

Form 45-106F1
Report of Exempt Distribution

This is the form required under section 6.1 of National Instrument 45-106 for a report of exempt distribution.

Issuer information

1. State the full name of the issuer of the security distributed and the address and telephone number of its head office. If the issuer of the security distributed is an investment fund, state the name of the fund as the issuer, and provide the full name of the manager of the investment fund and the address and telephone number of the head office of the manager. Include the former name of the issuer if its name has changed since last report.

Teras Resources Inc. (the "Corporation")
3004 Ogden Road SE
Calgary, AB T2G 4N5
Tel: (403) 262-3797

2. State whether the issuer is or is not a reporting issuer and, if reporting, each of the jurisdictions in which it is reporting.

The Corporation is a reporting issuer in British Columbia, Alberta, Manitoba, Ontario and Newfoundland.

3. Indicate the industry of the issuer by checking the appropriate box next to one of the industries listed below:

- | | |
|---|---|
| <input type="checkbox"/> Bio-tech | Mining |
| <input type="checkbox"/> Financial Services | <input checked="" type="checkbox"/> exploration/development |
| <input type="checkbox"/> investment companies and funds | <input type="checkbox"/> production |
| <input type="checkbox"/> mortgage investment companies | <input type="checkbox"/> Oil and gas |
| <input type="checkbox"/> Forestry | <input type="checkbox"/> Real estate |
| <input type="checkbox"/> Hi-tech | <input type="checkbox"/> Utilities |
| <input type="checkbox"/> Industrial | <input type="checkbox"/> Other (describe) |

Details of distribution

4. Complete Schedule I to this report. Schedule I is designed to assist in completing the remainder of this report.

5. State the distribution date. If the report is being filed for securities distributed on more than one distribution date, state all distribution dates.

December 22, 2006

6. For each security distributed:

(a) describe the type of security;

- (b) state the total number of securities distributed. If the security is convertible or exchangeable, describe the type of underlying security, the terms of exercise or conversion and any expiry date; and
- (c) state the exemptions relied on.

Units at a price of \$0.165 per unit where each Unit consists of one common share ("Common Share") and one Common Share purchase warrant ("Warrant"). Each Warrant entitles the holder thereof to purchase one Common Share for a price of \$0.35 per Common Share until December 22, 2008.

The total offering in all jurisdictions consisted of an aggregate amount of 1,111,000 Units.

The exemptions relied on are Sections 2.3, 2.5 and 2.6 of National Instrument 45-106.

7. Complete the following table for each Canadian and foreign jurisdiction where purchasers of the securities reside. Do not include in this table, securities issued as payment for commissions or finder's fees disclosed under item 8, below.

Each jurisdiction where purchasers reside	Number of Purchasers	Price per Unit (Canadian \$)	Total dollar value raised from purchasers in the jurisdiction (Canadian \$)
Alberta	15	\$0.165	\$115,665
British Columbia	1	\$0.165	\$16,500
Saskatchewan	1	\$0.165	\$9,900
Quebec	3	\$0.165	\$41,250
Total number of Purchasers	20		
Total dollar value of distribution in all jurisdictions (Canadian \$)			\$183,315

Commissions and finder's fees

8. Complete the following table by providing information for each person who has received or will receive compensation in connection with the distribution(s). Compensation includes commissions, discounts or other fees or payments of a similar nature. Do not include payments for services incidental to the distribution, such as clerical, printing, legal or accounting services.

If the securities being issued as compensation are or include convertible securities, such as warrants or options, please add a footnote describing the terms of the convertible securities, including the term and exercise price. Do not include the exercise price of any convertible security in the total dollar value of the compensation unless the securities have been converted.

	Compensation paid or to be paid (cash and/or securities)				
	Cash (Canadian \$)	Securities			Total dollar value of compensation (Canadian \$)
Full Name and Address of person being compensated		Number and type of securities issued	Exercise Price per security	Exemption relied on and date of distribution	
Emerging Equities Inc. 125 - 8 th Avenue S.W. Calgary, AB T2P 1B4	\$5,293.20	Nil	N/A	N/A	\$5,293.20
TOTAL	\$5,293.20				\$5,293.20

9. If a distribution is made in Ontario, please include the attached "Authorization of Indirect Collection of Personal Information for Distributions in Ontario". The "Authorization of Indirect Collection of Personal Information for Distributions in Ontario" is only required to be filed with the Ontario Securities Commission.

Certificate

On behalf of the issuer, I certify that the statements made in this report to this report are true.

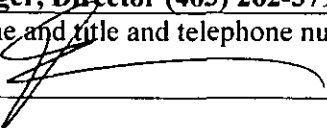
Date: December 27, 2006

Teras Resources Inc.

Name of issuer or vendor (please print)

Peter Leger, Director (403) 262-3797

Print name and title and telephone number of person signing

Signature 

10. State the name, title and telephone number of the person who may be contacted with respect to any questions regarding the contents of this report, if different than the person signing the certificate.

IT IS AN OFFENCE TO MAKE A MISREPRESENTATION IN THIS REPORT.