TERAS
RESOURCES INC

Management's Discussion & Analysis

May 31, 2021

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 year ended May 31, 2021 should be read in conjunction with the audited 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.

Dated – September 28, 2021

Forward-Looking Information

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

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

Qualified Person

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

Overall Performance

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

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 (see note 7 to the audited consolidated financial statements for the years ended May 31, 2021 and 2020). The fair value of the imputed interest 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 year ended May 31, 2021, the Company divested itself of an additional 3.0% non-working interest in the project. The fair value of the imputed interest of $150,000 was credited against the accumulated exploration and evaluation expenditures of the Cahuilla project.

Refer to Note 17(d) for subsequent events related to one of the Exploration Agreements and Options to Lease associated with the property.

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 – May 318, 2021 of $992,386 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.

Teras is also in the process of engaging the Chambers Group to complete an extension application for the current drilling permits, at its Cahuilla project, on both Tribal and private lands.

On March 18, 2021, the company completed and filed on SEDAR its "Amended Technical Report on the Cahuilla Gold and Silver Project, in Imperial County, California." The purpose of this report is to provide an update of all drilling, new target identification, and new resource modeling since the original NI 43-101 completed in 2012.

The new resource estimates are based on cut-off grades of 0.008 opt (0.27 g/t), which are generally economic in today's operating environment. The new indicated resource was estimated at 1.261 million ounces of gold and 14.337 million ounces of silver contained in 82.11 million tons at an average grade of 0.0154 opt (0.53 g/t gold and 0.175 opt (6 g/t) silver. This constitutes an increase of 261,000 indicated ounces of gold since the last resource was calculated in 2012.

An additional inferred resource is reported of 75,000 ounces of gold and 686,000 ounces of silver contained in 3.585 million tons at an average grade of 0.021 opt (0.72 g/t) gold and 0.19 opt (6.5 g/t) silver at a cut-off of 0.008 opt gold.

The 24% increase in gold and 21% increase in silver resources is attributed to the additional drilling since the 2012 resource model and the identification of new mineral domains in the geologic model. The work that was used to estimate the new geologic model will guide future drilling. The following Table 1 and 2 reports a portion of the Indicated and Inferred resources in ounces per ton and grams per ton.

Teras has granted 6,050,000 options to purchase common shares to Directors, Officers and Consultants of the Company in accordance with the Company's stock option plan. The options have an exercise price of $0.08 to $0.09 per share. The expiry date of the options will range from June 1, 2025 to November 12, 2025 - 5 years from the date of issuance.

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 fiscal 2019 or the preceding year and no exploration activity was budgeted for the property, the carrying value was 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, 2021, 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 fiscal 2019 or the preceding year and no exploration activity was budgeted for the properties, the carrying value was 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, 2021, 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 fiscal 2019 or the preceding year and no exploration activity was budgeted for the property, the carrying value was impaired. This resulted in all capitalized costs related to the property being written down to $nil.

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. The Company has received the full amount of the US $550,000 and the sale has been completed.

In view of the sale of the Golden Jubilee property, impairments previously recorded on the property in the amount of $605,148 were reversed in fiscal 2021. The remaining difference between the proceeds received of $707,254 (US$550,000), the impairment reversal of $605,148 and decommissioning liabilities extinguished of $42,208 has been recorded as a gain on sale in the amount of $144,314.

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 Cahuilla or the Company's new projects will result in the Company achieving commercial gold production. A number of factors, upon which success is dependent, are beyond the Company's control - see Risks and Uncertainties.

The Company has purchased 1,000,000 shares of NexGen Mining Incorporated ("NXGM") (formerly Brilliant Sands Inc.), a Montana mining company at US $0.45 per share giving it approximately 3% of the outstanding shares of the mining company. The original purchase price was US $450,000, CDN $478,734. The long-term investment does not provide the Company the ability to exercise significant influence over the operations of the entity. The investment is measured at fair value using level one input as the shares do have a quoted price in active market. The fair value per share as of May 31, 2021 is CDN $0.036 (May 31, 2020 CDN $0.028). During the year ended May 31, 2021, an unrealized gain in the amount of $8,676 (2020 – unrealized loss of $26,558) has been recorded to Other Comprehensive Income (loss).

