

TerraX Minerals – Land of the Gold Giants

If one goes to the websites of pure explorers these days and looks for their “Activities in 2015” page one is lucky to not come up with a “page error” and an essentially blank screen. In the case of TerraX the pace of work is frenzied rather than somnolent.

It’s a long while since we wrote on an explorer as this was a group that has been deeply unfashionable since the gold slump entered into its darker “second-phase” in 2015. It’s a sign of the times then that some of those companies which were still able to raise cash and maintain a works program are now peeking their heads above the parapet in the hope that they don’t get them blown off. The fact that Osisko Royalties made a bet on TerraX Minerals (TSX.V: TXR; OTC Pink: TRXXF; Frankfurt: TX0) in mid-2015, when the mood was darkest, has helped in keeping the TerraX market price buoyant. It also helps that the board is freighted with veteran names and not the Vancouver promoter types.

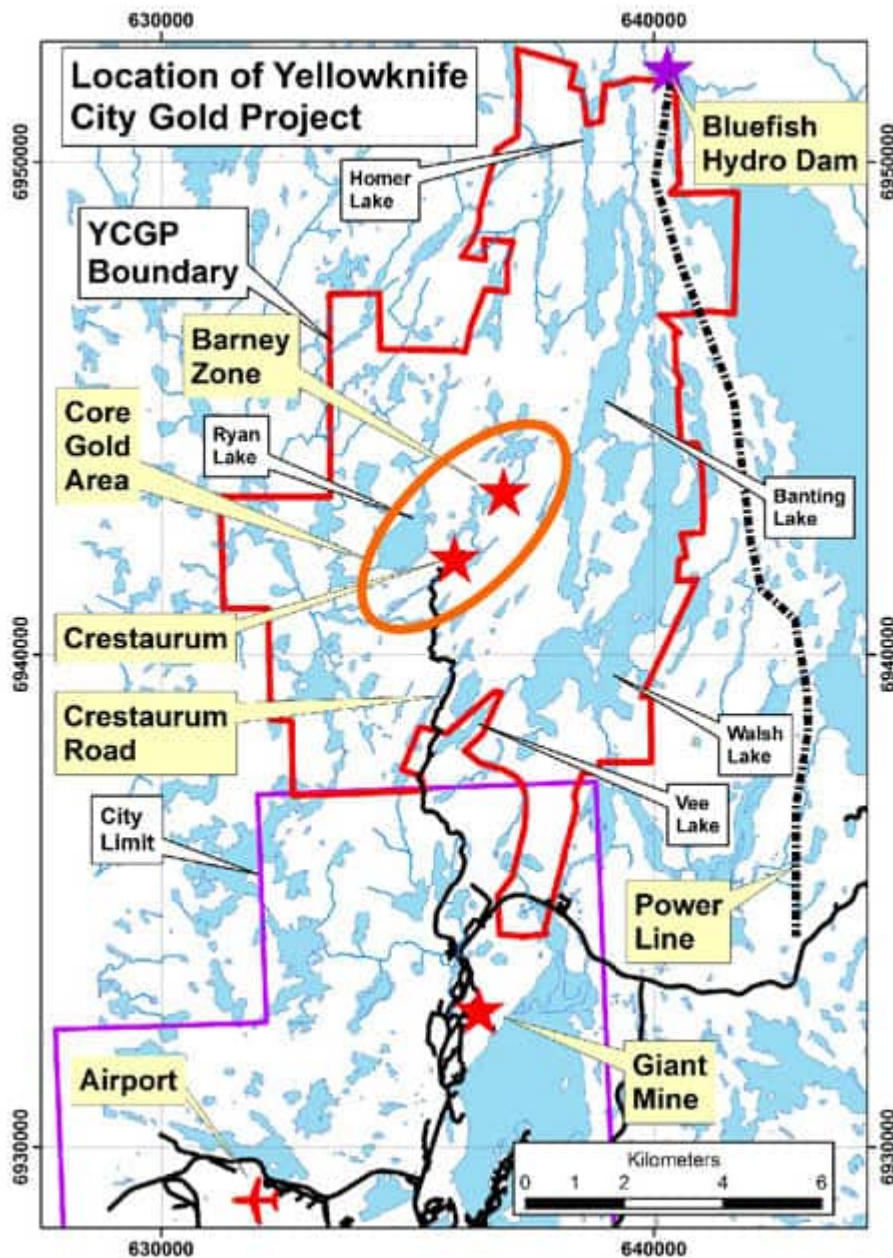
We shall have a look here at the company’s recent activities which have been capped by some rather stellar drilling results in recent days.



In the shadow of the head frame

TerraX Minerals describe their land package in the Northwest Territories as being “in the shadow of the head frame.” That’s a new one on us but it’s also interesting that they regard being near to (former) production as almost as good as the real thing. A few years ago, companies would pride themselves on discovering “new districts”. New districts these days are synonymous with out of the way and big infrastructure capex and somewhat worse that coming down with leprosy.

