TERAS RESOURCES INC

Management's Discussion & Analysis

May 31, 2022

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, 2022 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, 2022

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. 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 a 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). During the year ended May 31, 2021, the Company divested itself of a further 3% non-working interest in the Cahuilla project. The fair value of the imputed interest aggregating $150,000 (2020 - $127,000) was credited against the accumulated exploration and evaluation expenditures on the Cahuilla project during the years ended May 31, 2021 and 2020. During the year ended May 31, 2022, the Company divested itself of an additional 0.25% non-working interest in the Cahuilla project giving the lender a total non-working interest in the project at May 31, 2022 of 8.75%. The fair value of the imputed interest of $12,500 was credited against the accumulated exploration and evaluation expenditures of the Cahuilla project during the year then ended.

On August 5, 2021, the term on one of the significant Exploration Agreements and Options to Lease associated with the Cahuilla project expired. It is management’s intention to renew the lease and is actively pursuing a five year extension of the 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 been successful in obtaining an extension. As a result, the Company lost the right to explore on a significant portion of the project area. The Company has maintained title on various leases situated on private lands that form part of the Cahuilla area of interest but the aforementioned events and circumstances create economic uncertainties on the recoverability of this cash-generating unit. Due to these factors, management has recorded an impairment charge of $26,209,369 (2021 – nil) , which represents the accumulated carrying cost.

The Company has been able to finance its operations, minimum work commitments on its projects and maintain its mining claims throughout the years to date. Throughout the 2015 fiscal year, management gained a clear understanding of its current projects and next steps in advancing them in an efficient manner. Land lease payments for the period September 2015 – May 31, 2022 of $1,154,934 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 has also engaged the Chambers Group to complete an extension application for the current drilling permits, at its Cahuilla project.

The lease on the tribal lands at Cahuilla has expired and Teras is currently working with the Tribe to sign a new lease.

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.

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, 2022, there were no events or conditions that would indicate the impairment previously recorded on the property should be reversed.

On March 31, 2022 Teras signed a lease adding approximately 65 acres of leased land that joins our project. These claims are strategic in developing the Watseka project, which we could potentially mine and mill at our site. The newly leased lands have had some historical sampling and drilling which are very encouraging.

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 period ended February 28, 2022, 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, 2022 is CDN $0.051 (May 31, 2021 CDN $0.036). During the year ended May 31, 2022, an unrealized gain in the amount of $14,424 (2021 – unrealized gain of $8,676) has been recorded to Other Comprehensive Income (loss).

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 October 29, 2021 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, 2020 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.

Share capital transactions in 2022

The Company 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 exercisable into one Common Share at a price of $0.05 per share for a period of two years and incurred finder’s fees of $30,800. The attached warrants were valued at $21,497 using the residual value method. The broker warrants were valued at $17,816 using the Black-Scholes option pricing model with the following assumptions: volatility of 131%; risk-free interest rate of 1.37%; term of two years; and expected dividends of $nil.

Share capital transactions in 2021

The Company issued 1,909,091 common shares pursuant to the exercise of 1,000,000 warrants with an exercise price of $0.05 per warrant and 909,091 warrants with an exercise price of $0.075 per warrant for proceeds of $118,182.

The Company completed the closing of a 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.

Selected Annual Information

All currency amounts are in Canadian dollars unless stated otherwise.

	For the years ended May 31, 2022	2021	2020
Net loss	$(27,023,381)	$ (614,706)	$ (921,961)
Other comprehensive income (loss)	144,387	(331,223	25,439
Net loss and comprehensive loss	(26,878,994)	(945,929)	(896,522)
Basic and Diluted Loss per Share	(0.11)	(0.00)	(0.00)
Total Assets	721,549	26,677,270	25,984,352
Total Long-Term Liabilities	Nil	Nil	Nil
Cash Dividends Declared	$ Nil	$ Nil	$ Nil

Results of Operations

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

During the twelve months ended May 31, 2022, the Company incurred a net and comprehensive loss of $26,878,994 (or $0.11 per share) compared with a net and comprehensive loss of $945,929 (or $0.00 per share) for the twelve months ended May 31, 2021. The increase in the loss of $25,933,065 can be attributed to the following reasons:

- Compared to the prior year, stock-based compensation expense decreased by $256,450. 6,050,000 stock options were granted in the prior year compared to 500,000 stock options granted in the current year.

- Unrealized gain on translation increased by $470,000. 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 $6,000. The gain/loss fluctuates with the stock price of NXGM.