Resource Projects

Cahuilla

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

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

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

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

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

- An indicated resource of 1.017 million ounces of gold and 11.855 million ounces of silver (70.148 million tons at an average grade of 0.015 ounces per ton ("**oz/t**") gold and 0.17 opt silver with a cut-off of 0.008 opt gold).

- An additional inferred class of 10 million tons grading 0.011 opt gold and 0.10 opt silver. Gold equivalent ounces are 1.2 million ounces in indicated class and 130,000 ounces in inferred class using a ratio of 55 silver ounces to 1 gold ounce.

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

Teras has engaged MDA to create the new geologic model (as presented below) from its 2016 technical studies program which now includes the following information:

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

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

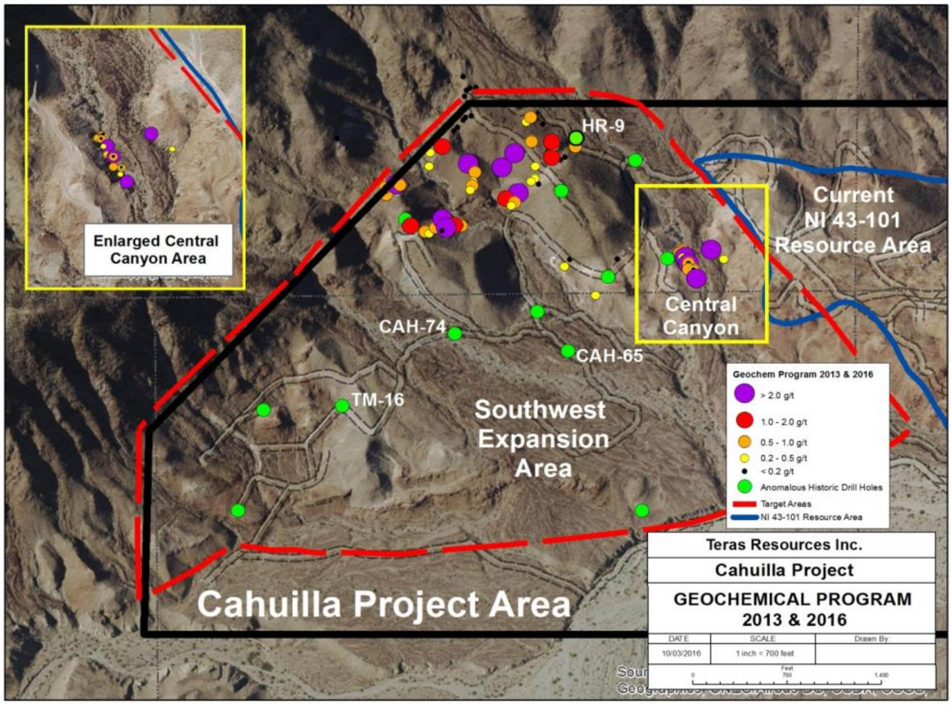
As indicated in the May 11, 2016 press release, Teras recognized the existence of this new, large gold/silver target area via three dimensional interpretation of the updated and enhanced geologic model. The primary objective of the field exploration program was to confirm the existence of the newly inferred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

Detailed field mapping recognized several large areas of intense silicification and quartz veining similar to alteration that occurs in the current resource area. One of the most significant findings was the recognition of the major east-northeast trending fault that bounds the southern portion of the project area, which is referred to as the West Ledges Fault. This large fault zone was mapped in multiple locations along strike in the field and has a similar trend as faults in the current resource area that host high grade precious metal mineralization.

