TERRAX MINERALS INC.

INTERIM FINANCIAL STATEMENTS

OCTOBER 31, 2009

(Unaudited – prepared by management)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the 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 interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

TERRAX MINERALS INC.
INTERIM BALANCE SHEETS
(Unaudited – prepared by management)

	October 31, 2009	January 31, 2009 (Audited)
ASSETS		
Current assets		
Cash	$ 254,282	$ 34,808
Short-term investments (Note 3)	290,000	250,000
Receivables	6,672	2,192
	550,954	287,000
Mineral property and deferred exploration costs (Note 4)	967,124	797,201
	$ 1,518,078	$ 1,084,201
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	$ 69,462	$ 10,831
Shareholders' equity		
Share capital (Note 6)	1,589,910	1,150,760
Contributed surplus (Note 6)	229,122	148,538
Deficit	(370,416)	(225,928)
	1,448,616	1,073,370
	$ 1,518,078	$ 1,084,201

Nature and continuance of operations (Note 1)
Commitments (Note 4)

Approved on behalf of the Board:

"STUART ROGERS" Director
Stuart Rogers

"PAUL REYNOLDS" Director
Paul Reynolds

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

TERRAX MINERALS INC.
INTERIM STATEMENTS OF LOSS, COMPREHENSIVE LOSS AND DEFICIT
Three and Nine Months Ended October 31,
(Unaudited – prepared by management)

	Three months ended October 31, 2009	Three months ended October 31, 2008	Nine months ended October 31, 2009	Nine months ended October 31, 2008
EXPENSES				
Consulting	$ 2,478	$ -	$ 2,478	$ -
Consulting – Stock based compensation (Note 7)	38,558	-	38,558	-
Management fees	-	15,000	-	20,000
Management – Stock based compensation (Note 7)	42,026	-	42,026	92,865
Office, rent and miscellaneous (Note 5)	5,036	4,626	14,340	13,875
Professional fees	1,296	1,296	9,736	15,683
Transfer agent, filing fees and shareholder communications	15,003	7,246	34,441	13,837
Travel and related costs	-	-	4,881	-
LOSS BEFORE OTHER ITEM	(104,397)	(28,168)	(146,460)	(156,260)
OTHER ITEM				
Interest income	362	3,556	1,972	8,258
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	(104,035)	(24,612)	(144,488)	(148,002)
DEFICIT, BEGINNING OF PERIOD	(266,381)	(187,838)	(225,928)	(64,448)
DEFICIT, END OF PERIOD	$ (370,416)	$ (212,450)	$ (370,416)	$ (212,450)
BASIC AND DILUTED LOSS PER COMMON SHARE	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.02)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING – BASIC AND DILUTED	11,160,604	9,076,739	10,118,187	7,050,421

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

TERRAX MINERALS INC.
INTERIM STATEMENTS OF CASH FLOWS
Three and Nine Months Ended October 31,
(Unaudited – prepared by management)

	Three months ended October 31, 2009	Three months ended October 31, 2008	Nine months ended October 31, 2009	Nine months ended October 31, 2008
CASH PROVIDED BY (USED IN):				
OPERATING ACTIVITIES				
Net loss for the period	$ (104,035)	$ (24,612)	$ (144,488)	$ (148,002)
Item not involving cash:				
Stock based compensation	80,584	-	80,584	92,865
Changes in non-cash working capital items:				
(Increase) decrease in receivables	(2,029)	74,747	(4,480)	(39,574)
Increase in accounts payable and accrued liabilities	55,253	113,607	58,631	114,240
Net cash provided by (used in) operating activities	29,773	163,742	(9,753)	28,529
INVESTING ACTIVITIES				
Short-term investments	30,000	560,000	(40,000)	(37,000)
Mineral property and deferred exploration costs	(68,964)	(612,396)	(153,673)	(628,806)
Net cash used in investing activities	(38,964)	(52,396)	(193,673)	(665,806)
FINANCING ACTIVITY				
Issuance of common shares for cash	247,000	-	422,900	735,566
Deferred finance fees		-		22,500
Advances from related parties	-	-		(14,500)
Net cash provided by financing activities	247,000	-	422,900	743,566
Change in cash during the period	237,809	111,346	219,474	106,289
Cash, beginning of period	16,473	13,322	34,808	18,379
Cash, end of period	$ 254,282	$ 124,668	$ 254,282	$ 124,668

Supplemental disclosures with respect to cash flows:				
Cash paid during the period for interest	$ -	$ -	$ -	$ -
Cash paid during the period for income taxes	$ -	$ -	$ -	$ -

During the nine months ended October 31, 2009 the Company issued 100,000 common shares at $0.10 per share and 50,000 shares at $0.125 per share for the acquisition of an interest in mineral properties. Refer to Note 4.

During the nine months ended October 31, 2008 the Company issued 100,000 common shares at $0.25 per share for mineral properties. Refer to Note 4.

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

1. NATURE AND CONTINUANCE OF OPERATIONS

The Company was incorporated under the Business Corporations Act (British Columbia) on August 1, 2007 as TerraX Resource Corp. On March 31, 2008, the Company changed its name to TerraX Minerals Inc. During 2008, the Company completed its Initial Public Offering ("IPO") and now trades on the TSX Venture Exchange ("TSX-V").

The Company is a mineral property exploration company and has not yet determined whether its mineral properties contain economically recoverable reserves. The recoverability of the amounts shown for mineral properties and deferred exploration costs is dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain necessary financing to successfully complete their development and upon future profitable production.

These interim 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 raise adequate financing to develop its mineral properties, and to commence profitable operations in the future. To date the Company has not generated any significant revenues and is considered to be in the exploration stage. These interim financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

Management has assessed the Company's ability to continue as a going concern and believes the Company has or is expected to have sufficient resources from financing sources for at least the next twelve months. Management recognizes that there are uncertainties that exist for the Company's operations arising from the current economic downturn, but anticipates that operating cash flow requirements for the ensuing year can be met by equity financing and support from creditors and related parties.

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2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These unaudited interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial statements. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, the accompanying financial information reflects all adjustments, consisting primarily of normal and recurring adjustments considered necessary for fair presentation of the results for the interim period. Operating results for the three and nine months ended October 31, 2009 are not necessarily indicative of the results that may be expected for the year ending January 31, 2010. These interim financial statements follow the same accounting policies as the annual financial statements except as disclosed below. Accordingly, these interim financial statements should be read in conjunction with the 2009 annual financial statements and notes thereto.

