



TERRAX MINERALS INC.

CONDENSED INTERIM FINANCIAL STATEMENTS

THREE MONTHS ENDED APRIL 30, 2012

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)
As At

	Notes	April 30, 2012	January 31, 2012 (audited)
ASSETS			
Current assets			
Cash and cash equivalents	4	\$ 421,010	\$ 682,644
Receivables	5	54,372	115,218
Prepays and deposits		1,000	16,000
		476,382	813,862
Non-current assets			
Exploration and evaluation assets	6	3,061,653	2,743,515
TOTAL ASSETS		\$ 3,538,035	\$ 3,557,377
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	7	\$ 51,910	\$ 55,413
TOTAL LIABILITIES		51,910	55,413
SHAREHOLDERS' EQUITY			
Share capital	9	4,751,705	4,730,705
Share-based payment reserve	10	569,823	566,920
Deficit		(1,835,403)	(1,795,661)
TOTAL SHAREHOLDERS' EQUITY		3,486,125	3,501,964
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 3,538,035	\$ 3,557,377

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

TERRAX MINERALS INC.**CONDENSED INTERIM STATEMENTS OF NET INCOME (LOSS) AND COMPREHENSIVE NET INCOME (LOSS)**

Three Months Ended April 30, 2012 and 2011

(Expressed in Canadian dollars – unaudited)

	Notes	April 30, 2012	April 30, 2011
Expenses			
Office and miscellaneous		\$ 5,235	\$ 5,370
Part XII.6 Tax		4,154	-
Professional fees		-	10,333
Stock-based compensation	9	2,903	(4,632)
Transfer agent, filing fees and shareholder communications		27,954	33,955
Travel		470	40
		(40,716)	(45,066)
Other item			
Interest income		974	4,509
Loss before income taxes			
		(39,742)	(40,557)
Deferred income tax recovery		-	78,153
Net Income (Loss) and comprehensive net income (loss) for the period			
		\$ (39,742)	\$ 37,596
Income (loss) per share – basic and diluted			
	9	\$ (0.00)	\$ 0.00

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

TERRAX MINERALS INC.**CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

Three months ended April 30, 2012 and 2011

(Expressed in Canadian dollars – unaudited)

	Share capital					Total
	Notes	Number of shares	Amount	Share based payment reserve	Deficit	
Balance at February 1, 2011		23,624,131	\$ 4,381,596	\$ 502,542	\$ (1,765,746)	\$ 3,118,392
Comprehensive income:						
Net income for the period		-	-	-	37,596	37,596
Transactions with owners, in their capacity as owners, and other transfers:						
Shares issued to acquire exploration and evaluation asset	6	190,000	41,800	-	-	41,800
Stock-based compensation	9	-	-	(4,632)	-	(4,632)
Total transactions with owners and other transfers		-	41,800	(4,632)	-	37,168
Balance at April 30, 2011		23,814,131	\$ 4,423,396	\$ 497,910	\$ (1,728,150)	\$ 3,193,156
Balance at January 31, 2012		25,669,131	\$ 4,730,705	\$ 566,920	\$ (1,795,661)	\$ 3,501,964
Comprehensive loss:						
Loss for the period		-	-	-	(39,742)	(39,742)
Transactions with owners, in their capacity as owners, and other transfers:						
Shares issued to acquire exploration and evaluation asset	6	250,000	21,000	-	-	21,000
Stock-based compensation	9	-	-	2,903	-	2,903
Total transactions with owners and other transfers		-	21,000	2,903	-	23,903
Balance at April 30, 2012		25,919,131	\$ 4,751,705	\$ 569,823	\$ (1,835,403)	\$ 3,486,125

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

TERRAX MINERALS INC.
CONDENSED INTERIM STATEMENTS OF CASH FLOWS
Three Months Ended April 30, 2012 and 2011
(Expressed in Canadian dollars – unaudited)

	April 30, 2012	April 30, 2011
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net income (loss)	\$ (39,742)	\$ 37,596
Items not involving cash		
Deferred income tax recovery	-	(78,153)
Stock-based compensation	2,903	(4,632)
Changes in non-cash working capital items:		
Receivables	60,846	(22,439)
Accounts payable and accrued liabilities	(40,747)	(45,310)
Prepays and deposits	15,000	39,034
Net cash used in operating activities	(1,740)	(73,904)
INVESTING ACTIVITY		
Expenditures on exploration and evaluation assets	(259,894)	(472,898)
Net cash used in investing activities	(259,894)	(472,898)
Decrease in cash and cash equivalents	(261,634)	(546,802)
Cash and cash equivalents, beginning of period	682,644	2,189,097
Cash and cash equivalents, end of period	\$ 421,010	\$ 1,642,295

The accompanying notes are an integral part of these condensed interim 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, principal and registered address and records office of the Company are located at 2300-1066 West Hastings Street, Vancouver, British Columbia, Canada, V6E 3X2. The Company has no subsidiaries.

These unaudited condensed interim 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 April 30, 2012 the Company had not advanced its property to commercial production and is not able to finance day to day activities through operations. The Company’s continuation as a going concern is dependent upon the successful results from its mineral property exploration activities and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. Management has sufficient funds to finance operating costs over the next twelve months.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

The condensed interim financial statements were authorized for issue on June 26, 2012 by the directors of the Company. *Statement of compliance and conversion to International Financial Reporting Standards* These 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 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 annual financial statements of the Company for the year ended January 31, 2012.

Basis of presentation

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

Significant accounting judgments, estimates and assumptions

The preparation of the Company’s condensed interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Areas requiring a significant degree of estimation and judgment relate to the recoverability of the carrying value of exploration and evaluation assets, fair value measurements for financial instruments and stock-based compensation and other equity-based payments, the recognition and valuation of provisions for restoration and environmental liabilities, and the recoverability and measurement of deferred tax assets and liabilities. Actual results may differ from those estimates and judgments.

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

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 an employee 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 a Black-Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Loss per share

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

Financial instruments

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, 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.

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

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.

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 income and comprehensive income.

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.

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

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 balance sheet method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

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

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

Flow-through shares:

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

Any premium received by the Company on the issuance of flow-through shares is initially recorded as a liability ("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.

TERRAX MINERALS INC.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Expressed in Canadian dollars – unaudited)
For the three month periods ended April 30, 2012 and 2011

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

Restoration and environmental obligations (cont'd)

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

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss for the period.

The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred.

The costs of restoration projects that were included in the provision are recorded against the provision as incurred. The costs to prevent and control environmental impacts at specific properties are capitalized in accordance with the Company's accounting policy for exploration and evaluation assets.

3. ACCOUNTING STANDARDS ISSUED BUT NOT EFFECTIVE

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting periods beginning after January 1, 2012 or later periods.

The following 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:

- a) IFRS 9 Financial Instruments (New; to replace IAS 39 and IFRIC 9);
- 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);
- 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);
- i) IAS 28 Investments in Associates and Joint Ventures (Amended in 2011); and
- j) IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine (New).

4. Cash and cash equivalents

The components of cash and cash equivalents are as follows:

	April 30, 2012	January 31, 2012
Cash at bank	\$ 111,005	\$ 22,639
Term deposits	310,005	660,005
	\$ 421,010	\$ 682,644

TERRAX MINERALS INC.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Expressed in Canadian dollars – unaudited)
For the three month periods ended April 30, 2012 and 2011

5. RECEIVABLES

Trade and other receivables consist of the following:

	April 30, 2012	January 31, 2012
HST receivable	\$ 40,062	\$ 101,882
Interest receivable	14,310	13,336
	\$ 54,372	\$ 115,218

6. 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:

	Sunbeam- Pettigrew	Blackfly	Central Canada	Stewart	Total
Balance, January 31, 2011	\$ 564,034	\$ 393,292	\$ 97,700	\$ 99,226	\$ 1,154,252
Acquisition costs	83,760	43,300	35,950	28,800	191,810
Exploration costs					
Assays and drilling	142,056	21,675	4,237	498,593	666,561
Consulting	35,187	23,187	525	90,629	149,528
Field expenses	59,446	19,332	-	205,744	284,522
Geophysical	-	-	-	296,842	296,842
	236,689	64,194	4,762	1,091,808	1,397,453
Balance, January 31, 2012	\$ 884,483	\$ 500,786	\$ 138,412	\$ 1,219,834	\$ 2,743,515
Acquisition costs	87,000	-	-	29,300	116,300
Exploration costs					
Assays and drilling	152,924	-	54,908	-	207,832
Consulting	19,820	-	10,130	4,657	34,607
Field expenses	11,723	-	38,772	5,374	55,869
Geophysical	-	-	-	3,530	3,530
Recoveries	-	-	-	(100,000)	(100,000)
	184,467	-	103,810	(86,439)	201,838
Balance, April 30, 2012	\$ 1,155,950	\$ 500,786	\$ 242,222	\$ 1,162,695	\$ 3,061,653

6. EXPLORATION AND EVALUATION ASSETS (cont'd)

Sunbeam-Pettigrew Property, Ontario

On April 16, 2009, the Company entered into an option agreement to acquire a 100% interest in the Sunbeam-Pettigrew Property located in Northwest Ontario. The Company can earn a 100% interest in the Sunbeam-Pettigrew Property for the following consideration:

- \$10,000 upon execution of the option agreement (paid);
- \$40,000 (paid) and the issuance of 100,000 common shares (issued, with a fair value of \$10,000) by May 30, 2009;
- \$40,000 (paid), the issuance of 150,000 common shares (issued, with a fair value of \$54,000) and incurring \$150,000 in exploration work by April 15, 2010 (completed);
- \$50,000 (paid), the issuance of 150,000 common shares (issued, with a fair value of \$33,000) and incurring an additional \$150,000 in exploration work by April 15, 2011 (completed); and
- \$70,000 (paid), the issuance of 200,000 common shares (issued, with a fair value of \$17,000) and incurring an additional \$150,000 in exploration work by April 15, 2012 (completed).

The final payment on the Sunbeam-Pettigrew was made in April 2012, as indicated above, and the Company has now earned a 100% interest in the property, 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 \$20,000 per year is to be in effect, with the first payment to be made on April 15, 2013. This payment is to continue annually until production commences on the Sunbeam-Pettigrew Property and this amount will be deducted from royalties payable by the Company.

To April 30, 2012, the Company has incurred \$823,740 (January 31, 2012 - \$639,272) in exploration work on the Sunbeam-Pettigrew Property.