A total of 90 geochemical samples were collected throughout the southwest target area. Samples collected within veins and altered rock in Central Canyon are for the most part moderately to highly anomalous in gold and silver and these same veins were mapped for significant distances to the west. The following map shows gold values in the Central Canyon area along with samples

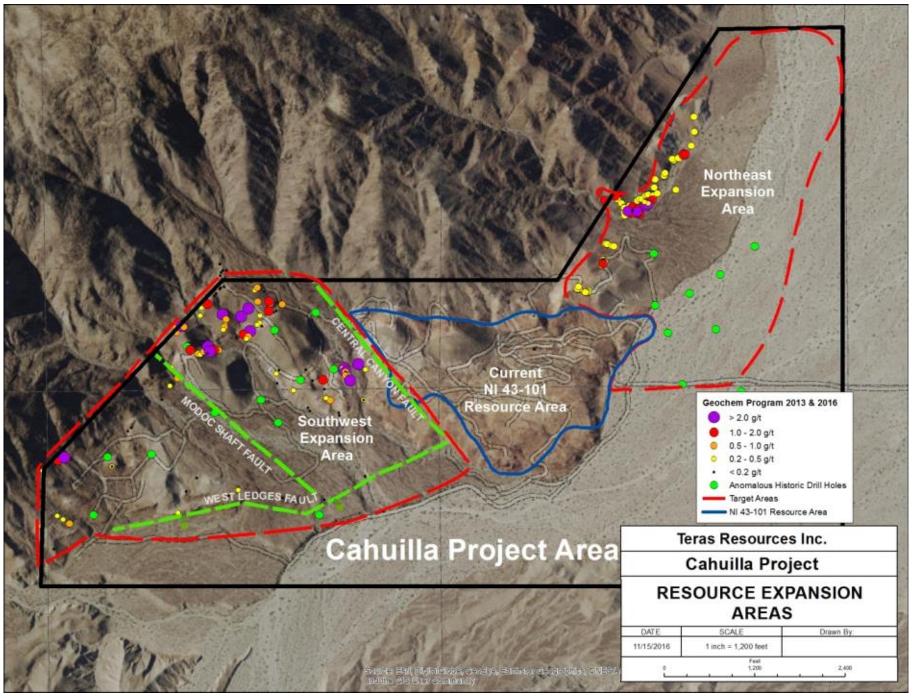
In Central Canyon, five samples assayed more than 2.0 g/t gold with values reaching as high as 3.8 g/t. These results, in conjunction with the samples collected in 2013, warrant a significant exploration program. Assay results for the samples collected to the far west and south project area will be reported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

It should be noted that although the southwest target area is relatively untested by drilling, a number of the wide spaced reverse circulation holes intersected noteworthy mineralization as shown on the map below. CAH-65 was drilled by Kennecott Exploration in 1995 and intersected 9.2m @ 2.2 g/t from 33.5 to 42.7m (110 – 140' @ 0.064 oz/t). Kennecott also drilled CAH – 74 that same year which assayed 1.5 g/t over 3.1m from 57.9 to 61.0m (190 – 200' @ 0.044 oz/t). In 1987, Homestake drilled HR – 9 in the far northwest project area and intersected 6.1m @ 0.89 g/t from 0 to 6.1m (0 – 20' @ 0.026 oz/t) and 7.6m @ 1.15 g/t from 22.9 to 30.5m (75 – 100' @ 0.034 oz/t). TM – 16 was drilled by the Torres Martinez Tribe in 1993 and assayed 0.57 g/t over 24.3m from 22.9 to 47.2m (75 – 155' @ 0.017 oz/t).



Additional drill holes in the southwest target area host anomalous precious metal mineralization over significant distances both down hole and spatially on the surface. However, none of these holes tested any of the newly defined structural and geophysical targets delineated by Teras' technical team. The detailed geologic data is currently being compiled, interpreted and will be appended to the model to further refine drill hole targeting for future drilling campaigns.

