Teras Resources Inc.

Consolidated Financial Statements

For the three and six months ended November 30, 2020 and 2019

(Expressed in Canadian Dollars)

Teras Resources Inc.

Consolidated Financial Statements

November 30, 2020 and 2019
(Expressed in Canadian Dollars)

Management Report

To the Shareholders of Teras Resources Inc.

The unaudited condensed interim consolidated financial statements of Teras Resources Inc. (the "Company") were prepared by management in accordance with appropriately selected International Financial Reporting Standards and have been approved by the Board of Directors. Management has used estimates and careful judgment, particularly in those circumstances where transactions affecting current periods are dependent on information not known until a future period.

Management is responsible for the integrity of the financial and operational information contained in these condensed interim consolidated financial statements. The Company has designed and maintains internal controls to provide reasonable assurance that assets are properly safeguarded and that the financial records are well maintained and provide relevant, timely and reliable information to management. The consolidated financial statements have been prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized in the notes to the consolidated financial statements.

Auditor involvement

The auditor of Teras Resources Inc. has not performed a review of the unaudited condensed interim consolidated financial statements for the six months ended November 30, 2020.

Teras Resources Inc.

(Signed) "Joseph Carrabba"
President Chief Executive Officer

(Signed) "Kuldip Baid"
Chief Financial Officer

Calgary, Canada
January 22, 2021

Teras Resources Inc.

Condensed Interim Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

	November 30, 2020	May 31, 2020
Assets		
Current		
Cash	**$ 503,355**	$ 334,244
GST receivable	**11,272**	20,228
Prepaid expenses and deposits	**183,584**	19,596
	698,211	374,068
Reclamation deposit	**19,465**	20,651
Investment (note 4)	**129,766**	27,535
Exploration and evaluation assets (note 6)	**25,986,485**	25,562,098
	$ 26,833,927	$ 25,984,352
Liabilities		
Current		
Accounts payable and accrued liabilities (note 12)	**$ 419,444**	$ 301,495
Provision for reclamation obligations (note 8)	**71,858**	76,238
Note payable (note 7)	**500,000**	500,000
	991,302	877,733
Shareholders' Equity		
Share capital (note 9)	**45,838,912**	44,801,733
Contributed surplus (note 10)	**4,282,478**	4,113,893
Accumulated other comprehensive income (note 10)	**190,495**	231,528
Deficit	**(24,469,260)**	(24,040,535)
	25,842,625	25,106,619
	$ 26,833,927	$ 25,984,352

Nature of operations and going concern (note 1)
Commitments and contingencies (note 15)
Subsequent event (note 16)

Approved by the Board of Directors:

(*Signed*) "Joseph Carrabba", Director

(*Signed*) "Peter Leger", Director

Teras Resources Inc.

Condended Interim Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

	Three months ended November 30,		Six months ended November 30,	
	2020	2019	**2020**	2019
Revenues				
Oil and gas royalty and lease income	$ **-**	-	$ **-**	-
Expenses				
General and administrative (note 11)	**232,881**	90,530	**411,816**	214,636
Interest (notes 6 and 7)	**37,500**	63,501	**75,000**	84,668
Amortization	**-**	211	**-**	843
Stock-based compensation (note 9(vi) and 12)	**51,899**	10,007	**141,440**	21,020
	322,280	164,249	**628,256**	321,167
Net loss before other item	**(322,280)**	(164,249)	**(628,256)**	(321,167)
Other income (note 6)	**132,343**	-	**199,531**	-
Fair value discount on note payable (note 7)	**-**	-	**-**	127,000
Net loss for the period	**(189,937)**	(164,249)	**(428,725)**	(194,167)
Other comprehensive income (loss)				
Unrealized gain (loss) on investment (note 4)	**(26,954)**	26,478	**102,231**	(1,030)
Unrealized gain (loss) on translation	**(25,160)**	(4,694)	**(143,264)**	(29,353)
	(52,114)	21,784	**(41,033)**	(30,383)
Comprehensive loss	$ **(242,051)**	$ (142,465)	$ **(469,758)**	$ (224,550)
Basic and diluted loss per share	$ **(0.00)**	$ (0.00)	$ **(0.00)**	$ (0.00)
Weighted average number of shares outstanding	**227,700,540**	196,207,953	**219,119,613**	194,727,407

Teras Resources Inc.