Use of estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Actual results could differ from these estimates. Significant areas requiring the use of management estimates relate to the determination of impairment of mineral property interests, future tax rates used to determine future income taxes, determining the fair value of stock based payments and financial instruments. Where estimates have been used financial results as determined by actual events could differ from those estimates.

Short-term investments

Short-term investments consist of highly liquid Canadian dollar denominated guaranteed investment certificates with terms to maturity greater than ninety days, but not more than one year, that are readily convertible to contracted amounts of cash. Short-term investments are classified as held-for-trading and recorded at fair value with realized and unrealized gains and losses reported in the statement of loss.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Mineral properties

The Company records its interests in mineral properties and areas of geological interest at cost. All direct and indirect costs relating to the acquisition of these interests are capitalized on the basis of specific claim blocks or areas of geological interest until the properties to which they relate are placed into production, sold or management has determined there to be an impairment. These costs will be amortized on the basis of units produced in relation to the proven reserves available on the related property following commencement of production. Mineral properties which are sold before that property reaches the production stage will have all revenues from the sale of the property credited against the cost of the property. Properties which have reached the production stage will have a gain or loss calculated based on the portion of that property sold.

The recorded cost of mineral exploration interests is based on cash paid, the value of share considerations and exploration and development costs incurred. The recorded amount may not reflect recoverable value as this will be dependent on the development program, the nature of the mineral deposit, commodity prices, adequate funding and the ability of the Company to bring its projects into production.

Management evaluates the carrying value of each mineral interest on a reporting period basis or as changes in events and circumstances warrant, and makes a determination based on exploration activity and results, estimated future cash flows and availability of funding as to whether capitalized costs are impaired. Mineral property interests, where future cash flows are not reasonably determinable, are evaluated for impairment based on management's intentions and determination of the extent to which future exploration programs are warranted and likely to be funded.

Deferred exploration costs

The Company defers all exploration costs relating to mineral properties and areas of geological interest until the properties to which they relate are placed into production, sold, abandoned or management has determined there to be an impairment. These costs will be amortized on the basis of units produced in relation to the estimated reserves available on the related property following commencement of production or written-off to operations in the period related properties are abandoned.

Values

The amounts shown for mineral properties and deferred exploration costs represent costs incurred to date, and do not necessarily represent present or future values which are entirely dependent upon the economic recovery from production or from disposal.

Environmental protection and reclamation costs

The Company's policy relating to environmental protection and land reclamation programmes is to charge to income during the period any costs incurred in environmental protection and land reclamation. At January 31, 2009, the Company does not have any material expenditures in this area.

Asset retirement obligations

The Company has adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook section 3110, "Asset retirement obligations". This standard focuses on the recognition and measurement of liabilities related to obligations associated with the retirement of property, plant and equipment. Under this standard, these obligations are initially measured at fair value and subsequently adjusted for any changes resulting from the passage of time and revisions to either the timing or the amount of the original estimate of undiscounted cash flows. The asset retirement cost is to be capitalized to the related asset and amortized into earnings over time.

Mineral property related retirement obligations are capitalized as part of mineral property and deferred exploration and amortized over the estimated useful lives of the corresponding mineral properties.

At October 31, 2009, management has determined that there are no material asset retirement obligations to the Company.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Impairment of long-lived assets

The Company follows the recommendations of the CICA Handbook section 3063, "Impairment of Long Lived Assets". Section 3063 establishes standards for recognizing, measuring and disclosing impairment of long-lived assets held for use. The Company conducts its impairment test on long-lived assets when events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment is recognized when the carrying amount of an asset to be held and used exceeds the undiscounted future net cash flows expected from its use and disposal. If there is an impairment, the impairment amount is measured as the amount by which the carrying amount of the asset exceeds its fair value, calculated using discounted cash flows when quoted market prices are not available.

Financial instruments

The Company follows CICA Handbook Section 3855, "Financial Instruments – Recognition and Measurement" and Section 3856, "Hedges". Section 3855 prescribes when a financial instrument is to be recognized on the balance sheet and at what amount. Under Section 3855, financial instruments must be classified into one of five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets, or other financial liabilities. All financial instruments, including derivatives, are measured at the balance sheet date at fair value except for loans and receivables, held-to-maturity investments, and other financial liabilities which are measured at amortized cost.

The Company's financial instruments consist of cash, short-term investments, receivables, accounts payable and amounts due to related parties. Cash and short-term investments are measured at face value, representing fair value, and is classified as held-for-trading. Receivables are measured at amortized costs and are classified as loans and receivables. Accounts payable and amounts due to related parties are measured at amortized costs and are classified as other financial liabilities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

The Company has determined that it does not have derivatives or embedded derivatives.

Future income taxes

Future income taxes are recorded using the asset and liability method whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

Stock-based compensation

The Company follows the accounting standards issued by the CICA Handbook Section 3870, "Stock-based compensation and other stock-based payments", which recommends the fair-value based method for measuring compensation costs. The Company determines the fair value of the stock-based compensation using the Black-Scholes option pricing model. Any consideration paid on the exercise of stock options is credited to share capital.

Comprehensive Income (Loss)

The Company follows the CICA Handbook Section 1530, "Comprehensive Income". Section 1530 establishes standards for the reporting and presenting of comprehensive income (loss) which is defined as the change in equity from transaction and other events from non-owner sources. Other comprehensive income (loss) refers to items recognized in comprehensive income (loss) that are excluded from net income (loss). At January 31, 2009 and 2008, the Company had no significant items that caused other comprehensive loss to be different than net loss.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Newly Adopted Standards

On February 1, 2008, the Company adopted the new accounting standards related to accounting changes, financial instruments – presentation and disclosure, capital disclosures and financial statement presentation that were issued by the CICA. These standards were adopted on a prospective basis and are primarily related to disclosures. There were no adjustments recorded to opening balance sheet items or deficit as a result of the adoption of these standards.

Accounting Changes – CICA Handbook Section 1506
This standard establishes criteria for changes in accounting policies, accounting treatment and disclosure regarding changes in accounting policies, estimates and corrections of errors. In particular, this section allows for voluntary changes in accounting policies only when they result in the financial statements providing reliable and more relevant information. This section requires changes in accounting policies to be applied retrospectively unless doing so is impracticable.