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

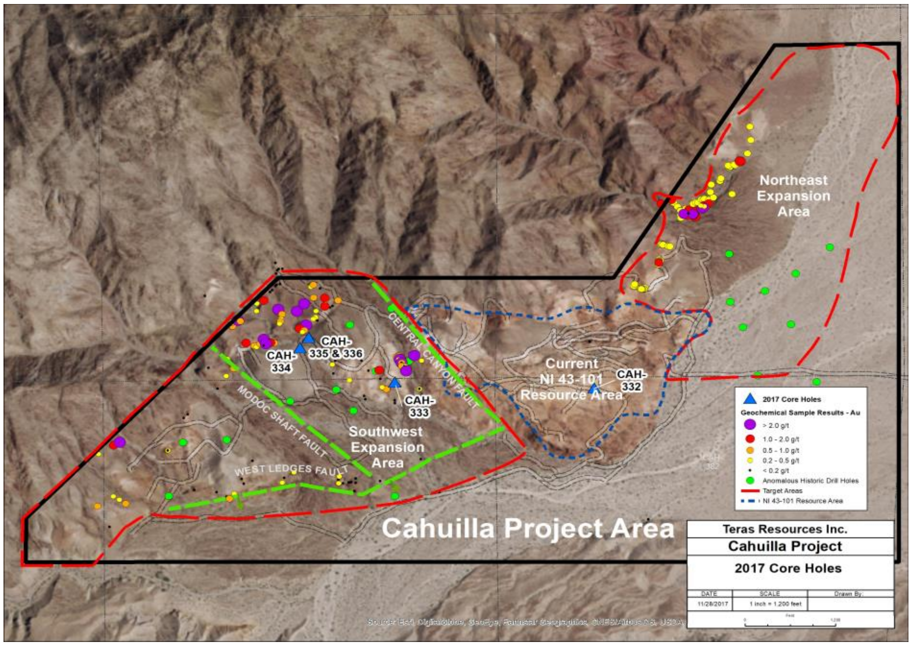


Teras' technical team completed two recent field trips (February and March 2017) for purposes of additional detailed geologic mapping and geochemical sampling within the newly recognized, highly prospective southwest areas: Central Canyon, Modoc Shaft Fault, and the West Ledges Fault. The recent field work has better identified specific drill sites within these highly prospective exploration areas to target structurally hosted higher grade gold and silver mineralization.

During September / October 2017 Teras drilled 5 core holes in the Southwest expansion area to gain lithological data. Drill sites were selected to better determine the geometry within the gold-silver system by testing for lithological and hydrothermal alteration controls to identify where gold and silver are higher grade and in wider zones within the mineralized envelope. The drill program was successful in providing this valuable information.

One of the five holes (CAH-332) was drilled within the resource area to test the strike and extent of the high-grade veins. The hole intersected similar structures that are interpreted to be on strike and parallel to the strike of the larger veins encountered in CAH-324. It did confirm the existence of high grade veins as reported in the press release dated June 5, 2014.

The following map shows the location of the 2017 drill holes:



Significant assay results from the 2017 drill campaign are as follows:

Hole #	From	To	TD – m	Thickness – m (ft)	Gold – g/t (oz/ton)	Remarks
CAH-332	22.2	55.2	188	32.9 (108)	0.612 (0.018)	Resource Area
	67.1	83.5		16.4 (53)	0.652 (0.019)	
	114.6	121.0		6.4 (21)	1.722 (0.050)	
Inc.	114.6	115.5		0.9 (3)	6.590 (0.192)	
	143.3	144.2		0.9 (3)	1.145 (0.033)	310 g/t silver (9.1 oz/ton)
CAH-333			168.6	Anomalous	gold and silver	Exploration – lost hole
CAH-334			122.8	Anomalous	gold and silver	Exploration – lost hole
CAH-335			62.5	Anomalous	gold and silver	Exploration – lost hole
CAH-336	68.5	71.3	96.0	2.8 (9)	0.450 (0.013)	Exploration – lost hole

Although the veins encountered in the core are narrow, they commonly represent a branching upward of larger veins from greater depths. Such branching is also manifest at the Golden Cross and Favona gold-silver deposits in New Zealand and the Fire Creek mine in Nevada. The combination of the strong epithermal alteration mineralogy, vein textures, the branching upwards of veins, and gold-silver assays in the exploration drill holes support continued deeper drilling in this area west of the current resource for the purpose of locating larger high-grade veins at depth.