The company's attentions are thus focused on what they call the Yellowknife City Gold Project (YCG). This project encompasses 116 km² of contiguous land, immediately north and south of Yellowknife, the capital of the NWT. Through a series of acquisitions since, TerraX now claims to control one of the six major high-grade gold camps in Canada.



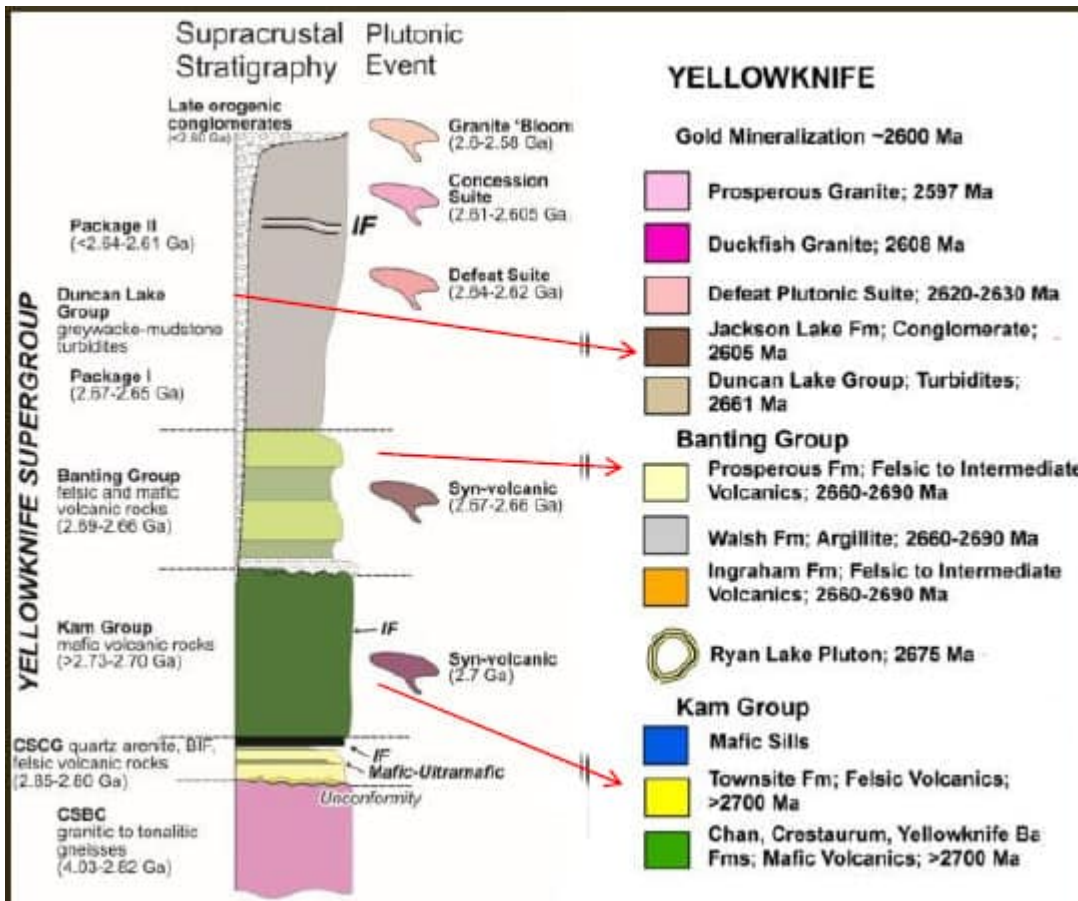
The project is all-season road accessible and within 15km of Yellowknife. As such, the YCG is close to infrastructure, including transportation, service providers, hydro-electric power and skilled trades people.

Geology

The underlying geology of the area is the Kam Group, which is a 10 km (6 mi) thick Archean volcanic group in the Yellowknife greenstone belt of the Northwest Territories. It consists of tholeiitic mafic and subordinate felsic volcanic rocks that were erupted in a submarine environment about 2706 million years ago.

The company's project lies on the prolific Yellowknife greenstone belt, with the combined Northbelt and Southbelt properties covering 23 km of strike length on the northern and southern extensions of the shear system that hosts a number of prominent past-producers, which we shall discuss anon.

The mafic volcanic rocks of the Kam Formation, previously thought to represent the oldest supracrustal rocks of the belt, overlap remnants of an earlier volcanic-sedimentary sequence, sometimes termed the Octopus Formation. The Yellowknife Bay Formation, at the top of the Kam Group and comprising massive and pillowed flows with pillow breccias and numerous interflow sediments, contains all the important gold deposits mined at Yellowknife. The Banting Formation, directly overlies the Kam Group and consists of mafic to felsic volcanics. Gold-bearing shear zones postdate deposition of the Banting Group, making the rocks of this group a potential target for gold exploration. The presence of remnants of a possible spreading center at the base of the Kam Group suggests that plate-tectonic processes were active during the formation of Archean supracrustal basins in the Slave Province.