Capital Disclosure – CICA Handbook Section 1535
This section specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has not complied with any capital requirements; and (iv) if it has not complied, the consequences of such noncompliance. The Company has included disclosures recommended by this new section in Note 9 to these financial statements.

Financial Instruments – Disclosures, CICA Handbook Section 3862, and Financial Instruments Presentation, CICA Handbook Section 3863
These new standards, which replace Section 3861 – Disclosure and Presentation, revise and enhance disclosure requirements while carrying forward presentation requirements. These new sections will place increased emphasis on disclosure about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The Company has included disclosure recommended by this new section in Note 10 to these financial statements.

General Standards of Financial Statement Presentation – CICA Handbook Section 1400
In June 2007, the CICA modified section 1400 "General Standards of Financial Statement Presentation" in order to require that management make an assessment of the Company's ability to continue as going concern over a period which is at least, but not limited to, twelve months from the balance sheet date. The Company has included disclosures recommended by this new section in Note 1 to these financial statements.

Recent Accounting Pronouncements

International Financial Reporting Standards
In 2006, the Canadian Accounting Standards Board ("AcSB") published a strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian generally accepted accounting principles with International Financial Reporting Standards ("IFRS") over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own generally accepted accounting principles. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company continues to monitor and assess the impact of Canadian GAAP and IFRS.

Goodwill and Intangible Assets – Section 3064
In February 2008, the CICA issued Handbook Section 3064, Goodwill and Intangible Assets, which replaced existing Handbook Section 3062, Goodwill and Other Intangible Assets, and Handbook Section 3450, Research and Development. The new standard provides guidance on the recognition, measurement, presentation and disclosure of goodwill and intangible assets. This standard is effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008. The Company is reviewing the impact that the adoption of this new standard may have on its financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Business Combinations – Section 1582
In January 2009, the CICA issued Handbook Section 1582, Business Combinations, which will provide the Canadian equivalent to International Financial Reporting Standard IFRS 3, Business Combinations, and replace the existing Handbook Section 1581, Business Combinations. The new standard will apply prospectively to business combinations for which the acquisition date is on or after January 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year, in which case an entity would also early adopt Handbook Section 1601, Consolidated Financial Statements and Handbook Section 1602, Non-controlling Interests. Management does not expect that the adoption of this new standard will have significant impact on the Company's Financial Statement.

Consolidated Financial Statements – Section 1601
In January 2009, the CICA issued Handbook Section 1601, Consolidated Financial Statements, which establishes standards for the preparation of consolidated financial statements and will replace the existing Handbook Section 1600, Consolidated Financial Statements. The new standard is effective for interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year, in which case an entity would also early adopt Handbook Section 1582, Business Combinations, and Handbook Section 1602, Non-Controlling Interests. Management does not expect that the adoption of this new standard will have significant impact on the Company's Financial Statement.

Non-Controlling Interests – Section 1602
In January 2009, the CICA issued Handbook Section 1602, Non-Controlling Interests, which establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of International Financial Reporting Standard IAS 27, Consolidated and Separate Financial Statements. The new standard is effective for interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year, in which case an entity would also early adopt Section 1582, Business Combinations, and Section 1601, Consolidated Financial Statements. Management does not expect that the adoption of this new standard will have significant impact on the Company's Financial Statement.

Credit Risk and the Fair Value of Financial Assets and Financial Liabilities – EIC 173
In January 2009, the CICA approved EIC 173, Credit Risk and the Fair Value of Financial Assets and Liabilities. This guidance clarified that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities including derivative instruments. This guidance is applicable to fiscal periods ending on or after January 12, 2009. Management does not expect that this will have a significant impact on the Company's financial statements.

Mining Exploration Costs – EIC 174
In March 2009 the CICA approved EIC 174, Mining Exploration Costs. The guidance clarified that an enterprise that has initially capitalized exploration costs has an obligation in the current and subsequent accounting periods to test such costs for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. The guidance is applicable to fiscal periods ending after the issuance date.

3. SHORT-TERM INVESTMENTS

Short-term investments consists of highly liquid Canadian dollar denominated guaranteed investment certificates with term to maturity of greater than ninety days but not more than one year. The counter-parties are financial institutions. At October 31, 2009, the instruments were yielding annual interest rates of 0.05% and 1.7% (2008 – 2.50% - 2.65 %). The fair market value of the Company's short-term investment approximates its carrying value at the balance sheet date.

4. MINERAL PROPERTY AND DEFERRED EXPLORATION COSTS

Needle Property, Nunavut

On August 19, 2007, the Company entered into a letter of intent and subsequently, on April 24, 2008, a letter agreement to earn a 51% interest in the Needle Lake Property, located in Nunavut, Northwest Territories. The Company is obligated to spend up to $1,000,000 in exploration costs on the Needle Lake Property by December 31, 2010 and issue 400,000 common shares as follows:

- 100,000 common shares to be issued on completion of the Company's proposed IPO to occur no later than June 30, 2008 (issued);
- 100,000 common shares to be issued on August 19, 2008; (issued)
- 100,000 common shares to be issued on August 19, 2010; and
- 100,000 common shares to be issued on August 19, 2011.

The Company can earn an additional 9% interest in the Needle Lake Property by spending an additional $1,000,000 on exploration work prior to December 31, 2011. The property is subject to a 1% net smelter royalty, payable to third parties.

Title to mining properties 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 conveyancing history characteristic of many mining properties. The Company has investigated title to all of its mineral property and, to the best of its knowledge, title to its property is in good standing.

