TERAS

RESOURCES INC

Management's Discussion & Analysis

August 31, 2020

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. for the three months ended August 31, 2020 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., NV Mine Development, Inc. and Teras Resources Ltd. USA - all significant inter-company balances and transactions have been eliminated.

<u>Dated</u> – October 23, 2020

<u>Forward-Looking Information</u>

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.

<u>Qualified Person</u>

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.

<u>Overall Performance</u>

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 has been the focus of recent exploration activities. Sunny Slope, Gold Point, Corral Canyon and Superstition Mountain are all exploration properties and the Company is looking for joint venture partners to further explore these properties. The Company has a patented property in Montana, Watseca Mill, as well as the Golden Jubilee.

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 that is controlled by the Company. 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.

During the year ended May 31, 2020, the Company divested itself of a 5.5% non-working interest in the Cahuilla project in accordance with the terms of the loan agreement entered into on July 31, 2019 (note 7). The fair value of the imputed debt discount aggregating $127,000 (2019 - $nil) was credited against the accumulated exploration and evaluation expenditures on the Cahuilla project during the year ended May 31, 2020. During the period ended August 31, 2020, the Company divested itself of an additional 0.75% non-working interest in the project. The fair value of the imputed debt discount of $37,500 was credited against the accumulated exploration and evaluation expenditures of the Cahuilla project.

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 $500,000 on minimum work commitments for its Cahuilla project in the next year. Land lease payments for the period September 2015 – August 31, 2020 of $727,584 US 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 **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 historic 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 scales, crushing equipment and two assay furnaces.

During the year ended May 31, 2019, Management reviewed the carrying value of the capitalized exploration and evaluation costs of the Watseca property for indications of impairment and concluded that, given no exploration activity was undertaken on the property during the current or preceding year and no exploration activity was budgeted for the property, the carrying value is impaired. This resulted in an impairment expense of $52,276 in the consolidated statement of loss and comprehensive loss. During the year ended May 31, 2020 and the period ended August 31, 2020, there were no events or conditions that would indicate the impairment previously recorded on the property should be reversed.

The **Sunny Slope** gold mine consists of 16 unpatented claims owned 100% by Teras. Sunny Slope 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 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, and 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.

During the year ended May 31, 2019, management reviewed the carrying value of the capitalized exploration and evaluation costs of the Sunny Slope, Gold Point, Corral Canyon and Superstition Mountain properties for indications of impairment and concluded that, given no exploration activity was undertaken on the properties during the current or preceding year and no exploration activity was budgeted for the properties, the carrying value is impaired. This resulted in an impairment expense of $31,833 in the consolidated statement of loss and comprehensive loss. During the year ended May 31, 2020 and the period ended August 31, 2020, there were no events or conditions that would indicate the impairment previously recorded on these properties should be reversed.

The **Golden Jubilee** Property consists of 22 unpatented claims owned 100% by Teras, and is located in Granite County, Montana. The property is a gold vein deposit which was first discovered in the late 1880's. Very little is known about the exploration history of the property prior to 1978. Between 1978 and 2000, mapping, prospecting, trenching, channel sampling, ground geophysical, surveys, reverse circulation drilling, underground exploration and bulk sampling was completed on the property. No exploration has been undertaken on the property since 2000.

During the year ended May 31, 2019, Management reviewed the carrying value of the capitalized exploration and evaluation costs of the Golden Jubilee property for indications of impairment and concluded that, given no exploration activity was undertaken on the property during the current or preceding year and no exploration activity was budgeted for the property, the carrying value is impaired. This resulted in an impairment expense of $131,122 in the consolidated statement of loss and comprehensive loss. During the year ended May 31, 2020 and the period ended May 31, 2020, there were no events or conditions that would indicate the impairment previously recorded on the property should be reversed.