- General and administrative expenses decreased by approximately $194,000 - consulting fees to directors, officers and consultants decreased by $188,000. A fee of $240,000 was accrued for the new CEO as compared to $100,000 in the prior year. There was an increase of $4,000 in fees paid to the CFO and a reduction of $119,000 in fees paid to the previous CEO Fees paid to the directors decreased by $26,000. 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. Other consulting fees decreased by $205,000. A cash payment of $250,000 made to a consulting firm in August 2020 to provide advisory services to the Company was recorded as a prepaid expense and was amortized over 12 months. $42,000 was amortized in 2022 as compared to the $208,000 amortized in 2021. Consulting fees of $12,000 was accrued as directors' fees compared to $26,000 in the prior year. There was a decrease of $21,000 in fees paid to outside consultants. Of the $462,000 consulting fees accrued for the officers and directors, $217,500 was paid in cash and $244,500 was accrued. Accounting fees increased by $14,000 and legal fees increased by $9,000. Foreign exchange gains increased by $38,000. There was a net decrease of $39,000 in other general and administration expenses.

- In the current year the Company recorded an impairment loss of $26,209,369 on its Cahuilla property (Note 5) as compared to a reversal of a previous impairment loss of $642,764 in the prior year on the Golden Jubilee and Clipper mineral properties.

- In the current year the Company imputed interest expense of $12,500 in relation to a secured loan payable compared to imputed interest expense of $150,000 in the prior year. During the year Teras paid back the Debt of $500,000 Canadian in full, from the proceeds of the private placement.

- In the prior year the Company recorded a gain of $144,314 on the sale of its Golden Jubilee property.

Risks and Uncertainties

Liquidity risk

The principal activity of the Company is developing its Cahuilla Project. Today, the Company has insufficient capital resources to do further exploration on its current mining claims, the company is currently reviewing different strategies to finance further development on its projects. Developing the properties is capital intensive and the Company will need to raise additional funding for further exploration and development activities to maintain its position in the Project. To further develop the Project, the Company will also need to secure the necessary permits and approvals necessary to continue its development plans.

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

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

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

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

Exploration and development risk

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

Development of the Company's mineral properties will only follow upon obtaining satisfactory results. Exploration for and the development of mineral resources involves a high degree of risk and few properties which are explored are ultimately developed into producing properties. There is no assurance that the Company's exploration and development activities will result in any discoveries of commercial bodies of ore. The long-term profitability of the Company's operations will be in part directly related to the cost and success of its exploration programs, which may be affected by a number of factors. The Company either owns or controls its properties through leases, option agreements, joint ventures, and other agreements granting the Company a working interest in its properties. If the Company fails to meet payments or work commitments on agreements in relation to these properties, the Company may lose its interests in its properties and forfeit any funds expended to such time. At such time when mining commences on its Cahuilla project, underlying royalties will be owed to the land owners ranging from 1% to 4%.

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

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

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

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

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

Environmental risk

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

Dependence on key individuals

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

Price risk

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

Approvals and permits

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

Investment risk

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

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

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

Summary of Quarterly Results

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

	2022				2021			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	May 31	Feb 28	Nov 30	Aug 31	May 31	Feb 28	Nov 30	Aug 31
Revenues	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Net income (loss)	(13,450,520)	(160,255)	(190,446)	(13,222,160)	211,198	(397,179)	(189,937)	(238,788)
Other comprehensive income (loss)	(31,632)	(9,855)	91,244	94,630	(236,866)	(53,324)	(52,114)	11,081
Net and comprehensive income (loss)	(13,482,152)	(170,110)	(99,202)	(13,127,530)	(25,668)	(450,503)	(242,051)	(227,707)
Basic and diluted loss per share	(0.06)	(0.00)	(0.00)	(0.05)	(0.00)	(0.00)	(0.00)	(0.00)
Total Assets	721,549	14,246,095	14,340,770	14,348,915	26,677,270	26,671,455	26,833,927	26,910,885
Total Long-Term Liabilities	-	-	-	-	-	-	-	-
Cash Dividends Declared	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

General and administrative expenses

	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021
Consulting fees	124,825	112,825	112,825	154,167	214,992	186,430	144,840	136,848
Accounting and legal	59,727	35	12,840	-	40,625	434	8,064	168
Other	49,279	32,077	39,267	16,219	6,726	46,885	79,977	41,919
	233,831	144,937	164,932	170,386	262,343	233,749	232,881	178,935

For the three months ended May 31, 2022 the Company had net and comprehensive loss of $13,482,152 (or $0.06 per share) compared with a net and comprehensive loss of $25,668 (or $0.00 per share) for the three months ended May 31, 2021 - an increase of $13,456,484.