Condensed Interim Consolidated Statements of Changes in Equity

(Expressed in Canadian Dollars)

	Number of shares (note 9)	Share capital (note 9)	Contributed surplus (note 10)	Accumulated other comprehensive income (note 10)	Deficit	Total
Balance May 31, 2019	192,642,953	$ 44,116,417	$ 4,014,308	$ 206,089	$ (23,118,574)	$ 25,218,240
Comprehensive (loss)	-	-	-	(30,383)	(194,167)	(224,550)
Asset acquisition	3,565,000	213,900	-	-	-	213,900
Stock-based compensation	-	-	21,020	-	-	21,020
Balance, November 30, 2019	**196,207,953**	**44,330,317**	**4,035,328**	**175,706**	**(23,312,741)**	**25,228,610**
Comprehensive income (loss)	**-**	**-**	**-**	**55,822**	**(727,794)**	**(671,972)**
Private placement, net	**10,232,380**	**471,416**	**20,253**	**-**	**-**	**491,669**
Stock-based compensation	**-**	**-**	**58,312**	**-**	**-**	**58,312**
Balance, May 31, 2020	**206,440,333**	**$ 44,801,733**	**$ 4,113,893**	**$ 231,528**	**$ (24,040,535)**	**$ 25,106,619**
Comprehensive (loss)	**-**	**-**	**-**	**(41,033)**	**(428,725)**	**(469,758)**
Private placement, net	**21,248,700**	**1,027,179**	**27,145**	**-**	**-**	**1,054,324**
Exercise of warrants	**200,000**	**10,000**	**-**	**-**	**-**	**10,000**
Stock-based compensation	**-**	**-**	**141,440**	**-**	**-**	**141,440**
Balance, November 30, 2020	**227,889,033**	**$ 45,838,912**	**$ 4,282,478**	**$ 190,495**	**$ (24,469,260)**	**$ 25,842,625**

Teras Resources Inc.

Condensed Interim Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

For the six months ended November 30,	2020	2019
Operating activities		
Net loss	$ **(428,725)**	$ (194,167)
Items not affecting cash		
Amortization	**-**	843
Fair value discount on note payable (note 7)	**-**	(127,000)
Stock-based compensation	**141,440**	21,020
Interest (notes 6 and 7)	**75,000**	84,668
	(212,285)	(214,636)
Changes in working capital items:		
GST receivable	**8,956**	13,223
Prepaid expenses and deposits	**(163,988)**	3,211
Accounts payable and accrued liabilities	**115,239**	9,226
Reclamation deposit	**1,186**	-
Cash outflows from operating activities	**(250,892)**	(188,976)
Financing activity		
Issuance of share capital, net of issuance costs	**1,064,324**	-
Proceeds from note (note 7)	**-**	500,000
Cash inflows from financing activities	**1,064,324**	500,000
Investing activities		
Exploration and evaluation expenditures	**(644,321)**	(388,192)
Cash outflows from investing activities	**(644,321)**	(388,192)
Increase in cash	**169,111**	(77,168)
Cash, beginning of year	**334,244**	204,341
Cash, end of period	$ **503,355**	$ 127,173

Supplemental cash flow information

Non-cash transactions:		
Shares issued on acquisition of mineral property (note 5 and 9)	$ **-**	$ 213,900
Interest on note credited to E&E assets (note 7)	**75,000**	-
Value assigned to private placement broker warrants	**5,896**	-
Value assigned to private placement unit warrants	**21,249**	-

