TERRAX MINERALS INC.

FINANCIAL STATEMENTS

JANUARY 31, 2010

AUDITORS' REPORT

To the Shareholders of TerraX Minerals Inc.

We have audited the balance sheets of TerraX Minerals Inc. as at January 31, 2010 and 2009 and the statements of loss, comprehensive loss and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at January 31, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

"DMCL"

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED ACCOUNTANTS

Vancouver, Canada
May 3, 2010

TERRAX MINERALS INC.

BALANCE SHEETS
JANUARY 31

		2010		2009
ASSETS				
Current assets				
Cash and cash equivalents	$	465,586	$	284,808
Receivables		3,156		2,192
Prepaids		33,000		-
		501,742		287,000
Mineral properties and deferred exploration costs (Notes 3)		213,458		797,201
	$	715,200	$	1,084,201
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Accounts payable and accrued liabilities	$	19,044	$	10,831
Shareholders' equity				
Share capital (Note 5)		1,708,851		1,150,760
Contributed surplus (Note 5)		276,507		148,538
Deficit		(1,289,202)		(225,928)
		696,156		1,073,370
	$	715,200	$	1,084,201

Nature and continuance of operations (Note 1)
Commitments (Note 3)
Subsequent events (Note 10)

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 financial statements.

TERRAX MINERALS INC.
STATEMENTS OF LOSS, COMPREHENSIVE LOSS AND DEFICIT
YEAR ENDED JANUARY 31

	2010	2009
EXPENSES		
Consulting (Note 4)	$ 5,363	$ -
Office, rent and miscellaneous (Note 4)	19,113	18,468
Management fees (Note 4)	-	20,000
Professional fees	21,426	26,478
Stock-based compensation (Note 6)	147,160	92,865
Transfer agent, filing fees and shareholder communications	59,510	12,871
Travel	6,751	56
LOSS BEFORE OTHER ITEMS	(259,323)	(170,738)
OTHER ITEMS		
Interest income	1,972	9,258
Write-off of mineral property and deferred exploration costs (Note 3)	(805,923)	-
NET LOSS AND COMPREHENSIVE LOSS	(1,063,274)	(161,480)
DEFICIT, BEGINNING	(225,928)	(64,448)
DEFICIT, ENDING	$ (1,289,202)	$ (225,928)
LOSS PER COMMON SHARE – BASIC AND DILUTED	$ (0.10)	$ (0.02)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING – BASIC AND DILUTED	10,653,027	7,562,377

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

TERRAX MINERALS INC.
STATEMENTS OF CASH FLOWS
YEAR ENDED JANUARY 31

	2010	2009
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net loss	$ (1,063,274)	$ (161,480)
Items not involving cash		
Stock-based compensation	147,160	92,865
Write-off of mineral property and deferred exploration costs	805,923	-
Changes in non-cash working capital items:		
(Increase) decrease in receivables	(964)	3,294
Increase in accounts payable and accrued liabilities	2,038	5,831
Increase in prepaids	(33,000)	-
Net cash used in operating activities	(142,117)	(59,490)
INVESTING ACTIVITIES		
Mineral property and deferred exploration costs	(185,005)	(631,514)
Net cash used in investing activities	(185,005)	(631,514)
FINANCING ACTIVITIES		
Issuance of common shares	507,900	756,933
Advances from related parties	-	(14,500)
Net cash provided by financing activities	507,900	742,433
Increase in cash and cash equivalents	180,778	51,429
Cash and cash equivalents, beginning	284,808	233,379
Cash and cash equivalents, ending	$ 465,586	$ 284,808
Cash and cash equivalents consists of:		
Cash	$ 15,586	$ 34,808
Term deposits	450,000	250,000
	$ 465,586	$ 284,808

Supplemental disclosures with respect to cash flows:

a) During the year ended January 31, 2010 the Company issued 100,000 common shares at $0.10 per share, 50,000 shares at $0.125 per share and 50,000 at $0.295 per share for the acquisition of interests in mineral properties. During the year ended January 31, 2009, the Company issued 200,000 common shares at a value of $50,000 for mineral property option payments. See Note 3.
b) During the year ended January 31, 2010, the Company reallocated $19,191 (2009 - $Nil) to share capital from contributed surplus for the exercise of agent's warrants. See Note 5.
c) Included in accounts payable and accrued liabilities at January 31, 2010 is $6,175 (2009 - $Nil) in deferred exploration costs.

	2010	2009
Cash paid during the year for interest	$ -	$ -
Cash paid during the year for income taxes	$ -	$ -

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

1. NATURE AND CONTINUANCE OF OPERATIONS

TerraX Minerals Inc. (the "Company") was incorporated under the Business Corporations Act (British Columbia) on August 1, 2007. On June 27, 2008, the Company completed its Initial Public Offering ("IPO") and began trading 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 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.

Management is also aware that material uncertainties exist, related to current economic conditions, which could adversely affect the Company's ability to continue to finance its activities. Management's plan includes continuing to pursue additional sources of equity financing to fund its exploration programs. Management expects that the Company will have sufficient capital to fund operations and keep its mineral property in good standing for the upcoming fiscal year. Further discussion of liquidity risk has been disclosed in Notes 7 and 8.

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

	2010	2009
Deficit	$ (1,289,202)	$ (225,928)
Working capital	$ 482,698	$ 276,169

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation
These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and are presented in Canadian dollars.