On June 30, 2020 Teras signed a Letter of Intent with an Australian mining company to sell its interest in the Golden Jubilee property for US $550,000. In return for a non-refundable payment of US $100,000, Teras granted the mining company an exclusive period until October 31, 2020 to perform its due diligence. During the period ended August 31, 2020 Teras received US $ 50,000.

This has been recognized as Other income. An additional US $ 50,000 was received subsequent to period end.

The Company's wholly-owned subsidiaries, Profile (U.S.) Inc., NV Mine Development, 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.

Corporate Changes

On January 23, 2020 Peter Leger resigned as President and CEO and was replaced by Joseph Carrabba. Previously Mr. Carrabba was Chairman, President and CEO of Cliffs Natural Resources Inc. from 2005 to 2013 and served as President and CEO of Diavik Diamond Mines, Inc. from 2003 to 2005. Mr. Carrabba recently retired as a director of Newmont Mining. Peter Leger will continue with the Company as a special consultant.

The Company held its last Annual and Special Meeting of holders of common shares on March 20, 2020 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, 2019 and the report of the auditor thereon. 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 2021, the Company completed the closing of the private placement of Units and issued 21,248,700 Units at a price of $0.05 per Unit for gross proceeds of $1,062,435. Each Unit consisted of one common share (a "Common Share") and one Common Share purchase warrant (a "Warrant"). Each Warrant is exercisable into one Common Share at a price of $0.075 per share for a period of two years from the issuance of such Warrant. In addition, Teras issued 191,000 Broker warrants exercisable into one Common Share at a price of $0.075 per share for a period of one year and incurred finder's fees of $2,800.

In the fourth quarter of fiscal 2020 the Company completed the closing of the private placement of Units and issued 10,232,380 Units at a price of $0.05 per Unit for gross proceeds of $511,619. Each Unit consisted of one common share (a "Common Share") and one Common Share purchase warrant (a "Warrant"). Each Warrant is exercisable into one Common Share at a price of $0.075 per share for a period of two years from the issuance of such Warrant. In addition, Teras issued 399,000 Broker warrants at a price of $0.075 for a period of one year and paid a finder's fee of $19,950.

On October 6, 2020 Teras announced the completion of a technical program, which was started in March 2020, to rebrand its Cahuilla gold project with information not included in the initial NI 43-101 resource report. Mr. Carrabba President / CEO, engaged two senior consulting geologists, Toby Mancuso and Steve Craig, as well as, an Independent Geological Tech Services Company to give the project new life. These experts are highly experienced and have considerable ore deposit, modeling and exploration knowledge. Only 368 holes formed the basis of the 2012 report, but another 79 holes were drilled after the report was completed. Thirty-four of these new holes were completed by drilling core which provided much more detailed interpretations of the geology that focused on defining continuity of the higher-grade precious metal mineralization.

On August 19, 2019, the Company issued 3,565,000 common shares for the acquisition of NV Mines at a price of $0.06 per common share for a valuation of $213,900.

Selected Annual Information

All currency amounts are in Canadian dollars unless stated otherwise.

	For the years ended May 31, 2020	2019	2018
Revenues	$ -	$ 101	$ 851
Net (Loss)			
Net loss	(921,961)	(983,497)	(813,604)
Other comprehensive income (loss)	25,439	56,553	35,937
Net loss and comprehensive loss	(896,522)	(926,944)	(777,667)
Basic and Diluted Loss per Share	(0.00)	(0.00)	(0.00)
Total Assets	25,984,352	25,503,541	25,311,644
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, 2020, the Company incurred a net and comprehensive loss of $896,522 (or $0.00 per share) compared with a net and comprehensive loss of $926,944 (or $0.00 per share) for the twelve months ended May 31, 2019. The decrease in the loss of $30,422 can be attributed to the following reasons:

- Compared to the prior year, stock-based compensation expense decreased by $42,000. A lesser number of options were granted in the current year compared to the prior year.
- Unrealized gain on translation decreased by $15,000. 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 $16,000. The gain/loss fluctuates with the stock price of NXGM.
- The current year has a pre-exploration expense of $nil compared to an expense of $71,000 in the prior year.
- General and administrative expenses decreased by approximately $73,000 - consulting fees paid to directors, officers and consultants decreased by $45,000 primarily as a result of a decrease in fees paid. Foreign exchange losses decreased by $9,000. There was a net decrease of $19,000 in travel and other general and administration expenses.
- Amortization expense decreased by $2,000.
- In the current year the Company recorded an impairment loss of $213,900 as compared to an impairment loss of $215,231 in the prior year, on some of its mineral properties.

