TERYL RESOURCES CORP.

CONSOLIDATED FINANCIAL STATEMENTS

AS AT MAY 31, 2011 AND 2010
(Stated in Canadian Dollars)

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ACAL Group
CHARTERED ACCOUNTANTS
PCAOB & CPAB Registrant

INDEPENDENT AUDITORS' REPORT

To: the Shareholders of
Teryl Resources Corp.

We have audited the accompanying consolidated financial statements of Teryl Resources Corp. ("the Company"), which comprise the consolidated balance sheets as at May 31, 2011 and 2010, and the consolidated statements of loss, comprehensive loss and deficit and cash flows and shareholders' equity for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Teryl Resources Corp. as at May 31, 2011 and 2010, and the result of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that the Company incurred a net loss of $530,566 during the year ended May 31, 2011 and, as of that date, had an accumulated deficit of $11,480,656 since inception. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Other Matter
The consolidated financial statements of the Company for the year ended May 31, 2009, were audited by another auditor who expressed an unmodified opinion on those statements on September 28, 2009.

"ACAL Group"
Chartered Accountants

Vancouver, British Columbia
September 26, 2011

TERYL RESOURCES CORP.

CONSOLIDATED BALANCE SHEETS

(Stated in Canadian Dollars)

	May 31 2011 $	May 31 2010 $
ASSETS		
Current		
Cash	**19,371**	257,650
Amounts receivable and prepaid expenses	**10,376**	37,397
Advances to Related Parties (Note 8)	**128,367**	126,093
	158,114	421,140
Investments (Note 4)	**-**	837
Reclamation Bonds	**5,478**	5,478
Equipment (Note 5)	**4,892**	7,941
Mineral Property Interests (Note 7)	**228,855**	196,855
Deferred Exploration Expenditures (Note 7)	**2,942,351**	2,637,853
	3,339,690	3,270,104
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 12)	**99,673**	107,394
Advances from related parties (Note 8)	**15,989**	25,488
Liability component of convertible loan (Note 9)	**-**	58,730
	115,662	191,612
SHAREHOLDERS' EQUITY		
Share Capital (Note10)		
Authorized:		
100,000,000 common shares, voting, no par value		
5,000,000 preferred shares, non-voting, $1 par value		
Issued and outstanding:		
72,103,605 (2010 – 67,463,446) common shares	**14,004,922**	13,456,263
Equity component of convertible loan (Note 9)	**-**	14,565
Share Subscriptions Received	**-**	10,000
Contributed Surplus	**699,762**	550,941
Accumulated Other Comprehensive Loss	**-**	(3,187)
Deficit	**(11,480,656)**	(10,950,090)
	3,224,028	3,078,492
	3,339,690	3,270,104

Going Concern (Note 1) and **Subsequent Events** (Note 17)

Approved on behalf of the Board of Directors:

"John Robertson" Director "Suzan El-Khatib" Director

The accompanying notes are an integral part of these consolidated financial statements.

TERYL RESOURCES CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Stated in Canadian Dollars)

