TERAS RESOURCES INC

Management's Discussion & Analysis

August 31, 2017

FORM 51-102F1
MANAGEMENT'S DISCUSSION & ANALYSIS

The following discussion of the financial condition, changes in financial condition and results of operations of Teras Resources Inc. (formerly Profile Resources Inc. ("**Profile**")) for the three months ending August 31, 2017 should be read in conjunction with the unaudited condensed interim consolidated financial statements of the Company which have been prepared in accordance with International Financial Reporting Standards ("IFRS") consistently applied (unless noted otherwise), and are reported in Canadian dollars. The consolidated financial statements include the accounts of the Company's wholly-owned subsidiaries Profile (U.S.) Inc. and Teras Resources Ltd. USA - all significant inter-company balances and transactions have been eliminated.

Dated – October 26, 2017

Forward-Looking Information

This management discussion and analysis ("**MD&A**") contains "forward-looking information" relating to Teras Resources Inc. ("**Teras**" or the "**Company**") within the meaning of applicable Canadian securities legislation. All statements, other than statements of historical fact, included herein are forward looking information. Generally, forward-looking information may be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "proposed", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases, or by the use of words or phrases which state that certain actions, events or results may, could, would, or might occur or be achieved. This forward-looking information reflects the Company's current beliefs and is based on information currently available to the Company and on assumptions the Company believes are reasonable.

Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company or its subsidiaries to be materially different from those expressed or implied by such forward-looking information. Such risks and other factors may include, but are not limited to: the early stage development of the Company; general business, economic, competitive, commodity prices, political and social uncertainties, lack of insurance; delay or failure to receive board or regulatory approvals; changes in legislation, including environmental legislation, affecting mining, timing and availability of external financing on acceptable terms, lack of qualified, skilled labour or loss of key individuals. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. Accordingly, readers should not place undue reliance on forward-looking information. The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws.

Qualified Person

Dr. Dennis LaPoint, a qualified person under National Instrument 43-101 "Standards of Disclosure for Mineral Projects", and a Director for Teras is the Company's nominated qualified person responsible for monitoring the supervision and quality control of the programs completed on the Company's properties. Dr. LaPoint has reviewed and verified the technical information contained in this MD&A. Dr. LaPoint is a registered geologist with the Society of Mining Engineers.

Overall Performance

The Company is incorporated in Alberta, Canada and is listed on the TSX Venture Exchange as a Tier 2 company. The Company's corporate strategy is to build shareholder value through the acquisition, exploration and development of mineral resource properties. Currently the Company

controls seven properties: Cahuilla is the Company's flagship project and is under exploration. Sunny Slope, Gold Point, Corral Canyon and Superstition Mountain are all exploration properties and the Company is looking for joint venture partners to develop these properties. The Company has a patented property in Montana, Watseca Mill, as well as the Golden Jubilee which is currently under a lease agreement.

On November 5, 2012, the Company leased its **Golden Jubilee** property to the same company, who purchased Watseca, on a royalty basis whereby the Company will receive a 3% net smelter royalty on production and the lessor can purchase 2% of the royalty for a cash payment of $2,000,000. During the third quarter of fiscal 2015, the Company received a royalty of US $42,961 (CDN $49,528).

The **Watseca** Mill Property which is located in Rochester Basin, Montana, includes a mill site and 13 patented mining claims which contain exploited and untested gold vein deposits. The underlying mine operated in the late 1800's and was shut down due to flooding in approximately 1905. Currently there are two buildings on the property, one housing and two ball mills capable of processing approximately 250 – 400 tons per day. A newer gravity circuit was implemented in 2012 along with two conditioning tanks and a flotation circuit. Watseca also has a separate building used as a lab which holds lab scale crushing equipment and two assay furnaces.

The Company entered into a purchase agreement with a private company from Washington DC to sell Watseca for US$3,000,000. Teras has received cash payments of US$550,000 towards the purchase price, however the balance is in default and there is no assurance the Company will receive further payments. The partial payment of US$50,000 received resulted in the recognition of a gain in the amount of CDN $52,485 in the first quarter of fiscal 2014. As of March 22, 2017, Teras provided a formal termination letter to the private Washington company terminating the Purchase and Sale agreement that was announced in December 2012. Teras will entertain new interest on its property.

Teras entered into an agreement with a private mining company from Montana in the last quarter of 2017. The agreement states that the Mining company will Placer mine a portion of the Watseca property with the majority of the Placer mining coming from property owned by them. In exchange for the rights to mine the portion of the Watseca, Teras received the historical data package from the area which was purchased and held by the Montana company. In addition to the data package Teras also received the rights to mine the extension of its Watseca veins from tow mining claims owned by the Montana company. There will be no shared revenue from either companies metals produced. This increases the value of the Watseca property substantially given the extension of the vein has not been mined in the past, also, the data is of great value when developing a mining operation.

The Company's main asset is the **Cahuilla project** located in northwest Imperial County, California. The Cahuilla Project is an epithermal, sediment-hosted, hot springs vein, stock work and disseminated gold-silver system hosted along a major east-west striking structural zone. The majority of the deposit is hosted on Reservation land. It is management's intention to expand mineral resources by additional exploration and development drilling since mineralization is completely open in all directions along strike and at depth.

On November 30, 2012, the Company announced a NI 43-101 compliant mineral resource estimate, completed by Mine Development Associates ("**MDA**"). This is the first Mineral Resource estimate for the Cahuilla project.

The Company has been able to finance its operations, minimum work commitments on its projects and maintain its mining claims throughout the year. Throughout the 2015 fiscal year, management gained a clear understanding of its current projects and next steps in advancing them in an efficient manner. The Company is obligated to spend US $300,000 on minimum work commitments for its Cahuilla project on an annual basis. Land lease payments for the period September 2015 - August

2017 of $286,000US have been paid. The Company will have to raise additional funds to meet its ongoing obligations, either through the issuance of share capital or bringing in a joint venture partner.

The **Sunny Slope** gold mine consists of 16 unpatented claims and owned 100% by Teras, is a high-grade, quartz-gold vein system hosted in metamorphosed sedimentary, volcanic and intrusive rocks. The property is located in Mineral County, Nevada and the Company has no underlying royalties. The Company will be looking for a suitable partner to Joint Venture with or develop the project in the near term.