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, going concern assessments, future tax rates used to determine future income taxes, determining the fair value of stock-based payments, asset retirement obligations and financial instruments. Where estimates have been used financial results as determined by actual events could differ from those estimates.

Cash and cash equivalents
Cash and cash equivalents include highly liquid Canadian dollar denominated guaranteed investment certificates which are readily convertible to contracted amounts of cash without penalty. Cash equivalents are classified as held-for-trading and are recorded at fair value with realized and unrealized gains and losses reported in net income (loss). At January 31, 2010, the Company had cash equivalents comprised of term deposits issued by major

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Cash and cash equivalents (cont'd)
financial institutions in the aggregate amount of $450,000 (2009 - $250,000) and bearing interest at a rate of 0.40% (2009 – 0.87%) per annum until maturity.

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.

Ownership in mineral interests involves certain inherent risks due to the difficulties of determining and obtaining clear title to the claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral interests.

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.

Asset retirement obligations
The Company follows 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 January 31, 2010, and 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 adopted the CICA Handbook Section 3855, "Financial Instruments – Recognition and Measurement". 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 and cash equivalents, receivables and accounts payable. 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 Company has made the following classifications for the financial instruments:

(i) Cash and cash equivalents – held-for-trading; measured at fair value;
(ii) Receivables – loans and receivables; measured at amortized cost;
(iii) Accounts payable – other financial liabilities; recorded at amortized cost. .

A net smelter royalty ("NSR") is a form of derivative financial instrument. The fair value of the Company's right to purchase a NSR is not determinable at the current stage of the Company's exploration program. Therefore, no value has been assigned by management.

The Company does not use any hedging instruments.

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 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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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, 2010 and 2009, the Company had no significant items that caused other comprehensive loss to be different than net loss.

Comparative Figures
Certain comparative figures have been reclassified to conform to the current years presentation.

Loss per share
The Company uses the treasury stock method to determine the dilutive effect of stock options and other dilutive instruments. The treasury stock method assumes that proceeds received from in-the-money stock options are used to repurchase common shares at the prevailing market rate.

Basic loss per share figures have been calculated using the weighted average number of shares outstanding during the respective periods. Diluted loss per share figures are equal to those of basic loss per share for each year since the effects of the share purchase warrants and stock options have been excluded as they are anti-dilutive.

Accounting changes
CICA Handbook Section 1506, "Accounting Changes," 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.

General standards for financial statement presentation
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 this required disclosure in Note 1 to these financial statements.

Credit risk and the fair value of financial assets and financial liabilities
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. The implementation of the recommendations of this section has not had a material impact on the Company's financial statements.

Mining exploration costs
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 implementation of the recommendations of this new section has not had a material impact on the Company's financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Recent accounting pronouncements – Not yet adopted

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 February 1, 2011. The transition date of February 1, 2011 will require the restatement for comparative purposes of amounts reported by
the Company for the year ended January 31, 2011. The Company continues to monitor and assess the impact of Canadian GAAP and IFRS.

Other accounting pronouncements issued by the CICA with future affective dates are either not applicable or are not expected to be significant to the financial statements of the Company.

3. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS

	Needle	Sunbeam-Pettigrew	Blackfly	Central Canada	Total
Balance, January 31, 2008	$ 115,687	$ -	$ -	$ -	$ 115,687
Acquisition costs	50,000	-	-	-	50,000
Exploration costs					
Assays and drilling	204,792	-	-	-	204,792
Consulting	56,150	-	-	-	56,150
Field expenses	370,572	-	-	-	370,572
	631,514	-	-	-	631,514
Balance, January 31, 2009	797,201	-	-	-	797,201
Acquisition costs	-	67,451	16,250	22,750	106,451
Exploration costs					
Assays and drilling	-	12,168	5,482	-	17,650
Consulting	8,722	38,363	17,837	-	64,922
Field expenses	-	23,207	9,950	-	33,157
	8,722	73,738	33,269	-	115,729
Write-off of mineral property and deferred exploration costs	(805,923)	-	-	-	(805,923)
Balance, January 31, 2010	$ -	$ 141,189	$ 49,519	$ 22,750	$ 213,458

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 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.

3. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS (cont'd)

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 was obligated to spend up to $1,000,000 in exploration costs by December 31, 2010 and issue 400,000 common shares. During the year ended January 31, 2009, the Company issued 200,000 common shares for property option payments, at a fair value of $50,000.

During the year ended January 31, 2010, the Company elected to write-down its interest in the Needle Property and wrote-off $50,000 of mineral property acquisition costs and $755,923 of deferred exploration costs to operations.

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 by making option payments totaling $210,000, issuing 600,000 common shares and funding $450,000 of exploration work over a three year period, as follows:

- $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 (subsequently paid), the issuance of 150,000 common shares (subsequently issued) and incurring $150,000 in exploration work by April 15, 2010 (subsequently this date was waived until the Company completes such exploration work);
- $50,000, the issuance of 150,000 common shares and incurring an additional $150,000 in exploration work by April 15, 2011; and
- $70,000, the issuance of 200,000 common shares and incurring an additional $150,000 in exploration work by April 15, 2012.

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 $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.

