$1,170,378, net of a \$100,000 government grant received in April 2012, in exploration work on the Stewart Property.

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



**8. EXPLORATION AND EVALUATION ASSETS (cont'd)**

**Northbelt Property, Northwest Territories**

On December 17, 2012, the Company submitted an offer to acquire a 100% interest in 121 mineral leases totaling 8,802 acres (3,562 hectares) approximately 15 km north of the city of Yellowknife known as the Northbelt Property. As consideration, the Company paid a refundable deposit of \$21,100 on December 19, 2012 with the balance of the purchase price of \$189,900 paid on closing of the transaction in February 2013.

In May 2013, the Company acquired 12 mineral claims called the **Goodwin Claims** from Sonde Resources Corp. for \$10,000. These claims have been incorporated into the Northbelt project area. The Company acquired a 100% interest in the claims. During the year ended January 31, 2014, the Company paid annual mineral lease payments of \$17,374.

Concurrent with completion of a private placement by Virginia Mines Inc. ("Virginia") (TSX: VGQ) in May 2013, the Company granted Virginia an option to acquire a 2% smelter returns royalty on the Northbelt property. Virginia may exercise the option by payment of \$2,000,000 within three months following commencement of production. In consideration of granting the option, the Company received 20,000 common shares of Virginia at a market value of \$10 per share, the value of which was applied to reduce the acquisitions costs recorded for Northbelt by \$200,000 during the period.

In March, 2014 the Company issued 75,000 shares to acquire the **UBreccia Property**, which is contiguous with and immediately west-southwest of its Northbelt Property in the Northwest Territories. These claims have been incorporated into the Northbelt project area. The vendor will retain a 1% net smelter returns royalty, of which 0.5% can be purchased by the Company at any time for \$1,000,000.

To October 31, 2014, the Company has incurred \$3,138,148 in exploration work on the Northbelt Property.

**Walsh Lake Property, Northwest Territories**

On October 28, 2013, the Company entered into an option agreement to acquire a 100% interest in the Walsh Lake Property, which is contiguous with and immediately east of its Northbelt Property, for the following consideration:

- \$5,000 (paid) and the issuance of 30,000 common shares (issued, with a fair value of \$13,500) upon execution of the agreement;
- \$10,000 (paid) and the issuance of 40,000 common shares (issued, with a fair value of \$16,200) and incurring \$25,000 in exploration work by October 28, 2014 (completed);
- \$20,000, the issuance of 50,000 common shares and incurring an additional \$55,000 in exploration work by October 28, 2015;
- \$25,000, the issuance of 70,000 common shares and incurring an additional \$70,000 in exploration work by October 28, 2016; and
- \$30,000, the issuance of 70,000 common shares and incurring an additional \$250,000 in exploration work by October 28, 2017.

The vendor will retain a 2% NSR, of which 1.5% can be purchased by the Company for \$2,000,000.

During the year ended January 31, 2014, the Company also recognized claim fees of \$3,992 in acquisition costs.

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**9. TRADE PAYABLES AND ACCRUED LIABILITIES**

Trade payables and accrued liabilities consist of the following:

	<b>October 31, 2014</b>	<b>January 31, 2014</b>
Trade payables	\$ 203,026	\$ 58,303
Due to related parties (Note 9)	100,164	78,477
Accrued liabilities	-	20,000
	<b>\$ 303,190</b>	<b>\$ 156,780</b>

**10. RELATED PARTY TRANSACTIONS**

**Related party balances**

As at October 31, 2014, \$100,164 (January 31, 2014 - \$78,477) was due to directors or companies controlled by directors and recorded in trade payables and accrued liabilities. These amounts are unsecured, non-interest bearing with no fixed terms of repayment.

**Related party transactions**

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

	<b>Nine months ended</b>	
	<b>October 31, 2014</b>	<b>October 31, 2013</b>
Rent and administrative services	\$ 27,000	\$ 19,500
Consulting fees	58,035	30,694
Geological consulting – Exploration and evaluation assets	439,383	237,094
	<b>\$ 524,418</b>	<b>\$ 287,288</b>

**11. SHARE CAPITAL**

***Authorized share capital***

Unlimited number of voting common shares without par value.

***Issued share capital***

At October 31, 2014 there were 52,626,826 issued and fully paid common shares (January 31, 2014 – 39,918,140).