	Year Ended May 31 2011 $	Year Ended May 31 2010 $	Year Ended May 31 2009 $
General and Administrative Expenses			
Amortization of equipment	**1,497**	2,312	3,030
Bad debts	**-**	790	15,377
Filing and regulatory fees	**23,280**	19,772	16,785
Foreign exchange (gain) loss	**1,173**	(8,317)	(9,938)
Geological consulting	**1,172**	41,915	-
Consulting, Management and directors' fees (Note 12)	**139,344**	133,359	110,189
Office and sundry	**17,820**	20,994	16,446
Office rent and utilities (Note 12)	**14,515**	15,055	15,471
Professional fees	**44,489**	59,726	110,201
Publicity, promotion and investor relations	**126,119**	228,196	97,415
Secretarial and employee benefits (Note 12)	**29,467**	41,925	45,635
Stock-based compensation (Note 10)	**63,775**	22,477	12,474
Telephone	**8,901**	8,121	11,261
Transfer agent fees	**6,147**	8,742	8,994
Travel, auto and entertainment	**19,551**	30,972	21,702
Operating Loss	**(497,250)**	(626,039)	(475,042)
Other Income (Expenses)			
Miscellaneous income (loss)	**22,876**	(1,667)	8,261
Interest income	**-**	-	1,487
Interest expense	**-**	(18,582)	-
Gain on sale of assets	**1,147**	-	-
Available for sale investments written off	**(4,024)**	-	-
Recoverable expenditures	**-**	-	26,578
Mineral Property written off	**(7,500)**	-	-
Exploration expenditures written off	**(45,815)**	(773,438)	(15,857)
	(33,316)	(793,687)	20,469
Net Loss for the Year	**(530,566)**	(1,419,726)	(454,573)
Unrealized losses on available-for-sale investments	**-**	(30)	(1,339)
Unrealized losses recognized in net loss	**3,187**	-	-
Comprehensive Loss for the Year	**(527,379)**	(1,419,756)	(455,912)
Loss per Share – Basic and Diluted	**(0.01)**	(0.02)	(0.01)
Weighted Average Number of Common Shares Outstanding, Basic and Diluted	**69,973,962**	60,736,673	49,587,528

The accompanying notes are an integral part of these consolidated financial statements.

TERYL RESOURCES CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Stated in Canadian Dollars)

	Year Ended May 31 2011 $	**Year Ended May 31 2010 $**	Year Ended May 31 2009 $
Cash flows from operating activities			
Net loss for the year	**(530,566)**	(1,419,726)	(454,573)
Items not affecting cash			
Amortization of equipment	**1,497**	2,312	3,030
Exploration expenditures written off	**45,815**	773,438	15,857
Mineral properties written off	**7,500**	-	-
Available for sale investment written off	**4,024**	-	-
Interest expense	**(1,645)**	13,295	-
Gain on sale of equipment	**(1,147)**	-	-
Stock-based compensation	**63,775**	22,477	12,474
Changes in non-cash working capital items			
Amounts receivable and prepaid expenses	**27,021**	(22,558)	44,160
Accounts payable and accrued liabilities	**(4,471)**	(178,746)	58,537
Advances from (to) related parties	**(11,773)**	(141,456)	12,982
	(399,970)	(950,964)	(307,533)
Cash flows used in investing activities			
Deferred exploration expenditures	**(353,563)**	(358,812)	(15,857)
Sale of equipment	**2,699**	-	-
	(350,864)	(358,812)	(15,857)
Cash flows from (used in) financing activities			
Convertible loan proceeds (repayment)	**(60,000)**	60,000	-
Share subscriptions received	**-**	10,000	115,875
Share capital issued for cash, net of issuance costs	**572,555**	1,493,741	(1,594)
	512,555	1,563,741	114,281
Increase (decrease) in cash	**(238,279)**	253,965	(209,109)
Cash, beginning of year	**257,650**	3,685	212,794
Cash, end of year	**19,371**	257,650	3,685
Supplemental Disclosures			
Interest paid	**200**	5,287	-
Income taxes paid	**-**	-	-
Non-cash Transactions			
Shares issued for mineral properties	**39,500**	-	-

The accompanying notes are an integral part of these consolidated financial statements.

TERYL RESOURCES CORP.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Stated in Canadian Dollars)