The following mineral property costs and exploration expenses were incurred on the Needle Lake Property during the period:

	August 1, 2007 (inception) to January 31, 2008	Additions	Balance at January 31, 2009 and October 31, 2009
Acquisition Costs	$ -	$ 50,000	$ 50,000
Exploration Expenses			
Assays and drilling	9,972	204,792	214,764
Consulting	36,988	64,872	101,860
Field expenses	68,727	370,572	439,299
	115,687	640,236	755,923
Total	$ 115,687	$ 690,236	$ 805,923

Sunbeam –Pettigrew Property, Ontario

In April 2009, the Company entered into an option agreement to acquire a 100% interest in the Sunbeam-Pettigrew gold property in northwest Ontario. The property consists of 27 claims totalling 350 claim units located 25 km northeast of the town of Atikokan, 180 km west of Thunder Bay. The option agreement provided for an immediate non-refundable payment of $10,000 to the vendors, which was paid, followed by a due diligence period that ended on May 30, 2009. The Company can earn a 100% interest in the property by funding $450,000 of exploration work over a three year period and by making option payments totalling $200,000 and issuing 600,000 shares, as follows:

(i) $40,000 and 100,000 shares on May 30, 2009 (paid);
(ii) $40,000 and 150,000 shares on April 15, 2010
(iii) $50,000 and 150,000 shares on April 15, 2011; and
(iv) $70,000 and 200,000 shares on April 15, 2012.

The vendors will retain a 2.5% NSR, 1% of which can be purchased for $1,000,000. An annual pre-production royalty of $20,000 will also be in effect, commencing on April 15, 2013.

4. MINERAL PROPERTY AND DEFERRED EXPLORATION COSTS (cont'd)

Sunbeam –Pettigrew Property, Ontario

The following mineral property costs and exploration expenses were incurred on the Sunbeam-Pettigrew Property during the period:

	Balance at January 31, 2009	Additions	Balance at October 31, 2009
Acquisition Costs	$ -	$ 61,276	$ 61,276
Exploration Expenses			
Assays and drilling	-	12,168	12,168
Consulting	-	36,167	36,167
Field expenses	-	23,207	23,207
	-	71,542	71,542
Total	$ -	$ 132,818	$ 132,818

Blackfly Property, Ontario

In July 2009 the Company entered into an option to acquire a 100% interest in the Blackfly gold property in northwest Ontario. TerraX can earn a 100% interest in the Blackfly property over a four year period by making option payments totaling $100,000 (of which $10,000 has been paid), issuing 280,000 shares (of which 50,000 shares were issued during the period) and funding $179,200 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 July 2, 2013.

The following mineral property costs and exploration expenses were incurred on the Blackfly Property during the period:

	Balance at January 31, 2009	Additions	Balance at October 31, 2009
Acquisition Costs	$ -	$ 16,250	$ 16,250
Exploration Expenses			
Assays and drilling	-	2,667	2,667
Consulting	-	4,021	4,021
Field expenses	-	5,445	5,445
	-	12,133	12,133
Total	$ -	$ 28,383	$ 28,383

5. RELATED PARTY TRANSACTIONS

During the nine months ended October 31, 2009, the Company entered into the following transactions with related parties:

a) Paid or accrued $13,500 (2008 - $13,500) to a private company, wholly-owned by a director, for the provision of office rent and administrative services.
b) Accrued $Nil (2008 - $20,000) for management fees to a private company in which an officer of the Company is a principal; and
c) Paid $35,975 (2008 - $55,281) to a private company in which two directors are principals for geologic consulting services which were incurred on the Company's properties.

These transactions were in the normal course of operations and were measured at the exchange amount, which was the amount of consideration established and agreed to by the related parties.

6. SHARE CAPITAL

	Number of Shares	Amount	Contributed Surplus
Authorized			
Unlimited number of common shares without par value			
Issued			
Balance as at August 1, 2007	-	$ -	$ -
Shares issued for cash at $0.01 per share	1,550,000	15,500	31,000
Shares issued for cash at $0.10 per share	3,755,000	375,500	-
Balance as at January 31, 2008	5,305,000	391,000	31,000
Shares issued for property at $0.25 per share	200,000	50,000	-
Shares issued for cash at $0.25 per share	3,600,000	900,000	-
Share issuance costs	-	(165,567)	-
Agent's warrants	-	(24,673)	24,673
Stock-based compensation	-	-	92,865
Balance as at January 31, 2009	9,105,000	1,150,760	148,538
Shares issued for cash at $0.15 per share	10,000	1,500	-
Shares issued for cash at $0.10 per share	1,750,000	175,000	-
Shares issued for cash at $0.20 per share	1,325,000	265,000	-
Share issuance costs	-	(18,600)	-
Shares issued for property at $0.10 per share	100,000	10,000	
Shares issued for property at $0.125 per share	50,000	6,250	
Stock-based compensation	-	-	80,584
Balance as at October 31, 2009	12,340,000	$1,589,910	$ 229,122

On August 14, 2007, the Company issued 3,000,000 founders' common shares at $0.01 per share for proceeds of $30,000. Of these common shares, 1,450,000 were subsequently returned to the Company's treasury and cancelled. The remaining balance of 1,550,000 shares are held in escrow and are to be released from escrow as follows: 10% upon the issuance of notice of listing of the Company's common shares for trading by the TSX-V, and the remainder in six equal tranches of 15% every six months thereafter for a period of 36 months. Management determined that the fair value of the 1,550,000 escrowed shares issued to the founders of the Company to be $46,500 or $0.03 per share. As a result, an amount of $31,000 was expensed in the period as stock-based compensation.

On October 31, 2007, the Company issued 3,655,000 units at a price of $0.10 per unit for proceeds of $365,500 pursuant to a private placement. Each unit consists of one common share and one half of one share purchase warrant. Each whole warrant is exercisable into an additional common share at a price of $0.15 until April 30, 2009. The fair value of the warrants was estimated to be $18,275 (5% of the proceeds received from the private placement), this estimate has not been recorded as a separate component of shareholders' equity. (Of these warrants, 10,000 were exercised prior to expiry on April 30, 2009 and the remaining 1,817,500 warrants expired unexercised.) A total of 750,000 shares and 375,000 warrants issued as part of the units are held in escrow and are to be released from escrow as follows: 10% upon the issuance of notice of listing of the Company's common shares for trading by the TSX-V, and the remainder in six equal tranches of 15% every six months thereafter for a period of 36 months.

6. SHARE CAPITAL (cont'd)

On January 31, 2008, the Company issued 100,000 units at a price of $0.10 per unit for proceeds of $10,000 pursuant to a private placement. Each unit consists of one common share and one half of one share purchase warrant. Each whole warrant is exercisable into an additional common share at a price of $0.15 for a period of the earlier of July 31, 2009 or twelve months from the date the Company's common shares are listed on the TSX-V. The fair value of the warrants was estimated to be $500 (5% of the proceeds received from the private placement), this estimate has not been recorded as a separate component of shareholders' equity.