**2015**

- a) During the nine months ended October 31, 2014, the Company issued 215,000 common shares at a fair value of \$134,450 towards consideration for the acquisition of exploration and evaluation assets (Note 8).
- b) The Company completed a private placement of 1,500,000 units at \$0.45 per unit for gross proceeds of \$675,000. Each unit consists of one common share and one-half of one share purchase warrant, with each full warrant entitling the holder to purchase an additional common share at an exercise price of \$0.51 per share until February 14, 2016. Finder's fees of \$31,500 were paid with respect to a portion of this private placement along with the issuance of 70,000 finder's warrants exercisable at \$0.51 until February 14, 2016, with a fair value of \$25,463. The total fair value of \$25,463 was estimated using the Black-Scholes Option Pricing Model assuming an expected life of 2 years, a risk-free interest rate of 1.03% and an expected volatility of 130.66%.

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**11. SHARE CAPITAL (cont'd)**

**2015 (cont'd)**

- c) The Company completed a private placement whereby Alberta Star Development Corp. acquired 1,300,000 units of the Company at \$0.45 per unit for gross proceeds of \$585,000 (Note 7). Each unit consists of one common share and one-half of one share purchase warrant, with each full warrant entitling the holder to purchase an additional common share at an exercise price of \$0.57 per share until February 28, 2016.
- d) The Company completed a private placement, in three tranches, of 7,927,786 units at \$0.35 per unit for gross proceeds of \$2,774,725. Each unit consists of one common share and one-half of one share purchase warrant, with each full warrant entitling the holder to purchase an additional common share at an exercise price of \$0.50 per share for a period of three years from closing. Finder's fees of \$122,936 were paid with respect to a portion of this private placement along with the issuance of 54,845 finder's warrants exercisable at \$0.50 until September 30, 2017 (as to 28,000 warrants), October 8, 2017 (as to 5,215 warrants) and October 16, 2017 (as to 21,630 warrants). The total fair value of \$14,144 attributed to these warrants was estimated using the Black-Scholes Option Pricing Model assuming an expected life of 3 years, a risk-free interest rate of 1.09% and an expected volatility of 150.06%.
- e) The Company received net proceeds of \$50,000 from the exercise of 500,000 stock options at \$0.10 per share and the fair value of these options of \$22,484 was reclassified from share-based payment reserve to share capital.
- f) The Company received net proceeds of \$55,000 from the exercise of 550,000 stock options at \$0.10 per share and the fair value of these options of \$17,493 was reclassified from share-based payment reserve to share capital.
- g) The Company received net proceeds of \$142,770 from the exercise of 355,900 warrants at \$0.30 per share and 360,000 warrants at \$0.10 per share.

**2014**

- a) During the year ended January 31, 2014, the Company issued 105,000 common shares at a fair value of \$30,750 towards consideration for the acquisition of exploration and evaluation assets (Note 7).
- b) On May 30, 2013, the Company completed a non-brokered private placement of 6,911,085 units at a price of \$0.20 per unit for gross proceeds of \$1,382,217, of which 3,617,085 units were acquired by Virginia. Each unit consists of one common share and one-half of one share purchase warrant, exercisable to purchase an additional share at \$0.30 until May 8, 2016 (as to 3,393,043 warrants) and May 30, 2016 (as to 62,500 warrants). The Company has not separately disclosed the fair value of the warrants. Finders' fees of \$21,840 were paid with respect to this placement along with the issuance of 109,200 finders' warrants exercisable at \$0.30 until May 8, 2016, with a fair value of \$18,118. The total fair value of \$18,118 was estimated using the Black-Scholes Option Pricing Model assuming an expected life of 3 years, a risk-free interest rate of 1.08% and an expected volatility of 155.06%. In connection with this private placement, the Company incurred an additional \$6,786 of share issuance costs.
- c) On December 20, 2013 the Company completed an initial closing of 2,261,812 units at \$0.45 per unit for gross proceeds of \$1,017,815. Each unit consists of one common share and one-half of one share purchase warrant, with each full warrant entitling the holder to purchase an additional common share at an exercise price of \$0.50 per share until December 20, 2015. Finder's fees of \$25,773 were paid with respect to a portion of this placement along with the issuance of 56,574 finders warrants exercisable at \$0.50 until December 20, 2015, with a fair value of \$13,869. The total fair value of \$13,869 was estimated using the Black-Scholes Option Pricing Model assuming an expected life of 3 years, a risk-free interest rate of 1.14% and an expected volatility

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**11. SHARE CAPITAL (cont'd)**

**2014 (cont'd)**

of 122.43%. In connection with this private placement, the Company incurred an additional \$5,565 of share issuance costs.