	Share Capital							
	Number	Amount $	Share Subscriptions Received $	Equity Component of Convertible Loan $	Contributed Surplus $	Accumulated Other Comprehensive Loss $	Deficit $	Total $
Balance, May 31, 2007	40,862,528	10,839,258	70,000	-	285,754	-	(7,932,995)	3,262,017
Revaluation of investments to Market value at June 1, 2007	-	-	-	-	-	(1,169)	-	(1,169)
Unrealized losses on available-for-sale investments	-	-	-	-	-	(649)	-	(649)
Subscriptions refunded	-	-	(70,000)	-	-	-	-	(70,000)
Shares issued for cash upon:								
Exercise of stock options	10,000	1,500	-	-	-	-	-	1,500
Private placements	8,715,000	1,307,250	-	-	-	-	-	1,307,250
Share issuance costs	-	(90,842)	-	-	-	-	-	(90,842)
Stock-based compensation	-	-	-	-	21,311	-	-	21,311
Fair value of brokers' warrants granted	-	(25,339)	-	-	25,339	-	-	-
Net loss for the year	-	-	-	-	-	-	(1,142,796)	(1,142,796)
Balance, May 31, 2008	49,587,528	12,031,827	-	-	332,404	(1,818)	(9,075,791)	3,286,622
Unrealized losses on available-for-sale investments	-	-	-	-	-	(1,339)	-	(1,339)
Share subscriptions received	-	-	115,875	-	-	-	-	115,875
Share issuance costs	-	(1,594)	-	-	-	-	-	(1,594)
Stock-based compensation	-	-	-	-	12,474	-	-	12,474
Net loss for the year	-	-	-	-	-	-	(454,573)	(454,573)
Balance, May 31, 2009	49,587,528	12,030,233	115,875	-	344,878	(3,157)	(9,530,364)	2,957,465

The accompanying notes are an integral part of these consolidated financial statements.

TERYL RESOURCES CORP.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Stated in Canadian Dollars)

	Share Capital							
	Number	Amount $	Share Subscriptions Received $	Equity Component of Convertible Loan $	Contributed Surplus $	Accumulated Other Comprehensive Loss $	Deficit $	Total $
Balance, May 31, 2009	49,587,528	12,030,233	115,875	-	344,878	(3,157)	(9,530,364)	2,957,465
Unrealized loss on available-for-sale investments	-	-	-	-	-	(30)	-	(30)
Shares issued for cash upon:								
Exercise of stock options	12,500	1,250	-	-	-	-	-	1,250
Exercise of warrants	7,054,592	705,459	-	-	-	-	-	705,459
Fair value of options exercised	-	792	-	-	(792)	-	-	-
Fair value of warrants exercised	-	330,632	-	-	(330,632)	-	-	-
Subscription received	-	-	10,000	-	-	-	-	10,000
Private placements	10,808,826	967,105	(115,875)	-	-	-	-	851,230
Share issuance costs	-	(64,198)	-	-	-	-	-	(64,198)
Fair value of warrants granted	-	(515,010)	-	-	515,010	-	-	-
Equity component of convertible loan	-	-	-	14,565	-	-	-	14,565
Stock-based compensation	-	-	-	-	22,477	-	-	22,477
Net loss for the year	-	-	-	-	-	-	(1,419,726)	(1,419,726)
Balance, May 31, 2010	**67,463,446**	**13,456,263**	**10,000**	**14,565**	**550,941**	**(3,187)**	**(10,950,090)**	**3,078,492**
Shares issued for cash upon:								
Exercise of warrants	1,047,500	141,488	(10,000)	-	(36,738)	-	-	94,750
Shares issued for property	250,000	39,499	-	-	-	-	-	39,499
Shares issued for cash	3,342,659	367,672		-	110,133	-	-	477,805
Equity component of convertible loan	-	-	-	(14,565)	11,650	-	-	(2,915)
Stock-based compensation	-	-	-	-	38,107	-	-	38,107
Warrants extension	-	-	-	-	25,669	-	-	25,669
Available-for-sale investments written off	-	-	-	-	-	3,187	-	3,187
Net loss for the period	-	-	-	-	-	-	(530,566)	(530,566)
Balance, May 31, 2011	**72,103,605**	**14,004,922**	**-**	**-**	**699,762**	**-**	**(11,480,656)**	**3,224,028**

The accompanying notes are an integral part of these consolidated financial statements.

TERYL RESOURCES CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2011 AND 2010
(Stated in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Teryl Resources Corp. (the "Company") is a public company incorporated in British Columbia on May 23, 1980 and changed to its current name on February 28, 1984. Its shares are listed on the TSX Venture Exchange ("TSXV"). The Company is in the business of acquiring mineral properties and carries out exploration work. It also acquires oil and gas property interests and participates in drilling wells.