1. Nature of operations and going concern

Teras Resources Inc. (the "Company" or "Teras") is incorporated in Alberta, Canada. The address of the Company's head office is 206, 6025 - 12th Street SE, Calgary, Alberta, T2H 1K1. The address of the Company's registered office is 1000, 250 - 2nd Street SW, Calgary, Alberta, T2P 0C1. The Company is involved in the acquisition and exploration of mineral property interests in Montana, Nevada and Cahuilla in California. At the date of these consolidated financial statements, the Company has not been able to identify a known body of commercial grade ore on any of its properties. The ability of the Company to recover the costs it has incurred to date on these properties is dependent upon the Company being able to identify a commercial ore body, complete the processing mill and obtain commercial grade ore for processing, to finance its exploration and development costs and to resolve any environmental, regulatory, or other constraints which may hinder the successful development of the properties.

These unaudited condensed interim consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its obligations in the normal course of operations.

The Company's ability to maintain its current level of operations is dependent on its ability to generate sufficient cash to fund its strategic business plan. To date, the Company has no ongoing recurring source of revenue. At November 30, 2020 the Company had cash of $503,355 (May 31, 2020 - $334,244) and working capital deficiency of $293,091(May 31, 2020 – deficiency of $503,665).

In the second quarter of fiscal 2021, 200,000 $0.05 warrants were exercised for proceeds of $10,000.

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 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 $19,950.

In the first quarter of fiscal 2020, the Company issued 3,565,000 common shares for the acquisition of NV Mine Development, Inc. at a fair value of $0.06 per share aggregating to $213,900 (note 5).

Impact of COVID-19

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, the movement of people and goods, and financial markets globally, leading to an economic downturn.

1. Nature of operations and going concern (continued)

The Company continues to operate through this pandemic while complying with the strict guidelines prescribed by government health authorities and will assess its operational needs on a continual basis as new information regarding the pandemic is received. The duration of the COVID-19 outbreak and the resulting travel restrictions, social distancing recommendations, government response actions, business disruptions and business closures is not yet determinable. There can be no assurance that the Company will not be impacted by adverse consequences that may be brought about by the COVID-19 pandemic's impact on global industrial and financial markets which may reduce metal prices, share prices and financial liquidity, thereby limiting access to additional capital.

While management believes the Company has sufficient cash to discharge its obligations in the normal course of operations for the short-term, future operations will continue to be dependent upon the successful ongoing exploration and development of the Company's mineral property interests and/or raising of sufficient capital, and the corresponding generation of future cash flows. Management believes the going concern assumption is appropriate for these consolidated financial statements. The Company's ability to continue as a going concern on a longer term basis depends on its ability to successfully raise additional financing for further exploration activity and development or to enter into profitable operations. While the Company has been successful to date in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms acceptable to the Company. These factors create a material uncertainty that casts significant doubt on the Company's ability to continue as a going concern. If the going concern assumption were not appropriate for these consolidated financial statements, adjustments might be necessary to the carrying value of assets and liabilities, reported revenues and expenses and the statement of financial position classifications used.

2. Basis of presentation and statement of compliance

These consolidated financial statements for the six months ended November 30, 2020 and 2019, have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). A summary of the Company's significant accounting policies is presented in Note 3.

These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors on January 22, 2021.

Basis of consolidation

The Company has consolidated the assets, liabilities, revenues and expenses of the Company and its wholly-owned subsidiaries, Profile (US) Inc., NV Mine Development Inc. and Teras Resources Ltd. USA.

All significant intercompany transactions and balances have been eliminated.

Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial assets and financial liabilities to fair value as described in the policies below.