The **Gold Point** property consists of 8 unpatented claims and owned 100% by Teras, is located in Sierra County, California. The project was originally prospected in the early 1900's with some ore production from the Gold Point vein reportedly in 1918. According to the California State Mining Report of April 1923, "the mine was processing 60 to 75 tons per day with the ore averaging 0.5 opt gold." It is estimated that approximately 100,000 tons of ore were mined through 1948 averaging about 0.30 opt gold. The Company will be looking for a suitable partner to Joint Venture with or develop the project in the near term.

The **Corral Canyon Gold Project** consists of 2 unpatented claims and is located in Churchill County, Nevada. The Corral Canyon Mining District was originally discovered in 1861. Gold and other precious and base metal exploration and production have occurred throughout the area. Major companies that held past land positions in the district include Newmont, Asarco, Utah International, Santa Fe, Duval Copper, Cordex and Anaconda. Cordex drilled 10 reverse circulation holes in the mid-1980's and intersected anomalous gold in many of the holes with the best intercept containing 25 feet at 0.045 opt gold. The Company will be looking for a suitable partner to Joint Venture with to develop the project in the near term.

The **Superstition Mountain** Gold Property, consists of 6 unpatented claims owned 100% by Teras, is located in Imperial County, California approximately 20 miles northwest of the town of El Centro. The gold prospect is situated along the western flank of the Superstition Mountains on Bureau of Land Management ground, which are accessible by dirt roads. The Company will be looking for a suitable partner to Joint Venture with or to develop the project in the near term.

The Company's wholly-owned subsidiaries, Profile (U.S.) Inc. and Teras Resources USA Ltd., are Nevada corporations in good standing, and are also registered to do business in Montana. Profile holds the Watseca and Golden Jubilee property interests.

There are no assurances that the activities at the Golden Jubilee, Cahuilla or the Company's new Projects will result in the Company achieving commercial gold production. A number of factors, upon which success is dependent, are beyond the Company's control - see Risks and Uncertainties.

The Company held its last Annual and Special Meeting of holders of common shares on June 20, 2017 at the offices of DLA Piper (Canada) LLP. The meeting was to receive and consider the consolidated financial statements of the Company for the financial year ended May 31, 2016 and the report of the auditor thereon, as well as for the interim period ended February 28, 2017. In addition, the board was re-elected, the auditor was re-appointed, and the option plan was re-approved.

In the first quarter of fiscal 2018, the Company issued 13,483,750 units at a price of $0.08 per unit consisting of one common share and one common share purchase warrant exercisable into one common share at a price of $0.15 per share for a period of one year from issuance for net proceeds of $1,072,996.

In the third quarter of fiscal 2017 the Company issued 8,000,000 shares pursuant to the exercise of warrants for proceeds of $400,000. In the first quarter of fiscal 2017, the Company issued 9,454,332 units at a price of $0.12 per unit consisting of one common share and one common share purchase warrant exercisable into one common share at a price of $0.24 per share for a period of two years from issuance for net proceeds of $1,107,304. The Company also issued 33,950 finders warrants exercisable at $0.12 per common share for a period of two years from issuance.

In April of 2012, the Company set up a wholly-owned company in the USA as Teras Resources USA LTD for the purpose of developing Cahuilla and separating it from its other properties. The Company has acquired additional properties (Sunny Slope, Gold Point, Corral Canyon and Superstition Mountain) which are held in this company. Teras Resources Inc. is the 100% owner of the shares of Teras Resources USA LTD.

Teras closed a private placement in the amount of $1,078,700 CDN on July 4, 2017. The purpose of the funds is for a drilling campaign on its Cahuilla project which started late August, 2017. The drill program which was announced on August 24, 2017 has been designed to target the newly identified veins and structures on its Cahuilla project in hopes to tie the known veins together for purposes of developing a high grade mining operation. Once the drill campaign is complete and the company receives the results from the lab they will be released to its shareholders.

Investment

The Company has purchased 1,000,000 shares of Brilliant Sands Inc. ("Brilliant"), a Montana mining company at US $0.45 per share giving it approximately 3% of the outstanding shares of the mining company. The original purchase price was US $450,000, CDN $478,734. The long-term investment does not provide the Company the ability to exercise significant influence over the operations of the entity. The investment is measured at fair value using level one input as the shares do have a quoted market price in an active market. The fair value per share as of May 31, 2017 is CDN $0.04 (May 31, 2016 - CDN $0.16). During the year ended May 31, 2017, management assessed the investment for impairment. Due to the significant and prolonged decline in fair value, management has determined that the investment is impaired. As a result, the accumulated unrealized loss of $322,021 has been reclassified to profit and loss. Management also assessed the investment for impairment as at August 31, 2017 and determined that the impairment is permanent.

Resource Projects

Cahuilla

On February 10, 2010, the Company entered into an Earn-In Agreement with Brilliant for an exclusive option to earn a 65% undivided interest in certain properties, including Cahuilla with historical gold deposits. Pursuant to this Agreement, the Company paid Brilliant US $1,800,000 and issued a total of 10,300,000 common shares.

On September 29, 2011, the Company signed an Exploration and Earn-In Agreement with Brilliant for the 35% balance of the Cahuilla project giving the Company 100% interest in the Project. The Company exercised its Option in June 2014 controlling 100% of Cahuilla. In addition to controlling 100% of the Cahuilla project, the Company received four other high ranking gold projects (Sunny Slope, Superstition Mountain, Gold Point and Corral Canyon).

The Cahuilla Gold Property is located in northwest Imperial County, California. The Cahuilla Project is an epithermal, sediment-hosted, hot springs vein, stock work and disseminated gold-silver system hosted along a major east-west striking structural zone. The majority of the deposit is hosted on the Torres Martinez Indian Reservation. It is management's intention to expand mineral

resources by additional exploration and development drilling since mineralization is completely open in all directions along strike and at depth.