On June 27, 2008, the Company issued 3,600,000 common shares at $0.25 per share for proceeds of $900,000, pursuant to an IPO. Pursuant to an Agency Agreement with Research Capital Corporation (the "Agent") dated April 30, 2008, the Agent received a commission of 8% of the gross proceeds and was issued 360,000 non-transferable warrants (the "Agent's Warrants") equal to 10% of the number of common shares sold under the IPO. Each warrant will entitle the Agent to acquire a common share at $0.25 per share exercisable for a period of 18 months following the closing of the IPO being December 27, 2009. The Agent warrants were value at $24,673 using Black-Sholes Option pricing model. The Company also paid the Agent a corporate finance fee of $25,000 plus GST and reimbursed its legal costs and disbursements.

During the year ended January 31, 2009, the Company issued 200,000 common shares at a value of $50,000 pursuant to the Needle Lake Property agreement.

On May 28, 2009 the Company issued 100,000 shares at a value of $10,000 pursuant to the Sunbeam-Pettigrew property agreement. A further 50,000 shares at a deemed value of $6,250 were issued on July 8, 2009 for the acquisition of an interest in the Blackfly property.

On July 2, 2009, the Company completed a non-brokered private placement of 1,750,000 units at a price of $0.10 per unit for gross proceeds of $175,000, with each unit consisting of one common share and one share purchase warrant exercisable to purchase an additional share at 15 cents until July 2, 2011. These shares and warrants are subject to a hold period expiring November 3, 2009. A finder's fee of $600 was paid with respect to a portion of this placement.

On October 2, 2009, the Company completed a non-brokered private placement of 1,325,000 units at a price of $0.20 per unit for gross proceeds of $265,000, with each unit consisting of one common share and one share purchase warrant exercisable to purchase an additional share at 25 cents until October 20, 2011. These shares and warrants are subject to a hold period expiring February 21, 2010. Finder's fees of $18,000 were paid with respect to a portion of this placement.

ESCROW SHARES

As at October 31, 2009, there were 1,380,000 common shares being held in escrow which are subject to release under the policies of the TSX-V.

7. STOCK OPTIONS AND WARRANTS

Stock options

The Board of Directors of the Company has adopted a stock option plan (the "Stock Option Plan") for the Company. The Stock Option Plan 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 may be exercised within 90 days following cessation of the optionee's position with the Company, subject to the expiry date of each option, provided that if the cessation of office, directorship, or consulting arrangement was by reason of death, the option may be exercised with a maximum period of one year after such death, subject to the expiry date of such option.

On June 27, 2008, the Company granted 750,000 stock options to directors, officers and consultants at an exercise price of $0.25 per share for a 5 year period. The stock options granted were value at $ 92,865 using the Black-Scholes Option pricing model and recorded as stock-based compensation. The weighted average grant date fair value of these options was $0.12.

On September 15, 2009, the Company granted 220,000 stock options to a consultant at an exercise price of $0.20 per share for a 2 year period. The stock options granted were valued at $35,931 using the Black-Scholes Option pricing model and are being recorded as stock-based compensation as they vest over a one year period. The weighted average grant date fair value of these options was $0.16.

On October 2, 2009, the Company granted 355,000 stock options to directors, officers and consultant at an exercise price of $0.25 per share for a 2 year period. The stock options granted were valued at $74,595 using the Black-Scholes Option pricing model and were recorded as stock-based compensation during the period. The weighted average grant date fair value of these options was $0.21.

The following assumptions were used for the Black-Scholes Option Pricing Model's valuation of stock options and Agents' warrants granted during fiscal 2010 and 2009:

	2010	2009
Risk-free interest rate	1.24 – 1.28%	3.66%
Expected life	2 years	5 years
Annualized volatility	187.1 – 191.2%	52.8%
Dividend yield	0%	0%

The following table summarizes information about stock option transactions:

	Outstanding Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
Balance, October 31, 2008	750,000	0.215	3.66 years
Options granted	575,000	0.17	1.90 years
Balance, October 31, 2009	1,325,000	$ 0.30	2.90 years

7. STOCK OPTIONS AND WARRANTS (cont'd)

Stock options (cont'd)

The following incentive stock options were outstanding and exercisable at October 31, 2009:

Number of options outstanding	Exercise Price	Expiry Date
750,000	0.25	June 27, 2013
220,000	0.20	September 15, 2011
355,000	0.26	October 2, 2011
1,325,000		

Warrants

Warrant transactions are summarized as follows:

Date	Number of Warrants	Weighted Average Exercise Price	Weighted Average Life Remaining (in years)
Balance as at August 1, 2007	-	$ -	-
Granted	1,877,500	0.15	-
Balance as at January 31, 2008	1,877,500	0.15	1.49
Granted	360,000	0.25	-
Balance as at January 31, 2009	2,237,500	0.17	0.35
Issued	3,075,000	$0.19	-
Exercised	(10,000)	0.15	-
Expired	(1,867,500)	0.15	-
Balance as at October 31, 2009	3,435,000	$ 0.20	1.63

The following warrants were outstanding and exercisable at October 31, 2009:

Number	Exercise Price	Expiry Date
360,000	$ 0.25	December 27, 2009
1,750,000	0.15	July 2, 201
1,325,000	0.25	October 20, 2011

The weighted average exercise price of the warrants is $0.20 and the weighted average life remaining is 1.63 years.

8. CAPITAL MANAGEMENT

The capital of the Company consists of cash and short-term investments. The Company's objectives when managing capital are to: (i) preserve capital, (ii) obtain the best available net return, and (iii) maintain liquidity to carry out its exploration programs.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of its cash and short-term investments.

The Company's policy is to invest its excess cash in highly liquid, fully guaranteed, bank -sponsored instruments. The Company is not subject to externally imposed capital restrictions.

9. FINANCIAL INSTRUMENTS

Financial Risk Management

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 bank accounts and short-term investment account, whose balances at October 31, 2009 were $254,282 and $290,000 respectively. The bank account and the short-term investment are each held with a major Canadian bank. As both of the Company's cash and short-term investment are held by the same Canadian bank, there is a concentration of credit risk with this bank. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies. The Company's secondary exposure to risk is on its receivables. This risk is minimal as receivables consist primarily of refundable government sales taxes.