- Consulting fees decreased by $90,000 compared to the prior period. Consulting fees paid to directors and officers decreased by $16,000 – fee paid to the former CEO decreased by $22,000 and the fee accrued for the directors increased by $6,000. There was a decrease of $63,000 in fees 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 was amortized over 12 months. Other consulting fee decreased by $11,000. Of the $124,500 consulting fees accrued for the officers and directors, $50,500 was paid in cash and $74,000 was accrued.
- Other G&A expenses increased by $43,000. The prior period included a miscellaneous credit of $25,000. There was an increase of $18,000 in other G&A expenses.
- The current period includes interest expense of $Nil compared to an expense of $37,500 in the prior period.
- Stock-based compensation expense decreased by $69,000 as fewer options were granted in 2022.
- The current period included an unrealized loss on investment of $13,000 as compared to a loss of $91,000 in the prior period.
- The current period includes a loss on translation of $19,000 as compared to a loss of $146,000 in the prior period.
- The current period includes an impairment loss of $13,209,000 as compared to a reversal of impairment of $643,000.
- Audit fee increased by $19,000.
- The prior period had gain on disposal of assets of $144,000 which was net of a reversal of other income of $200,000.

For the three months ended February 28, 2022 the Company had net and comprehensive loss of $170,110 (or $0.00 per share) compared with a net and comprehensive loss of $450,503 (or $0.00 per share) for the three months ended February 28, 2021 - a decrease of $280,393.

- Consulting fees decreased by $74,000 compared to the prior period. Consulting fees paid to directors and officers decreased by $10,000 – commencing January 2021 the Company started accruing a fee of $20,000 per month for the new CEO, increased the fee paid to the CFO by $1,995 per month and the fee paid to the former CEO decreased by $32,500. There was a decrease of $62,500 in fees 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. Of the $112,500 consulting fees accrued for the officers and directors, $51,500 was paid in cash and $61,000 was accrued.
- Other G&A expenses decreased by $15,000.
- The current period includes interest expense of $Nil compared to an expense of $37,500 in the prior period.
- Stock-based compensation expense decreased by $111,000 as no options were granted in the current period.
- The prior period included an unrealized loss on investment of $2,000.
- The current period includes a loss on translation of $10,000 as compared to a loss of $51,000 in the prior period.

For the three months ended November 30, 2021 the Company had net and comprehensive loss of $99,202 (or $0.00 per share) compared with a net and comprehensive loss of $242,051 (or $0.00 per share) for the three months ended November 30, 2020 - a decrease of $142,849.

- Consulting fees decreased by $32,000 compared to the prior period. Consulting fees paid to directors and officers increased by $33,000 – commencing January 2021 the Company started accruing a fee of $20,000 per month for the new CEO, increased the fee paid to the CFO by $1,995 per month and the fee paid to the former CEO decreased by $32,500. There was a decrease of $62,500 in fees 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. Of the $112,500 consulting fees accrued for the officers and directors, $46,500 was paid in cash and $66,000 was accrued.
- Other G&A expenses decreased by $40,000. In the prior period the Company had incurred $45,000 as maintenance fees, property taxes and other expenses on the Company's mineral properties offset by a reduction in other G&A expenses of $5,000.
- The current period includes interest expense of $Nil compared to an expense of $37,500 in the prior period.
- Stock-based compensation expense decreased by $26,000 as no options were granted in the current period.
- The current period includes an unrealized gain on investment of $51,000 compared to a loss of $27,000 in the prior period.
- The prior period had other income of $132,000 as compared to $Nil in the current period.
- The current period includes a gain on translation of $40,000 as compared to a loss of $25,000 in the prior period.
- Legal expenses increased by $4,000 due to legal expenses incurred with respect to the holding of the Company's Annual General Meeting.

For the three months ended August 31, 2021 the Company had net and comprehensive loss of $13,127,530 (or $0.00 per share) compared with a net and comprehensive loss of $227,707 (or $0.00 per share) for the three months ended August 31, 2020 - a decrease of $100,177, not including the impairment charge on Cahuilla property (see discussion in Overall Performance).

- Consulting fees increased by $17,300 compared to the prior period. Consulting fees paid to directors and officers increased by $16,500 – commencing January 2021 the Company started accruing a fee of $20,000 per month for the new CEO, increased the fee paid to the CFO by $1,995 per month and the fee paid to the former CEO decreased by $32,500. There was also a reduction of $17,000 in fees accrued for the directors. There was an increase of $20,800 in fees 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 decreased by $20,000. Of the $112,500 consulting fees accrued for the officers and directors, $46,500 was paid in cash and $66,000 was accrued.
- Other G&A expenses decreased by $26,000.
- The current period includes interest expense of $12,500 compared to an expense of $37,500 in the prior period.
- Stock-based compensation expense decreased by $50,000 as no options were granted in the current period.
- The current period includes an unrealized loss on investment of $24,000 compared to a gain of $129,000 in the prior period.
- The prior period had other income of $67,000 as compared to Nil in the current period.
- The current period includes a gain on translation of $118,000 as compared to a loss of $118,000 in the prior period.
- The current period includes an impairment charge of $13,000,000 against the Company's Cahuilla property, see discussion in Overall Performance.