(Expressed in Canadian Dollars)

2. Basis of presentation and statement of compliance (continued)

Foreign currency translation

The functional and presentation currency of the Company is the Canadian dollar. The functional currency for each of the subsidiaries is the US dollar. Transactions in foreign currencies are translated to the functional currency of the entity at the exchange rate in existence at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at the period end date exchange rates. Non-monetary items which are measured using historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Foreign operations are translated from their functional currencies into Canadian dollars on consolidation. Items in the consolidated statements of loss and comprehensive loss are translated using average exchange rates. Assets and liabilities are translated at the closing spot exchange rate. Exchange differences on the translation of the net assets of entities with functional currencies other than the Canadian dollar are recognized in a separate component of equity through other comprehensive income (loss).

On disposition or partial disposition of a foreign operation, the cumulative amount of related exchange differences recorded in Accumulated other comprehensive income (loss) are recognized in the consolidated statement of loss.

3. Significant accounting policies

The significant accounting policies used in the preparation of these 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.

4. Investment

During the year ended May 31, 2010, the Company purchased 1,000,000 shares of NexGen Mining (formerly "Brilliant Sands Incorporated"), a Montana mining company originally valued at US $0.45 per share giving it an approximate 10% ownership interest at the time of acquisition. 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 have a quoted market price in an active market.

	November 30, 2020	May 31, 2020
Balance, beginning of year	**$ 27,535**	$ 54,123
Unrealized gain (loss) on investment	**102,231**	(26,588)
Balance, end of year	**$ 129,766**	$ 27,535

(Expressed in Canadian Dollars)

5. 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 (note 6). 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 (note 9). The purchase price was allocated to the exploration and evaluation assets acquired (note 6).

6. 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	$25,182,355
Deferred exploration costs:					
Contract services	-	-	-	477,710	477,710
Acquisition consideration (notes 5 and 7)	-	-	213,900	-	213,900
Foreign exchange translation	-	-	-	29,033	29,033
Total expenditures	-	-	213,900	506,743	720,643
Impairment	-	-	(213,900)	-	(213,900)
Divestiture	-	-	-	(127,000)	(127,000)
Balance, May 31, 2020	-	-	-	25,562,098	25,562,098
Deferred exploration costs:					
Contract services	**-**	**-**	**-**	**644,321**	**644,321**
Foreign exchange translation	**-**	**-**	**-**	**(144,934)**	**(144,934)**
Total expenditures	**-**	**-**	**-**	**499,387**	**499,387**
Divestiture (note 7)	**-**	**-**	**-**	**(75,000)**	**(75,000)**
Balance, November 30, 2020	**$ -**	**$ -**	**$ -**	**$ 25,986,485**	**$25,986,485**

6. Exploration and evaluation assets (continued)

Watseca Mill

The Watseca Mill property is located in Rochester Basin, Montana and consists of a mill site and 13 patented mining claims.

During the year ended May 31, 2019, management reviewed the carrying value of the capitalized exploration and evaluation costs of the Watseca Mill 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 six months ended November 30, 2020, there were no events or conditions that would indicate the impairment previously recorded on the property should be reversed.

Golden Jubilee

The Golden Jubilee property consists of twenty-two mineral lode claims located in Granite County, Montana.

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.

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. The exclusive period has been extended to February 15, 2021. During the period ended November 30, 2020 Teras has received US $ 150,000 (see note 16). This has been recognized as Other income.

Cahuilla

On February 10, 2010 the Company entered into an Earn-In Agreement with NexGen Mining (formerly “Brilliant Sands Incorporated”), a Montana corporation (“NexGen”) for an exclusive option to earn a 65% undivided interest in certain properties, including Cahuilla. Pursuant to this Agreement, the Company paid NexGen US $1,800,000 and issued a total of 10,300,000 common shares to NexGen.

On September 14, 2011, the Company received confirmation from NexGen accepting the exercise of the 65% Earn-In Agreement, at which point the Company owned 65% of the Cahuilla project.

On September 29, 2011, the Company signed an Exploration and Earn-In Agreement with NexGen for the 35% balance of the Cahuilla project giving the Company 100% interest in the Project. The Company exercised its option in June 2014 by issuing 10,000,000 common shares to NexGen and spending

6. Exploration and evaluation assets (continued)

$1,000,000 in work commitments on the project. In addition to controlling 100% of the Cahuilla project, the Company received four other gold projects.