Within the resource area, drill hole CAH-332 was selected to test the continuity of the high grade sheeted veins intersected in CAH-324. The interval from 114.6 to 116.4 meters (376 – 382 feet) averaged 3.66 g/ton (0.107oz/t) gold and 14.45 g/ton (0.42 oz/t) silver as shown below:

CAH-0332 verified precious metal veins with gold and silver values well above the average resource grade estimated in the NI 43-101 report and are interpreted to be parallel to the much thicker high- grade veins intersected in CAH-324.

On March 18, 2021 the company has filed on SEDAR its “Amended Technical Report on the Cahuilla Gold and Silver Project. The new resource estimates are based on cut-off grades of 0.008 opt (0.27 g/t), which are generally economic in today’s operating environment. The new indicated resource was estimated at 1.261 million ounces of gold and 14.337 million ounces of silver contained in 82.11 million tons at an average grade of 0.0154 opt (0.53 g/t gold and 0.175 opt (6 g/t) silver. This constitutes an increase of 244,000 indicated ounces of gold since the last resource was calculated in 2012

Teras is currently in discussions, with a number of different groups, on a potential transaction that will assist the company in developing its Cahuilla project.

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 and Director.

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 fiscal 2021, 1,000,000 warrants with an exercise price of $0.05 and 909,091 warrants with an exercise price of $0.075 were exercised for proceeds of $118,182.

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 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, 2021	2020	2019
Revenues	$ -	$ -	$ 101
Net loss	(614,706)	(921,961)	(983,497)
Other comprehensive income (loss)	(331,223)	25,439	56,553
Net loss and comprehensive loss	(945,929)	(896,522)	(926,944)
Basic and Diluted Loss per Share	(0.00)	(0.00)	(0.00)
Total Assets	26,677,270	25,984,352	25,503,541
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, 2021, the Company incurred a net and comprehensive loss of $945,929 (or $0.00 per share) compared with a net and comprehensive loss of $896,522 (or $0.00 per share) for the twelve months ended May 31, 2020. The increase in the loss of $49,407 can be attributed to the following reasons:

- Compared to the prior year, stock-based compensation expense increased by $265,000 due to 6,050,000 stock options granted in the current year.

- Unrealized loss on translation increased by $392,000. 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 gain on investment increased by $35,000. The gain/loss fluctuates with the stock price of NXGM.

- General and administrative expenses increased by approximately $407,000 - consulting fees paid to directors, officers and consultants increased by $148,000. A fee of $100,000 was accrued for the new CEO. There was an increase of $17,000 in fees paid to the CFO and $31,000 in fees paid to the previous CEO (in the prior year the previous CEO had voluntarily reduced his fee). Commencing January 2021 the Company started accruing a fee of $20,000 per month for the new CEO and increased the fee paid to the CFO by $1,995 per month. Other consulting fees increased by $271,000. $208,000 was paid to a consulting firm to provide advisory services to the Company. A cash payment of $250,000 made to the consulting firm in August 2020 was recorded as a prepaid expense and is being amortized over 12 months. Consulting fees of $26,000 was accrued as directors' fees and there was increase of $37,000 in fees paid to outside consultants. Of the $425,000 consulting fees accrued for the officers and directors, $236,000 was paid in cash and $189,000 was accrued. Accounting fees decreased by $4,000 and legal fees decreased by $2,000. Foreign exchange losses increased by $19,000. There was a net increase of $15,000 in other general and administration expenses.

- Amortization expense decreased by $1,000 as the equipment is fully depreciated.

- In the current year the Company recorded a reversal of a previous impairment loss of $642,764 on the Golden Jubilee and Clipper properties compared to an impairment loss of $213,900 in the prior year, on some of its mineral properties.

- In the current year the Company imputed interest expense of $150,000 in relation to a secured loan payable compared to imputed interest expense of $127,000 in the prior year.

- In the current year the Company recorded a gain of $144,000 on the sale of its Golden Jubilee property.

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.