Gold values can range from less than 0.1 gr/ton to a high of 129 gr/ton Au and silver values have been encountered that assay up to 1000 gr/ton Ag. Recent phases of core drilling at the Cahuilla deposit have greatly expanded our understanding of the economic potential of gold-silver mineralization at Cahuilla.

Using industry standard practices for resource modeling and the development of supporting geologic models and using vertical Reverse Circulation (RC) drilling from previous operators and Teras, MDA presented the following resource estimate in the technical report:

- An indicated resource of 1.017 million ounces of gold and 11.855 million ounces of silver (70.148 million tons at an average grade of 0.015 ounces per ton ("**opt**") gold and 0.17 opt silver with a cut-off of 0.008 opt gold).
- An additional inferred class of 10 million tons grading 0.011 opt gold and 0.10 opt silver. Gold equivalent ounces are 1.2 million ounces in indicated class and 130,000 ounces in inferred class using a ratio of 55 silver ounces to 1 gold ounce.

On October 28, 2015, a hearing was conducted for the Phase 3 permit applications which was approved by the Imperial County Planning Commission. Of the permitted drill hole sites, 1000 are located on private land and 1000 are situated on sovereign reservation land.

Teras has engaged Mine Development Associates of Reno, Nevada to create the new geologic model (as presented below) from its 2016 technical studies program which now includes the following information:

- Kennecott detailed surface geology maps
- Kennecott magnetic and CSAMT geophysical data
- Historic reverse circulation and diamond drill hole geologic logs and assays generated by Newmont, Homestake, Torres Martinez Tribe and Kennecott
- Teras' more recent reverse circulation and diamond drill hole geologic logs and assays
- Teras gravity, MT and IP geophysical data
- Teras surface geochemical sample locations and assay data
- Teras detailed cross sectional geologic interpretations

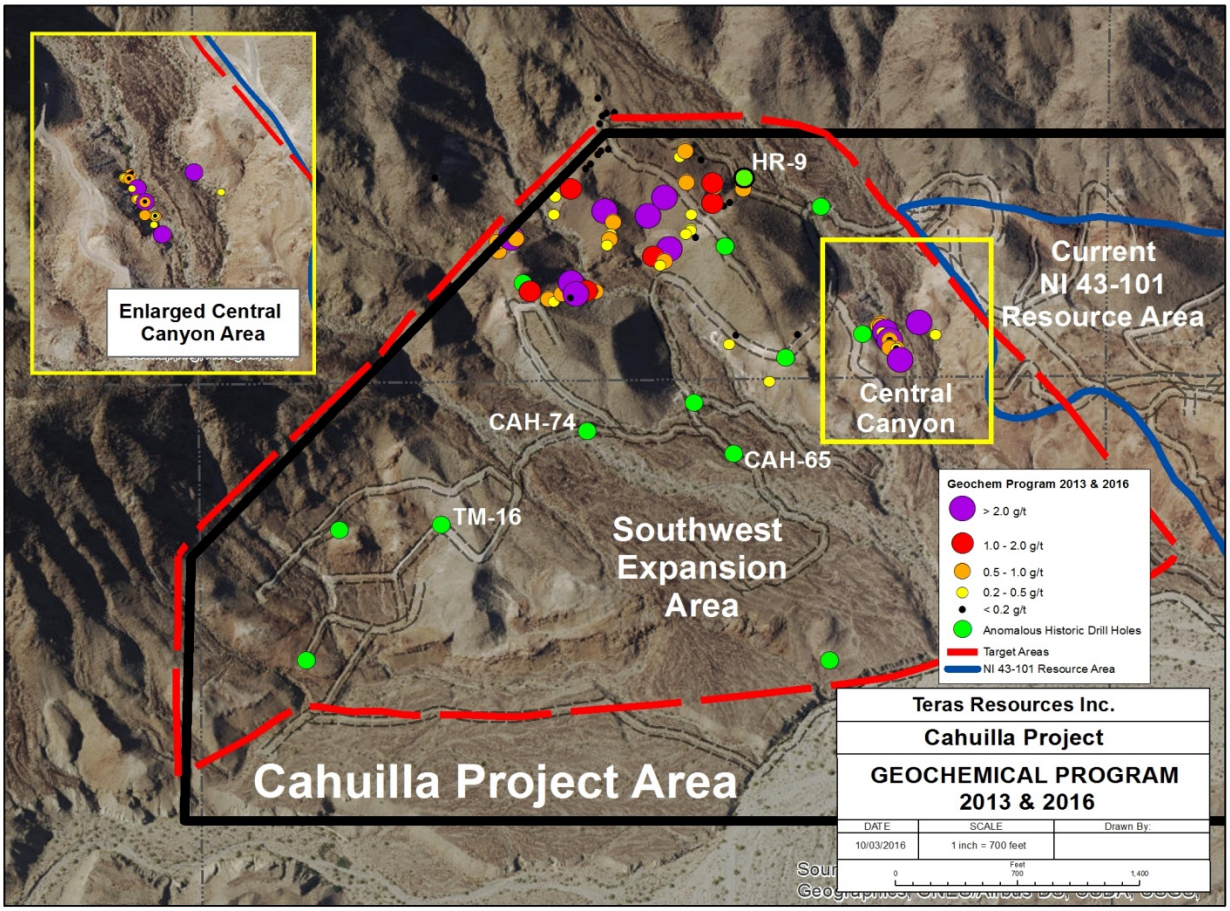
In September 2016 the company's technical team completed a comprehensive mapping and sampling program focused on the large area directly west-southwest of the current precious metal resource and extends to the west and south project boundaries This area, illustrated below, has been inadequately tested with a few, shallow historic drill holes. Much of the ground surface is concealed by a thin veneer of alluvial gravels; therefore, only a limited number of geochemical samples could be collected. Field exploration was also conducted in the northeast expansion area; and both the northeast and southwest expansion areas are substantially larger than the current NI 43-101 resource area as illustrated on the map below.

As indicated in the May 11, 2016 press release, Teras recognized the existence of this new, large gold/silver target area via three dimensional interpretation of the updated and enhanced geologic model. The primary objective of the field exploration program was to confirm the existence of the newly inferred large structural features, investigate the surface alteration and collect geochemical samples throughout the target areas for precious metal analyses.