The Company previously purchased 1,000,000 common shares of NexGen at an original cost of US $0.45 per share (note 4).

The Cahuilla project is subject to minimum annual work commitments as well as annual land lease payments to various third party leaseholders in order to maintain title to the project. The agreements with these leaseholders have varying expiration dates ranging from fiscal 2021 to indefinitely. See Note 15(d) for additional details on the Company's commitments with respect to this project.

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 November 30, 2020, the Company divested itself of an additional 1.50% non-working interest in the project. The fair value of the imputed debt discount of $75,000 was credited against the accumulated exploration and evaluation expenditures of the Cahuilla project.

Other properties

As part of the Cahuilla acquisition, the Company received title to four other gold projects. During the year ended May 31, 2019, management reviewed the carrying value of the capitalized exploration and evaluation costs of these other 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 six months ended November 30, 2020, there were no events or conditions that would indicate the impairment previously recorded on the property should be reversed.

During the year ended May 31, 2020, as part of the acquisition of NV Mine Development, Inc. (note 5), the Company acquired 170 contiguous unpatented mining claims and 16 internal contiguous patented mining claims in two blocks, known as the Clipper project.

The Clipper project is subject to annual claim maintenance fees and annual land lease payments to third party leaseholders in order to maintain the right to explore. During the year ended May 31, 2020, the Company declined the payment of the annual maintenance and land lease payments thereby losing the rights to the claims. As a result, the Company impaired all capitalized costs related to the project and recorded an impairment charge of $213,900 in the consolidated statements of loss and comprehensive loss.

7. 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 November 30, 2020, the Company had divested a total of 7.00% 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 $75,000 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.

8. Provision for reclamation obligations

The Company has recorded a $71,858 (May 31, 2020 - $76,328) provision for estimated reclamation obligations on the Company’s Golden Jubilee property. Due to the uncertainty with respect to the timing of the reclamation and abandonment activity, the obligation has been classified as a current liability and not subject to present value discounting or accretion charges resulting from the passage of time. Based on management’s assessment of the stage, nature and extent of exploration activities to date, there are no other legal obligations relating to reclamation and abandonment activities as at November 30, 2020 and May 31, 2020.

(Expressed in Canadian Dollars)

9. Share capital

i) Authorized:

Unlimited number of common shares
Unlimited number of preferred shares

ii) Issued:

	November 30, 2020		May 31, 2020	
	Number	**Amount**	Number	Amount
Balance, beginning of year	**206,440,333**	**$ 44,801,733**	192,642,953	$44,116,417
Issued for private placement	**21,248,700**	**1,062,435**	10,232,380	511,619
Warrants exercised	**200,000**	**10,000**	-	-
Issued for acquisition	**-**	**-**	3,565,000	213,900
Value assigned to warrants	**-**	**(27,145)**	-	(20,253)
Share issue costs	**-**	**(8,111)**	-	(19,950)
Balance, end of year	**227,889,033**	**$ 45,838,912**	206,440,333	$44,801,733

iii) Share capital transaction in 2021

In the second quarter of fiscal 2021, the Company issued 200,000 common shares pursuant to the exercise of 200,000 warrants at $0.05 per warrant.

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. The attached warrants were valued at $21,249 using the residual value method. The broker warrants were valued at $5,896 using the Black-Scholes option pricing model with the following assumptions: volatility of 168%; risk-free interest rate of 0.26%; term of one year; and expected dividends of $nil.

iv) Share capital transactions in 2020

In the fourth quarter, 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. The attached warrants were valued at $10,233 using the residual value method. In addition, the Company issued 399,000 broker warrants at a price of $0.075 exercisable for a period of one year and paid a finder’s fee of $19,950. The broker warrants were valued at $10,020 using the Black-Scholes option pricing model with the following assumptions: volatility of 179%; risk-free interest rate of 0.81%; term of one year; and expected dividends of $nil.