On June 30, 2021 the company closed a non-brokered private placement issuing 21,497,000 units at a price of $0.05 per Unit for gross proceeds of $1,074,850. Each Unit consisted of one common share and one Common Share purchase warrant. Each Warrant is exercisable into one Common Share at a price of $0.05 per share for a period of five years from the issuance of such Warrant. In addition, Teras issued 581,000 broker warrants at a price of $0.05 for a period of two years and paid a finder's fee of $30,800.

As of June 30th, 2021 Teras has paid back the Debt of $500,000 Cdn, in full, from the proceeds of the private placement

<u>Risks and Uncertainties</u>

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			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	May 31	Feb 28	Nov 30	Aug 31	May 31	Feb 29	Nov 30	Aug 31
Revenues	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Net income (loss)	211,198	(397,179)	(189,937)	(238,788)	(538,905)	(188,889)	(164,249)	(29,918)
Other comprehensive income (loss)	(236,866)	(53,324)	(52,114)	11,081	64,665	(8,843)	21,784	(52,167)
Net and comprehensive income (loss)	(25,668)	(450,503)	(242,051)	(227,707)	(474,240)	(197,732)	(142,465)	(82,085)
Basic and diluted loss per share	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Total Assets	26,677,270	26,671,455	26,833,927	26,910,885	25,984,352	26,069,453	25,980,805	26,041,315
Total Long-Term Liabilities	-	-	-	-	-	-	-	-
Cash Dividends Declared	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

General and administrative expenses

	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Consulting fees	224,964	186,430	144,840	136,848	84,340	79,340	45,115	65,582
Accounting and legal	40,625	434	8,064	168	46,301	-	5,722	34
Other	21,386	46,885	55,345	41,919	27,998	48,271	39,693	58,490
	286,975	233,749	208,249	178,935	158,639	127,611	90,530	124,106

For the three months ended May 31, 2021 the Company had net and comprehensive loss of $25,668 (or $0.00 per share) compared with a net and comprehensive loss of $474,240 (or $0.00 per share) for the three months ended May 31, 2020 - a decrease of $448,572.

- Consulting fees increased by $141,000 compared to the prior period. Consulting fees paid to directors and officers increased by $67,000 – commencing January 2021 the Company started accruing a fee of $20,000 per month for the new CEO and increased the fee paid to the CFO by $1,995 per month. $62,500 was paid to a consulting firm to provide advisory services to the Company. A cash payment of $250,000 made to the consulting firm in August 2020 was recorded as a prepaid expense and is being amortized over 12 months. Other outside consulting fees increased by $1,500. Of the $134,000 consulting fees accrued for the officers and directors, $51,500 was paid in cash and $82,500 was accrued.
- Accounting and legal expenses decreased by $6,000.
- Other G&A expenses decreased by $7,000.
- The current period includes interest expense of $38,000 compared to an expense of $38,000 in the prior period.
- Stock-based compensation expense increased by $37,000 due to options granted in June 2020 and November 2020.
- The current period includes an unrealized loss on translation of $146,000 as compared to a gain of $64,000 in the prior period.

- The current period includes an unrealized loss on investment of $88,000 compared to a gain of $1,000 in the prior period.
- In the current year the Company recorded a gain of $144,000 on the sale of its Golden Jubilee property.
- In the current period the Company recorded a reversal of a previous impairment loss of $642,764 on the Golden Jubilee and Clipper properties compared to an impairment loss of $213,900 in the prior year, on some of its mineral properties. Also in the current period other income of $199,531 recorded in Q3 was reversed and included in the gain on sale of assets and impairment reversals.
- The prior period included a fair value discount on note payable of $127,000 compared to $nil in the current period.

For the three months ended February 28, 2021 the Company had net and comprehensive loss of $450,503 (or $0.00 per share) compared with a net and comprehensive loss of $197,732 (or $0.00 per share) for the three months ended February 29, 2020 - an increase of $252,771.