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. Several adverse conditions cast substantial doubt on the validity of this assumption. The Company continues to incur operating losses, has limited financial resources, limited sources of operating cash flow, and no assurances that sufficient funding, including adequate financing, will be available to conduct further exploration and development of its mineral property projects.

The Company's ability to continue as a going concern is dependent upon its ability to obtain the financing necessary to complete its mineral projects by issuance of share capital or through joint ventures, and to realize future profitable production or proceeds from the disposition of its natural resource interests. The Company has a working capital of $42,452 (2010 – $229,528) and has incurred a loss of $530,566 in the year ended May 31, 2011 (2010 – 1,419,726; 2009 - $454,573). These consolidated financial statements do not include adjustments that would be necessary should it be determined that the Company may be unable to continue as a going concern.

If the going concern assumption was not appropriate for these financial statements, adjustments would be necessary in the carrying values of assets, liabilities, reported income and expenses and the balance sheet classifications used. Such adjustments could be material.

2. SIGNIFICANT CANADIAN ACCOUNTING POLICIES

a) Consolidation

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and include the accounts of the Company and its wholly-owned subsidiaries, Argon Investment Corporation (inactive) and Teryl, Inc. Teryl, Inc. was incorporated on November 17, 1988 in the state of Delaware and registered to do business in the USA, to hold and operate the Alaska mineral property interests, the Texas oil and gas well interests and the Arizona mineral property interests.

All inter-company transactions are eliminated upon consolidation.

b) Equipment

The Company records its office and automotive equipment at cost and depreciates them on the declining-balance basis over the estimated useful lives at the following rates:

Office equipment	20% per annum
Automotive equipment	30% per annum

TERYL RESOURCES CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2011 AND 2010
(Stated in Canadian Dollars)

2. SIGNIFICANT CANADIAN ACCOUNTING POLICIES (Continued)

c) Accounting for Oil and Gas Well Interests

The Company follows the successful efforts method of accounting for its oil and gas properties, and related equipment. Costs of exploratory wells are initially capitalized pending determination of proved reserves. Costs of wells which are assigned proved reserves remain capitalized, while costs of unsuccessful wells are charged to operations. All other exploration costs, including geological and geophysical costs, are charged to operations as incurred. Development costs, including the cost of all wells, are capitalized.

Producing properties and significant unproved properties are assessed annually, or as economic events dictate, for potential impairment. Impairment is assessed by comparing the estimated net undiscounted future cash flows to the carrying value of the asset. If required, the impairment recorded is the amount by which the carrying value of the asset exceeds its fair value.

Depreciation and depletion of capitalized costs of oil and gas producing properties are calculated using the straight-line method over 10 years, which is the estimated pay-out term.

On the sale or retirement of a complete unit of a proved property, the cost and related accumulated depreciation, depletion, and amortization are eliminated from the property accounts, and the resultant gain or loss is recognized. On the retirement or sale of a partial unit of proved property, the cost is charged to accumulated depreciation, depletion, and amortization with a resulting gain or loss recognized in income. On the sale of an entire interest in an unproved property for cash or cash equivalent, gain or loss on the sale is recognized, taking into consideration the amount of any recorded impairment if the property had been assessed individually. If a partial interest in an unproved property is sold, the amount received is treated as a reduction of the cost of the interest retained. In joint ventured oil and gas exploration and production activities, the accounts reflect only the Company’s proportionate interest in such activities.

d) Accounting for Mineral Property Interests

The Company capitalizes its acquisition costs of mineral properties (including finder’s fees) and the related exploration and development expenditures by claim groups, or its share of costs on joint ventures, which are to be amortized as follows:

i) If properties are sold outright – costs are written off entirely against proceeds.

ii) If properties are sold under option-type agreement – on the basis of cash or shares received over the total undiscounted amount to be received under the agreement, exclusive of royalties or net profit participation.

iii) If properties are brought into production - on the basis of units of production over the total estimated reserves recoverable.

iv) If properties are retained, but have no proven economic reserves and are not currently being explored or developed by the Company or joint venture partner – costs are written down to a nominal value.

v) If properties are abandoned – costs are written off entirely.

e) Revenue Recognition

Revenue associated with the sales of oil and gas are recorded when title passes to the customer. Revenues from oil and gas production from properties in which the Company has an interest with other producers are recognized on the basis of the Company’s net working interest.