Detailed field mapping recognized several large areas of intense silicification and quartz veining similar to alteration that occurs in the current resource area. One of the most significant findings was the recognition of the major east-northeast trending fault that bounds the southern portion of the project area, which is referred to as the West Ledges Fault. This large fault zone was mapped

in multiple locations along strike in the field and has a similar trend as faults in the current resource area that host high grade precious metal mineralization.

A total of 90 geochemical samples were collected throughout the southwest target area. Sample results have been obtained for Central Canyon while the remaining samples are currently being assayed by ALS Chemex in Reno, Nevada. Samples collected within veins and altered rock in Central Canyon are for the most part moderately to highly anomalous in gold and silver and these same veins were mapped for significant distances to the west. The following map shows gold values in the Central Canyon area along with samples collected by the Company in 2013 in the southwest expansion area:

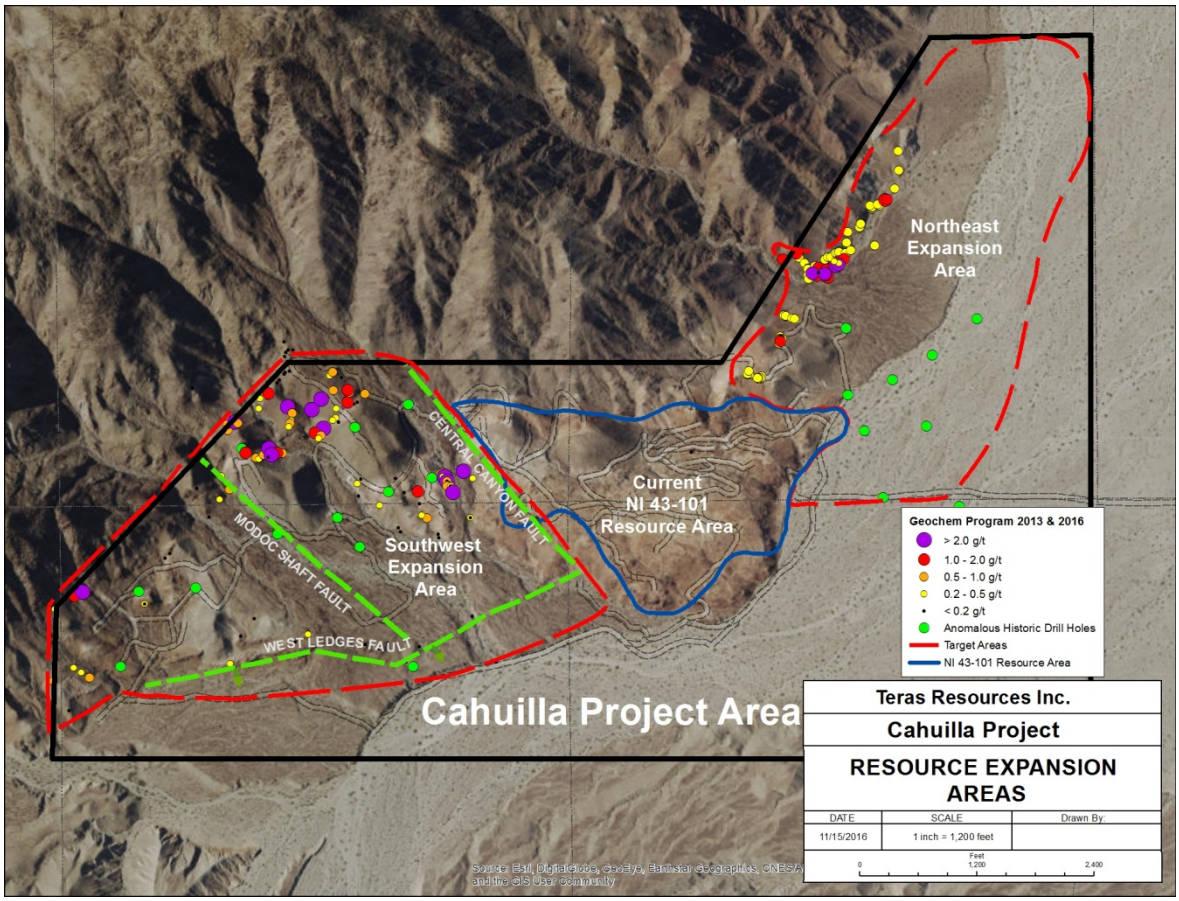


In Central Canyon, five samples assayed more than 2.0 g/t gold with values reaching as high as 3.8 g/t. These results, in conjunction with the samples collected in 2013, warrant a significant exploration program. Assay results for the samples collected to the far west and south project area will be reported once the analyses are obtained.

It should be noted that although the southwest target area is relatively untested by drilling, a number of the wide spaced reverse circulation holes intersected noteworthy mineralization as shown on the map above. CAH-65 was drilled by Kennecott Exploration in 1995 and intersected 9.2m @ 2.2 g/t from 33.5 to 42.7m (110 – 140' @ 0.064 oz/t). Kennecott also drilled CAH – 74 that same year which assayed 1.5 g/t over 3.1m from 57.9 to 61.0m (190 – 200' @ 0.044 oz/t). In 1987, Homestake drilled HR – 9 in the far northwest project area and intersected 6.1m @ 0.89 g/t from 0

to 6.1m (0 – 20’ @ 0.026 oz/t) and 7.6m @ 1.15 g/t from 22.9 to 30.5m (75 – 100’ @ 0.034 oz/t). TM – 16 was drilled by the Torres Martinez Tribe in 1993 and assayed 0.57 g/t over 24.3m from 22.9 to 47.2m (75 – 155’ @ 0.017 oz/t).
Additional drill holes in the southwest target area host anomalous precious metal mineralization over significant distances both down hole and spatially on the surface. However, none of these holes tested any of the newly defined structural and geophysical targets delineated by Teras’ technical team. The detailed geologic data is currently being compiled, interpreted and will be appended to the model to further refine drill hole targeting for future drilling campaigns.