Currency Risk

The Company operates in Canada and is therefore not exposed to foreign exchange risk arising from transactions denominated in a foreign currency.

Interest Rate Risk

The Company is exposed to interest rate risk as bank accounts and short-term investments earn interest income at variable rates. The fair value of its portfolio is relatively unaffected by changes in short-term interest rates.

Liquidity Risk

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash. As at October 31, 2009, the Company was holding cash of $254,282 and short-term investments of $290,000.

TERRAX MINERALS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS For the nine months ended October 31, 2009

The following discussion and analysis should be read in conjunction with the Annual Financial Statements and related notes for the three and nine months ended October 31, 2009. All dollar amounts are stated in Canadian funds. This discussion is based on information available as at December 23, 2009.

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.

The Corporation funded exploration of the Needle Lake Property in the Nunavut Territory using the proceeds of an Initial Public Offering ("IPO") completed on June 27, 2008 of 3.6 Million shares at $0.25 per share for gross proceeds of $900,000. An initial drill program was completed at Needle in September, 2008.

During the period under review, the Company began exploration at its recently acquired Sunbeam-Pettigrew and Blackfly gold properties in the Thunder Bay Mining District of Ontario.

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 consists of 27 claims totalling 350 claim units (~55 km^2) located 25 km northeast of the town of Atikokan, 180 km west of Thunder Bay and 15 km from Brett Resources' Hammond Reef deposit, which contains a National Instrument 43-101 compliant resource of 155 Mt @ 1.04 g/t Au (approximately 5.2 Moz Au). The geology and known mineralization on the Sunbeam-Pettigrew property are similar to the Hammond Reef deposit where Brett Resources (TSX-V: BBR) has reported wide zones of mineralization, such as 154.5 m @ 1.21 g/t Au.

The option agreement on the Sunbeam-Pettigrew property was subject to a due diligence period that expired on May 30, 2009. TerraX can earn a 100% interest in the property over a three year period by making option payments totalling $210,000 (of which $50,000 has now been paid), issuing 600,000 shares (of which 100,000 shares have been issued, subject to a hold period that expired on September 29, 2009), and funding $450,000 of exploration and development work, of which $150,000 must be spent in the first year. 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. A 1982 drill hole on the property intercepted 8.5 m @ 4.8 g/t Au, including 1.8 m @ 15.8 g/t Au. 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, with associated pyrite and alteration consisting of sericitization, saussuritization, carbonatization and chloritization.

TerraX 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 Au 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 meters, 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 metre 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.

Significant Au Analyses from TerraX Sampling

Structure	Grade (g/t Au)	Description
Sunbeam-Atiko	3.83	highly altered granite, green mica, carbonate, 3-5% coarse-grained py.
	2.79	quartz with minor sericite, 4% coarse-grained pyrite
	2.12	Altered pink-green granite, 2-3% coarse-grained py
	1.49	granite with iron carbonate, sericite, 4% py
	1.48	Altered quartz vein selvage, pale green mica, 2-3% coarse py cubes
	1.18	Quartz vein, green mica, brown carbonate, minor py
	0.87	highly altered granite, green mica, hematite, carbonate, quartz, minor py

Pettigrew-Jack Lake	3.42	Quartz vein with 2% galena, 2% py
	0.98	Sheared, green granite, hematite clots, 3-5% py cubes
	0.84	Sheared, altered and oxidized granite, hematite, minor py

Activation Laboratories Ltd. (Actlabs) carried out the sample analysis in their Thunder Bay, Ontario facility. Samples were subjected to Actlabs' RX2 sample preparation which consists of crushing the entire sample to a nominal 10 mesh (1.7 mm) size, and pulverizing a 100 g sub-sample to 150 mesh (105 mm). A 50 g sub-sample of the pulverized sample was subjected to Actlabs' 1A2-50 analysis (Fire Assay with AA finish) and any analysis over 3000 ppb was re-assayed using Actlabs' 1A3-50 analysis (Fire Assay with gravimetric finish).

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 during 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 (see below). 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.

Based on initial results, TerraX has staked an additional 18 claim units (~2.9 km^2) on the eastern margin of the Sunbeam property to protect a 600 metre strike length of mineralized lineament that extended off our property where sampling returned assays up to 714 ppb (0.714 g/t) Au. In addition, a second work program was completed at Blackfly to extend the known mineralization zones.

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 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 grams per tonne Au**.

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. Updated graphics and maps are available on our website at www.terraxminerals.com and should be reviewed to assist in understanding the following detail:

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. A 1983 drill hole by the Canadian Nickel Company Ltd reported an intersection of 18.5 m @ 1.81 g/t Au. TerraX found iron carbonate alteration and anomalous gold over a 50 m width, and collected samples which returned up to **3.4 g/t Au**.

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.

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.

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.

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. A drill hole by Nahanni Mines Limited in 1981 at the Road Zone intersected **8.5 m @ 4.8 g/t Au**, including **1.8 m @ 15.8 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. This zone has not been drill tested.

TerraX regards these results as very encouraging. Extensive zones of gold mineralization with local high grade values have been demonstrated to occur on the property. Further work will concentrate on focusing within the mineralized lineaments; numerous potential drill targets are evident from the sampling done to date.

Blackfly Property, Ontario

In July 2009 TerraX entered into an option to acquire the Blackfly gold property in northwest Ontario. The property consists of five claims totalling 64 claim units (~10.1 km^2) located 10 km northwest of the town of Atikokan, 180 km west of Thunder Bay and 17 km from Brett Resources' (TSX-V: BBR) Hammond Reef deposit. As does the Hammond Reef deposit, the Blackfly property occurs on the western edge of the Marmion Batholith. The geology and known mineralization on the Blackfly property are similar to the Hammond Reef deposit and the Blackfly deposit appears to be along strike from Hammond Reef. The Blackfly property is 22 km west of TerraX's Sunbeam-Pettigrew property.

TerraX can earn a 100% interest in the Blackfly property over a four year period by making option payments totalling $100,000 (of which $10,000 has been paid), issuing 280,000 shares (of which 50,000 have been issued) and funding $179,200 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 July 2, 2013.