- Consulting fees increased by $107,000 compared to the prior period. Consulting fees paid to directors and officers increased by $44,000 – commencing January 2021 the Company started accruing a fee of $20,000 per month for the new CEO and increased the fee paid to the CFO by $1,995 per month. $62,500 was paid to a consulting firm to provide advisory services to the Company. A cash payment of $250,000 made to the consulting firm in August 2020 was recorded as a prepaid expense and is being amortized over 12 months. Other outside consulting fees increased by $600. Of the $123,000 consulting fees accrued for the officers and directors, $54,500 was paid in cash and $68,500 was accrued.
- Accounting and legal expenses increased by $400.
- Other G&A expenses decreased by $1,000.
- Stock-based compensation expense increased by $107,000 due to options granted in June 2020, November 2020.
- The current period includes an unrealized loss on translation of $51,000 as compared to a gain of $17,000 in the prior period.
- The current period includes a loss on investment of $2,000 compared to a loss of $26,000 in the prior period.
- The current period includes interest expense of $38,000 compared to an expense of $42,000 in the prior period.

For the three months ended November 30, 2020 the Company had net and comprehensive loss of $242,051 (or $0.00 per share) compared with a net and comprehensive loss of $142,465 (or $0.00 per share) for the three months ended November 30, 2019 - an increase of $99,586.

- Consulting fees increased by $99,725 compared to the prior period. Consulting fees paid to directors and officers increased by $31,300 – the consulting fee paid to the former CEO had been voluntarily reduced by this amount in the prior period. $62,500 was paid to a consulting firm to provide advisory services to the Company. A cash payment of $250,000 made to the consulting firm in August 2020 was recorded as a prepaid expense and is being amortized over 12 months. Other outside consulting fees increased by $5,925. Of the $125,000 consulting fees for the former CEO, $73,000 was paid in cash and $52,000 was accrued.
- Accounting and legal expenses increased by $2,000.
- Other G&A expenses increased by $16,000. $20,000 was incurred as maintenance fees, property taxes and other expenses on the Company’s mineral properties offset by a reduction of $4,000 in other G&A expenses.
- Stock-based compensation expense increased by $42,000 due to options granted in January 2020, June 2020 and November 2020.
- The current period includes an unrealized loss on translation of $25,000 as compared to a loss of $5,000 in the prior period.

- The current period includes a loss on investment of $27,000 compared to a gain of $27,000 in the prior period.
- The current period includes interest expense of $38,000 compared to an expense of $64,000 in the prior period.
- The current period includes other income of $132,000; non-refundable deposit received on the signing of a Letter of Intent to sell the Golden Jubilee property. This amount has subsequently been reclassified to impairment reversal in Q4 2021.

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. This amount has subsequently been reclassified to impairment reversal in Q4 2021.

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 May 31, 2021 the Company had cash of $695,421 and a working capital deficiency of $223,642 as compared to cash of $334,244 and a working capital deficiency of $503,665 as at May 31, 2020.

In fiscal 2021, 1,000,000 warrants with an exercise price of $0.05 and 909,091 warrants with an exercise price of $0.075 were exercised for proceeds of $118,182.

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 year ended May 31, 2021, the Company incurred consulting fees and benefits of $451,174 (2020 - $277,574), rent expense of $Nil (2020 - $10,054) and exploration and evaluation expenditures of $75,775 (2020 - $4,574). As at May 31, 2021, accounts payable and accrued liabilities includes $442,088 (2020 - $243,606) due to related parties. In addition, refer to “Note payable” section below for details on the related party note payable.

Key management compensation consists of:

		May 31,2021		May 31,2020
Consulting fees and benefits	**$**	**526,949**	$	282,148
Stock-based compensation		**244,913**		56,857
	$	**771,862**	$	339,005

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 (the “Note”) 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 May 31, 2021, the loan remained unpaid resulting in the Company divesting itself of a further 3% non-working interest in Cahuila during fiscal 2021. At May 31, 2021, the Company had divested a total of 8.5% non-working 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 $150,000 (2021 - $127,000) has been recognized in the statement of loss and comprehensive loss with a corresponding amount being credited to exploration and evaluation assets (note 6 to the Company's audited financial statements for the years ended May 31, 2021 and 2020).