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. The Company can earn a 100% interest in the Blackfly Property 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 (subsequently 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, the issuance of 100,000 common shares and incurring an additional \$51,200 in exploration work by July 2, 2012; and
- incurring an additional \$76,800 in exploration work by July 2, 2013.

The Company has the right, at any time, to purchase 1% of a 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 July 2, 2013. This payment is to continue annually until production commences on the Blackfly Property and this amount will be deducted from royalties payable by the Company.

To April 30, 2012, the Company has incurred \$399,936 (January 31, 2012 - \$399,936) in exploration work on the Blackfly Property.

6. EXPLORATION AND EVALUATION ASSETS (cont'd)

Central Canada Property, Ontario

On December 11, 2009 the Company entered into an option agreement to acquire a 100% interest in the Central Canada Property located in Northwest Ontario. The Company can earn a 100% interest in the Central Canada Property 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;
- \$40,000, the issuance of 100,000 common shares and incurring an additional \$40,000 in exploration work by December 11, 2012; and
- Incurring an additional \$60,000 in exploration work by December 11, 2013.

The Company has the right, at any time, to purchase 1% of a 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.

To April 30, 2012, the Company has incurred \$145,823 (January 31, 2012 - \$42,012) in exploration work on the Central Canada Property.

Stewart Property, Newfoundland

On June 28, 2010 the Company entered into an option agreement to acquire a 100% interest in the Stewart Property located in the Burin Peninsula of Newfoundland. The Company can earn a 100% interest in the Stewart Property 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);
- \$45,000, the issuance of 75,000 common shares and incurring an additional \$150,000 in exploration work by April 13, 2013; and
- the issuance of 100,000 common shares and incurring an additional \$200,000 in exploration work by April 13, 2014

The vendors will retain a 2% NSR, 1% of which can be purchased by the Company for \$1,000,000.

To April 30, 2012, the Company has incurred \$1,081,244 (January 31, 2012 - \$1,167,684) in exploration work on the Stewart Property. This amount is net of a grant of \$100,000 received from the government of the Province of Newfoundland in April 2012 under a program designed to encourage exploration in the province by reimbursing a portion of eligible drilling expenditures made during 2011.

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(Expressed in Canadian dollars – unaudited)
For the three month periods ended April 30, 2012 and 2011

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

	April 30, 2012	January 31, 2012
Trade payables	\$ 39,410	\$ 17,471
Due to related Parties	-	25,442
Accrued liabilities	12,500	12,500
	\$ 51,910	\$ 55,413

8. RELATED PARTY TRANSACTIONS

Related Party Balances

As at April 30, 2012, \$Nil (January 31, 2012 - \$25,442) was due to related parties and recorded in accounts payable and accrued liabilities. These amounts are unsecured, non-interest bearing with no fixed terms of repayment.

Related Party Transactions

Key management personnel compensation

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, during the three months ended April 30, 2012 and 2011 were as follows:

	Three month periods ended	
	April 30, 2012	April 30, 2011
Administrative services	\$ 4,500	\$ 4,500
Geological consulting	32,425	43,357

9. SHARE CAPITAL

Authorized share capital

Unlimited number of voting common shares without par value.

Issued share capital

At April 30, 2012 there were 25,919,131 issued and fully paid common shares (January 31, 2012 – 23,814,131).

During the three months ended April 30, 2012 the Company issued 250,000 shares at a fair market value of \$21,000 for the acquisition of mineral property interests (see Note 6).

Basic and diluted income (loss) per share

The calculation of basic and diluted income per share for the three month period ended April 30, 2012 was based on the loss attributable to common shareholders of \$39,742 (2011 – income of \$37,596) and the weighted average number of common shares outstanding of 25,713,575 (2011 – 23,676,706).

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9. SHARE CAPITAL (cont'd)

Stock options

The Board of Directors of the Company has adopted a stock option plan (the "Stock Option Plan") which permits the Company to grant to directors, officers and consultants of the Company, non-transferable options ("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 three month period ended April 30, 2012 and the year ended January 31, 2012 are as follows:

	Three months ended April 30, 2012		Year ended January 31, 2012	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning of period	2,120,000	\$ 0.29	2,395,000	\$ 0.26
Options granted	500,000	0.10	600,000	0.33
Options exercised	-	-	(65,000)	0.26
Options expired	(400,000)	0.30	(810,000)	0.26
Options outstanding, end of period	2,220,000	\$ 0.22	2,120,000	\$ 0.29
Options exercisable, end of period	1,845,000	\$ 0.22	2,120,000	\$ 0.29

The following incentive stock options were outstanding and exercisable at April 30, 2012:

Number of options outstanding	Number of options exercisable	Exercise Price	Expiry Date
100,000	100,000	0.32	May 10, 2012 (subsequently expired)
100,000	100,000	0.25	August 31, 2012
170,000	170,000	0.30	January 31, 2013
750,000	750,000	0.25	June 27, 2013
600,000	600,000	0.33	September 27, 2013
500,000	125,000	0.10	April 30, 2014
2,220,000	1,845,000		

On April 30, 2012, the Company granted 500,000 stock options to consultants at an exercise price of \$0.10 per share for a 2 year period. These options vested immediately. The total fair value of \$34,829 was estimated using the Black-Scholes option pricing model assuming an expected life of 2 years, a risk-free interest rate of 1.43% and an expected volatility of 144.23%. The granting of these options resulted in a stock based compensation expense of \$2,903 being recorded during the three months ended April 30, 2012 for options vested during the period.

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9. SHARE CAPITAL (cont'd)

Stock options (cont'd)

On September 27, 2011, the Company granted 600,000 stock options to directors, officers and consultants at an exercise price of \$0.33 per share for a 2 year period. These options vested immediately. The total fair value of \$82,669 was estimated using the Black-Scholes option pricing model assuming an expected life of 2 years, a risk-free interest rate of 0.95% and an expected volatility of 76.6%. The granting of these options resulted in a stock based compensation expense of \$82,669 being recorded during the year ended January 31, 2012.

During the year ended January 31, 2012, the Company recorded a credit of \$4,632 in stock-based compensation expense for vested options previously issued on March 31, 2010.

Warrants

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance as at January 31, 2011	8,029,701	\$ 0.31
Exercised	(1,650,000)	0.15
Expired	(1,225,000)	0.25
Balance as at January 31, 2012	5,154,701	\$ 0.38
Expired	(750,000)	0.25
Balance as at April 30, 2012	4,404,701	\$ 0.40

The following warrants were outstanding and exercisable at April 30, 2012:

Number	Exercise Price	Expiry Date
2,043,268	\$ 0.40	June 2, 2012 (subsequently expired)
2,361,433	0.40	December 9, 2012
4,404,701		

10. RESERVES

Share-based payment reserve

The share-based payment reserve records items recognized as stock-based compensation expense until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital. If the options expire unexercised, the amount recorded is transferred to deficit.

11. 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:

11. FINANCIAL RISK MANAGEMENT (cont'd)

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 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

Foreign currency risk is the risk that a variation in exchange rates between the Canadian dollar and United States dollar will affect the Company's operations and financial results. A portion of the Company's transactions are denominated in United States dollars. The Company's functional currency is the Canadian dollar. The majority of major expenses are transacted in Canadian dollars. The Company maintains all of its cash in Canadian dollars. Significant foreign exchange gains or losses are reflected as a separate component of the consolidated statement of comprehensive loss. The Company does not hedge its exposure to fluctuations in foreign exchange rates.

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 annual net loss of \$4,000.

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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11. FINANCIAL RISK MANAGEMENT (cont'd)

Classification of financial instruments

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

	April 30, 2012	January 31 2012
Cash and cash equivalents	\$ 421,010	\$ 682,644
Loans and receivables:		
Receivables	54,372	115,218
	\$ 475,382	\$ 797,862

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

	April 30, 2012	January 31, 2012
Non-derivative financial liabilities:		
Trade payables	\$ 39,410	\$ 42,913

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 April 30, 2012 and January 31, 2012:

	As at April 30, 2012		
	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 421,010	\$ -	\$ -
	As at January 31, 2012		
	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 682,644	\$ -	\$ -

12. SEGMENTED INFORMATION

Operating segments

The Company operates in a single reportable operating segment – the acquisition, exploration and development of mineral properties.

Geographic segments

The Company's non-current assets are all located in Canada.

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13. SUPPLEMENTAL CASH FLOW INFORMATION

During the three month periods ended April 31, 2012 and 2011 the Company incurred the following non-cash transactions that are not reflected in the statement of cash flows:

	Three month periods ended	
	April 30, 2012	April 30, 2011
Exploration expenditures included in accounts payable and accrued liabilities	\$ 37,245	\$ 15,199
Fair value of shares issued for mineral property option payments	21,000	41,800

TERRAX MINERALS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS For the three months ended April 30, 2012

This Management Discussion and Analysis of TerraX Minerals Inc. ("MAX" or the "Company") provides analysis of the Company's financial results for the three months ended April 30, 2012 and should be read in conjunction with the accompanying unaudited condensed interim consolidated financial statements and notes thereto for the three months ended April 30, 2012 and with the audited consolidated financial statements and notes thereto for the year ended January 31, 2012, all of which is available at www.sedar.com. This discussion is based on information available as at June 26, 2012.

The accompanying April 30, 2012 condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim 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.

OVERVIEW

The principal business of the Company is the acquisition and exploration of mineral exploration properties in underexplored areas of Canada and it is now one of the major landholders of prospective ground on the Burin Peninsula in Newfoundland as well as in the burgeoning Marmion Batholith gold district near Atikokan, Ontario. The Marmion Batholith is host to Osisko Mining Corporation's (TSX: OSK) Hammond Reef gold deposit, which contains a National Instrument 43-101 compliant Inferred resource of 530.6 Mt @ 0.62 g/t (10.42 Moz Au). The Osisko Mining Corporation's technical report on the Hammond Reef property is available at www.sedar.com.

In May 2009 the Company entered into an option agreement whereby it could acquire a 100% interest in the Sunbeam-Pettigrew gold property in Northwest Ontario, subject to a 2.5% NSR. The Sunbeam-Pettigrew property consists of 36 claims totalling 425 claim units (~67.27 km²) and occurs 25 km northeast of the town of Atikokan, which is in turn 180 km west of Thunder Bay. The property is 15 km from the Hammond Reef gold deposit.

In July 2009 TerraX entered into an option to acquire a 100% interest in the Blackfly gold property in northwest Ontario. The property consists of five claims totalling 64 claim units (~10.1 km²) located 22 km west of TerraX's Sunbeam-Pettigrew property. The geology and known mineralization on the Blackfly property are similar to the Hammond Reef deposit and the Blackfly property appears to be along strike from Hammond Reef.