- In the current year the Company imputed interest expense of $127,000 in relation to a secured loan payable compared to imputed interest expense of $nil in the prior year.

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 insufficient capital resources to do further exploration on its current mining claims, the company is currently reviewing different strategies to finance further development on its projects. 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 future 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% to 4%.

Title to mineral interests in some jurisdictions is often not susceptible to 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:

	2021	2020				2019		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
	Aug 31	May 31	Feb 29	Nov 30	Aug 31	May 31	Feb 28	Nov 30
Revenues	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ --
Net income (loss)	(238,788)	(538,905)	(188,889)	(164,249)	(29,918)	(375,584)	(195,958)	(213,201)
Other comprehensive gain (loss)	11,081	64,665	(8,843)	21,784	(52,167)	144,508	(80,961)	2,151
Net and comprehensive income (loss)	(227,707)	(474,240)	(197,732)	(142,465)	(82,085)	(231,076)	(276,919)	(211,050)
Basic and diluted loss per share	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Total Assets	26,910,885	25,984,352	26,069,453	25,980,805	26,041,315	25,503,541	25,482,452	25,569,763
Total Long-Term Liabilities	-	-	-	-	-	-	-	-
Cash Dividends Declared	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

General and Administrative Expenses

	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
Consulting fees	136,848	84,340	79,340	45,115	65,582	84,840	79,940	77,415
Accounting and legal	168	45,849	-	5,722	34	48,967	84	9,299
Other	41,919	28,450	48,271	39,693	58,490	31,896	47,165	49,332
	178,935	158,639	127,611	90,530	124,106	165,703	127,189	136,046

For the three months ended August 31, 2020 the Company had net and comprehensive loss of $227,707 (or $0.00 per share) compared with a net and comprehensive loss of $82,085 (or $0.00 per share) for the three months ended August 31, 2019 - an increase of $145,622.

- Consulting fees increased by $71,000 compared to the prior period. Consulting fees paid to directors and officers increased by $24,000 and consulting fees paid to outside consultants to provide advisory services and general consulting services increased by $47,000.
- Due to a reduction in travel, office and a general reduction in G&A expenses, other expenses decreased by $16,000.
- Stock-based compensation expense increased by $79,000 due to options granted in January 2020 and June 2020.
- The current period includes an unrealized loss on translation of $118,000 as compared to a loss of $25,000 in the prior period.

- The current period includes a gain on investment of $129,000 compared to a loss of $28,000 in the prior period.
- Depreciation expense decreased by $1,000 as the assets have been fully depreciated.
- The current period includes interest expense of $38,000 compared to an expense of $21,000 in the prior period. The prior period also included a fair value discount on note payable of $127,000 as compared to nil in the current period.
- The current period includes other income of $67,000; non-refundable deposit received on the signing of a Letter of Intent to sell the Golden Jubilee property.

For the three months ended May 31, 2020 the Company had net and comprehensive loss of $474,240 (or $0.00 per share) compared with a net and comprehensive loss of $231,076 (or $0.00 per share) for the three months ended May 31, 2019 - an increase of $243,164.