During the year ended January 31, 2010, the Company paid an additional $7,451 for staking fees. To January 31, 2010, the Company has incurred $73,738 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 by making option payments totaling $100,000, issuing 280,000 common shares and funding $179,200 of exploration work over a four year period as follows:

- $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, the issuance of 60,000 common shares and incurring $25,600 in exploration work by July 2, 2010;
- $30,000, the issuance of 70,000 common shares and incurring an additional $25,600 in exploration work by July 2, 2011;
- $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.

3. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS (cont'd)

Blackfly Property, Ontario (cont'd)

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 January 31, 2010, the Company has incurred $33,269 in exploration work on the Blackfly Property.

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 property by funding making option payments totaling $98,000, issuing 280,000 shares and funding $140,000 of exploration work over a four year period, as follows:

- $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, the issuance of 60,000 common shares and incurring $20,000 in exploration work by December 11, 2010;
- $30,000, the issuance of 70,000 common shares 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 January 31, 2010, the Company has incurred $Nil in exploration work on the Central Canada Property.

4. RELATED PARTY TRANSACTIONS

During the year ended January 31, 2010, the Company entered into the following transactions with related parties:

a) Incurred $18,000 (2009 - $18,000) to a private company, wholly-owned by a director, for the provision of office rent and administrative services.

b) Incurred $Nil (2009 - $20,000) for management fees to a private company in which an officer of the Company is a principal; and

c) Incurred $62,946 (2009 - $55,281) to a private company in which two directors are principals for consulting services of which $60,708 (2009 - $55,281) has been capitalized to deferred exploration costs and $2,238 (2009 - $Nil) has been recorded as consulting expense.

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.

5. SHARE CAPITAL

	Number of shares	Amount	Contributed surplus
Authorized			
Unlimited number of common shares without par value			
Issued			
Balance, January 31, 2008	5,305,000	$ 391,000	$ 31,000
Shares issued for IPO	3,600,000	900,000	-
Shares issued for mineral property option payment	200,000	50,000	-
Share issuance costs	-	(165,567)	-
Agent's warrants	-	(24,673)	24,673
Stock-based compensation	-	-	92,865
Balance, January 31, 2009	9,105,000	1,150,760	148,538
Shares issued for private placement	3,075,000	440,000	-
Shares issued for mineral property option payment	200,000	31,000	-
Shares issued for exercise of warrants	390,000	105,691	(19,191)
Share issuance costs	-	(18,600)	-
Stock-based compensation	-	-	147,160
Balance, January 31, 2010	12,770,000	$ 1,708,851	$ 276,507

2009
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’s warrants were value at $24,673 using the 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 fair value of $50,000 pursuant to an option agreement for the Needle Lake Property.

2010
On May 28, 2009 the Company issued 100,000 common shares at a fair value of $10,000 pursuant to a mineral property option agreement for the Sunbeam-Pettigrew Property (Note 3).

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. Each unit consists of one common share and one share purchase warrant exercisable to purchase an additional share at $0.15 until July 2, 2011. A finder’s fee of $600 was paid with respect to a portion of this placement. The Company has not separately disclosed the fair value of the warrants.

On July 8, 2009, the Company issued 50,000 common shares at a fair value of $6,250 pursuant to a mineral property option agreement for the Blackfly Property (Note 3).

5. SHARE CAPITAL (cont'd)

2010 (cont'd)

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. Each unit consists of one common share and one share purchase warrant exercisable to purchase an additional share at $0.25 until October 20, 2011. Finder's fees of $18,000 were paid with respect to a portion of this placement. The Company has not separately disclosed the fair value of the warrants.

On January 25, 2010 the Company issued 50,000 shares at a fair value of $14,750 pursuant to a mineral property option agreement for the Central Canada Property (Note 3).

During the year ended January 31, 2010, the Company issued 390,000 common shares upon the exercise of warrants, for gross proceeds of $86,500. Of the warrants exercised, 280,000 were Agent's warrants which were allocated a fair value of $24,673 during the year ended January 31, 2009. Accordingly, the Company reallocated $19,191 from contributed surplus to share capital.

Escrow shares

As at January 31, 2010, there were 1,035,000 (2009 – 1,725,000) common shares being held in escrow which are subject to release under the policies of the TSX-V.

6. 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 assigned a fair value of $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 assigned a fair value of $35,931 using the Black-Scholes option pricing model and are being recorded as stock-based compensation over the stock options 1 year vesting period. At January 31, 2010, the Company has recorded $14,972 in stock-based compensation expense relating to the vested stock options. The weighted average grant date fair value of these options was $0.15.

On October 2, 2009, the Company granted 355,000 stock options to directors, officers and consultant at an exercise price of $0.26 per share for a 2 year period. The stock options granted were assigned a fair value of $74,596 using the Black-Scholes option pricing model and were recorded as stock-based compensation. The weighted average grant date fair value of these options was $0.22.

On January 27, 2010, the Company granted 300,000 stock options to a consultant at an exercise price of $0.25 per share for a two year period. The stock options granted were assigned a fair value of $57,592 using the Black-Scholes

6. STOCK OPTIONS AND WARRANTS (cont'd)

Stock options (cont'd)

option pricing model and recorded as stock-based compensation. The weighted average grant date fair value of these options was $0.19.