On December 27, 2013 issued a further 211,112 units at \$0.45 per unit, for gross proceeds of \$95,000, bringing the aggregate gross proceeds raised in this private placement to \$1,112,816. Each unit consists of one common share and one-half of one share purchase warrant, with each full warrant entitling the holder to purchase an additional common share at an exercise price of \$0.50 per share until December 27, 2015. In connection with these units subscribed, the Company issued additional 700 finders warrants exercisable at \$0.50 until December 27, 2015.

- d) During the year ended January 31, 2014 the Company received net proceeds of \$198,000 from the exercise of 600,000 options at \$0.33 per share and the fair value of these options of \$82,668 was reclassified from share-based payment reserve to share capital.

***Stock options***

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

The changes in options during the nine months ended October 31, 2014 and 2013 are as follows:

	Nine months ended October 31, 2014		Nine months ended October 31, 2013	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning of the period	3,955,000	\$ 0.19	2,500,000	\$ 0.20
Options granted	1,550,000	0.70	2,510,000	0.20
Options exercised	(1,050,000)	0.10	(600,000)	0.33
Options expired	(100,000)	0.10	(750,000)	0.25
Options outstanding, end of the period	4,355,000	\$ 0.40	3,660,000	\$ 0.17
Options exercisable, end of the period	4,105,000	\$ 0.33	3,295,000	\$ 0.17

**2015**

On May 5, 2014, the Company granted 500,000 stock options to consultants at an exercise price of \$0.61 per share for a five year period. These options vested 25% upon grant and 25% every 3 months thereafter. As at October 31, 2014, the total fair value of the 125,000 options that vested during the period of \$62,050 was estimated using the Black-Scholes Option Pricing Model assuming an expected life of 5 years, a weighted average risk-free interest rate of 1.64% and a weighted average expected volatility of 116.16%. The granting of these options resulted in a stock based compensation expense of \$100,440 being recorded during the nine month period ended October 31, 2014.

**11. SHARE CAPITAL (cont'd)**

*Stock options (cont'd)*

On March 14, 2014 the Company granted 1,050,000 stock options to directors and consultants that can be exercised at \$0.75 per share until March 14, 2019. These options vested immediately. The total fair value of \$661,698 was estimated using the Black-Scholes Option Pricing Model assuming an expected life of 5 years, a risk-free interest rate of 1.60% and an expected volatility of 123.81%. The granting of these options resulted in a stock based compensation expense of \$661,698 being recorded during the nine months ended October 31, 2014.

**2014**

On December 23, 2013 the Company granted 295,000 stock options to consultants at an exercise price of \$0.45 per share for a three year period. These options vested immediately. The total fair value of \$83,865 was estimated using the Black-Scholes Option Pricing Model assuming an expected life of 3 years, a risk-free interest rate of 1.14% and an expected volatility of 115.07%. The granting of these options resulted in a stock based compensation expense of \$83,685 being recorded during the year ended January 31, 2014.

On September 30, 2013, the Company granted 100,000 stock options to consultants at an exercise price of \$0.61 per share for a three year period. These options vested immediately. The total fair value of \$43,346 was estimated using the Black-Scholes Option Pricing Model assuming an expected life of 3 years, a risk-free interest rate of 1.40% and an expected volatility of 120.78%. The granting of these options resulted in a stock based compensation expense of \$43,346 being recorded during the year ended January 31, 2014.

On August 29, 2013, the Company granted 360,000 stock options to a consultant at an exercise price of \$0.29 per share for a five year period. These options vested 25% upon grant and 25% every 3 months thereafter. The total fair value of \$155,708 was estimated using the Black-Scholes Option Pricing Model assuming an expected life of 5 years, a weighted average risk-free interest rate of 1.63% and a weighted average expected volatility of 130.62%. The granting of these options resulted in a stock based compensation expense of \$128,218 being recorded during the year ended January 31, 2014 and \$81,039 on vesting during the nine three months ended October 31, 2014

On June 28, 2013, the Company granted 550,000 stock options to consultants at an exercise price of \$0.17 per share for a five year period. These options vested 25% upon grant and 25% every 3 months thereafter. As at January 31, 2014, the total fair value of \$226,433 was estimated using the Black-Scholes Option Pricing Model assuming an expected life of 5 years, a weighted average risk-free interest rate of 1.74% and a weighted average expected volatility of 135.43%. The granting of these options resulted in a stock based compensation expense of \$211,220 being recorded during the year ended January 31, 2014.