- Consulting fees was decreased by $1,000 compared to the prior period.
- Legal fees increased by $4,000 and accounting fees decreased by $6,000. Other G&A expenses decreased by $3,000.
- Foreign exchange gains increased by $4,000.
- Stock-based compensation expense increased by $52,000. A reversal of $62,000 to stock based compensation expense was recorded in the prior period due to forfeiture of options. An additional reduction of $10,000 resulted from fewer options granted in the current year.
- The current period includes an unrealized gain on translation of $64,000 as compared to a gain of $104,000 in the prior period.
- The current period includes a gain on investment of $1,000 compared to a gain of $41,000 in the prior period.
- Depreciation expense decreased by $2,000 as the assets have been fully depreciated.
- The prior period included a pre-exploration expense of $7,000 as compared to $nil in the current period.
- The current period includes an impairment charge of $214,000 compared to an impairment charge of $215,000 in the prior period.

For the three months ended February 29, 2020 the Company had net and comprehensive loss of $197,732 (or $0.00 per share) compared with a net and comprehensive loss of $276,919 (or $0.00 per share) for the three months ended February 28, 2019 - a decrease of $79,187.

- Consulting fees decreased by $600 due to a reduction in the fees paid outside consultants.
- Foreign exchange losses increased by $1,000.
- Stock-based compensation expense decreased by $49,000. Fewer options were granted in the current year.
- The current period includes an unrealized gain on translation of $17,000 as compared to a loss of $68,000 in the prior period.
- The current period includes a loss on investment of $26,000 compared to a loss of $13,000 in the prior period.
- The current period has interest expense of $42,000 as compared to nil in the prior period.

For the three months ended November 30, 2019 the Company had net and comprehensive loss of $142,465 (or $0.00 per share) compared with a net and comprehensive loss of $211,050 (or $0.00 per share) for the three months ended November 30, 2018 - a decrease of $68,585.

- Consulting fees decreased by $32,000 due to a reduction in the fees paid to the directors and officers of the Company.
- Other expenses decreased by $12,000. Foreign exchange losses increased by $2,000.
- Legal expenses decreased by $9,000. No legal expenses were incurred in the current quarter. Accounting fees increased by 6,000 due to an increase in the audit fee.
- Stock-based compensation expense decreased by $53,000. Options were granted in the prior year.

- The current period includes an unrealized loss on translation of $4,000 as compared to a gain of $41,000 in the prior period.
- The current period includes a gain on investment of $27,000 compared to a loss of $39,000 in the prior period.
- The prior period had pre-exploration expense of $13,000.
- The current period has interest expense of $64,000 as compared to nil in the prior period.

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, 2020, the Company had cash of $865,324 and working capital of $246,751 as compared to cash of $334,244 and a working capital deficiency of $503,665 as at May 31, 2020.

In the first quarter of fiscal 2021, the Company completed the closing of the private placement of Units and issued 21,248,700 Units at a price of $0.05 per Unit for gross proceeds of $1,062,435. Each Unit consisted of one common share (a “Common Share”) and one Common Share purchase warrant (a “Warrant”). Each Warrant is exercisable into one Common Share at a price of $0.075 per share for a period of two years from the issuance of such Warrant. In addition, Teras issued 191,000 Broker warrants exercisable into one Common Share at a price of $0.075 per share for a period of one year and incurred finder’s fees of $2,800.

In the fourth quarter of fiscal 2020 the Company completed the closing of the private placement of Units and issued 10,232,380 Units at a price of $0.05 per Unit for gross proceeds of $511,619. Each Unit consisted of one common share (a “Common Share”) and one Common Share purchase warrant (a “Warrant”). Each Warrant is exercisable into one Common Share at a price of $0.075 per share for a period of two years from the issuance of such Warrant. In addition, Teras issued 399,000 Broker warrants at a price of $0.075 for a period of one year and paid a finder’s fee of $19,950.

In the first quarter of fiscal 2020, the Company issued 3,565,000 common shares for the acquisition of NV Mines at a price of $0.06 per common share for a valuation of $213,900.

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.