In the first quarter, the Company issued 3,565,000 common shares for the acquisition of NV Mine Development, Inc. at a price of $0.06 per common share for a valuation of $213,900 (note 5).

(Expressed in Canadian Dollars)

9. Share capital (continued)

v) Share purchase warrants

A summary of the status of the Company's share purchase warrants as of November 30, 2020 and May 31, 2020 and changes during the period then ended is presented below:

	November 30, 2020		May 31, 2020	
	Number of warrants	**Weighted average exercise price ($)**	Number of warrants	Weighted average exercise price ($)
Outstanding, beginning of year	**42,272,855**	**0.10**	41,095,807	0.13
Private placement warrants	**21,248,700**	**0.075**	10,631,380	0.075
Broker warrants	**191,000**	**0.075**	-	-
Exercised	**(200,000)**	**0.05**	-	-
Expired/cancelled	**-**	**-**	(9,454,332)	(0.24)
Outstanding, end of year	**63,512,555**	**0.09**	42,272,855	0.10

A summary of the share purchase warrants outstanding as at November 30, 2020 which have a weighted average remaining life of 1.08 years is set out below with each warrant entitling the holder to acquire one common share per warrant:

	Number	**Exercise price ($)**	**Expiry Date**
Private placement warrants	**13,483,750**	**0.15**	July 4, 2022
Private placement warrants	**12,357,725**	**0.075**	August 1, 2022
Private placement warrants	**5,600,000**	**0.05**	April 17, 2021
Private placement warrants	**10,232,380**	**0.075**	March 5, 2022
Broker warrants	**399,000**	**0.075**	March 5, 2021
Private placement warrants	**21,248,700**	**0.075**	August 14, 2022
Broker warrants	**191,000**	**0.075**	August 14, 2021
Outstanding, end of period	**63,512,555**	**0.09**	

(Expressed in Canadian Dollars)

9. Share capital (continued)

vi) Stock option plan

The Company has an incentive stock option plan available for granting stock options to officers, directors and consultants. The aggregate number of common shares issuable pursuant to options granted under the plan may not exceed 10% of the total number of issued and outstanding common shares of the Company at the time of granting the options. Options granted under the plan have a maximum term of ten years. The exercise price of the options granted will not be less than the discounted market price of the common shares or such other price as may be agreed to by the Company and accepted by the TSX Venture Exchange. Options granted under the plan vest as determined by the Board of Directors on the date of grant.

A summary of the status of the Company's stock option plan as of November 30, 2020, and May 31, 2020 and changes during the periods then ended is presented below:

	November 30, 2020		May 31, 2020	
	Number of options	**Weighted average exercise price ($)**	Number of options	Weighted average exercise price ($)
Outstanding, beginning of year	**7,400,000**	**0.10**	8,200,000	0.13
Granted	**6,050,000**	**0.09**	2,000,000	0.06
Expired/Cancelled	**-**	**-**	(2,800,000)	0.18
Outstanding, end of period	**13,450,000**	**0.09**	7,400,000	0.10

The stock options have a weighted average remaining life of 3.54 years.

A summary of stock options outstanding at November 30, 2020 is set out below:

Number Outstanding	**Number Exercisable**	**Exercise price**	**Expiry date**
1,250,000	1,250,000	0.15	September 30, 2021
1,150,000	1,150,000	0.15	April 4, 2022
3,000,000	3,000,000	0.09	September 9, 2023
2,000,000	1,000,000	0.055	January 23, 2025
2,000,000	1,000,000	0.08	June 12, 2025
4,050,000	-	0.09	November 10, 2025
13,450,000	7,400,000	0.10	

The Company calculated and recorded stock-based compensation expense for the three and six months ended November 30, 2020 of $51,899 (2019 - $10,007) and $141,440 (2019 - $21,020) respectively using the Black-Scholes option pricing model. The Company has unvested stock-based compensation of approximately $289,712 (May 31, 2020 - $59,049) which is expected to be recognized in future years upon vesting of the related options. The options vest over a period of 12 months to 18 months.