The overall findings of the recent fieldwork have successfully expanded favorable target areas at Cahuilla far beyond the existing resource in multiple directions including northeast, southwest and into the gravel covered lowlands surrounding the project to the east and south as shown on the map below:



Teras’ technical team completed two recent field trips (February and March 2017) for purposes of additional detailed geologic mapping and geochemical sampling within the newly recognized, highly prospective southwest areas: Central Canyon, Modoc Shaft Fault, and the West Ledges Fault. Samples are currently being analyzed at ALS Chemex in Reno, Nevada. The lab results are expected to be completed in the near term and Teras will report on the assays and further progress once received. The recent field work has better identified specific drill sites within these highly prospective exploration areas to target structurally hosted higher grade gold and silver mineralization.

As of the end of August 2017, Teras engaged Kirkness Drilling of Elko Nevada to diamond drill into three of these areas to gain the geologic data necessary in planning the growth of the precious metal resource at Cahuilla.

Corporate Changes

None

Selected Annual Information

All currency amounts are in Canadian dollars unless stated otherwise.

	For the years ended May 31, 2017	2016	2015
Revenues	$ 883	$ 1,493	$ 52,164
Net (Loss)			
Net loss	(1,266,350)	(238,703)	(786,727)
Other comprehensive income (loss)	342,951	(63,148)	(4,126)
Net loss and comprehensive loss	(923,399)	(301,851)	(790,853)
Basic and Diluted Loss per Share	(0.01)	(0.00)	(0.01)
Total Assets	24,840,512	24,104,598	24,318,931
Total Long-Term Liabilities	Nil	Nil	Nil
Cash Dividends Declared	$ Nil	$ Nil	$ Nil

Results of Operations

The Company does not have any significant revenue. The Company funds ongoing expenses from funds raised through private placements.

During the twelve months ended May 31, 2017, the Company incurred a net and comprehensive loss of $923,399 (or $0.01 per share) compared with a net and comprehensive loss of $301,851 (or $0.00 per share) for the twelve months ended May 31, 2016. The increase in the loss of $621,548 can be attributed to the following reasons:

- Compared to the prior year, stock-based compensation expense increased by $128,101 due to options granted during 2017.
- Unrealized gain on translation increased by $4,488. The unrealized gain/loss on translation arises from the translation of the Company's subsidiaries US dollar denominated financial statements, to Canadian dollars. The gain/loss fluctuates with the exchange rate.
- The unrealized loss on investment increased by $36,623. The gain/loss fluctuates with the stock price of Brilliant Sands.
- The prior year included a gain on settlement of obligation of $410,000. In the prior year, the Company issued 1,000,000 shares when the share price was $0.04 per share. The liability had originally been recorded when the share price was $0.45 per share.
- General and administration expenses increased by approximately $18,000. Approximately $10,000 resulted from an increase in consulting fees paid to directors, officers and consultants. There was a net increase of $8,000 in other general and administration expenses.
- The prior year included a gain on disposal of assets of $32,319.
- During the year ended May 31, 2017, management assessed the investment for impairment. Due to the significant and prolonged decline in fair value, management has determined that the investment is impaired. As a result, the accumulated unrealized loss of $322,021 has been reclassified to profit and loss.

For the upcoming fiscal year, the Company expects to continue its current level of activity on its Cahuilla project. The Company will have to raise additional funds to carry on its exploration and work plans for Cahuilla.

Risks and Uncertainties

Liquidity risk

The principal activity of the Company is developing its Cahuilla Project. Today, the Company has sufficient capital resources to do further exploration on its current mining claims over the next 12 months. Developing the properties is capital intensive and the Company will need to raise additional funding for further exploration and development activities to maintain its position in the Project. To further develop the Project, the Company will also need to secure the necessary permits and approvals necessary to continue its development plans.

The Company has purchased a Business Insurance policy for the Company which has a $2,000,000 Business Liability and $10,000 contents provision. This policy does not cover the contents on the US properties. The Company is currently at risk and not insured for the Watseca Mill site and equipment. The Watseca property is in an unpopulated area and has the occasional trespasser going on site.

An investment in the Company should be considered speculative due to the nature of its activities and the present stage of its development.

The Company is in the exploration stage of development. The Company is subject to many risks common to such enterprises, including under-capitalization, cash shortages, and limitations with respect to personnel, financial and other resources. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of its early stage of operations.

The Company has no source of operating cash flow and no assurance that additional funding will be available for either further exploration and or development of its projects or to fulfill its obligations under any applicable agreements. Although the Company has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of the Company' projects with the possible loss of such projects. The Company presently has insufficient funds to undertake all of its currently planned exploration and development programs and the Company will need additional financing to continue its business plans and there can be no assurance that such financing will be available or, if available, will be on reasonable terms. If financing is obtained by issuing shares from treasury, control of the Company may change and shareholders may suffer additional dilution. To the extent financing is not available, lease expiry dates, work commitments, rental payments and option payments, if any, may not be satisfied and could result in a loss of property ownership or earning opportunities by the Company.

Exploration and development risk

The Company is engaged in exploration and development of mineral properties. The mineral exploration and development industry involves a high degree of risk, for which, even with a combination of experience, knowledge and careful evaluation, there is no assurance that commercial quantities of resources or reserves can be successfully found or produced.

Development of the Company's mineral properties will only follow upon obtaining satisfactory results. Exploration for and the development of mineral resources involves a high degree of risk and few properties which are explored are ultimately developed into producing properties. There is

no assurance that the Company's exploration and development activities will result in any discoveries of commercial bodies of ore. The long-term profitability of the Company's operations will be in part directly related to the cost and success of its exploration programs, which may be affected by a number of factors. The Company either owns or controls its properties through leases, option agreements, joint ventures, and other agreements granting the Company a working interest in its properties. If the Company fails to meet payments or work commitments on agreements in relation to these properties, the Company may lose its interests in its properties and forfeit any funds expended to such time. At such time when mining commences on its Cahuilla project, underlying royalties will be owed to the land owners ranging from 1.5% to 2.5%.

Title to mineral interests in some jurisdictions is often not susceptible of determination without incurring substantial expense. In accordance with industry practice, the Company conducted such title reviews in connection with its properties as it believes are commensurate with the value of such properties. The actual interest of the Company in certain properties may vary from the Company's records.