In the fall of 2009 the Company began exploration at the Sunbeam-Pettigrew and Blackfly gold properties. In December 2009 TerraX acquired an option on a third property in the area, the Central Canada property and conducted initial exploration on that property as well. Induced polarization and magnetic geophysical surveys were conducted on all three properties in February and March of 2010.

In June 2010, TerraX announced an option to acquire a 100% interest in the Stewart Gold-Copper Property in the Burin Peninsula of Newfoundland, subject to acceptance for filing by the TSX Venture Exchange. The Stewart property consisted of two mineral exploration licenses, totalling 173 claims (~43.25 km²), located 30 km north-northeast of the town of Marystown, which is in turn approximately 300 km by road southwest of St. John's. The Stewart property is considered prospective for a large tonnage, low grade gold-copper deposit. The property was subsequently increased in size to 242 claims totalling 60.5 km² to cover strike extensions of the prospective zones.

During the three months ended April 30, 2012 the Company conducted cored drilling programs on the Central Canada and

Sunbeam-Pettigrew properties. Anomalous gold (>300 ppb Au) was encountered in all ten drill holes. At Central Canada, three holes were drilled to test a 110 m strike length of the main mineralized structure, which trends east-northeast. Drill intersections include **23.30 m @ 0.83 g/t Au** (including **0.63 m @ 7.36 g/t Au**) in hole CC12-03, **10.61 m @ 1.32 g/t Au** (including **1.82 m @ 4.77 g/t Au**) in hole CC12-01, and **8.92 m @ 0.74 g/t Au** in hole CC12-02.

Central Canada Property, Ontario

On January 5, 2010, TerraX announced that it had entered into an option to acquire a 100% interest in the Central Canada gold property in northwest Ontario. The property consists of seven claims totaling 24 claim units (~3.8 km²) located 20 km east of the town of Atikokan, 160 km west of Thunder Bay and 19 km from the Hammond Reef deposit. The Central Canada property is also 3 km south of TerraX's Sunbeam-Pettigrew property.

TerraX can earn a 100% interest in the Central Canada property over a four year period by making option payments totaling \$98,000 (of which \$58,000 has been paid), issuing 280,000 common shares (of which 180,000 shares have been issued) and funding \$140,000 of exploration and development work. The vendors will retain a 2.5% NSR, 1% of which can be purchased by TerraX for \$1,000,000. An annual pre-production royalty of \$10,000 will also be in effect, commencing on December 11, 2013.

The Central Canada property straddles the southern contact of the Marmion Batholith, host to the Hammond Reef deposit and TerraX's Sunbeam-Pettigrew and Blackfly properties. The bulk of the property is underlain by mafic rocks outside the batholith; these have been intruded by abundant felsic dikes presumably related to the Marmion Batholith. Gold mineralization is associated with quartz-iron carbonate veins with minor pyrite and local tourmaline and/or arsenopyrite. These veins are most common in or close to felsic dikes. Dikes and veins trend easterly, parallel to the contact of the Marmion Batholith and to the strike of the regional scale Quetico Fault, which also occurs on the property. TerraX visited the property in October 2009, collecting 18 grab samples of veins and alteration. Assay values range from 9 ppb to **22.9 g/t gold**, and seven samples had >250 ppb Au. This includes results of **2.8, 4.48 and 22.9 g/t gold**.

A shaft was sunk on the property in 1901 and deepened to 130' in 1929. A 1929 Ontario Department of Mines report notes pyrite, chalcopyrite, tetrahedrite and free gold at 30 to 40' depth in the shaft, and values up to 21.0 g/t gold. Eighteen holes were drilled from 1929 to 1935. A pilot mill was constructed on site, but there is no record of gold production. Three short holes were drilled in 1965, with a best intersection of 7' (2.13 m) @ 44 g/t gold. Thirteen holes were drilled in 1985 - the best intersection was 3.8' (1.16 m) @ 30 g/t gold. A 2003 Ontario Geological Survey property visit report noted that "*gold mineralization is hosted by quartz-tourmaline veins within sheared, deformed, carbonatized and sericitized quartz porphyry. Historical reports indicated up to 7 parallel and extensional quartz vein sets over a strike length of 1000 m and across a width of 400 m..... Exploration programs should consider using induced polarization (IP) geophysical surveys to delineate disseminated sulphide mineralized zones which locally contain gold*". Freewest Resources stripped 17 areas on the property in 2004, and collected 54 samples, of which 21 returned results >100 ppb gold, and the three highest were 1.24, 4.17 and 7.96 g/t gold. Freewest's report recommended geophysics and drilling, but this was not completed.

Induced Polarization ("IP") and magnetic surveys were conducted in February/March 2010 on the Central Canada property. Geophysical surveying covered the main mineralized zone, which returned grab sample values up to **22.9 g/t Au** in 2009. Unfortunately, this grid was not entirely surveyed due to poor weather conditions, but two incompletely defined chargeability anomalies were detected. One of these is roughly coincident with the 22.9 g/t Au sample, and one occurs in an area not previously investigated by TerraX.

A comprehensive prospecting program was carried out on the Central Canada property in June 2010. Extensive zones of shearing and carbonate-chlorite-sericite alteration with quartz veining were noted across the property. This prospecting program collected 21 new grab samples. Results ranged from below detection to a high of **39.6 g/t Au** on a sample collected near the circa 1900 shaft that occurs on the property. Importantly, two samples of approximately 1 g/t Au (907 and 1070 ppb) were taken from a new showing 500 m northeast of the shaft. This showing consists of a northeast trending sericite carbonate shear with disseminated to semi-massive pyrite and arsenopyrite.

In September 2010 TerraX conducted channel sampling on the Central Canada property, following up on assay results from prospecting undertaken at Central Canada in early 2010 that returned a **grab sample of 39.6 g/t gold**. One hundred and twenty-three channel samples were collected over a strike length of approximately 120 m, perpendicular to a series of easterly trending quartz-carbonate-pyrite veins and felsic dikes. Twenty-four samples contained anomalous gold (20 ppb or higher), with a high value of 7.5 g/t Au. The lowest values were below detection levels. Four separate anomalous intervals were obtained, namely;

- **2.0 m @ 2.51 g/t Au (including 0.45 m @ 7.5 g/t Au);**
- **12.0 m @ 334 ppb Au;**
- **6.2 m @ 325 ppb Au; and**
- **2.65 m @ 754 ppb Au.**

Based on these results and historical information, TerraX commenced drilling at Central Canada in March 2012. Three holes (363 m) were drilled approximately 55 meters apart to test a 110 m strike length of the main mineralized structure, which trends east-northeast. Drill holes were aligned to cut normal to the mineralized structures identified in the channel sampling. Drill intersections from southwest to northeast include **23.30 m @ 0.83 g/t Au (including 0.63 m @ 7.36 g/t Au)** in hole CC12-03, **10.61 m @ 1.32 g/t Au (including 1.82 m @ 4.77 g/t Au)** in hole CC12-01, and **8.92 m @ 0.74 g/t Au** in hole CC12-02.

To follow-up on the success of this initial limited drill program at Central Canada, TerraX is planning further drilling to determine the overall size of the mineralized structure, which remains open along strike and down-dip. Hole CC12-02 encountered extensive alteration and was extended to a final depth of 157 meters. Several anomalous gold zones parallel to the main structure were intersected in this hole indicating the potential for multiple gold horizons at Central Canada. All three holes had significant gold intersections on the main structure indicating a continuously mineralized zone of consistent gold grade. The intersections are especially significant given that the 10.52 million ounces of gold defined at the nearby Hammond Reef deposit by Osisko Mining Corporation are at a grade of 0.62 g/t Au.

During the three months ended April 30, 2012 TerraX spent \$54,908 on assays and drilling, \$10,130 on geological consulting and \$38,772 on field expenses at Central Canada.

Sunbeam-Pettigrew Property, Ontario

On April 15, 2009, TerraX entered into an option to acquire a 100% interest in the Sunbeam-Pettigrew gold property in northwest Ontario. The property initially consisted of 27 claims totalling 350 claim units (~55 km²), but was later expanded to thirty-six claims totalling 425 claim units (~67.27 km²) located 25 km northeast of the town of Atikokan, 180 km west of Thunder Bay and 15 km from Osisko's Hammond Reef deposit. The geology and known mineralization on the Sunbeam-Pettigrew property are similar to the Hammond Reef deposit where Brett Resources had reported wide zones of mineralization, such as 154.5 m @ 1.21 g/t Au.

TerraX can earn a 100% interest in the Sunbeam-Pettigrew property over a three year period by making option payments totalling \$210,000, issuing 600,000 shares, and funding \$450,000 of exploration and development work (completed). All of these obligations have now been satisfied, with the final cash and share payments having been made subsequent to the period. The vendors will retain a 2.5% NSR, 1% of which can be purchased by TerraX for \$1,000,000. An annual pre-production royalty of \$20,000 will also be in effect, commencing on April 15, 2013.

The property occurs in the Archean Marmion Batholith, which contains a number of phases, varying from tonalite to quartz diorite. Gold mineralization is associated with northeast-trending lineaments traceable for up to 80 km within and along the margin of the batholith. The lineaments are thought to represent faults or shear zones. Mineralization occurs in and adjacent to quartz vein systems within the shear zones, and is associated with pyrite and alteration consisting of sericitization, saussuritization, carbonatization and chloritization. The Hammond Reef deposit occurs on the western edge of the Marmion Batholith.

The Sunbeam-Pettigrew property occurs in the central part of the batholith, 15 km from the Hammond Reef deposit. The property contains two northeast-trending intermittently mineralized zones: the so-called Sunbeam-Atiko Shear Zone and the Pettigrew-Jack Lake Shear Zone. Both shear zones contain significant gold occurrences, including past producers, over approximately 15 km of strike length. Historic gold values from these showings reportedly range from less than one gram per tonne to 898 grams per tonne (sample collected by Ontario Geological Survey). The majority of the previous work on the property was around 1900; exploration activity since then has been highly intermittent, and no work has been completed since 1990. The presence of regional shear zones as controls on mineralization does not appear to have been recognized during previous exploration, and all previous work was concentrated on exposed quartz veins. Exploration for a large low grade deposit similar to Hammond Reef has not been undertaken. Although the over-riding target for TerraX is a large, low grade gold deposit, the grade reported from some of the showings on the property suggests that a smaller, higher grade deposit might also be present.