(Expressed in Canadian Dollars)

9. Share capital (continued)

vi) Stock option plan (continued)

Significant assumptions used in the Black Scholes option pricing model during the years then ended are as follows:

	November 30, 2020	May 31, 2020
Risk-free interest rate	0.39% - 0.48%	1.43%
Average expected option life	5 years	5 years
Share price volatility	150% - 161%	179%
Expected dividend payments	Nil	Nil
Forfeiture rate	7.20% - 8.10%	6.41%
Fair value of options granted	$0.06 - $0.08	$0.06

10. Contributed surplus and accumulated other comprehensive income

A summary of the contributed surplus as at November 30, 2020 and May 31, 2020 and the changes during the periods then ended are presented below:

	November 30, 2020	May 31, 2020
Balance, beginning of year	**$ 4,113,893**	$ 4,014,308
Fair value assigned to stock options vested	**141,440**	79,332
Fair value ascribed to warrants	**27,145**	20,253
Balance, end of period	**$ 4,282,478**	$ 4,113,893

Accumulated other comprehensive income is comprised of the following components as at November 30, 2020 and May 31, 2020:

	November 30, 2020	May 31, 2020
Foreign currency translation gain on subsidiaries	**$ 539,463**	$ 682,727
Unrealized gain (loss) on investment	**(348,968)**	(451,199)
	$ 190,495	$ 231,528

The unrealized gain (loss) on investments is recognized in other comprehensive income (loss).

Foreign currency translation balances relate to the translation of foreign subsidiaries to the presentation currency of the consolidated financial statements. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, shall be reclassified from accumulated other comprehensive income (loss) to profit or loss when the gain or loss on disposal is recognized.

(Expressed in Canadian Dollars)

11. Segmented information

The Company's significant assets and net loss by geographic location are as follows:

	November 30, 2020	May 31, 2020
Assets		
Canada		
Current assets	**$ 657,748**	$ 349,405
United States		
Current assets	**40,463**	24,663
Investment	**129,766**	27,535
Exploration and evaluation assets	**25,986,485**	25,562,098
Reclamation bond	**19,465**	20,651
	26,176,179	25,634,947
	$ 26,833,927	$ 25,984,352

Net income (loss) for the periods ended,	Three months ended November 30, 2020	Three months ended November 30, 2019	Six months ended November 30, 2020	Six months ended November 30, 2019
Canada	**$ (303,249)**	$ (155,467)	**$ (552,638)**	$ (153,517)
United States	**113,312**	(8,782)	**123,913**	(40,650)
Net loss	**$ (189,937)**	$ (164,249)	**$ (428,725)**	$ (194,167)

12. Related party balances and transactions

The Company entered into transactions with senior officers, directors and shareholders or private companies controlled by them. For the three and six months ended November 30, 2020, the following includes all amounts paid to key management personnel and directors and officers. As at November 30, 2020, accounts payable and accrued liabilities includes $311,159 (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:

	Three months ended November 30, 2020	Three months ended November 30, 2019	Six months ended November 30, 2020	Six months ended November 30, 2019
Consulting fees and benefits	**$ 79,015**	$ 47,715	**$ 172,030**	$ 116,297
Stock-based compensation	**40,156**	4,670	**91,538**	9,809
Exploration and evaluation expenditures	**50,382**	-	**50,382**	-
	$ 169,553	$ 52,385	**$ 313,950**	$ 126,106

12. Related party balances and transactions (continued)

These transactions were conducted in the normal course of operations for consideration established and accepted by both parties.

13. Capital management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of its projects. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company's principal assets are in the exploration stage and; as such, the Company is dependent on external financing to fund its activities. In order to carry out planned exploration and development activities and fund general administrative costs, the Company will utilize its existing working capital and enter into additional debt and equity financings as required to achieve its objectives. The Company will continue to assess the exploration and development potential of new and existing projects and allocate its capital resources accordingly.