The Company's operations are subject to the risks normally incident to the operation and development of mineral properties, including drilling, trenching and surveying, all of which could result in personal injuries, loss of life and damage to the property of the Company and others. In accordance with customary industry practice, the Company is not fully insured against all of these risks, nor are all such risks insurable.

Exploration for minerals involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of minerals, any of which could result in work stoppages, damage to persons or property and possible environmental damage. Unusual or unexpected formations, formation pressures, fires, power outages, labour disruptions, flooding, explosions, cave-ins, landslides and the inability to obtain suitable or adequate machinery, equipment or labour are other risks involved in the operation of mines and the conduct of exploration programs.

To the extent that the Company is not the operator of its properties, the Company will be dependent on such other operators for the timing of activities related to such properties and will be largely unable to direct or control the activities of the operators. As a result, there is no assurance that the work required to bring such properties to the next stage of development will be completed.

From time to time, the Company may enter into transactions to acquire assets or the shares of other corporations. These transactions may be financed partially or wholly with debt, which may increase debt levels of the Company above industry standards. Depending on future exploration and development plans, the Company may require additional financing which may not be available or, if available, may not be available on favourable terms.

Environmental risk

Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mineral operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in the imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which means stricter standards, and enforcement, fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's

operations. The Company intends to fully comply with all environmental regulations in all of the jurisdictions in which it is active.

Dependence on key individuals

The Company is dependent on a relatively small number of key individuals, the loss of any of whom could have an adverse effect on the Company. The Company has not, as yet, purchased any "key-man" insurance with respect to any of its directors, officers, key individuals or proposed directors or officers, and has no current plans to do so.

Price risk

The prices of natural resources are outside the control of the Company. The Company will be a price taker for its products and commodity prices can be expected to show volatility. The Company's revenues, if any, are expected to be in large part derived from the extraction and sale of minerals. The prices of those commodities has fluctuated widely, particularly in recent years, and are affected by numerous factors beyond the Company's control including international, economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates, global or regional consumptive patterns, speculative activities and increased production due to new extraction developments and improved extraction and production methods. The effect of these factors on the price of minerals, and therefore the economic viability of any of the Company's exploration projects cannot accurately be predicted.

Approvals and permits

Government approvals, permits and licences are currently, and may in the future be, required in connection with the Company's operations. There can be no assurance that the Company will be able to obtain all of the necessary approvals, licences and permits that may be required to carry out exploration, development and operations at its projects. To the extent such approvals, permits and licences are required and not obtained, the Company may be restricted or prohibited from proceeding with planned exploration or development activities. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions there under, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in natural resource industry operations may be required to compensate those suffering loss or damage by reason of such activities and may be liable for civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Amendments to current laws, regulations and permitting requirements, or more stringent application of existing laws, could have a material adverse impact on the Company and cause increases in capital expenditures.

Investment risk

The mining industry is intensely competitive in all of its phases. The Company competes with many companies possessing greater financial resources and technical facilities than themselves. Competition could adversely affect the Company's ability to acquire suitable properties for exploration in the future.

The Canadian federal and provincial tax treatment of mining activities has a material effect on the advisability of investing in mining companies. The return on an investment in shares of the Company is subject to changes in federal and provincial tax laws. There can be no assurance that the income tax legislation in Canada will not be amended so as to fundamentally alter the tax consequences of holding or disposing of shares of the Company.

The Company does not anticipate paying any dividends on its shares in the foreseeable future.

There is no guarantee that title to the Company's properties will not be challenged or impugned. While title has been investigated and, to the best of the Company's knowledge, title to the Company Properties is in good standing, this should not be construed as a guarantee of title.

Summary of Quarterly Results

The following table presents selected financial information of the Company for the eight most recently completed quarters:

	2018			2017			2016	
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
	Aug 31	May 31	Feb 28	Nov 30	Aug 31	May 31	Feb 29	Nov 30
Revenues	$ 74	$ 304	$ 340	$ 210	$ 29	$ 211	$ 276	$ 546
Net income (loss)	(237,799)	(773,024)	(179,150)	(184,776)	(129,400)	(244,499)	280,867	(114,460)
Other comprehensive gain (loss)	(33,436)	443,029	(13,418)	3,774	(90,434)	47,730	26,657	(102,519)
Net and comprehensive income (loss)	(286,577)	(329,995)	(192,568)	(181,002)	(219,834)	(196,769)	307,524	(216,979)
Basic and diluted loss per share	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Total Assets	25,578,022	24,840,512	25,024,423	24,763,402	24,907,071	24,104,598	24,190,434	23,870,850
Total Long-Term Liabilities	-	-	-	-	-	-	-	-
Cash Dividends Declared	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

General and Administrative Expenses

	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016
Consulting fees	81,385	148,155	82,320	95,005	76,335	185,107	56,079	77,020
Accounting and legal	161	44,810	3,202	-	459	43,843	3,223	4,076
Other	104,360	62,732	42,285	46,457	47,757	10,971	61,356	48,760
	185,906	255,697	127,807	141,462	124,551	239,921	120,658	129,856

For the three months ended August 31, 2017 the Company had net and comprehensive loss of $286,577 (or $0.00 per share) compared with a net and comprehensive income of $219,834 (or $0.00 per share) for the three months ended August 31, 2016 - an increase of $66,743.

- Consulting fees increased by $5,050. There was increase of $2,000 in fees paid to external consultants and $3,000 in fees paid to the directors of the Company for services performed.
- Other expenses increased by $57,000. Foreign exchange losses increased by $27,000 and expenses for shareholder services increased by $18,000 due to a change in the date of the holding of the annual general meeting and an increase of $12,000 in other general and administration expenses primarily from the operations of the two subsidiaries.

- Due to a decrease in the stock price of Brilliant, there was an unrealized loss on investment in the current period of $15,000 as compared to a loss of $91,000 in the prior period. The current period includes an unrealized loss on translation of $33,000 as compared to a gain of $1,000 in the prior period.
- Stock-based compensation expense increased by $47,000 due to the options granted in the previous year.