The due diligence period in the option agreement allowed TerraX to carry out site investigations in the area of old mine workings (circa 1900) and known Au showings to confirm that the property has the geological attributes for a Hammond Reef type mineralization model. During prospecting and sample collection, emphasis was placed on finding Hammond Reef style mineralization in and adjacent to quartz vein systems within shear zones.

TerraX initially collected 53 samples from seven locations along the 15 km strike length of the mineralized structures on the property (four on the Sunbeam-Atiko, and three on the Pettigrew-Jack Lake). These samples displayed weak to intense alteration and shearing, and minor to 5% pyrite mineralization. These areas were consistent with the known visual mineralization associated with the Hammond Reef deposit, and the samples taken were expected to be representative of the large, low grade gold target potential on the property.

Of the 53 samples taken, 36 analyses contained measurable Au, and 24 of these were significantly anomalous (>100 ppb Au) and collectively averaged 1.0 g/t Au, with values ranging up to 3.83 g/t Au. In addition a hand sample (not assayed) collected on the property near one of the historical workings contained visible coarse-grained Au which confirmed historical reports of visible Au found on the property. These results are consistent with expected Au grade distribution in a Hammond Reef style system.

Of particular interest, seven samples taken by TerraX at the **Roy showing** on the Sunbeam-Atiko structure, over an area of 60 by 40 m, averaged 1.34 g/t Au. Historically (1898-1904) this area had mineralization exposed in underground workings, pits and trenches for 180 m along the strike of the main vein.

At the **Road showing** on the Sunbeam-Atiko structure, two samples were collected grading 1.48 g/t Au in a quartz vein and 2.12 g/t Au in altered granite. This area had a drill intersection reported by Nahanni Mines Limited in 1982 of **1.8 m @ 15.8 g/t Au** within a zone of **8.5 m @ 4.8 g/t Au**.

On the **Pettigrew showing** of the Pettigrew-Jack Lake structure, six TerraX samples over a 30 by 50 m area averaged 0.90 g/t Au. This is comparable with previous work in the Pettigrew area, including 1983 drilling by Canadian Nickel Company Ltd with reported intersections of 1.81 g/t Au over 18.5 m in borehole 57751 and 0.41 g/t Au over 27.56 m in borehole 57766. In 1987 rehabilitation of the historical underground workings (1898-1900) by Canadian Nickel resulted in wall chip assays of 0.70 g/t Au over 21 m across the strike of the mineralized zone, and an average grade from seven bulk samples of 1.33 g/t Au. All of these results support the potential for a Hammond Reef style deposit on the property.

The discovery of the **Rubble showing** (up to 48.6 g/t Au grab sample) during staking in 2008 attests to the strong possibility of finding additional mineralization at surface on the property. Results from a government-sponsored airborne magnetic survey, justified in part by the results of Brett Resources' exploration, were released on July 7, 2009. This data helped TerraX develop additional targets on the property for exploration conducted in September 2009, as described more fully below.

On September 8, 2009 TerraX began field exploration on the Sunbeam-Pettigrew and Blackfly properties. Prior to commencing fieldwork, TerraX received the recently released government airborne magnetic survey. The survey is part of the Ontario Geological Survey's Atikokan Mineral Development Initiative, and is specifically designed to cover the promising Marmion Batholith that contains the Hammond Reef deposit. The geophysical signatures of the Hammond Reef deposit and of mineralization within the northeast-trending Sunbeam-Atiko and Pettigrew-Jack Lake shear zones on the Sunbeam-Pettigrew property were used to produce a template of the desired geophysical response. From this, more than 20 new geophysical targets were identified on the Sunbeam-Pettigrew property and five on the nearby Blackfly property. Targets are defined by intersections of structural trends which appear to exert a control on known mineralization, and by magnetic features which may reflect hydrothermal alteration.

Mineralization discovered on the properties typically consists of quartz or quartz-iron carbonate veins with pyrite, surrounded by zones of granite (or mafic dikes) with strong iron carbonate alteration and 1 to 10% pyrite. While the highest gold grades are commonly associated with quartz veins, numerous samples of granite-only samples with potentially economic grades (up to 10.2 g/t Au, many in excess of 1 g/t Au) were collected in the September 2009 field program. This is important because altered and mineralized granite is much more areally extensive than mineralized quartz veins.

In December 2009 TerraX released the results from a total of 575 samples collected on its Sunbeam-Pettigrew gold property during the fall of 2009. The highest assay from the Sunbeam property sampling was **16.2 g/t Au**. Based on these results, TerraX staked an additional 18 claim units (~2.9 km²) on the eastern margin of the Sunbeam property to protect a 600 m strike length of mineralized lineament that extended off the property.

Four northeast-striking, mineralized lineaments have been identified to date on the Sunbeam property; these are the **WN2/Pettigrew, Burger, Roy and Sunbeam** lineaments. Lineaments are generally small valleys or depressions, typically with incomplete surface exposure. Intermittent alteration and mineralization were noted along the lineaments over strike lengths of up to 9 km, with numerous examples of previously undocumented alteration and mineralization discovered during prospecting. The lineaments are subparallel to the nearby Hammond Reef deposit. In addition, historical zones were sampled in detail and their known areal extent expanded. Graphics and maps are available on our website at www.terraxminerals.com and should be reviewed to assist in understanding the following detail:

Burger Lineament: This lineament contains anomalous gold over a 2.8 km strike length, and includes the Burger Zone, for which limited historic information is available. TerraX delineated this zone over a 400 m strike length; 28 of 34 samples collected were anomalous in Au (>20 ppb), including samples of **15.6 g/t, 6.14 g/t and 4.79 g/t Au**. The best part of the zone contains a quartz-pyrite vein on the edge of a mafic dike cutting granite. No prior drilling has been reported on this lineament. In March 2010 TerraX added an additional forty-seven claim units in five claims (approximately 7.5 sq km) to the southern portion of the Sunbeam-Pettigrew property. The claims were staked to cover the southwest extension of the 2.8 km long Burger Lineament - an additional three km of strike length has now been acquired. In June 2010 a prospecting programs was carried out over the additional claims and results ranged from below detection to a high of **4.05 g/t Au** from a sample collected along strike from the historic Burger showing.

Roy Lineament: The Roy lineament contains anomalous gold over an 8.4 km strike length. This includes the Roy occurrence, historical X605, BG43 and B45 showings, and two newly discovered important gold zones. The Roy occurrence has four historical shafts; TerraX obtained up to **3.83 g/t Au** from waste piles, and several anomalous gold values from altered granite nearby. New mineralization discovered by TerraX northeast of the Roy occurrence contains up to **3.27 g/t Au** in quartz flooded granite with abundant pyrite, as well as strongly anomalous values on an extension of the lineament which was recently staked by TerraX. TerraX sampling yielded 1.54 g/t Au in altered granite from the X605 showing. A mineralized zone with up to **10.4 g/t Au** was discovered in the southwest extension of the Roy lineament, in the southern part of the Sunbeam-Pettigrew property.

In June 2010 a prospecting programs was carried out over the additional claims acquired to the Northeast and Southwest on the Sunbeam-Pettigrew property, with 229 new grab samples having been taken. A new showing on the Roy Lineament (which was identified in 2009) yielded an assay of **2.70 g/t Au**.

In February/March 2011 TerraX drilled two holes 70 m apart proximal to the shafts. Both holes passed through a 12 to 14 m wide zone of moderately sericitized and chloritized tonalite, with thin mafic dikes and quartz ± ankerite veins up to 50 cm across. The veins locally contain pyrite, galena, and fine-grained visible gold. In hole SP11-12, this zone ran **14.70 m @ 0.67 g/t Au**, including a higher grade interval of **1.85 m @ 4.01 g/t Au** (see Table 1). In hole SP11-13, the Roy Zone assayed **12.28 m @ 0.43 g/t Au**, with a core of **3.78 m @ 1.05 g/t Au**.

Sunbeam Lineament: This lineament features anomalous gold over at least 3.9 km of strike length, including the **Road Zone**, past-producing Sunbeam deposit (not owned by TerraX) and the **AL198 Zone**. Three historical shafts occur at the Road Zone, where TerraX's samples returned up to **2.6 g/t Au**. Over a 190 m strike length, 19 of 24 samples collected were anomalous (>20 ppb Au), and 8 were over 0.5 g/t Au. The AL198 Zone is exposed for 215 m, and is open in both directions. Of 21 samples collected, 14 were anomalous in gold, with a high of **16.2 g/t Au**, and 7 with greater than 0.5 g/t Au.

Mapping of the Road Zone revealed that the controlling shear structure in the immediate area of the best surface mineralization strikes approximately 240° and dips 65° northwest. Drilling on this target was conducted in February 2011. In March 2011 TerraX received assay results from the three holes (449.3 m) that were drilled at the Road Zone to test a 100 m strike length of the zone. Each hole intersected the same 5 to 15 m wide alteration zone, consisting of strongly sericitized rock with pyrite and minor amounts of fuchsite and pyrrhotite. In hole SP11-06, this zone contained an intersection of **13.90 m of 1.11 g/t Au**, including **6.4 m of 1.74 g/t Au**. In hole SP11-07, the zone returned 2.85 m @ 115 ppb Au, and in hole SP11-08, the zone contained anomalous values of 102 ppb Au over 5.92 m. These three holes collectively provide information on the shallow portion of a coherent alteration zone that at least locally contains ore grade mineralization. The intersection in hole SP11-06 is at a higher grade than the average grade at Hammond Reef; it is worth noting that mineralization at Hammond Reef tends to improve with depth. Clearly the Road Zone needs to be further tested down-dip and along strike.

TerraX drilled three holes totalling 336.0 m at AL 198, testing a 150 m strike length of the zone. Each hole intersected the

same 6 to 10 m wide alteration zone, consisting of moderately sericitized rock with hematite, quartz-ankerite veining, pyrite and minor amounts of fuchsite and pyrrhotite. In hole SP11-11, this zone contained an intersection of **5.63 m of 0.98 g/t Au**, including **0.8 m of 6.12 g/t Au**. The alteration zone in hole SP11-10 ran **10.25 m @ 303 ppb Au**, and in hole SP11-09 it ran **6.16 m @ 70 ppb Au**. These three holes collectively provide the first information on the shallow portion of a coherent alteration zone that, at least locally, contains mineralization of similar grade to the resource at Hammond Reef. The intersection in hole SP11-11 is at a higher grade than the average grade at Hammond Reef.