The following assumptions were used for the Black-Scholes option pricing model's valuation of stock options and Agents' warrants granted:

	2010	2009
Risk-free interest rate	1.25%	3.66%
Expected life	2 years	3.25 years
Annualized volatility	161%	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, January 31, 2008	-	$ -	-
Options granted	750,000	0.25	-
Balance, January 31, 2009	750,000	0.25	4.40 years
Options granted	875,000	0.24	
Balance, January 31, 2010	1,625,000	$ 0.25	2.50 years

The following incentive stock options were outstanding and exercisable at January 31, 2010:

Number of options outstanding	Number of options exercisable	Exercise Price	Expiry Date
750,000	750,000	$ 0.25	June 27, 2013
220,000	91,667	0.20	September 15, 2011
355,000	355,000	0.26	October 2, 2011
300,000	300,000	0.25	January 27, 2012
1,625,000	1,496,667		

6. STOCK OPTIONS AND WARRANTS (cont'd)

Warrants

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Life Remaining (in years)
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	(390,000)	0.22	-
Expired	(1,947,500)	0.15	-
Balance as at January 31, 2010	2,975,000	$ 0.19	1.55

The following warrants were outstanding and exercisable at January 31, 2010:

Number	Exercise Price	Expiry Date
1,650,000	$ 0.15	July 2, 2011
1,325,000	0.25	October 20, 2011

7. CAPITAL MANAGEMENT

The capital of the Company consists of share and working capital. 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 cash equivalents.

The Company's policy is to invest its excess cash and cash equivalents in highly liquid, fully guaranteed, bank - sponsored instruments.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the years ended January 31, 2009 and 2010. The Company is not subject to externally imposed capital restrictions.

8. RISK MANAGEMENT

Industry risk management

The Company is engaged primarily in mineral exploration and manages related industry risk issues directly. The Company may be at risk for environmental issues and fluctuations in commodity pricing. Management is not aware of and does not anticipate any significant environmental remediation costs or liabilities in respect of its current operations.

8. RISK MANAGEMENT (cont'd)

Financial risk management

The Company is exposed in varying degrees to a variety of financial instrument related risks.

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 term deposits, whose balances at January 31, 2010 were $15,586 and $450,000 respectively. The bank account and the term deposits are each held with a major Canadian bank. As both of the Company's cash and cash equivalents 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 term deposits earn interest income at variable rates. The fair value of its portfolio is relatively unaffected by changes in short-term interest rates.

Liquidity and funding 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 January 31, 2010, the Company was holding cash and cash equivalents of $465,586. Funding risk is the risk that market conditions will impact the Company's ability to raise capital through equity markets under acceptable terms and conditions. Under current market conditions, both liquidity and funding risk have been assessed as high.

9. FUTURE INCOME TAXES

The actual income tax provisions differ from the expected amounts as calculated by applying the Canadian combined federal and provincial corporate income tax rates to the Company's loss before income taxes. The components of these differences are as follows:

	2010	2009
Loss for the year	$ (1,063,274)	$ (161,480)
Statutory tax rate	30.25%	31.00%
Expected income tax recovery	$ (321,640)	$ (50,059)
Non-deductible items	(123)	28,788
Other	(4,650)	(1,643)
Impact of tax rate change	(18,839)	-
Change in valuation allowance	345,252	22,914
Future income tax recovery	$ -	$ -

9. FUTURE INCOME TAXES (cont'd)

The significant components of the Company's future income tax assets are as follows:

	2010	2009
Mineral properties	$ 282,073	$ -
Non-capital losses available for future periods	71,213	31,414
Share issuance costs	27,430	4,050
	380,716	35,464
Valuation allowance	(380,716)	(35,464)
Net future tax assets	$ -	$ -

The Company has non-capital losses for income tax purposes which may be carried forward to reduce taxable income in future years. If not utilized, the non-capital losses, in the amount of approximately $285,000 which expire commencing 2028. A full valuation has been recorded due to the uncertainty of achieving sufficient future income for tax purposes such that the assets will be realized.

10. SUBSEQUENT EVENTS

Subsequent to January 31, 2010, the Company entered into the following transactions:

(a) Completed a non-brokered private placement of 750,000 units at a price of $0.20 per unit for gross proceeds of $150,000. Each unit is comprised of one common share and one share purchase warrant. Each warrant entitles the holder to purchase an additional common share at a price of $0.25 per share for a period of 2 years.

(b) Retained the services of an investor relations consultant for a term of 2 years. The Company will be obligated to pay a consulting fee of $5,000 per month and has granted the consultant 400,000 stock options, exercisable at $0.30 per share for a period of 2 years.

TERRAX MINERALS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS For the year ended January 31, 2010

The following discussion and analysis should be read in conjunction with the Annual Financial Statements and related notes for the year ended January 31, 2010. All dollar amounts are stated in Canadian funds. This discussion is based on information available as at May 18, 2010.

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 May 2009 the Company completed its due diligence on the Sunbeam-Pettigrew gold property in Northwest Ontario and entered into an option agreement with the vendors for a 100% interest in the property, subject to a 2.5% NSR. The Sunbeam-Pettigrew property consists of 27 claims totalling 350 claim units (~55 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 Brett Resources' (TSX-V: BBR) Hammond Reef property, which contains a National Instrument 43-101 compliant resource of 259.4 Mt @ 0.80 g/t Au (approximately 6.7 Moz Au). The Brett Resources technical report is available at www.sedar.com.