Gold-bearing quartz and quartz-carbonate veins were discovered on the Blackfly property around 1897, but the majority of previous exploration took place between 1938 and 1949. This includes the sinking of a 14 m shaft in 1938. According to the Ontario Geological Survey, mineralization consists of pyrite, galena, and possible arsenopyrite with accessory chlorite, sericite, ankerite and epidote. Sampling by the Ontario Geological Survey produced values of 8.75 g/t Au over 0.35 m in a quartz vein and 3.44 g/t Au in wallrock. TerraX visited the property briefly in May of 2009, taking two sulphide-bearing quartz vein samples which ran **2.24 g/t** and **167 g/t Au** respectively. Although the over-riding target for TerraX is a large, low grade gold deposit similar to Hammond Reef, the grades obtained to date from the quartz veins suggest that the property may also have potential for a smaller, higher grade deposit.

During field exploration at Blackfly in September 2009, sampling was concentrated in and around the northeast-trending, historical Blackfly Zone. Sampling along the exposed 300 m strike length of this zone in September returned assays up to 85.6 g/t Au, with 11 samples in excess of 1 g/t Au. Sampling of a parallel structure 70 m northwest of the Blackfly Zone produced assays up to 1.10 g/t Au. Two additional zones of anomalous mineralization (assays up to 383 ppb Au) were discovered during limited examination of the remainder of the property. As a result, TerraX undertook a second field program on the Blackfly property in late October to extend the known mineralization and explore for new alteration/mineralization zones.

The work programs at the Sunbeam-Pettigrew and Blackfly properties 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. All samples collected are delivered directly to Activation Laboratories Ltd. Actlab's quality control system complies with ISO/IEC 17025 and CAN-P-1579. The foregoing technical information has been verified by Dr. Tom Setterfield, PhD, P Geo., Vice President Exploration.

Private Placement

On October 20, 2009, the Company completed a non-brokered private placement of 1,325,000 units at a price of $0.20 per unit for gross proceeds of $265,000. Each unit is comprised of one common share and one share purchase warrant, with each warrant entitling the holder to purchase an additional share at an exercise price of $0.25 per share for a period of two years from the date of issue. The shares and any shares acquired on the exercise of warrants will be subject to a hold period expiring on February 21, 2010. Finder's fees of $18,000 were paid with respect to a portion of this placement.

Options Granted

On September 15, 2009 the Company agreed to grant incentive stock options to a consultant on 220,000 common shares at an exercise price of $0.20 per share for a period of two years. On October 2, 2009 the Company granted incentive stock options to directors and consultants on 355,000 common shares at an exercise price of $0.26 per share for a two year period.

Current Economic Conditions

During 2008, particularly in the fourth quarter, the ongoing global credit crisis and economic weakness have made for extremely volatile capital markets characterized by plunging equity and commodity prices and an environment in which few opportunities existed to raise additional capital. TerraX has taken precautions and implemented initiatives to preserve 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 the balance of fiscal 2010 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 2011 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 October 31, 2009

Operating expenses for the three months ended October 31, 2009 totaled $104,397 as compared to $26,168 during the three months ended October 31, 2008. The significant expenditures were as follows:

During the three months ended October 31, 2009, the Company incurred $5,036 for office, rent and expenses which is comparable to the $4,626 incurred during the same period a year prior.

Professional fees of $1,296 incurred during the three months ended October 31, 2009 were unchanged from the same period a year prior.

The Company spent $15,003 for transfer agent, filing fees and shareholder communications during the three months ended October 31, 2009. This represented an increase from the $7,246 incurred during the same period a year prior when the Company had only been public for a short period of time.

Management fees were eliminated during the current period in order to conserve cash. This compares to management fees of $15,000 incurred during the three months ended October 31, 2008.

There was no stock-based compensation expense (a non-cash item) incurred during the three months ended October 31, 2008 as no options were granted during that prior period. This compares to stock-based compensation expense totally $80,584 incurred during the current period for 575,000 stock options granted management, directors and consultants.

During the three months ended October 31, 2009, the Company earned interest income of $362 on short-term investments and cash on hand. This compares to $3,556 earned on cash on hand during the three month period ended October 31, 2008 when interest rates were higher and the Company maintained a higher cash balance.

As a result of the foregoing, the Company incurred a net loss for the three months ended October 31, 2009 of $104,035 as compared to a loss of $24,612 during the comparable period a year prior.

Results of Operations – Nine months ended October 31, 2009

Operating expenses for the nine months ended October 31, 2009 totaled $146,460 as compared to $156,260 during the nine months ended October 31, 2008. The significant expenditures were as follows:

During the nine months ended October 31, 2009, the Company incurred $14,340 for office, rent and expenses which is comparable to the $13,875 incurred during the same period a year prior.

Professional fees of $9,736 incurred during the nine months ended October 31, 2009 were reduced from the $15,683 incurred during the same period a year prior when the Company was in the process of going public.

The Company spent $34,441 for transfer agent, filing fees and shareholder communications during the nine months ended October 31, 2009. This represented an increase from the $13,837 incurred during the same period a year prior when the Company had only been public for a four month period.

Management fees were reduced to $Nil during the nine months ended October 31, 2009 from the $20,000 incurred during the nine months ended October 31, 2008 as a result of a management decision to conserve cash.

Stock-based compensation expense (a non-cash item) totaling $80,584 was incurred during the nine months ended October 31, 2009 due to the granting of 575,000 options to directors, management and consultants, the majority of which vested during the period. This compares to stock-based compensation expense of $92,865 incurred during the same period a year prior for 750,000 stock options granted to management, directors and consultants that all vested during that period.

The Company incurred travel expense of $4,881 during the nine months ended October 31, 2009 for attendance at trade shows; there were no travel expenses incurred during the same period a year prior

During the nine months ended October 31, 2009, the Company earned interest income of $1,972 on short-term investments and cash on hand. This compares to $8,258 earned on short-term investments during the nine month period ended October 31, 2008 when interest rates were higher and the Company maintained a higher cash balance.

As a result of the foregoing, the Company incurred a net loss for the nine months ended October 31, 2009 of $144,488 as compared to a loss of $148,002 during the comparable period a year prior.

Summary of Quarterly Results

	Q3-10	Q2-10	Q1-10	Q4-09	Q3-09	Q2-09	Q1-09
Revenue	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Net Loss ($)	104,035	25,436	15,017	13,478	24,612	119,770	3,620
Per Share	0.01	0.01	0.01	0.01	0.01	0.02	0.01

A “Summary of Quarterly Results” has only been prepared for the first, second, third and fourth quarters of fiscal 2009 and the first, second and third quarters of fiscal 2010 as the Company was only incorporated on August 1, 2007 and was private during the fiscal period ended January 31, 2008 and therefore did not prepare any quarterly financial reports during that period.