The alteration zone intersected at AL198 is visually identical to that intersected at the Road Zone, 2 km to the northeast (see map on web site). Combining results from the two areas, TerraX thus interprets the existence of a coherent northeast-trending alteration zone at least 2 km long, from AL198 in the southwest to the Road Zone in the northeast. The extended alteration zone has been tested by six TerraX drill holes, all of which intersected at least 5 m intervals of anomalous gold. The central part of the alteration zone has supported underground mining on the Sunbeam patent, wherein at least 1,000 ounces of gold were mined in the early 1900's. The alteration zone is open along strike in all directions as well as down-dip. Approximately 800 m of untested strike length occur between TerraX drilling at AL198 and the Sunbeam patent; no outcrops occur in this area. Likewise, 450 m of strike length occur between TerraX drilling at the Road Zone and the Sunbeam patent. Intermittent drilling along this part of the zone by Nahanni Mines in 1982 was mostly ineffective due to a combination of drill placement and core recovery issues, although the one hole to definitively intersect the alteration zone produced an intersection of 8.5 m @ 4.8 g/t Au.

WN2/Pettigrew Lineament: This lineament contains anomalous gold over an 8.9 km strike length, and includes the WN2 zone, historical G97 showing, Pettigrew occurrence, newly discovered Pettigrew NE zone, and other isolated anomalous occurrences. The Pettigrew occurrence has two shafts and underground workings from circa 1900.

The Pettigrew Northeast Zone is the most exciting new mineralization discovered by TerraX. It starts 600 m northeast of the Pettigrew occurrence (there are no outcrops between Pettigrew and this point), and extends to the northeast for 1.0 km. TerraX sampling returned **5.6 and 2.5 g/t Au** at the southwest end of the zone and **10.2 g/t and 1.0 g/t Au** at the northeast end. The zone is characterized by quartz-ankerite-pyrite veins surrounded by altered granite. Although the surface mineralization had not previously been documented, two holes were drilled in the area of the zone by the Canadian Nickel Company Ltd, based on a VLF response. One hole was not assayed and the other had 5.58 m @ 0.23 g/t Au. Based on the results of our recent exploration, neither hole targeted the best part of the mineralization. The WN2 Zone, which was previously known but poorly documented, is a 50 m wide x 300 m long zone of intense iron carbonate and lesser chlorite alteration in granite. Five samples in excess of 250 ppb Au were collected by TerraX, with a high of 952 ppb. TerraX obtained a value of 291 ppb at the historical G97 showing. Other isolated new showings contain up to 805 ppb Au.

On June 7 2010 TerraX commenced core drilling on the Sunbeam-Pettigrew property. Drilling at Pettigrew Northeast focused on an 1100 m long by 100-200 m wide, northeast striking IP anomaly, from which grab samples returned up to **10.2 g/t Au** during 2009 field work. The initial Phase 1 drill program at Sunbeam-Pettigrew comprised five holes totalling 661 m that consistently encountered weak to moderate silicification, with variable chloritization and sericitization. All holes had minor amounts of pyrite, and the first two had trace pyrrhotite and chalcopyrite. Only hole 5 had significant amounts of anomalous gold, with four non-contiguous intervals of >1 m each containing > 100 ppb Au.

During prospecting in June 2010 mineralization on the WN2/Pettigrew Lineament was extended 900 m to the southwest to the edge of the property; the best grab sample was 498 ppb Au. Two newly defined lineaments in the southern part of the property were sampled in some detail. The first outcrops over a strike length of 1.4 km, and 13 of 30 samples contained >20 ppb Au, with a high value of 405 ppb Au. The second is intermittently exposed over a strike length of 3.3 km, and produced a high value of 952 ppb Au.

Outcrop stripping and mapping completed in September 2010 and re-analysis of the geophysical data relative to the surface showings, and a more detailed review of the historical drilling, all establish that the Pettigrew structure dips steeply to the northwest. It is apparent that none of the holes recently drilled by TerraX (drilled to the northwest at -50°) could have reached the mineralized zone. This target remains essentially untested, and it is still a high priority as a Hammond Reef analogy.

In February 2012 TerraX commenced drilling at two new showings at Sunbeam-Pettigrew, **Rubble** and **WN2**. During the summer of 2011, Rubble and WN2 were stripped and channel sampled. Results included 11 m @ 500 ppb (0.50 g/t) Au at Rubble and 23 m @ 276 ppb (0.28 g/t) Au at WN2.

The **Rubble** showing consists of four stripped outcrops dispersed along a 190 m strike length of a 025° trending

lineament/swamp. Several sub-vertical to northwest dipping shears and quartz-ankerite-pyrite veins with associated ankerite-pyrite alteration occur along the length of the showing. Channels were cut to intersect perpendicular to the main trend of mineralization. Anomalous gold is present along the length of the showing, with a maximum exposed mineralized width of 11 m. The areas immediately east of the outcrops are concealed by swamp and the total true width of this mineralization could be as wide as 30 m. Mineralization at Rubble is also open along strike to the northeast and southwest. The entire width was tested during the 2012 drill program as well as strike extensions of the stripping.

The **WN2** had a 65 m long north-northwest trending outcrop stripped and channel sampled. Wide northeast-trending zones of anomalous gold within shears, quartz-ankerite-pyrite veins and quartz-ankerite alteration on its north and south ends, separated by 15 m of fresh rock, were exposed on the northern and southern ends of the stripped outcrop. The northern outcropping contained 21 m @ 193 ppb Au, whereas the southern zone contains 23 m @ 276 ppb Au, including 1 m @ 2930 ppb (2.93 g/t) Au. Total thickness of the mineralized zones is currently unconstrained, as the area to the north of the outcrop is covered by swamp and the area to the south is covered by till. Drilling was planned to test the true width and gold grade of the WN2 mineralization, as well as strike extensions.

Drilling was completed in March 2012 and, in addition to the drilling conducted at Rubble and WN2, also included the first hole into the down-dip extension of the old Sunbeam Mine (circa 1900). Assay results were received in April and highlights from WN2 included **0.95 m @ 18.00 g/t Au**, whereas Rubble returned a best intersection of **12.34 m @ 0.61 g/t Au**. Drill holes were aligned to cut normal to the mineralized structures identified in the channel sampling.

Three holes (326 m) were drilled at WN2, with two holes drilled as a fence along one section line to test across the 75 m wide intermittently mineralized stripped outcrop. The first hole (SP12-14) tested the hangingwall part of the zones and intersected **11.8 m @ 0.33 g/t Au** in iron carbonatized tonalite. Hole SP12-15 tested the footwall zone and returned a high grade intersection of **0.95 m @ 18.00 g/t Au** in a zone of altered tonalite cut by several quartz-ankerite-pyrite veins. The third hole (SP12-16) was drilled 50 m along strike and intersected a 1.65 m zone which ran 0.46 g/t Au.

Three holes drilled at the Rubble showing tested a 150 m strike length of a north-northeast trending structure where previous channel sampling results included 11 m @ 500 ppb (0.50 g/t) Au. A consistently anomalous gold zone was intersected in SP12-19, which produced **12.34 m @ 0.61 g/t Au**. Holes SP12-17 and SP12-18 contained patchy anomalous gold, with assays of up to 0.30 g/t Au in both holes.

The quartz vein/shear zone that comprises the Sunbeam structure was intersected in hole SP12-20; assays returned a weakly anomalous intersection of 1.18 m @ 0.23 g/t Au.

This recent drilling on WN2 and Rubble brings to five the number of gold mineralized zones drilled at Sunbeam-Pettigrew since early 2011, including the Road (13.90 m @ 1.11 g/t Au reported March 16, 2011), Roy (14.70 m @ 0.67 g/t Au reported April 12, 2011), and AL198 (5.63m @ 0.98 g/t Au reported April 12, 2011) zones. These zones occur on mineralized structures defined by prospecting to be up to 10 kilometers long. TerraX believes that the consistency in successfully drilling mineralized zones over widespread target areas is an indication of the promising gold endowment on the property.

All drill core from the drilling at Sunbeam-Pettigrew and Central Canada was logged, split and sampled at a secure core facility near Atikokan. Samples were delivered by TerraX personnel to the Activation Laboratories ("Actlabs") facility in Thunder Bay. Actlabs is an ISO/IEC 17025 accredited analytical laboratory. Analysis was by fire assay with AA finish. Analytical accuracy and precision are monitored at the laboratory by the analysis of reagent blanks, reference material and replicate samples. Quality control is further assured by the use of international and in-house standards. TerraX routinely inserted blanks and certified standards into the sample stream in order to independently assess analytical accuracy.

The work programs at Central Canada and Sunbeam-Pettigrew were supervised by Tom Setterfield, PhD, P.Geo., and Joseph Campbell, P.Geo., who are qualified persons under the definition of National Instrument 43-101. They are responsible for all aspects of the work including the quality control/quality assurance program. The foregoing technical information has been verified by Tom Setterfield, PhD, P Geo., Vice-President Exploration.

During the three months ended April 30, 2012 Terrax spent \$152,924 on drilling and assays, \$19,820 on geological consulting and \$11,723 on field expenses at Sunbeam-Pettigrew.

Stewart Gold-Copper Property, Newfoundland

The Stewart property features an east-northeast striking, 6 km long by up to 1.4 km wide epithermal to porphyry style alteration zone with extensive low grade gold-copper mineralization, of which less than 15% has been drill and trench tested. Our initial target type for the Stewart property was for a mineralized system similar to Oyu Tolgoi in Mongolia (1.39 Bt at 0.93% Cu and 0.37% Au). A geologic model of the anomalies identified at Stewart, with a comparison to those at Oyu Tolgoi, is available on our web site at www.teraxminerals.com.

TerraX can earn a 100% interest in the Stewart property over a four year period by making option payments totalling \$105,000 and issuing 295,000 shares (of which \$55,000 and 120,000 shares have been paid), and funding \$525,000 of exploration and development work (work commitments have already been met). The vendors will retain a 2% NSR, 1% of which can be purchased by TerraX for \$1,000,000.