Subsequent to year end the Note was repaid in full.

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	$25,182,355
Deferred exploration costs:					
Contract services	-	-	-	477,710	477,710
Acquisition consideration	-	-	213,900	-	213,900
Foreign exchange translation	-	-	-	29,033	29,033
Total expenditures	-	-	213,900	506,743	720,643
Impairment	-	-	(213,900)	-	(215,231)
Divestiture	-	-	-	(150,000)	(127,000)
Balance, May 31, 2020	-	-	-	25,562,098	25,562,098
Deferred exploration costs:					
Contract services	**-**	**-**	**-**	**703,727**	**703,727**
Foreign exchange translation	**-**	**-**	**-**	**(269,428)**	**(269,428)**
Total expenditures	**-**	**-**	**-**	**434,299**	**434,299**
Impairment reversals	**-**	**605,148**	**37,616**	**-**	**642,764**
Divestiture	**-**	**(605,148)**	**(37,616)**	**(150,000)**	**(792,764)**
Balance, May 31, 2021	**$ -**	**$ -**	**$ -**	**$ 25,846,397**	**$25,846,397**

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 audited consolidated financial statements are described in Note 3 of the audited consolidated financial statements for the year ended May 31, 2021. 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 following accounting standards and amendments are effective for future periods.

Onerous Contracts—Cost of Fulfilling a Contract (Amendments to IAS 37)

The amendments to IAS 37 specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

These amendments are effective for reporting periods beginning on or after January 1, 2022.

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

The amendments to IAS1 provide a more general approach to the classification of liabilities based on the contractual arrangements in place at the reporting date.

These amendments are effective for reporting periods beginning on or after January 1, 2023.

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

Summary of Securities as at May 31, 2021 and September 28, 2021:

(1) Authorized share capital:

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

(2) Shares issued and outstanding:

At May 31, 2021 there were 229,598,124 common shares outstanding with a recorded value of $45,948,003.

As of September 28, 2021 there were 251,095,124 common shares outstanding.

(3) Options outstanding:

At May 31, 2021 there were 13,450,000 options outstanding to purchase common shares at exercise prices ranging from $0.055 - $0.15 with a weighted average of $0.09. These options expire on dates ranging from September 30, 2021 – November 12, 2025.

As of September 28, 2021, there were 13,450,000 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 – November 12, 2025.

(4) Warrants outstanding:

As of May 31, 2021, there were 56,604,464 share purchase warrants outstanding to purchase common shares at exercise prices ranging from $0.075 to $0.15. These warrants expire on dates ranging from August 14, 2021 to August 14, 2022.

As of September 28, 2021, there were 78,491,464 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, 2022 to June 30, 2026.

Subsequent event

(a) On June 30, 2021 Teras completed the closing of a private placement of Units and issued 21,497,000 Units at a price of $0.05 per Unit for gross proceeds of $1,074,850. 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 $0.05 per share for a period of five years from the issuance of such Warrant. In addition, Teras issued 581,000 Broker warrants at a price of $0.05 exercisable for a period of two years and incurred finder's fees of $30,800.

(b) On June 1, 2021 the Company signed a consulting agreement with a member of key management that calls for monthly compensation of $10,000. The agreement also provides 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.

(c) In June 2021 the Company repaid the Note payable of $500,000.

(d) On August 5, 2021, one of the Company's Exploration Agreements and Options to Lease associated with the Cahuilla project was up for renewal. Management is actively pursuing a five year extension of this Agreement under similar terms and conditions as previous agreements; however, as of the date of approval of these consolidated financial statements, the Company has not received a signed extension. The expected future commitments based on the terms outlined in the conditional extension agreement are as follows:

		2022		2023		2024		2025		202
Anniversary lease payments	$	130,000	$	140,000	$	150,000	$	160,0	$	170,0
Administration fees		78,000		78,000		78,000		78,0		78,0
Minimum work obligations		500,000		600,000		700,000		800,0		900,0
Total	$	708,000	$	818,000	$	928,000	$	1,038,00	$	1,148,

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