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 deposit 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 the Thunder Bay Mining District of Ontario. 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, with core drilling scheduled to begin in late May of 2010

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 consisted 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 259.4 Mt @ 0.80 g/t Au (approximately 6.7 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 $90,000 has now been paid), issuing 600,000 shares (of which 250,000 shares have been issued), and funding $450,000 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 $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 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 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

tructure	**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 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 g/t 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.

Mineralization on the Company's properties in the Marmion Batholith occurs in quartz veins and altered granite. In both cases, gold content appears to be roughly proportional to the amount of pyrite in the rock. Induced Polarization ("IP") surveying is the best method to detect disseminated pyrite, thus IP (or chargeability) anomalies will constitute drill targets. Magnetic surveying was also completed in order to provide more information about structures and alteration. Chargeability anomalies occur on all grids on which IP surveying was conducted, and in all cases they are approximately coincident with surface alteration/mineralization. In early 2010, TerraX performed an IP survey on a 1.6 km strike length of the Sunbeam lineament, including the AL198 Zone which returned **16.2 g/t Au**, and a 2 km strike length of the Pettigrew lineament, including a zone which ran up to **10.2 g/t Au,** with northeast-striking chargeability and coincident resistivity high anomalies occurring over at least a 1.4 km strike length.

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. The lineament contains the Burger Zone, a mineralized zone at least 400 m long, where 28 of 34 samples collected by TerraX in 2009 were anomalous in Au (>20 ppb), including previously reported samples of **15.6 g/t, 6.14 g/t and 4.79 g/t Au.** This land acquisition further strengthens TerraX's position as one of the major landholders of prospective ground in the burgeoning Marmion Batholith gold district.

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' 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.

On February 2, 2010, TerraX announced that it has received the final results from a total of 276 samples collected on its Blackfly gold property in Northwest Ontario during the spring and fall 2009. The sampling has defined a northeast-striking, mineralized lineament with intermittent alteration and mineralization noted over a strike length of 4.4 km on the property. The highest assay from the lineament was **167 g/t Au** (reported July 8th, 2009). This lineament is sub-parallel to and potentially along strike with the nearby Hammond Reef deposit.

Four northeast-striking lineaments with alteration have been identified to date on the Blackfly property, but anomalous gold has so far only been detected on the main lineament, which has a strike length of 4.4 km. TerraX collected 179 grab samples from this lineament; assays ranged from below detection to 167 g/t Au. Fifty-four samples had >50 ppb Au, 37 had >250 ppb Au and 16 had more than 1,000 ppb Au (1 g/t), including the highest values of **85.6 and 167 g/t Au**. Fifty-one samples were collected from a 410m long high grade section of the lineament called the Blackfly Zone; 35 of these samples had >50 ppb Au, 26 had >250 ppb Au and 15 had more than 1,000 ppb Au. The Blackfly Zone has several historical pits along it, but has never been drill tested.

On the Blackfly property, TerraX conduct a detailed IP survey (50 to 100 m line spacing) in early 2010 over a 500 m strike length containing the Blackfly Zone, and reconnaissance IP (150 m line spacing) over a 1.8 km strike length of the main lineament in the northeast part of the property. On the Blackfly Zone, the survey identified a 300 m long by 200 m wide, northeast-striking, chargeability anomaly that is open at both ends, and is coincident with anomalously high resistivity (possibly indicating silicification). In the northeast part of the property, a 1.6 km long by up to 200 m wide, northeast-striking chargeability anomaly was identified. This anomaly is open to the southwest, towards the Blackfly Zone. The chargeability anomaly corresponds to a resistivity high and occurs along an 8 km long airborne magnetic lineament. This lineament contains the Blackfly Zone and an auriferous zone immediately northeast of the Blackfly property, recently drilled by Sparton Resources Inc. Alteration and anomalous gold values were noted on surface along the length of this anomaly during TerraX's 2009 field program.

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 km^2) 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.

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.

TerraX can earn a 100% interest in the Central Canada property over a four year period by making option payments totaling $98,000, issuing 280,000 common shares 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. Closing of the transaction is subject to acceptance for filing by the TSX Venture Exchange.

Induced Polarization (“IP”) and magnetic surveys were conducted in February and March 2010 on all three of TerraX’s Atikokan properties in preparation for drilling now scheduled for May 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.

The work programs at the Sunbeam-Pettigrew, Blackfly, and Central Canada 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.

Needle Property, Nunavut

Pursuant to an Option Agreement dated August 19, 2007 among TerraX, Kaminak Gold Corporation (“Kaminak”) and 974134 NWT Ltd. (the registered holder of the Needle Lake Property, and a wholly-owned subsidiary of Kaminak) the Company has an option to acquire up to a 60% interest in the Needle Lake Property.

Under the terms of the Option Agreement, the Company has the option to acquire a 51% interest in the Needle Lake Property by issuing an aggregate of 400,000 Common Shares to Kaminak and incurring an aggregate of $1,000,000 in exploration expenditures on the Needle Lake Property as follows:

Share Issuances

a. 100,000 Common Share upon completion of the Offering (issued);
b. a further 100,000 Common Shares on or before August 19, 2008 (issued);
c. a further 100,000 Common Shares on or before August 19, 2009; and
d. a further 100,000 Common Shares on or before August 19, 2010.