The project area contains multiple shears that are the recognized hosts for gold deposits in the Yellowknife gold camp, with innumerable gold showings and high grade drill results in 2014 and 2015 that serve to indicate the project's potential as a world-class gold district.

Field exploration continues to reveal more zones of near-surface high grade gold mineralization. Highlights in 2015 included the discovery of new zones of replacement style mineralization, evidenced by channel samples of 11.0 m @ 7.55 g/t Au and 6.0 m @ 10.26 g/t Au across strike at the Hebert-Brent zone. Drilling is scheduled to resume in mid-January, 2016.

The Latest Drill Results

We could spend a lot of ink trawling over drill results over the last year but it is the initial two holes of a four hole drill program testing quartz vein and replacement style mineralization that are hgoing to be the motor of the stock

for the next few months. These holes were drilled at the Mispickel target on the company's Walsh Lake property of the YCG. The two holes reported in late February were both drilled on the same section and intersected:

- 7.30 m @ 23.60 g/t Au, including 4.55 m @ 37.29 g/t Au in the main zone of hole TWL16-002
- 8.60 m @ 12.87 g/t Au, including 5.45 m @ 18.24 g/t Au in the main zone of hole TWL16-001
- 11.32 m @ 2.14 g/t Au, including 2.10 m @ 5.92 g/t Au in a footwall zone of hole TWL16-001.

Drilling at Mispickel totaled 384 meters in four holes on two parallel sections approximately 50 meters apart.

The two holes on each section were designed to hit mineralization approximately 20-25 and 40-50 meters below surface trenches sampled in 2013, which returned chip sampling assays across strike on the sulphide-quartz vein zone of 6m @ 7.29 g/t Au.

All four holes drilled on the Mispickel Target intersected multiple zones of sulphide mineralized veins and replacement style sulphide mineralization of the host felsic volcanics and sediments. Three of the four holes had visible gold, including drill holes TWL16-001 and TWL16-002. Holes TWL16-001 and 002 intersected strong gold mineralization in the targeted Main Zone. TWL16-001 intersected a wide and moderately strong gold zone in the Footwall Zone, but this zone was only weakly developed in TWL16-002. Logging and sampling of the drill holes is ongoing with the company signaling further results expected in the next two weeks.

Since the completion of the Mispickel drilling, the company mobilized two drills to its Sam Otto target, 1.5 km to the southwest of the Walsh Lake property. That drilling has now also been completed with 1,501 meters drilled in nine holes. The drills have now been moved to the Homer Lake target on the

Northbelt property of the YCG.

Giant Territory

The Giant Mine was a large gold mine located on the Ingraham Trail just outside Yellowknife, and directly to the south of TerraX's concession. Gold was discovered on the property in 1935 by Johnny Baker, but the true extent of the gold deposits were not known until 1944 when a massive gold-bearing shear zone was uncovered beneath the drift-filled Baker Creek Valley.

The discovery led to a massive post-war staking boom in Yellowknife. Giant Mine entered production in 1948 and ceased operations in 2004. During that time it produced over 7 million ounces of gold (or 220,000 kg) of gold. Though one metric we saw referred to Giant producing 8.1mn oz @ 16 g/t Au.

Owners of the mine included Falconbridge (1948-1986 through subsidiary Giant Yellowknife Mines Limited), Pamour of Australia (1986-1990 through subsidiary Giant Yellowknife Mines Limited), Royal Oak Mines (1990-1999), and Miramar Mining Corporation (1999-2004). When Royal Oak went bankrupt in 1999 and the Department of Indian and Northern Development (DIAND) took over responsibility for cleaning up the Giant mine site. The Giant mine has become rather infamous because of the arsenic waste problems it left in its wake.

The Giant mine was not the only producer in the zone though as, in 1936, Consolidated Mining and Smelting Company (CM&S, later Cominco, now Teck) staked claims along the shores of Yellowknife Bay and opened the Con Mine in 1938. Some metrics we saw referred to this mine as producing 6.1mn oz @ 16.1 g/t Au. One year after the Con mine opened, Negus Mines Ltd. opened its namesake mine next to the Con property.

Clearly the zone has history as a major producer and it's interesting that in the gold revival of recent decades so

little was done in this zone.

The Relevance of Giant

Despite the obvious attractions of having such large historical mines in close proximity there is a far more practical benefit in that the owners of Giant did a load of work on the territory that is now TerraX's. Normally much of this old material would have been lost or degraded but to the contrary there has been a lot that the company was able to salvage and add to its own knowledge base.