The original showing was discovered in 1985, and several geochemical and geophysical surveys were completed in 1986. Novamin Resources Inc. collected soil samples with values up to 1570 ppb Au (1.57 g/t Au), and basal till samples up to 1030 ppb Au (1.03 g/t Au). Novamin subsequently drilled four holes in 1986, noting long intervals of consistently anomalous gold and, where analyzed, copper (eg. 102 m @ 135 ppb Au and 385 ppm Cu in hole NG1). Soil sampling by Corona Corporation in 1989 produced coincident anomalies of Au (up to 1440 ppb or 1.44 g/t), Cu (up to 250 ppm) and Mo (up to 145 ppm) over a strike length of 1 km. The highest values corresponded with advanced argillic alteration and minor chalcopyrite. Corona drilled three shallow holes totaling 411 m in 1990 and intersected 63 m @ 0.25 g/t Au, including 5 m @ 0.84 g/t Au in hole 7434-90-02. Other elements were not assayed, but chalcopyrite, azurite, cuprite, and molybdenite were noted in the core. Cornerstone Resources Inc. acquired the property in 2007. They excavated two large trenches and exposed a very large mineralized zone, with 219 m @ 92 ppb Au and 193 ppm Cu in the Vinjer trench, and the 70 x 70 m Stewart trench, which produced 12 m @ 555 ppb Au and 826 ppm Cu.

An associated target type for the property is high sulphidation style epithermal Au deposits. The Burin Peninsula is part of the Avalon terrane, a geologic structure which can be traced from eastern Newfoundland through Nova Scotia and New Brunswick into New England, the Carolinas and northern Georgia. High-level felsic to intermediate magmas likely provided the heat and fluids responsible for numerous large hydrothermal systems along the length of the Avalon, some of which have produced deposits that have been exploited, such as the Ridgeway deposit of 56 Mt at 1.1 g/t Au and Hope Brook in Newfoundland, with 11.2 Mt at 4.54 g/t Au and 0.30% Cu.

Two major belts of epithermal high sulphidation style alteration/mineralization, each greater than 100 km in strike length, occur in the Burin Peninsula. Exploration along the belts has been intermittent, but has produced locally significant gold, silver and copper values. TerraX personnel have worked previously in the area and recognized alteration assemblages indicative of the high sulphidation style environment documented on the Stewart property.

In early September of 2010, TerraX management conducted an initial visit to the Stewart property. TerraX was encouraged by the style and extent of alteration visible on surface, and also identified several lineaments that do not appear to have previously been prospected. TerraX began a three week field program in October that focused on mapping and sampling to further delineate the large hydrothermal alteration/mineralization system known to be present on the property and to prospect the entire property. Lesser emphasis was placed on examination of the core of the system. Results were received and announced in December 2010 and include:

- discovery of the **Forty Creek showing**, a collection of angular blocks of quartz vein material with local sulphides in the northeastern part of the property. Several blocks up to 1 m across occur within a 200 square m area. A grab sample from one block assayed **59 g/t Au** and **2290 g/t Ag**. This sample also had the highest values of Pb (>0.5%), Zn (0.44%), Hg, Sb and Se of all the samples collected by TerraX;
- anomalous gold assays obtained over 725 m in soils, with this anomalous zone open for 150 m to the southeast because of the presence of swampy ground that precluded further sampling; and
- the exposed area of hydrothermal alteration at Stewart has now been determined to be larger than originally thought, with a **strike length on the order of 6 km, and a width varying from 400 m to 1.4 km.**

A total of 138 samples were collected for assay and for determination of pathfinder elemental abundance, and 145 samples were analyzed with a Terraspec instrument for identification of key alteration minerals. Gold assay results ranged from below detection to 59 g/t, with 15 samples being 20 ppb Au or higher. The exposed area of hydrothermal alteration has been

determined to be larger than originally thought, with a strike length on the order of 6 km, and a width varying from 400 m to 1.4 km. This is based on field identification of alteration, distribution of illite/muscovite as determined by a Terraspec instrument, and anomalism in elements such as Cu, Pb, Mo, As and Sb. The western 1.5 km "core" of the alteration system is anomalous in Cu, Au, Pb and Mo, has local development of quartz stockworks and sheeted veins, and is considered to be deeper in the hydrothermal system. A 600 m section of the core zone has been tested by seven shallow drill holes by past operators. Prior to TerraX's work 90% of the hydrothermal system had not been drill tested. The outer parts of the system contain phyllic to advanced argillic alteration, including high temperature minerals such as pyrophyllite and dickite. Such minerals are common in high temperature advanced argillic zones such as those that overlie porphyry systems. Gold values from surface grab samples collected by TerraX within this hydrothermal system ranged up to 473 ppb Au.

A 1.1 km line of soil samples was collected over the Stewart showing in the core of the alteration system to validate previous soil results. Samples were spaced 25 m apart. Anomalous gold results were obtained over 725 m, and the anomalous zone is open for 150 m to the southeast because of the presence of swampy ground. Within this anomalous interval of 30 samples, 26 were higher than 20 ppb Au, with a high of 640 ppb Au and an average of 160 ppb Au. Background values beyond this interval reached a high of 9 ppb Au (most were below detection). Within the same interval, Cu, Mo, Pb, Zn and Se were also clearly anomalous. These results are considered to be very encouraging, and validate the use of soils as an exploration tool at Stewart.

TerraX expanded its land position at Stewart to the northeast due to the discovery of the Forty Creek showing and to cover two anomalous gold samples (68 and 115 ppb Au) collected on open ground south of the Forty Creek showing. An additional 30 claims (7.5 sq km) were staked. TerraX also staked 39 claims (9.75 sq km) to cover the potential southwest extension of the known alteration and mineralization zone.

In January 2011 TerraX resumed fieldwork at Stewart. Soil sampling was carried out on the property to follow up on a 725 meter wide Au, Cu, Mo anomaly previously reported by TerraX from a test line of soil surveying across the strike of the alteration zone. The objective of this soil sampling was to delineate the full extent of the gold anomalism within this large hydrothermal alteration system, and to follow up the newly discovered Forty Creek showing (grab sample of 59 g/t Au and 2290 g/t Ag).

In addition to the soil survey work, TerraX contracted Quantec Geosciences to carry out Titan 24 ground geophysics across 2.5 kilometers of strike length on the alteration zone. This program was designed to pick up epithermal or more likely porphyry-style mineralization up to a depth of 500 meters below surface. Line cutting for the survey commenced in the second week of February, with the Titan surveying following shortly thereafter. In addition, Geo Data Solutions Inc. was contracted to fly an airborne magnetic survey over the entire property; this survey was completed in April.

On May 9 2011 TerraX announced the results from the Titan IP, soil geochemistry, and airborne magnetic surveys conducted at Stewart. Quantec Geosciences completed Titan 24 ground geophysics (deep penetration IP) across 2.5 km of strike length on the 6 km long alteration zone. Three separate chargeability anomalies were identified, collectively defining a zone of anomalous chargeability which spans the entire length of the survey area (2.5 km).

One Titan 24 chargeability anomaly intersects the surface in the western portion of the surveyed area where the previous shallow drilling and trenching is coincident with the anomaly. Here the anomaly is shallow, restricted to 250 m of dip length (possibly has had a portion removed by erosion). A much larger buried zone of mineralization is potentially indicated by a significantly thicker and longer strike length anomaly of similar amplitude that is concealed by sulphide-poor altered rocks as it plunges to the northeast. The maximum width of the larger anomaly is 800 m and its vertical extent reaches more than 500 m, plunging deeper towards the northeast. The defined anomalous chargeability is open along strike to the southwest and northeast. Maps showing the results of the Titan 24 IP survey are available on our web site at www.terraxminerals.com.

As part of TerraX's exploration strategy for defining potential drill targets, 609 soil samples were collected in January/February over an area similar to the area surveyed by Titan and over the Forty Creek area. Gold values from this survey ranged from below detection to 334 ppb, with 54 of the samples containing >20 ppb gold. Data was combined with results from the 39 orientation soil samples collected in 2010 and the combined data defines a gold anomaly (>20 ppb Au) 800 m long and up to 750 m wide, open to the southwest, where the alteration zone is covered by a lake. The gold anomaly is mostly coincident with a coherent but more areally restricted copper anomaly and a diffuse molybdenum anomaly as defined by the ninety percentile values of both latter elements. All three elemental anomalies, particularly copper, are strongly coincident with the near-surface chargeability anomaly.

An airborne magnetic survey was flown over the entire property by Geo Data Solutions Inc. The major geological contact

on the property between granite in the north and volcanics in the bulk of the property is reflected in the magnetic signature—the volcanics having a higher and more complex magnetic response. The data shows a series of northeast structures offset by east-southeast structures, and importantly, a structural connection between the mapped alteration zone and the Forty Creek showing. One of these northeast structures is coincident with the known alteration system.

The interpretation from the work conducted early in 2011 is that the large hydrothermal system defined by surface mapping contains significant sulphides over a strike length of at least 3 km, and that the sulphide-bearing portion of the system plunges to the east. This ties in well with the soil geochemistry, which shows anomalous gold-copper-molybdenum at surface in the western part of the alteration system, with the anomalies diminishing to the east. The implication is that metal anomalism plunges to the east, coincident with sulphide concentration. This theory is corroborated by the limited historical drilling, which tested the upper portions of a shallow chargeability zone and returned anomalous gold, copper and molybdenum. The majority of the hydrothermal system has not been tested by drilling. In the porphyry gold-copper scenario that is emerging at Stewart, the best grades need not correlate with the highest chargeability (likely abundant pyrite), but may be associated with low to moderate chargeability (lower sulphide content but dominated by chalcopyrite) adjacent to or underneath the strongest chargeability. Multiple drill targets are evident from this line of thinking.

The high grade Forty Creek showing represents a second target on the property. Soil sampling has identified a strong three-line (450 m wide) arsenic anomaly proximal to the showing, and the airborne magnetic survey has shown a structural connection between Forty Creek and the main alteration zone.

Additional fieldwork was undertaken on the property over a two week period in May 2011. During this fieldwork, TerraX discovered a second high grade boulder grading **13.3 g/t Au, 670 g/t Ag** and **>0.5% Pb** during prospecting of the Forty Creek area of the property, where TerraX had previously discovered a high grade showing of 59 g/t Au and 2290 g/t Ag one km northeast of any previously known alteration. The field program also included additional geological work to firm up drill targets on the main alteration zone, a structural study to help determine the orientation of the mineralized zones, prospecting focused on the Forty Creek area, and an alteration mineralogy study to vector exploration towards potential economic mineralization.

The newly discovered high grade boulder at Forty Creek is angular and more than 0.5 m across; scanning electron microscopy showed that it contains chalcopyrite, lead telluride, silver telluride and native gold. Several other angular mineralized boulders were discovered within a 500 m radius of Forty Creek; these assayed up to 225 ppb Au, 785 ppm Cu, 1.03% Zn and >0.5% Pb (different samples). Outcrop in the Forty Creek vicinity is sparse, but samples of outcrop collected assayed up to 109 ppb Au, 26.6 g/t Ag, 5810 ppm Cu, 1800 ppm Pb, 1500 ppm Zn and 133 ppm Mo (different samples). The outcropping host rock proximal to Forty Creek is a strongly altered felsic volcanic rock most similar geochemically (whole rock data) to the Caribou Tuff, the unit that hosts the bulk of the main alteration zone. Assay values from samples collected ranged from below detection to the values quoted above.