Related party balances and transactions

The Company entered into transactions with senior officers, directors and shareholders or private companies controlled by them. During the three months ended August 31, 2020, the Company incurred consulting fees and benefits of $93,015 (2019 - $68,582), rent expense of $nil (2019 - $4,956) and exploration and evaluation expenditures of $25,587 (2019 - $nil). As at August 31, 2020, accounts payable and accrued liabilities includes $286,153 (May 31, 2020 - $243,606) due to related parties. In addition, refer to Note 7 for details on the related party note payable.

Key management compensation consists of:

	2020	2019
Consulting fees and benefits	**$ 93,015**	$ 68,582
Stock-based compensation	**51,382**	5,139
	$ 144,397	$ 73,721

These transactions were made in the normal course of operations for consideration established and accepted by the Company and related parties.

Acquisition

On August 15, 2019 the Company completed the acquisition of NV Mine Development, Inc. through the issuance of 3,565,000 common shares of the Company in exchange for all the issued and outstanding shares of NV Mine Development, Inc. The Company elected to apply the optional "concentration test" permitted under IFRS 3 and determined that substantially all of the fair value of the assets acquired was concentrated in the Clipper exploration and evaluation asset. As a result, the transaction was determined not to be a business combination and has therefore been accounted for as an asset acquisition.

The transaction was valued based on the consideration given, which consisted of 3,565,000 common shares at a fair value of $0.06 per share for total consideration of $213,900. The purchase price was allocated to the exploration and evaluation assets acquired.

Note payable

On July 31, 2019 the Company entered into a $500,000 note payable loan agreement with a related party. The note was non-interest bearing, repayable on or before January 31, 2020, and secured by the assets of the Company. The terms of the lending arrangement required the Company to surrender a 4% non-working interest in the Cahuilla property to the lender as consideration. The Company may reacquire the interest on mutually acceptable terms to be negotiated at a later date.

The note was not repaid on January 31, 2020 which resulted in the Company and the lender entering into an amended agreement on April 28, 2020. The note was amended such that the Company provided the lender with an additional 1% non-working interest in the Cahuilla property resulting in a total 5% divested non-working interest up to and including March 31, 2020 and an additional 0.25% non-working interest per month for each month the loan remains unpaid. The note amendment was treated as an extinguishment and re-issuance as there were deemed to be substantial modifications to the terms. There was no gain or loss recognized on extinguishment. As of August 31, 2020, the Company had divested a total of 6.25% of its interest in the Cahuilla property to the lender.

The Note was discounted using a rate of 30% per annum based on management's best estimate of the Company's incremental cost of borrowing.

Imputed interest expense of $37,500 has been recognized in the statement of loss and comprehensive loss with a corresponding amount being credited to exploration and evaluation assets (note 6).

The parties are related by virtue of the fact that the lender is a shareholder of the Company.

Exploration and evaluation assets

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, 2019	$ -	$ -	$ -	$ 25,182,355	$25,182,355
Deferred exploration costs:					
Contract services	-	-	-	477,710	477,710
Acquisition consideration (notes 5 and 7)	-	-	213,900	-	213,900
Foreign exchange translation	-	-	-	29,033	29,033
Total expenditures	-	-	213,900	506,743	720,643
Impairment	-	-	(213,900)	-	(213,900)
Divestiture	-	-	-	(127,000)	(127,000)
Balance, May 31, 2020	-	-	-	25,562,098	25,562,098
Deferred exploration costs:					
Contract services	**-**	**-**	**-**	**187,763**	**187,763**
Foreign exchange translation	**-**	**-**	**-**	**(112,645)**	**(112,645)**
Total expenditures	**-**	**-**	**-**	**75,118**	**75,118**
Divestiture (note 7)	**-**	**-**	**-**	**(37,500)**	**(37,500)**
Balance, August 31, 2020	**$ -**	**$ -**	**$ -**	**$ 25,599,716**	**$25,599,716**

Off-statement of financial position arrangements

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

Significant accounting policies

The significant accounting policies used in the preparation of the unaudited condensed interim consolidated financial statements are described in Note 3 of the audited consolidated financial statements for the year ended May 31, 2020. There have been no changes to the Company's accounting policies since May 31, 2020 except as outlined below:

New and revised standards and interpretations

The Company has adopted the new and revised standards and interpretations issued by the IASB listed below effective June 1, 2019. These changes were made in accordance with the transitional provisions outlined in the respective standards and interpretations.