As a result TerraX has compiled +450 historical drill logs (1938-96) recovered from Giant Mine by the NWT Geoscience Office. The core from ~200 drill holes was recovered by TerraX from the Giant Mine core yard, sampling by TerraX included 5.0m @62.90g/t Au and 20.86m @ 3.79g/t Au. In addition over 250 drill collar locations have been identified and surveyed by TerraX allowing the location of some of the best holes. The data also helped the team in identifying and sampling dozens of gold mineralized trenches.

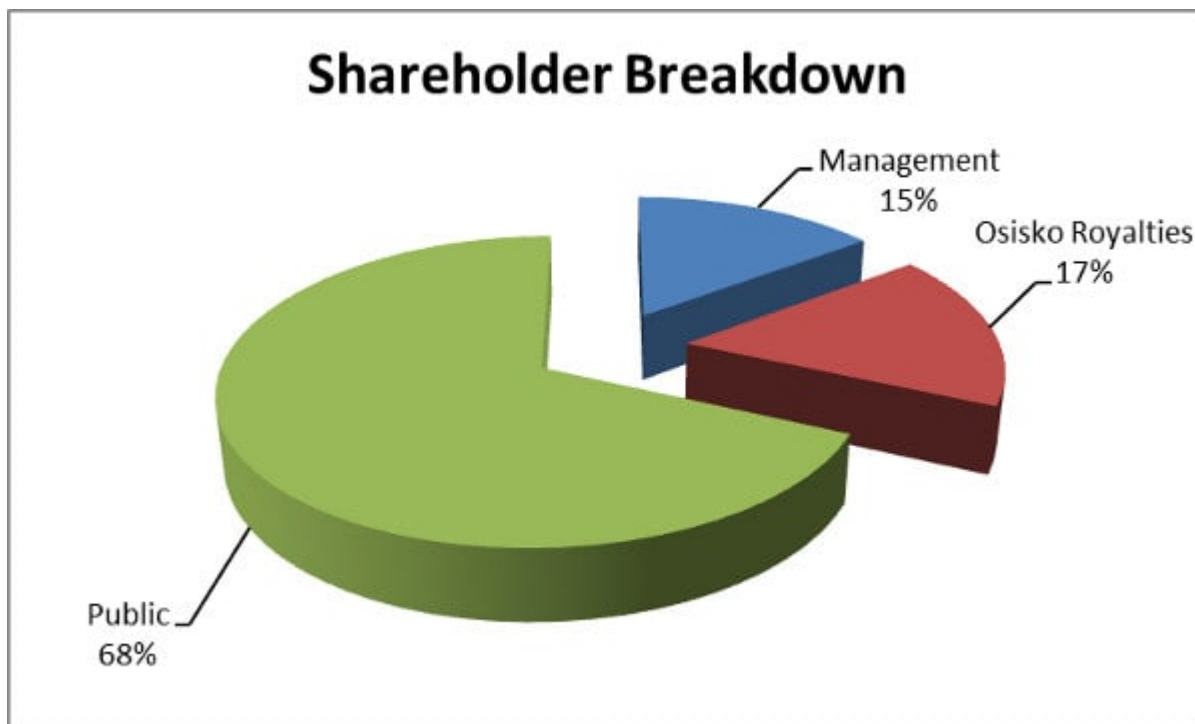
All in all hunting down this old material has saved the company a boatload of money and saved possibly years of effort in identifying targets.

Finances

In mid-2015 TerraX closed the final tranche of Non-brokered Flow-through Private Placements for a total raised of \$5,180,145. As a result the company is fully funded for exploration at YCG through 2016. The financing consisted of three placings, around about 40 cts, which were initially announced on the 19th of May 2015.

The largest part of this was the \$2.5mn flow-through private placement with Osisko Gold Royalties Ltd. (TSX: OR) completed on June 17 2015. The Chief Financial Officer and VP Finance for Osisko Gold Royalties joined the board of TerraX. As a

result of the financing, the current share register has onboard a heavyweight player indeed.



As can be seen in the price chart below the ongoing malaise in gold in the second half of last year saw a wild ride for those that had participated. The stock half in the next few months then massively rallied back above the placement price, then halved again and has now recuperated most of the losses. Definitely a case of "hold onto your hats".



Conclusion

Who would have thought that a renaissance in junior explorers would have followed so hard upon the turn in the gold price? We suspect though that TerraX is a special case. It has a key shareholder in Osisko Royalties, a heavyweight board, an infrastructure-rich location, cash in the bank and, frankly, a highly prospective patch of territory that is delivering the goods in response to the drillbit. If it was coming up with the ubiquitous one gram per tonne thin gruel that many juniors dish up to the market then investors would pass on by, and rightly so. But the grams per tonne are rich indeed, and relatively near surface. As a New Yorker would say "What's not to like"?