Structural consultant Dr. Kruse of Terrane Geoscience Inc. spent one week on the Stewart property during May. His observations suggest that the porphyry/epithermal hydrothermal system plunges to the northeast at approximately 65 degrees. This is consistent with the tendency of the major chargeability anomaly to deepen to the northeast. Kruse also recognized three different vein sets, one of which he classes as pre-deformation hydrothermal veins related to the porphyry system.

Geological reconnaissance provided further information on the overall geology of the core of the property prior to drilling. In particular, confidence in the presence and distribution of strongly altered quartz diorite, the presumed mineralizing intrusion, was increased. Additional terraspec data were acquired, and all available data were sent to AusSpec International for interpretation. AusSpec believes that there are variations in the compositions of the ubiquitous white mica and chlorite which may serve as vectors towards the more acidic and/or hotter parts of the hydrothermal system and ultimately as vectors to ore. The high temperature minerals topaz and diaspore were identified in several samples.

Our understanding of the geological/hydrothermal system at Stewart is continually improving. Alteration mineralogy is indicative of hot, acid conditions, consistent with a high sulphidation epithermal system collapsing onto a porphyry system. The overall system plunges to the northeast, as shown by structural indicators, by the distribution of chargeability and surface geochemical anomalies, and by the change in alteration style at surface. Alteration at surface varies from porphyry/high sulphidation epithermal in the southwest through high sulphidation epithermal in the center (Bat Zone) to potential bonanza style Au-Ag mineralization with or without base metals at Forty Creek in the northeast, above and distal to the main intrusive center.

Notwithstanding the impressive assays in the Forty Creek area, TerraX considers the prime target on the Stewart property to

be the large, low grade interpreted porphyry style hydrothermal system analogous to Oyu Tolgoi in Mongolia. TerraX intends to initially focus on this porphyry target while we build up our knowledge base on the Forty Creek area. To that end, TerraX began drilling in August that targeted the chargeability anomalies in the main alteration zone where the Titan 24 survey conducted in 2011 identified strong IP anomalies over a strike length of 2.5 km, with widths up to 800 m and vertical extents in excess of 500 m. A drill program was planned to test various geophysical scenarios along the 2.5 km strike length of known anomalous chargeability.

The first hole of the current drill program at Stewart, ST11-01, was completed in late August. This drill hole intersected an extensive porphyry style alteration zone with significant sulphide over 433 metres (m).

ST11-01 was drilled in a southeast direction along a Titan 24 section line which contains a 250 m wide by 300 m deep chargeability anomaly that intersects the surface. This anomaly is semi-coincident with the Vinjer trench, which contains extensive hydrothermal alteration and anomalous metals. The hole was 440 m long, of which the upper 433 m consistently contains between 1 and 5% pyrite. This interval is also strongly altered; mineralogical analysis with a Terraspec instrument confirmed that the interval is dominated by varying amounts of pyrophyllite and illite, both of which are common in porphyry to epithermal environments. Stockwork quartz veins, chalcopyrite and molybdenite all occur locally within the hole. The upper 185 m of the hole contains strongly altered quartz diorite, tentatively interpreted as the mineralizing intrusion for the extensive hydrothermal system. The lower 7 m of the hole contains a fresh felsic volcanic rock. The contact between the altered rock and the unaltered felsic volcanic corresponds to the edge of the chargeability anomaly.

The second hole of the current drill program at Stewart, SST11-02, was completed in Mid-September. ST11-02 was collared 1.7 km northeast of ST11-01 along the strike trend of the mapped alteration on surface, targeting a large, buried Titan IP anomaly. This second hole intersected porphyry style alteration with significant sulphides similar to ST11-01 from 172 m to the end of the hole at 585 m. The hole was stopped at the limit of the drill capability, still within the zone of alteration and sulphides.

SST11-02 was drilled in a southerly direction along a Titan 24 section line which contains a 700 m wide by at least 500 m deep chargeability anomaly that is buried beneath the surface. This anomaly is adjacent to the Bat Zone which contains widespread hydrothermal alteration on surface. The hole was 585 m long, of which the upper 172 m intersected strongly altered rock, with a low sulphide content (0.5-1%). This was followed by 413 m of sulphide content ranging from 5-10% pyrite. This interval is also strongly altered; mineralogical analysis with a Terraspec instrument confirmed that the interval is dominated by varying amounts of pyrophyllite, illite, dickite and alunite, all of which are common in porphyry to epithermal environments.

Drilling at Stewart was completed in October, 2011 with five holes totalling 2,700 m having been drilled to test the western half of a large (6 km x 1.4 km) hydrothermal system defined by surface mapping; the western half has been partially defined in the third dimension by a Titan 24 deep penetration IP survey. The five holes were widely spaced over a strike length of 1.7 km, and were designed to examine various geophysical signatures in both the inferred core and the margin of the system. A map showing the locations of the drill holes is available on our website at www.terraxminerals.com.

Terrax's president, Joe Campbell, states "TerraX is confident that the Stewart property has potential to host a major porphyry Cu-Au deposit. This initial five hole drill program, while only testing a small portion of the property, has greatly increased our knowledge of this very large hydrothermal system. Three dimensional modeling is now underway using this new information which will result in better defined targets for follow-up drilling."

Three holes (ST11-01, 02 and the top of ST11-05) tested the edges of the hydrothermal system as defined by anomalous chargeability. In all three cases, long intervals (up to 585 m in hole ST11-02) of pervasively altered rock with 1 to 10% pyrite were encountered. Mineralogical analysis with a Terraspec instrument confirmed that the zones are dominated by varying amounts of pyrophyllite, illite, dickite and alunite, all of which are common in porphyry to epithermal environments. The margin of the system typically contains felsic volcanic rocks, although hole ST11-01 contains 185 m of strongly altered quartz diorite and ST11-02 contains over 200 m of a fine-grained, interpreted intrusive rock. Zones of intense quartz veining (stockworks) are locally present.

Three holes (ST11-03, 04 and the bottom of ST11-05) tested what had been interpreted to be the core of the system. These holes encountered mostly mafic volcanics and intrusions, as well as several different types of intermediate porphyritic intrusions. Most mafic rocks have undergone patchy epidote-silica alteration and zones of intense alteration up to 15 m wide separated by less altered rocks. The intense alteration includes silica, illite, chlorite, pyrite and locally minor chalcopyrite. Stringers of quartz and pyrite and/or chalcopyrite are present. Hole ST11-03 contains 130 m of silicified mafic volcanics

with small amounts of native copper and probable hydrothermal magnetite. The absence of potassic alteration (potassium feldspar and/or biotite) in the drill core suggests that the core of the hydrothermal system was not intersected by TerraX's drilling.

The best assay results are from hole ST11-01 which intersected 111 m @ 0.13 g/t Au and 0.05% Cu and 18.03 m @ 0.11 g/t Au and 0.06% Cu, with anomalous Ag, and Zn. Hole ST11-02, the easternmost hole, contained several short intervals of anomalous Au (up to 118 ppb) and an anomalous Zn intersection of 109.78 m @ 0.02% Zn. Hole ST11-03 contains an intersection of 2.35 m @ 0.08% Cu associated with local chalcopyrite stringers, but no other significant metal anomalism. Hole ST11-04 contains short intervals of anomalous Cu as follows: 3.2 m @ 0.07% Cu associated with quartz-chalcopyrite veinlets; 0.6 m @ 0.24% Cu associated with quartz-pyrite-chalcopyrite veinlets, and 0.56 m @ 0.20% Cu associated with a semi-massive pyrite vein. Hole ST11-05 contains 1.07 m @ 0.08% Cu and 0.80 m @ 0.07% Cu, both associated with structurally controlled illite-pyrite alteration in mafic volcanics.

While TerraX's drill program failed to intersect the porphyry core it has provided valuable information on the three dimensional characteristics of the large hydrothermal system present at Stewart. Intervals of pervasive phyllic/advanced argillic alteration with 1-10% pyrite more than 500 m long have been encountered on the margin/top of the system, while other parts of the system contain several porphyry intrusions as well as hydrothermal magnetite, epidote, chlorite and silica, with stringers of pyrite and/or chalcopyrite and local native copper. The mineralized porphyry core has not as yet been intersected, but the presence of porphyry intrusions and quartz-sulphide veinlets are considered encouraging. Ongoing detailed interpretation of the magnetic data suggests that the core of the system may lie immediately south of the area tested by drilling. The lack of anomalous molybdenum (Mo) in any TerraX drill holes, coupled with the Au-Cu-Mo soil anomaly defined by TerraX in the southwestern part of the alteration system (TerraX news release May 9, 2011), likewise suggest a south/southwest vector toward the center of the system, as indicated on project maps available on our web site at www.terraxminerals.com.

TerraX remains confident in the potential of the Stewart property and plans to construct and review a three dimensional model of all available data (geology, geophysics, geochemistry, alteration mineralogy and drilling) prior to further drilling. The eastern portion of the porphyry-epithermal system has not been geophysically surveyed, and the Forty Creek epithermal showing (grab samples of 13.3 and 59 g/t Au and 670 and 2290 g/t Ag) still needs to be followed up with geophysics and drilling.

All drill core from the 2011 drill program at Stewart was logged, split and sampled at a secure core facility in Marystown. Samples were collected from this facility by a shipping company for onward transportation to the Actlabs facility in Fredericton. Actlabs is an ISO/IEC 17025 accredited analytical laboratory. Gold analysis was by fire assay with AA finish; other elements of interest (silver, copper, molybdenum, zinc etc) were obtained by ICP. Analytical accuracy and precision are monitored at the laboratory by the analysis of reagent blanks, reference material and replicate samples. Quality control is further assured by the use of international and in-house standards. TerraX routinely inserts blanks and certified standards into the sample stream in order to independently assess analytical accuracy.

In June 2012 TerraX commenced a multi-disciplinary field program at Stewart. Work being undertaken at Stewart includes:

- Mechanical stripping at Forty Creek to trace the extent of the sub-cropping high-grade gold and silver mineralization.
- soil surveying of the porphyry alteration zone, where a large Au-Cu-Mo soil geochemistry anomaly remains open to the southwest and is partly covered by a lake that will be tested via lake sediment sampling
- Geological investigations will be performed in an attempt to define a volcanic center coincident with the porphyry system and to better understand the tectonic deformation of the system.
- Field checking of magnetic anomalies defined by TerraX's 2011 airborne survey in order to determine whether or not they are related to potassic alteration.