Exploration Expenditures

a. $100,000 on or before December 31, 2007 (incurred);
b. a further $250,000 on or before December 31, 2008 (incurred);
c. a further $300,000 on or before December 31, 2009 (incurred); and
d. a further $350,000 on or before December 31, 2010.

The Company has the option to acquire a further 9% interest in the Needle Lake Property, for a total interest of 60%, by incurring an additional $1,000,000 in exploration expenditures on or before December 31, 2011.

The Needle Lake Property is subject to a 0.25% net smelter royalty in favour of each of 678119 Alberta Ltd., 677081 Alberta Ltd., 655110 Alberta Ltd. and Stewart Holdings Ltd., for an aggregate 1% net smelter royalty.

The Needle Lake Property comprises two contiguous claims with a total area of 2090.21 hectares located approximately 460 km northeast of Yellowknife, 200 km southeast of the Lupin Mine owned by Wolfden Resources Inc., and 70 km south of the George and Goose Lake deposits owned by Dundee Precious Metals Inc. Gold exploration in the area has been largely driven by significant discoveries of iron formation-hosted gold at the Lupin Mine, which produced 3.37 million ounces of gold from 1982-2005.

The Needle property has had limited previous exploration, the last major phase of which occurred in 1990 when drilling yielded mineralized intersections in three holes, including 9.46 g/t Au over 3.43 m in one hole and 11.58 g/t Au over 2.02 m in another. These intersections appear to be on the same northerly trending structure, which is untested along strike in both directions and down dip. Furthermore, during field work in 2007, TerraX collected a grab sample which ran 14.8 g/t Au on the surface projection of the structure. TerraX planned to drill five holes on this target in 2008.

An independent technical report dated November 27, 2007 entitled, "Technical Report on the Gold and Diamond Potential of the Needle Lake Property, western Nunavut, Canada" (the "Needle Lake Report") was prepared for the Company by Robert B. L'Heureux, M.Sc., P.Geol. The Needle Lake Report has been filed with the Securities Commissions and is available for review on the SEDAR database at www.sedar.com.

On August 16, 2008 TerraX began drilling at the Needle Lake Property. The 2008 exploration program was comprised of a five hole drill program that tested extensions from the main Needle Gold Zone, which was drilled by previous workers in 1990.

In addition, the current drill program tested a new vein structure identified during fieldwork conducted by TerraX in 2007 (*486 g/t Au assay from a large (> 1 cubic m), angular boulder/subcrop), located within 100 metres of the mineralized structure described above. No previous drilling had been completed over this target.*

Finally, the drill program tested a new style of mineralization that was discovered on the property in 2007 and consists of zinc and lead-rich precious metal occurrences. An outcropping surface grab sample from one such discovery yielded 24 g/t Au, 70 g/t Ag, 1.7% Zn and 0.5% Pb. This occurrence is coincident with a geophysical conductor which has yet to be fully defined. Previous prospecting along this conductor has resulted in seven anomalous Au samples (3.0 g/t to 41.7 g/t). A GPS controlled VLF survey was completed over this target area to help determine drill collar locations and orientation. No previous drilling had been completed over this target, and one hole was drilled to test this area during the current drill campaign.

On October 24, 2008, TerraX announced the assay results from the Needle Lake drill program.

Holes TXR08-001, 002 and 004 were drilled on extensions to the main zone drilled in 1990. All holes intersected the mineralized zones where they had been projected from previous drilling. Although these holes confirmed strike and dip extensions to the main mineralized zone on the property, none of the results were as high grade as previous drilling. TerraX's best intersection in TXR008-004 (2.47 g/t Au over 3.25 m) is the most southerly drill hole on the zone and indicates that the zone remains open along a 2 km magnetic trend. The northern extension of the zone goes under Needle Lake and would require winter drilling off the ice. TerraX will continue to assess the extensions of this zone.

Hole TXR08-003 tested the vein structure discovered by surface prospecting. The hole intersected two narrow zones of quartz veining with results of 1.17 g/t Au over 0.65 m and 1.03 g/t Au over 1.27 m.

No significant mineralization was encountered in TXR08-005 which was designed to test the zinc and lead precious metal occurrence. TerraX will review the work done to date on this target to ascertain why it was missed in the drilling, and to better target future exploration.

2008 Needle Gold Assay Results

Hole No.	From (m)	To (m)	Interval (m)	Au Grade (g/t)
TXR08-001	40.15	48.62	8.47	0.44
TRX08-002	80.35	83.05	2.70	0.80
TXR08-003	22.00	22.65	0.65	1.17
and	29.53	30.80	1.27	1.03
TXRO8-004	34.60	37.85	3.25	2.47
and	71.40	74.35	2.95	1.09
TXR08-005	No significant values			

Drill holes were designed to intersect zones at right angles and reported drill intercepts are approximately true widths.

TerraX's exploration program was supervised by Joseph Campbell, P.Geo., TerraX's President and CEO, who serves as a Qualified Person under the definition of National Instrument 43-101 for the purpose of this disclosure. Drilling assays were completed at TSL Laboratories in Saskatoon, Saskatchewan. Reference standards were inserted into the sample streams as part of a comprehensive QA/QC program to ensure accurate results.

The Company did not conduct any exploration work on the Needle property during the year ended January 31, 2010. As such, the Company elected to write down its interest in the Needle Property and wrote-off $50,000 of mineral property acquisition costs and $755,923 of deferred exploration costs to operations during the period.