For the three months ended May 31, 2017, the Company had net and comprehensive loss of $329,995 (or $0.00 per share) compared with a net and comprehensive income of $196,769 (or $0.00 per share) for the three months ended May 31, 2016 - an increase of $133,226.

- Consulting fees decreased by $37,000. The decrease is attributable primarily to the reclassification in Q4 2016 of health care benefits paid to officers of the Company from other general and administration expenses to consulting.
- Due to a decrease in the stock price of Brilliant, there was an unrealized loss on investment in the current period of $11,000 as compared to a gain of $62,000 in the prior period. The current period includes an unrealized gain on translation of $16,000 as compared to a loss of $14,000 in the prior period.
- Stock-based compensation expense increased by $74,000 due to the options granted in the current year.
- Other expenses increased by $52,000 due to the reclassification in Q4 2016 of health care benefits paid to officers of the Company, an increase in foreign exchange losses of $3,000 and an increase of $11,000 in travel expenses.
- During the year ended May 31, 2017, management assessed the investment for impairment. Due to the significant and prolonged decline in fair value, management has determined that the investment is impaired. As a result, the accumulated unrealized loss of $322,021 has been reclassified to profit and loss.

For the three months ended February 28, 2017, the Company had net and comprehensive loss of $192,568 (or $0.00 per share) compared with net and comprehensive income of $307,524 (or $0.00 per share) for the three months ended February 28, 2016 - an increase of $500,092.

- Consulting fees increased by $26,000. The increase is attributable to the engaging of the services of an investor relations firm and a reclassification of health care benefits paid to officers of the Company.
- Due to a decrease in the stock price of Brilliant, there was an unrealized loss on investment in the current period of $7,000 as compared to a gain of $22,000 in the prior period. The current period includes an unrealized loss on translation of $7,000 as compared to a gain of $4,000 in the prior period.
- Stock-based compensation expense increased by $42,000 due to the options granted in the previous quarter.
- The prior period had a gain on settlement of obligation of $410,000.
- Other expenses decreased by $19,000 due to the reclassification of health care benefits paid to officers of the Company, savings realized in other costs and a decrease in foreign exchange losses of $10,000.

For the three months ended November 30, 2016, the Company had net and comprehensive loss of $181,002 (or $0.00 per share) compared with a net and comprehensive loss of $216,979 (or $0.00 per share) for the three months ended November 30, 2015 - a decrease of $35,977.

- Foreign exchange losses increased by $4,000.
- Consulting fees increased by $18,000. The increase is due to the engaging of the services of an investor relations firm and $4,800 paid to a director for consulting services.
- Due to a decrease in the stock price of Brilliant, there was an unrealized loss on investment in the current period of $7,000 as compared to a loss of $99,000 in the prior period. The current

period includes an unrealized gain on translation of $11,000 as compared to a loss of $3,000 in the prior period.

- Stock-based compensation expense increased by $26,000 due to the options granted in the current quarter.
- The prior period had a gain on sale of assets of $32,000.

Per share amounts

Per share amounts are calculated using the weighted average number of shares outstanding during the period. Diluted per share amounts are calculated based on the treasury stock method which assumes that any proceeds obtained on the exercise of options and warrants would be used to purchase common shares at the average price during the period. Where the effect of options and warrants is anti-dilutive, they are not included in the calculation of diluted per share amounts.

Liquidity and Capital Resources

As of August 31, 2017, the Company had cash of $1,055,260 and working capital of $1,000,634 as compared to cash of $655,850 and a working capital of $499,270 as at May 31, 2017.

In the first quarter of fiscal 2018, the Company issued 13,483,750 units at a price of $0.08 per unit consisting of one common share and one common share purchase warrant exercisable into one common share at a price of $0.15 per share for a period of one year from issuance for net proceeds of $1,072,996.

In February 2017 the Company issued 8,000,000 shares pursuant to the exercise of warrants for proceeds of $400,000.

In July 2016, the Company issued 9,454,332 units consisting of one common share and one common share purchase warrant exercisable into one common share at a price of $0.24 per share for a period of two years from issuance for net proceeds of $1,107,304. The Company also issued 33,950 finders warrants exercisable at $0.12 per common share for a period of two years from issuance.

The Company will need to raise additional funds in order to further the development of the Cahuilla as well as its other mining Claims in Nevada. The Company will raise the additional funds by the issuance of share capital, as necessary.

Off-statement of financial position arrangements

The Company does not have any off-statement of financial position arrangements.

Related party transactions

As of August 31, 2017, included in accounts payable and accrued liabilities is $1,742 (May 31, 2017 - $86,718 due to related parties. The amounts payable to related parties are due to directors and senior officers of the Company or to private companies controlled by them for various services rendered and expenditures incurred on behalf of the Company.

For the three months ended August 31, 2017 and 2016, the following includes all amounts paid to key management personnel and directors and officers, in these interim consolidated financial statements:

	August 31, 2017	August 31, 2016

Consulting fees and benefits	**$**	**69,920**	$	64,335
Stock-based compensation		**41,478**		13,751
	$	**111,398**	$	78,086

Commitments and contingencies

(a) The Company is currently operating in the United States. Operations in this jurisdiction may be subject to laws which are significantly different than domestic laws. Due to the nature of the operations and the location being in a foreign jurisdiction, the Company may not be adequately insured with respect to potential accidents on its properties.

(b) The Company has signed an office lease until April 30, 2019 that calls for monthly payments of $1,500, which includes operating costs.

(c) In November 2010, the Company entered into a Performance Share Agreement with the CEO of the Company whereby 500,000 common shares of the Company shall vest and be issued when the closing price of the common shares of the Company on the Stock Exchange on which the common shares then trade is above $1.40 for a period of twenty consecutive business days and a further 500,000 common shares shall vest and be issued when the common shares trade above $2.10 for a period of 20 consecutive business days. The agreement is subject to regulatory approval. If regulatory approval is not obtained, any amount of shares not approved or issued shall be paid in cash based on the number of shares not issued multiplied by the market price of the common shares when the vesting occurs.