Management reviews its capital management approach on an ongoing basis.

There were no changes in the Company's approach to capital management and the Company was not subjected to externally imposed covenants during the six months ended November 30, 2020 and the year ended May 31, 2020.

14. Financial instruments and risk management

The Company's risk exposures and their impact on the financial instruments are summarized below:

Credit risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash. Cash consists of funds on deposit with financial institutions that have high international credit ratings and no history of significant credit losses. GST receivable relates to sales input tax credits due from government bodies; hence, credit risk is minimal

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when they come due. As of November 30, 2020, the Company had cash of $503,355 (May 31, 2020 - $334,244) to settle current liabilities of $991,302 (May 31, 2020 - $877,733). The majority of the Company's financial liabilities have contractual maturities of less than thirty days and are subject to normal trade terms.

Market risk

Market risks that are applicable to the Company primarily arise from changes in foreign exchange rates and commodity prices.

14. Financial instruments and risk management (continued)

(a) Foreign currency risk

The Company's functional currency is the Canadian dollar and major purchases other than the exploration and development expenses are transacted in Canadian dollars. The Company funds certain operational, exploration and development expenses in US dollars from its Canadian and US dollar bank accounts held in Canada. Management monitors the foreign exchange risk derived from currency conversions and does not hedge its foreign exchange risk.

(b) Price risk

The Company is exposed to price risk with respect to commodity prices and investments. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices as it relates to gold to determine the appropriate course of action for the Company. Price risk with respect to investments is defined as the potentially adverse impact on earnings and economic value due to fluctuations in the market value of the Company's investment.

(c) Sensitivity analysis

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a three month period:

i) The Company is exposed to foreign currency risk on Canadian-US dollar exchange rate fluctuations related to cash and accounts payable and accrued liabilities denominated in US dollars. As at November 30, 2020, a 5% variance in the Canada-US dollar exchange rate would result in a $1,000 (May 31, 2020 - $1,000) foreign exchange gain (loss), respectively.

ii) Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability of development depends upon the world market price of gold. The price of gold has fluctuated widely in recent years hence there is no assurance that, even if commercial quantities of gold may be produced in the future, a profitable market will exist for them. A decline in the market price of gold may also require the Company to reduce its mining rights and deferred exploration expenditures, which could have a material and adverse effect on the Company's value. As at November 30, 2020, the Company is not a gold producer. As a result, commodity price risk may affect the completion of future equity transactions such as equity offerings and the exercise of stock options. Price risk associated with investments can fluctuate significantly over time based on the investee's operations and other market factors. A 5% variance in the market value would result in a $6,500 (May 31, 2020 - $1,400) gain (loss) on the investment, respectively.

15. 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 a month to month office lease that requires monthly payments of $1,500, inclusive of operating costs.

(c) In November 2010, the Company entered into a Performance Share Agreement with the former 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 $500,000 on minimum work commitments on its Cahuilla project in the next year. The Company has met its work commitment obligations until the end of fiscal 2020. The Company is also required to make anniversary lease payments for the upcoming year on its Cahuilla project totaling approximately US $361,000 as well as a bonus payment of $70,000. The Company also has a commitment to issue 280,000 stock options and cash payments totaling US $250,000 upon completion of successive exploration phases. The lease agreements can be terminated at the Company's discretion by providing one year's notice to the lessors.

(e) On October 1, 2019, the Company signed a two year consulting agreement with the former CEO that calls for monthly compensation of $20,833. The agreements also provide for termination benefits for termination without cause totaling 12 months compensation and change of control totaling 12, 24, or 36 months compensation dependent upon the market capitalization of the Company at the time of change of control.

16. Subsequent event

Subsequent to the period end Teras received an additional US $25,000 pursuant to the Letter of Intent signed on the Golden Jubilee property.