The loss during the second quarter of fiscal 2009 (the three month period ended July 31, 2008) increased to $119,770 from the loss of $3,620 incurred during the prior fiscal quarter primarily due to stock-based compensation expense of $92,865 (a non-cash item) incurred during the second quarter relating to 750,000 stock options granted during the period. As TerraX also became a public company during the second quarter, it also incurred additional expenses for transfer agent, filing fees and shareholder communications of $6,590 and additional professional fees of $12,259 during the period. These additional charges will continue to be incurred during subsequent quarters.

The loss for the third quarter of fiscal 2009 decreased to $24,612 from the $119,770 incurred during the second quarter of fiscal 2008 primarily due to the elimination of stock based compensation expense, a non-cash item, as there were no stock options granted or vested during the current period.

The loss for the fourth quarter of fiscal 2009 decreased to $13,478 from the $24,612 incurred during the third quarter of fiscal 2008 primarily due to the elimination of management fees during the fourth quarter in order to conserve cash.

During the first quarter of fiscal 2010, the loss increased slightly to $15,017 from the $13,478 incurred during the prior fiscal quarter due to an increase in travel expenses during the current period.

The loss for the second quarter of fiscal 2010 increased to $25,436 from the $15,017 incurred during the first quarter due to an increase in professional fees and filing fees during the current period for property acquisitions and private placements completed during the period.

The loss for the third quarter of fiscal 2010 increased to $104,035 primarily because of stock-based compensation, a non-cash expense, incurred during the current period due to the granting of incentive stock options to management, directors and consultants. There were no incentive stock options granted during the two prior fiscal quarters.

Liquidity and Capital Resources

TerraX is in the development stage and therefore has no regular cash flow. As at October 31, 2009, the Company had working capital of $481,492, inclusive of cash and short-term investments of $544,282. This compares to working capital of $276,169 at January 31, 2009, inclusive of cash and short-term investments on hand at that time of $284,808.

As at October 31, 2009, the Company had current assets of $550,954, total assets of $1,518,078 and total liabilities of $69,462. 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 $967,124 as at October 31, 2009.

The increase in cash during the three months ended October 31, 2009 of $237,809 was due to cash provided by operating activities of $29,773, cash provided from short-term investments of $30,000 and net cash received from the issuance of common shares of $247,000, offset by cash used in mineral property acquisition and exploration of $68,964. During the three months ended October 31, 2008, cash increased by $111,346 as a result of cash provided by operating activities of $163,742 and cash provided by the redemption of short term investments of $560,000, offset by cash invested in mineral exploration of $612,396.

The Company has sufficient funds on hand at October 31, 2009 to fund its operating expenses for the balance of fiscal 2010 but will not have sufficient cash to fund further exploration on the Needle Lake, Sunbeam-Pettigrew and Blackfly properties beyond the first half of fiscal 2011. On October 20, 2009, the Company completed a private placement for $265,000 that will provide sufficient funding to conduct the required exploration at Sunbeam-Pettigrew and Blackfly during fiscal 2011. The Company will have to obtain other financing or raise additional funds in order to conduct extensive exploration on its properties during fiscal 2012. Although 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.

Changes in Accounting Policies

Adoption of New Accounting Standards and Accounting Pronouncements

Effective January 1, 2008, the Company adopted the following new accounting standards that were issued by the Canadian Institute of Chartered Accountants. These accounting policy changes were adopted on a prospective basis with no restatement of prior period financial statements:

(i) Financial Instrument Disclosures and Presentation

CICA Handbook Sections 3862 *"Financial Instruments – Disclosures"* and Section 3863*"Financial Instruments – Presentation"* replace Section 3861 *"Financial Instruments – Disclosure and Presentation"*. The new standards carry forward the presentation requirements for financial instruments and enhance the disclosure requirements by placing increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

(ii) Capital Disclosures

CICA Handbook Section 1535 requires the company to disclose (a) its objectives, policies and processes for managing capital; (b) quantitative data about what the entity regards as capital; (c) whether the entity has complied with any capital requirements; and (d) if it has not complied, the consequences of such noncompliance.

(iv) Going Concern

CICA Handbook Section 1400 - General Standards of Financial Statements. The new standard requires management to make an assessment of the Company's ability to continue as a going concern, and to disclose any material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern.

New Accounting Pronouncements Effective in Future Periods

CICA Handbook Section 3064 - Goodwill and other intangibles assets. This new section replaces Section 3062, Goodwill and other intangible assets and Section 3450, Research and development costs. It establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The new Section will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Management does not expect the adoption of this new standard to have a material impact on the financial statements of the Company or its business. The Company will adopt the new standards for its fiscal year beginning February 1, 2010.

In 2006, the Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transitional date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended January 31, 2010. Management has attended briefing seminars on the transition to IFRS, and we are awaiting the release of various exposure drafts and reports which will more clearly define the accounting standards for the mining exploration industry.

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.

Related Party Transactions

During the nine months ended October 31, 2009, $13,500 (2008 - $13,500) 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 nine month period ended October 31, 2009, the Company paid $Nil (2008 - $20,000) for management fees to a private company in which Joe Campbell, the President of the Company, and Tom Setterfield, a director of the Company, are principals. In addition, the Company paid $35,975 to this same private company for geologic consulting services incurred on the Sunbeam-Pettigrew and Blackfly properties during the current period. This compares to $55,281 paid to this same company for geological consulting services incurred on the Needle property during the nine months ended October 31, 2008.

These transactions were in the normal course of operations and were measured at the exchange amount, which was the amount of consideration established and agreed to by the related parties.

Financial Instruments

The Company's financial instruments consist of cash, short-term investments, receivables and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

Contingencies

The Company is aware of no contingencies or pending legal proceedings as of December 23, 2009.

Off Balance Sheet Arrangements

The Company has no off Balance Sheet arrangements.

Equity Securities Issued and Outstanding

The Company had 12,580,000 common shares issued and outstanding as of December 23, 2009. In addition, there were 1,325,000 incentive stock options and a total of 3,195,000 share purchase warrants outstanding as of December 23, 2009.

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.