Private Placements

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. Each unit consists 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 15 cents per share until July 2, 2011. The shares and any shares acquired on the exercise of warrants will be subject to a hold period expiring on November 3, 2009. A finder's fee of $600 was paid with respect to a portion of this 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.

In April 2010 TerraX completed a non-brokered private placement of 750,000 units at a price of $0.20 per unit for net proceeds to the Company of $150,000. Each unit consists of one share and one warrant, with each warrant exercisable to purchase an additional share of the Company at $0.25 until March 31, 2012. All of the shares, warrants and any shares issued upon exercise of the warrants are subject to a hold period and may not be traded until August 1, 2010.

On May 17 2010 TerraX announced a non-brokered private placement of 3,000,000 units at a price of $0.30 per unit for gross proceeds of $900,000. Each unit will be comprised of one common share and one half-warrant, with each full warrant entitling the holder to purchase an additional share at an exercise price of $0.40 per share for a period of two years from the date of issue. A finders fee may be payable on a portion of this placement, which is subject to acceptance for filing by the TSX Venture Exchange.

Paradox Public Relations Inc. retained for investor relations services

In April 2010 TerraX retained the services of Paradox Public Relations Inc. of Montreal as strategic investor relations consultants to the company. Paradox will focus on developing and expanding TerraX's communications with the investment community through a comprehensive investor relations program. Paradox has provided investor relations services to businesses in multiple industries for the past eight years. As at April 1, 2010 Paradox owns, directly or indirectly, approximately 500,000 common shares and 500,000 warrants of TerraX.

Paradox has been engaged for a 24-month term. Under the terms of the agreement, Paradox will be paid $5,000 per month and has been granted 400,000 incentive stock options exercisable at $0.30 per share for a period of two years, subject to vesting provisions. The agreement can be terminated by either party upon 30 days notice after an initial period of six months.

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. On January 27, 2010 the Company granted incentive stock options to a consultant on 300,000 common shares at an exercise price of $0.25 for a two year period. A further 400,000 options were granted to Paradox in April, 2010, as noted above.

Current Economic Conditions

During 2009, 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 fiscal 2011 and does not believe that any further 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 – Year ended January 31, 2010

Operating expenses for the year ended January 31, 2010 totaled $259,323 as compared to $170,738 during the year ended January 31, 2009. The significant expenditures were as follows:

During the year ended January 31, 2010, the Company incurred $19,113 for office, rent and expenses which is comparable to the $18,468 incurred during the same period a year prior.

Professional fees of $21,426 incurred during the year ended January 31, 2010 were reduced from the $26,478 incurred during the same period a year prior.

The Company spent $59,510 for transfer agent, filing fees and shareholder communications during the year ended January 31, 2010. This represented an increase from the $12,871 incurred during the same period a year prior, as a result of two private placements closed throughout the year, property acquisitions, and an increase in shareholder communications activity.

Management fees were eliminated during the current period in order to conserve cash. This compares to management fees of $20,000 incurred during the year ended January 31, 2009.

There was a stock-based compensation expense (a non-cash item) incurred during the year ended January 31, 2009 of $92,865 as 750,000 options were granted during that prior period. This compares to stock-based compensation expense totaling $147,160 incurred during the current period for 875,000 stock options granted to management, directors and consultants.

During the year ended January 31, 2010, the Company earned interest income of $1,972 on short-term investments and cash on hand. This compares to $9,258 earned on cash on hand during the year ended January 31, 2009 when interest rates were higher and the Company maintained a higher cash balance.

During the year ended January 31, 2010 the Company recognized a write-off on mineral properties of $805,923 due to the abandonment of the Needle property, as discussed above. There was no comparable write-off during the prior fiscal year.

As a result of the foregoing, the Company incurred a net and comprehensive loss for the year ended January 31, 2010 of $1,063,274 as compared to a loss of $161,480 during the comparable period a year prior.

Selected Annual Information

	Year ended January 31, 2010	Year ended January 31, 2009	Period from inception on August 1, 2007 to January 31, 2008
Revenue	Nil	Nil	Nil
Income (Loss) before Other Items	(259,323)	(170,738)	(66,091)
Per Share	(0.02)	(0.02)	(0.02)
Net Income or (Loss)	(1,063,274)	(161,480)	(64,448)
Per Share	(0.10)	(0.02)	(0.02)
Total assets	$715,200	$1,084,201	$377,052
Long-Term Liabilities	Nil	Nil	Nil

The net loss for the fiscal year ended January 31, 2009 of $161,480 represented an increase, on an annualized basis, from the net loss incurred during fiscal 2008 of $64,448 ($128,896 on an annualized basis) due to increased levels of expenditure during the current period in all categories related to the Company becoming publicly traded during the current fiscal period. Expenditures were incurred during fiscal 2009 for management fees and transfer agent, filing fees and shareholder communications expenses $32,871 that were not incurred during the prior fiscal period, when the Company was privately held.

The net loss for the fiscal year ended January 31, 2010 increased to $1,063,274 from the loss of $161,480 incurred during fiscal 2009 primarily due to a wrote-off of mineral property expenditures of $805,923 incurred on the Needle property in Nunavut, which the Company intends to abandon. Additional expenditures were incurred during the current fiscal period for transfer agent, filing fees and shareholder communications expenses as well as for stock-based compensation expense, a non-cash item that increased to $147,160 (2009-$92,865) due to additional stock options granted during the current period.