(d) The Company is obligated to spend US $300,000 on minimum work commitments for its Cahuilla project on an annual basis over the next five years; the company has met its obligation until 2020. The Company is also committed to make anniversary payments (due September of each calendar year) ranging from US $70,000 to US $110,000 totaling US $450,000 over that same time period as well as payments totaling US $250,000 and the issuance of 280,000 stock options upon completion of successive exploration phases.

Additional Disclosure for Venture Issuers without Significant Revenue

Accumulated costs in respect of mineral tenures and mineral rights owned, leased or under option, consist of the following:

	Watseca Mills	Golden Jubilee	Other	Cahuilla	Total
Balance, May 31, 2016	$ 51,888	$ 96,132	$ 11,623	$ 23,353,154	$23,512,797
Deferred exploration costs:					
Contract services	-	-	-	555,222	555,222
Revisions to ARO estimate	-	19,791	-	-	19,791
Administration costs	-	-	6,787	-	6,787
Total expenditures for the year	-	19,791	6,787	555,222	581,800
Balance, May 31, 2017	51,888	115,923	18,410	23,908,376	24,094,597
Deferred exploration costs:					
Contract services	-	-	-	335,049	335,049
Administration costs	-	4,289	13,026	-	17,315
Total expenditures for the year	-	4,289	13,026	335,049	352,364
Balance, August 31, 2017	**$ 51,888**	**$ 120,212**	**$ 31,436**	**$ 24,243,425**	**$24,446,961**

Significant accounting policies

The significant accounting policies used in the preparation of the audited consolidated financial statements are described in Note 3 of the audited consolidated financial statements for the year ended May 31, 2017. There have been no changes to the Company's accounting policies since May 31, 2017 other than outlined below:

New and future accounting pronouncements

The Company has adopted the new and revised standards and interpretations issued by the IASB listed below effective June 1, 2017. These changes were made in accordance with the transitional provisions outlined in the respective standards and interpretations and had no material impact on the consolidated financial statements.

Amendments to IAS 7 Statement of Cash Flows

These amendments (Disclosure Initiative) require that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes. One way to fulfil the new disclosure requirement is to provide a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. Finally, the amendments state that changes in liabilities arising from financing activities must be disclosed separately from changes in other assets and liabilities.

Amendments to IAS 12 Income Taxes

These amendments, Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12), clarify how to account for deferred tax assets related to debt instruments measured at fair value.

Future accounting pronouncements

The following accounting standards and amendments are effective for future periods:

IFRS 9 Financial Instruments

This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. To be classified and measured at amortised cost, assets must satisfy the business model test for managing the financial assets and have certain contractual cash flow characteristics. All other financial instrument assets are to be classified and measured at fair value. This standard allows an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income, with dividends as a return on these investments being recognised in profit or loss. In addition, those equity instruments measured at fair value through other comprehensive income would no longer have to apply any impairment requirements nor would there be any 'recycling' of gains or losses through profit or loss on disposal. The accounting for financial liabilities continues to be classified and measured in accordance with IAS 39, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch.

This standard is effective for reporting periods beginning on or after January 1, 2018.

IFRS 15 Revenue from Contracts with Customers

The IASB issued IFRS 15, Revenue from Contracts with Customers, which provides a single principle-based framework to be applied to all contracts with customers. IFRS 15 replaces the previous revenue standard IAS 18, Revenue, and the related Interpretations on revenue recognition. The standard scopes out contracts that are considered to be lease contracts, insurance contracts and financial instruments. The new standard is a control-based model as compared to the existing revenue standard which is primarily focused on risks and rewards. Under the new standard, revenue is recognized when a customer obtains control of a good or service. Transfer of control occurs when the customer has the ability to direct the use of and obtain the benefits of the good or service.

This standard is effective for reporting periods beginning on or after January 1, 2018.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

This interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. It covers foreign currency transactions when an entity recognizes a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognises the related asset, expense or income. It does not apply when an entity measures the related asset, expense or income on initial recognition at fair value or at the fair value of the consideration received or paid at a date other than the date of initial recognition of the non-monetary asset or non-monetary liability. Also, the Interpretation need not be applied to income taxes, insurance contracts or reinsurance contracts.

This interpretation is effective for reporting periods beginning on or after January 1, 2018.

Amendments to IFRS 2 Share-based Payment

These amendments added guidance that introduces accounting requirements for cash-settled share-based payments that follow the same approach as used for equity-settled share-based payments. They introduced an exception into IFRS 2 so that a share-based payment where the entity settles the share-based payment arrangement net is classified as equity-settled in its entirety, provided the share-based payment would have been classified as equity-settled had it not included the net settlement feature. Finally, they clarify the accounting treatment in situations where a cash-settled share-based payment changes to an equity-settled share-based payment because of modifications of the terms and conditions.
These amendments are effective for reporting periods beginning on or after January 1, 2018.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

This standard is effective for reporting periods beginning on or after January 1, 2019.

Additional information relating to the Company is filed on www.sedar.com

Summary of Securities as at August 31, 2017 and October 26, 2017:

(1) Authorized share capital:

Unlimited number of voting common shares
Unlimited number of non-voting preferred shares

(2) Shares issued and outstanding:

At August 31, 2017 there were 174,485,228 common shares outstanding with a recorded value of $43,173,884.

As of October 26, 2017 there were 174,485,228 common shares outstanding.

(3) Options outstanding:

At August 31, 2017, there were 6,170,000 options outstanding to purchase common shares at exercise prices ranging from $0.085 - $0.48 with a weighted average of $0.17. These options expire on dates ranging from September 5, 2017 – April 4, 2022.

As of October 26, 2017, there were 6,150,000 options outstanding to purchase common shares at exercise prices ranging from $0.085 - $0.48. These options expire on dates ranging from October 30, 2017 – April 4, 2022.

(4) Warrants outstanding:

At August 31, 2017, there were 22,972,032 share purchase warrants outstanding to purchase common shares at an exercise $0.24. These warrants expire on July 21, 2018.

As of October 26, 2017, there were 22,972,032 share purchase warrants outstanding to purchase common shares at an exercise prices ranging from $0.15 to $0.24. These warrants expire on dates ranging from July 4, 2018 to July 21, 2018.