On June 28, 2013, the Company also granted 1,500,000 stock options to directors, officers and consultants at an exercise price of \$0.17 per share for a five year period. These options vested immediately upon grant. The total fair value of \$204,953 was estimated using the Black-Scholes Option Pricing Model assuming an expected life of 5 years, a risk-free interest rate of 1.80% and an expected volatility of 152.82%. The granting of these options resulted in a stock based compensation expense of \$204,953 being recorded during the year ended January 31, 2014.

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**11. SHARE CAPITAL (cont'd)**

***Stock options (cont'd)***

The following incentive stock options were outstanding and exercisable at October 31, 2014:

Number of options outstanding	Number of options exercisable	Exercise price	Expiry date
2,050,000	2,050,000	0.17	June 28, 2018
360,000	360,000	0.29	December 30, 2014
100,000	100,000	0.61	September 30, 2016
295,000	295,000	0.45	December 23, 2016
1,050,000	1,050,000	0.75	March 14, 2019
500,000	250,000	0.61	May 5, 2019
4,355,000	4,105,000		

As October 31, 2014, the weighted average remaining life of options outstanding was 3.64 years.

***Warrants***

Warrant transactions are summarized as follows:

	Number of warrants	Weighted average exercise price
Balance as at January 31, 2013	1,855,000	0.10
Issued	4,858,479	0.35
Balance as at January 31, 2014	6,713,479	\$ 0.28
Issued	5,488,738	0.51
Exercised	(715,900)	0.20
Balance as at October 31, 2014	11,486,317	\$ 0.40

The following warrants were outstanding and exercisable at October 31, 2014:

Number	Exercise Price	Expiry Date
1,495,000	\$ 0.10	January 21, 2015
3,146,343	\$ 0.30	May 8, 2016
62,500	\$ 0.30	May 30, 2016
1,188,180	\$ 0.50	December 20, 2015
105,556	\$ 0.50	December 27, 2015
820,000	\$ 0.51	February 12, 2016
650,000	\$ 0.57	February 28, 2016
2,803,000	\$ 0.50	September 30, 2017
672,465	\$ 0.50	October 8, 2017
543,273	\$ 0.50	October 16, 2017
11,486,317		

As at October 31, 2014, the weighted average remaining life of warrants outstanding was 1.77 years.

**12. SHARE-BASED PAYMENT RESERVE**

The share-based payment reserve records items recognized as share-based payments until such time that the stock options and finders' warrants are exercised, at which time the corresponding amount will be transferred to share capital. During the nine months ended October 31, 2014 1,050,000 options at \$0.10 per share were exercised and the fair value of these options of \$39,977 was reclassified from share-based payment reserve to share capital.

**13. FINANCIAL RISK AND CAPITAL MANAGEMENT**

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

***Credit risk***

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

***Foreign exchange risk***

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

***Interest rate risk***

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has cash balances at October 31, 2014 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 year.

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

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

*Classification of financial instruments*

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

	<b>October 31, 2014</b>	<b>January 31, 2014</b>
FVTPL:		
Cash and cash equivalents	\$ 2,863,814	\$ 1,655,703

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

	<b>October 31, 2014</b>	<b>January 31, 2014</b>
Non-derivative financial liabilities:		
Trade payables	\$ 203,026	\$ 58,303
Due to related parties	100,164	78,477
	\$ 303,190	\$ 136,780

*Fair value*

The fair value of the Company's financial assets and liabilities approximates their 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 October 31, 2014 and January 31, 2014:

	<b>As at October 31, 2014</b>		
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Cash and cash equivalents	\$ 2,863,814	\$ -	\$ -
	<b>As at January 31, 2014</b>		
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Cash and cash equivalents	\$ 1,655,703	\$ -	\$ -



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**14. SUPPLEMENTAL CASH FLOW INFORMATION**

During the nine months ended October 31, 2014 and 2013 the Company incurred the following non-cash transactions that are not reflected in the statements of cash flows:

	<b>Nine months ended</b>	
	<b>October 31, 2014</b>	<b>October 31, 2013</b>
Exploration expenditures included in trade payables and accrued liabilities	\$ 227,423	\$ 15,507
Fair value of shares issued for mineral property option payments	\$ 134,450	17,250
Fair value of finders' warrants	\$ 39,606	-
Fair value of stock options reallocated to share capital	\$ 39,977	82,668
Virginia shares received	-	\$ 200,000