Summary of Quarterly Results

	Q4-10	Q3-10	Q2-10	Q1-10	Q4-09	Q3-09	Q2-09	Q1-09
Revenue	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Net Loss ($)	918,786	104,035	25,436	15,017	13,478	24,612	119,770	3,620
Per Share	0.10	0.01	0.01	0.01	0.01	0.01	0.02	0.01

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.

The loss for the fourth quarter of fiscal 2010 increased to $918,786 primarily due to the write-off of mineral property acquisition and deferred exploration costs totalling $805,923 during the period.

Liquidity and Capital Resources

TerraX is in the development stage and therefore has no regular cash flow. As at January 31, 2010, the Company had working capital of $482,698, inclusive of cash and cash equivalents of $465,586. This compares to working capital of $276,169 at January 31, 2009, inclusive of cash and cash equivalents on hand at that time of $284,808.

As at January 31, 2010, the Company had current assets of $501,742, total assets of $715,200 and total liabilities of $19,044. 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 $213,458 as at January 31, 2010.

The decrease in cash during the year ended January 31, 2010 of $19,222 was due to cash used by operating activities of $142,117 and cash used in mineral property acquisition and exploration of $185,005, offset by cash received from the issuance of common shares of $507,900. During the year ended January 31, 2009, cash increased by $16,429 as a result of net cash provided by financing activities of $742,433, offset by cash used in operating activities of $59,490and cash used for mineral property and deferred exploration costs of $631,514.

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. An additional private placement for $150,000 was completed in March, 2010 to further augment working capital. The Company will have to obtain other financing or raise additional funds in order to conduct extensive exploration on its properties during the second half of fiscal 2011. To this end, a further private placement for $900,000 was announced on May 17 2010, the closing of which is subject to acceptance for filing by the TSX Venture Exchange. 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.

New Accounting Pronouncements Not Yet Adopted

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.

Going concern

The Company is in the exploration stage and has no revenue or income from operations. The Company has limited capital resources and has to rely upon the sale of equity and/or debt securities for cash required for exploration and development purposes, for acquisitions and to fund the administration of the Company. Since the Company does not expect to generate any revenues from operations in the near future, it must continue to rely upon the sales of its equity or debt securities or joint venture agreements to raise capital. It follows that there can be no assurance that financing, whether debt or equity, will be available to the Company in the amount required by the Company at any particular time or for any period and that such financing can be obtained on terms satisfactory to the Company.

The Company's financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to obtain the necessary financing to meet its ongoing commitments and further its mineral exploration programs.

The Company may encounter difficulty sourcing future financing in light of the recent economic downturn. The current financial equity market conditions and the inhospitable funding environment make it difficult to raise capital through the private placements of shares. The junior resource industry has been severely affected by the world economic situation as it is considered speculative and high-risk in nature, making it even more difficult to fund. While the Company is using its best efforts to achieve its business plans by examining various financing alternatives, there is no assurance that the Company will be successful with any financing ventures.

Related Party Transactions

During the year ended January 31, 2010, $18,000 (2009 - $18,000) 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 year ended January 31, 2010, the Company paid $Nil (2009 - $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 $2,238 and $620,708 to this same private company for consulting fee and 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 year ended January 31, 2009.

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.

Capital Management

The capital structure of the Company consists of common shares and working capital. The Company's objectives when managing capital are to: (i) preserve capital, (ii) obtain the best available net return, and (iii) maintain liquidity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic condition 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 cash and cash equivalents and investments.

The Company's policy is to invest its excess cash in highly liquid, fully guaranteed, bank-sponsored instruments. This strategy is unchanged from fiscal 2009.

The Company is not subject to externally imposed capital restrictions. There were no changes to its capital management approach in the year.

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.

Risk Management

Management of Industry Risk

The Company is engaged primarily in mineral exploration and manages related industry risk issues directly. The Company may be at risk for environmental issues and fluctuations in commodity pricing. Management is not aware of and does not anticipate any significant environmental remediation costs or liabilities in respect of its current operations.

Management of Financial Risk
The Company's financial instruments are exposed to certain financial risks, which include credit risk, liquidity risk, and market risk.

Credit Risk
Credit risk is the risk that one party to a financial instrument will fail to fulfil an obligation causing the other party to incur a financial loss. The Company is exposed to credit risks arising from its cash holdings. The Company manages credit risk by placing cash with reputable Canadian financial institutions and management believes the risk of loss to be remote. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

Liquidity Risk
Liquidity risk is the risk that the Company will not have sufficient funds to meet its financial obligations when they are due. To manage liquidity risk, the Company reviews additional sources of capital to continue its operations and discharge its commitments as they become due.

Market Risk
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and price risk.

Currency Risk
Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's functional currency is the Canadian dollar. The Company is not exposed to currency risk as all of its mineral property interests are located in Canada.

Interest Rate Risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to significant interest rate risk.

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 May 18, 2010.

Off Balance Sheet Arrangements

The Company has no off Balance Sheet arrangements.

Equity Securities Issued and Outstanding

The Company had 13,670,000 common shares issued and outstanding as of May 18, 2010. In addition, there were 2,125,000 incentive stock options and a total of 3,725,000 share purchase warrants outstanding as of May 18, 2010.

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.