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, 2022 the Company had cash of $618,077 and a working capital deficiency of $146,194 as compared to cash of $695,421 and a working capital deficiency of $223,642 as at May 31, 2021.

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.

Share capital transactions in 2022

The Company 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 exercisable into one Common Share at a price of $0.05 per share for a period of two years and incurred finder's fees of $30,800. The attached warrants were valued at $21,497 using the residual value method. The broker warrants were valued at $17,816 using the Black-Scholes option pricing model with the following assumptions: volatility of 131%; risk-free interest rate of 1.37%; term of two years; and expected dividends of $nil.

Share capital transactions in 2021

The Company issued 1,909,091 common shares pursuant to the exercise of 1,000,000 warrants with an exercise price of $0.05 per warrant and 909,091 warrants with an exercise price of $0.075 per warrant for proceeds of $118,182.

The Company completed the closing of a 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.

Related party balances and transactions

The Company entered into transactions with senior officers, directors and shareholders or private companies controlled by them. These transactions were conducted in the normal course of operations for consideration established and accepted by both parties. During the year ended May 31, 2022, the Company incurred consulting fees and benefits of $470,922 (2021 - $451,174), and exploration and evaluation expenditures of $8,196 (2021 - $75,775). As at May 31, 2022, accounts payable and accrued liabilities includes $687,167 (2021 -

$442,088) due to related parties. In addition, refer to Note 6 to the consolidated financial statements.

Key management compensation consists of:

	May 31,2022	May 31,2021
Consulting fees and benefits	**$ 479,118**	$ 526,949
Stock-based compensation	**68,140**	244,913
	$ 547,258	$ 771,862

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

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 May 31, 2022, the Company had divested a total of 8.75% (May 31, 2021 – 8.5%) of its interest in the Cahuilla property to the lender.

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

The note was repaid in full in July 2021.

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, 2020	$ -	$ -	$ -	$ 25,562,098	$25,562,098
Deferred exploration costs:					
Contract services	-	-	-	703,727	703,727
Foreign exchange translation	-	-	-	(269,428)	(269,428)
Total expenditures	-	-	-	434,299	434,299
Impairment reversal	-	605,148	37,616	-	642,764
Divestiture (note 6)	-	(605,148)	(37,616)	(150,000)	(792,764)
Balance, May 31, 2021	**-**	**-**	**-**	**25,846,397**	**25,846,397**
Deferred exploration costs:					
Contract services	**-**	**-**	**-**	**248,809**	**248,809**
Foreign exchange translation	**-**	**-**	**-**	**126,663**	**126,663**
Total expenditures	**-**	**-**	**-**	**375,472**	**375,472**
Impairment	**-**	**-**	**-**	**(26,209,369)**	**(26,209,369)**
Divestitures	**-**	**-**	**-**	**(12,500)**	**(12,500)**
Balance, May 31, 2022	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**

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 audited consolidated financial statements are described in Note 3 of the audited consolidated financial statements for the year ended May 31, 2022. There have been no changes to the Company's accounting policies since May 31, 2021 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, 2022 and September 28, 2022:

(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, 2022 there were 251,095,124 common shares outstanding with a recorded value of $46,946,615.

As of September 28, 2022 there were 251,095,124 common shares outstanding.

(3) Options outstanding:

At May 31, 2022 there were 10,850,000 options outstanding to purchase common shares at exercise prices ranging from $0.05 - $0.09 with a weighted average of $0.07. These options expire on dates ranging from September 9, 2023 – May 27, 2027.

As of September 28, 2022, there were 10,850,000 options outstanding to purchase common shares at exercise prices ranging from $0.05 - $0.09. These options expire on dates ranging from September 9, 2023 – May 27, 2027.

(4) Warrants outstanding:

As of May 31, 2022, there were 68,259,084 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 July 4, 2022 to June 30, 2026.

As of September 28, 2022, there were 22,078,000 share purchase warrants outstanding to purchase common shares at exercise price of $0.05. These warrants expire on dates ranging from July 2, 2023 to June 30, 2026.

Subsequent events

(a) On July 22, 2022 (the effective date), the Company entered into an Exploration and Mining Lease Agreement with a third party property owner. The agreement is for mineral property interests located in Rochester, Madison County, Montana, near the Company's Watseca Mill. The agreement calls for a 2% net smelter return production royalty to the property owner and advance minimum royalty payments, with the first payment of USD $20,000 due upon signing and annual anniversary payments ranging from USD $15,000 to USD $35,000 starting on the one year anniversary from the effective date.

(b) In July and August 2022, an aggregate of 46,181,084 share purchase warrants expired.