Selected areas of the property will also undergo lake sediment sampling, additional prospecting and geological examination. In particular, possible offsets of the main alteration zone suggested by the airborne magnetic patterns will be field checked, as will the area between the porphyry and epithermal zones. The over-riding objective of fieldwork is to produce drill targets as quickly and efficiently as possible.

The work programs at the Stewart property are being supervised by Tom Setterfield, PhD, P.Geo., and Joseph Campbell, P.Geo., who are qualified persons under the definition of National Instrument 43-101. They are responsible for all aspects of the work including the quality control/quality assurance program. The foregoing technical information has been verified by Tom Setterfield, PhD, P Geo., Vice-President Exploration.

During the three months ended April 30, 2012 TerraX spent \$4,657 on geological consulting, \$5,374 on field expenses and \$3,530 on geophysical consulting at the Stewart property. In addition, the Company applied for and received \$100,000 from the government of the Province of Newfoundland under a program designed to encourage exploration in the province by reimbursing a portion of drilling expenditures made on the Stewart property during calendar 2011.

Current Economic Conditions

During fiscal 2012 and the first five months of fiscal 2013, the ongoing global credit crisis and economic weakness have made for extremely volatile capital markets characterized by weaker equity prices and an environment in which limited opportunities existed to raise additional capital. While stronger commodity prices have provided financing opportunities which TerraX has capitalized on 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 (later this fiscal year 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.

The Company currently has sufficient cash to meet all obligations during through fiscal 2013 and does not believe that any write-downs of its mineral properties are required at this time. The Company will be reviewing its mineral property commitments as well as its working capital position on an ongoing basis during fiscal 2013 and may elect to abandon properties when obligations become due if management deems it necessary in order to maintain the long-term viability of the Company.

Results of Operations – Three Months ended April 30, 2012

Operating expenses for the three months ended April 30, 2012 totaled \$40,716 as compared to \$45,066 during the three months ended April 30, 2011. The significant expenditures were as follows:

There were no professional fees incurred during the three months ended April 30, 2012. This compares to professional fees of \$10,333 incurred during the same period a year prior for accounting services related to tax filings and the issuance of flow-through shares during a prior period.

During the three months ended April 30, 2012 the Company incurred Part XII.6 tax expense of \$4,154 related to flow-through exploration expenditures made during fiscal 2012. There was no comparable expense during the same period a year prior.

During the three months ended April 30, 2012 the company incurred \$2,903 for stock-based compensation expense (a non-cash item) for stock options granted and vested during the period. This compares to a gain on stock-based compensation expense during the three months ended April 30, 2011 of \$4,632 as a result of a re-valuation, as required under IFRS, on the final vesting of incentive stock options granted to consultants during a prior period.

The Company spent \$27,954 for transfer agent, filing fees and shareholder communications during the three months ended April 30, 2012. This is reduced from the \$33,955 incurred during the same period a year prior primarily due to a reduction in expenditures on advertising and regulatory filing fees.

During the three months ended April 30, 2012, the Company earned interest income of \$974 on cash equivalents on hand. This compares to \$4,509 earned during the three months ended April 30, 2011 when the Company held more cash and cash equivalents.

As a result of completing eligible exploration expenditures during the three months ended April 30, 2011, and renunciation of the tax benefits related to a flow-through private placement completed during calendar 2010, the Company reduced its outstanding flow-through share liability related to this flow-through financing by \$78,153 during the period and recorded this same amount as a flow-through share liability reversal. There was no comparable recovery during the three months ended April 30, 2012.

As a result of the foregoing, the Company recorded a comprehensive loss for the three months ended April 30, 2012 of \$39,742 as compared to comprehensive income of \$37,596 during the comparable period a year prior.

Summary of Quarterly Results

	Q1-2013	Q4-2012	Q3-12	Q2-12	Q1-12	Q4-11	Q3-11	Q2-11
Net income (loss) (\$)	(39,742)	(50,983)	(26,529)	10,001	37,596	(158,639)	(117,771)	(160,579)
Per Share (\$)	(0.00)	(0.01)	(0.00)	0.00	0.00	(0.01)	(0.01)	(0.01)

The loss for the second quarter of fiscal 2011 increased to \$160,579 primarily due to stock-based compensation, a non-cash expense, of \$85,526 incurred during the current period due to the granting of incentive stock options to management, directors and consultants.

The loss for the third quarter of fiscal 2011 decreased to \$117,771 primarily due to elimination of consulting expense and reductions in stock-based compensation (a non-cash expense), professional fees, travel expenses and shareholder communications expenses.

The loss for the fourth quarter of fiscal 2011 increased to \$158,639 from the \$117,771 incurred during the prior quarter primarily due to additional filing fees incurred with respect to private placements completed during the current period and additional expenditures on trade shows and shareholder communications.

As a result of a flow-through share liability reversal of \$78,153, the Company reported a gain of \$37,596 during the first quarter of fiscal 2012. This compares to a loss of \$158,639 incurred during the prior fiscal quarter when the Company also incurred additional amounts for filing fees as well as trade shows, travel and shareholder communications expenses.

The gain for the second quarter of fiscal 2012 was reduced to \$10,001 due to the reduction of the flow-through share liability to \$51,420 during the current period. This compares to a gain of \$37,596 during the prior fiscal quarter when the Company recorded a flow-through share liability reversal of \$78,153 due to higher exploration expenditures incurred during that period.

The Company incurred a loss for the third quarter of fiscal 2012 of \$26,529 primarily because of stock-based compensation expense of \$82,669, a non-cash expense, incurred during the period due to the granting of incentive stock options to management, directors and consultants. The loss was reduced to \$26,529 as a result of a flow-through share liability reversal of \$105,577 due to the completion of flow-through eligible exploration expenditures during the period.

The loss for the fourth quarter of fiscal 2012 increased to \$50,983 from the loss of \$26,529 incurred during the third quarter as operating expenses were not offset by any flow-through share liability reversal during the current period, although operating expenses were reduced by the elimination of stock-based compensation during the fourth quarter as no options were granted during the period.

The loss for the first quarter of fiscal 2013 decreased to \$39,742 from the loss of \$50,983 incurred during the fourth quarter of fiscal 2012 primarily due to a reduction in professional fees and travel expenses during the current period.

Liquidity and Solvency

TerraX is in the development stage and therefore has no regular cash flow. As at April 30, 2012, the Company had working capital of \$424,472, inclusive of cash and cash equivalents of \$421,010. This compares to working capital at January 31, 2012 of \$758,449, inclusive of cash and cash equivalents at that time of \$682,644.

As at April 30, 2012, the Company had current assets of \$476,382, total assets of \$3,538,035 and total liabilities of \$51,910. 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 \$3,061,653 as at April 30, 2012.

The decrease in cash during the three months ended April 30, 2012 of \$261,634 was due to cash used in mineral property acquisition and exploration of \$259,894 and cash used by operating activities of \$1,740. During the three months ended

April 30, 2011, cash decreased by \$546,802 as a result of cash spent on mineral property exploration of \$472,898 and cash used by operating activities of \$73,904.

A flow-through private placement for gross proceeds of \$1,416,859 was completed in December 2010. The proceeds of this flow-through private placement were spent on eligible Canadian exploration expenses during calendar 2011 and provided sufficient funding to conduct the required exploration at the Sunbeam-Pettigrew, Blackfly, Central Canada and Stewart properties during fiscal 2012. In January 2011 the Company completed a further private placement for gross proceeds of \$405,000. During the current period, the Company received \$100,000 from the government of the Province of Newfoundland under a program designed to encourage exploration in the province by reimbursing a portion of eligible exploration expenditures on the Stewart property during 2011.

It is anticipated that the Company will have to obtain other financing or raise additional funds in order to conduct further exploration on its properties during fiscal 2013. While the Company has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in the delay or indefinite postponement of further exploration and development of its properties.

Cash flow to date has not satisfied the Company's operational requirements. The development of the Company may in the future 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.

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 three months ended April 30, 2012, \$4,500 (2011 - \$4,500) was paid to a private company wholly-owned by Stuart Rogers, a director and officer of the Company, for office rent and administration services provided to the Company.

During the three months ended April 30, 2012, the Company paid \$32,425 (2011 – \$43,357) to a private company in which Joe Campbell, the President of the Company, and Tom Setterfield, a director of the Company, are principals for geologic consulting services incurred on the Company's properties during the current period.

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

Financial risk management

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

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The majority of cash is deposited in bank accounts held with 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 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 \$4,000 over the course of a year.

Capital Management

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

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

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

Classification of financial instruments

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

	April 30, 2012	January 31, 2012
Cash and cash equivalents	\$ 421,010	\$ 682,644
Loans and receivables:		
Receivables	54,372	115,218
	\$ 475,382	\$ 797,862

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

	April 30, 2012	January 31, 2012
Non-derivative financial liabilities:		
Trade payables	\$ 39,410	\$ 42,913

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 April 30, 2012 and January 31, 2012:

	As at April 30, 2012		
	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 421,010	\$ -	\$ -

	As at January 31, 2012		
	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 682,644	\$ -	\$ -

Contingencies

The Company is aware of no contingencies or pending legal proceedings as of June 26, 2012.

Off Balance Sheet Arrangements

The Company has no Off Balance Sheet arrangements.

Equity Securities Issued and Outstanding

The Company had 25,919,131 common shares issued and outstanding as of June 26, 2012. In addition, there were 2,120,000 incentive stock options and a total of 2,361,433 share purchase warrants outstanding as of June 26, 2012.

Disclaimer

The information provided in this document is not intended to be a comprehensive review of all matters concerning the Company. It should be read in conjunction with all other disclosure documents provided by the Company, which can be accessed at www.sedar.com. No securities commission or regulatory authority has reviewed the accuracy or adequacy of the information presented herein.

Certain statements contained in this document constitute "forward-looking statements". Such forward-looking statements

involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance, or achievements of the Company to be materially different from any future results, performance, or achievements expressly stated or implied by such forward-looking statements. Such factors include, among others, the following: mineral exploration and development costs and results, fluctuation in the prices of commodities for which the Company is exploring, competition, uninsured risks, recoverability of resources discovered, capitalization requirements, commercial viability, environmental risks and obligations, and the requirement for obtaining permits and licenses for the Company's operations in the jurisdictions in which it operates