IFRS 16 Leases

IFRS 16 Leases was issued in January 2016 and replaces IAS 17 Leases. Under IAS 17, lessees were required to make a distinction between a finance lease and an operating lease. If the lease was classified as a finance lease, a lease liability was included on the statement of financial position. IFRS 16 now requires lessees to recognize a right-of-use asset and lease liability reflecting future lease payments for virtually all lease contracts. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly. The lease liability accrues interest. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the identified asset's use and obtain substantially all the economic benefits from that use. The Company has elected to adopt IFRS 16 effective January 1, 2019 using the modified retrospective approach. The modified retrospective approach does not require restatement of prior period financial information as it recognizes the cumulative effect as an adjustment to opening deficit and applies the standard prospectively.

The Company has elected the practical expedient of not recording right-of-use assets and lease liabilities for short-term and low-value assets and records these payments as an expense as they are incurred. The adoption of this standard had no material impact on the Company's consolidated financial statements.

IFRS 3 Business Combinations

On October 22, 2018, the IASB issued amendments to the guidance in IFRS 3 - Business Combinations ("IFRS 3"), revising the definition of a business and providing for the addition of an optional "concentration test" to determine if the acquisition is a business. To be considered a business under the amendments to IFRS 3, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs. The three elements of a business are defined as follows:

- Input - Any economic resource that creates outputs, or has the ability to contribute to the creation of outputs, when one or more processes are applied to it.

- Process - Any system, standard, protocol, convention or rule that, when applied to an input or inputs, creates outputs or has the ability to contribute to the creation of outputs.

- Output - The result of inputs and processes applied to those inputs that provide goods or services to customers, generate investment income or generate other income from ordinary activities.

The optional 'concentration test' permits a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets. An entity may elect to apply, or not apply, the test. An entity may make such an election separately for each transaction or other event. If the concentration test is met, the sets of activities and assets is determined not to be a business and no further assessment is needed.

The amendments to IFRS 3 apply to businesses acquired in annual reporting periods beginning on or after January 1, 2020, with early adoption permitted. The Company has chosen to early adopt the amendments to IFRS 3 effective June 1, 2019 and applied the optional concentration test on the acquisition of NV Mine Development Inc. during the year ended May 31, 2020.

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

Summary of Securities as at August 31, 2020 and October 23, 2020:

(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, 2020 there were 227,689,033 common shares outstanding with a recorded value of $45,828,912.

As of October 23, 2020 there were 227,689,033 common shares outstanding.

(3) Options outstanding:

At August 31, 2020, there were 9,400,000 options outstanding to purchase common shares at exercise prices ranging from $0.055 - $0.15 with a weighted average of $0.10. These options expire on dates ranging from September 30, 2021 – June 12, 2025.

As of October 23, 2020, there were 9,400,000 options outstanding to purchase common shares at exercise prices ranging from $0.055 - $0.15. These options expire on dates ranging from September 30, 2021 – June 12, 2025.

(4) Warrants outstanding:

As of August 31, 2020, there were 63,712,555 share purchase warrants outstanding to purchase common shares at exercise prices ranging from $0.05 to $0.15. These warrants expire on dates ranging from March 5, 2021 to August 14, 2022.

As of October 23, 2020, there were 63,712,555 share purchase warrants outstanding to purchase common shares at exercise prices ranging from $0.05 to $0.15. These warrants expire on dates ranging from March 5, 2021 to August 14, 2022.

Subsequent event

Subsequent to the period end Teras received an additional US $50,000 pursuant to the Letter of Intent signed on the Golden Jubilee property.