TERYL RESOURCES CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2011 AND 2010
(Stated in Canadian Dollars)

2. SIGNIFICANT CANADIAN ACCOUNTING POLICIES (Continued)

f) Foreign Exchange Translations

The Company's functional currency is the Canadian dollar. Transactions recorded in United States dollars have been translated into Canadian dollars using the temporal method as follows:

i) Monetary items at the rate prevailing at the balance sheet date.

ii) Non-monetary items at the historical exchange rate.

iii) Revenue and expense at the average rates in effect during the year.

Gains or losses arising from translation are included in the consolidated statements of operations.

g) Investments

The Company reports investments in debt and marketable equity securities at fair value based on quoted market prices or, if quoted prices are not available, discounted expected cash flows using market rates commensurate with credit quality and maturity of the investment. All investment securities are designated as available-for-sale with unrealized gains and losses included in other comprehensive income (loss). All realized gains and losses are recognized in net income (loss) in the period of disposition.

h) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires the Company's management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and related notes to the consolidated financial statements. Actual results may differ from those estimates.

i) Income Taxes

The Company uses the liability method of accounting for future income taxes, whereby future income tax assets and liabilities are computed based on the differences between the carrying amount of assets and liabilities on the balance sheet, and their corresponding tax values, using the currently enacted or substantially enacted, income tax rates expected to apply when these differences reverse. Future income tax assets also result from unused loss carry forwards and other deductions. The valuation of future income tax assets is reviewed annually and adjusted, if necessary, by the use of a valuation allowance, which is recorded against any future income tax asset, if it is more likely that not that the asset will not be realized.

j) Loss Per Share

Basic loss per share amount is computed using the weighted average number of common shares outstanding during the year. The Company calculates diluted loss per share using the treasury stock method. Under the treasury stock method, only instruments with exercise amounts less than the market prices impact the diluted calculations. In computing diluted loss per share, no shares were added to the weighted average number of common shares outstanding during the years ended May 31, 2011, 2010 and 2009 for the dilutive effect of employee stock options and warrants, as they were all anti-dilutive. No adjustments were required to the reported loss from operations in computing diluted per share amounts.

TERYL RESOURCES CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2011 AND 2010
(Stated in Canadian Dollars)

2. SIGNIFICANT CANADIAN ACCOUNTING POLICIES (Continued)

k) Stock Based Compensation

The Company follows the recommendations of the Canadian Institute of Chartered Accountants ("CICA") Handbook ("HB") Section 3870 – "Stock Based Compensation and Other Stock Based Payments" to account for stock based transactions with officers, directors and outside consultants. Accordingly, the fair value of stock options is charged to operations, with an offsetting credit to contributed surplus. The fair value of stock options, which vest immediately, is recognized at the date of grant; the fair value of options, which vest in the future, is recognized on a straight-line basis over the vesting period. Stock options granted to outside consultants that vest over time are valued at the grant date and subsequently re-valued each vesting date. Any consideration received on exercise of stock options, together with the related portion of contributed surplus, is credited to share capital.

l) Fair Value of Warrants

Proceeds from unit placements are allocated between shares and warrants issued according to their relative fair value using the residual method to determine the fair value of warrants issued. Warrants issued to brokers are evaluated by using the Black- Scholes model.

m) Asset Impairment

On an annual basis and when impairment indicators arise, the Company evaluates the future recoverability of its long-lived assets. Impairment losses or write downs are recorded in the event the net book value of such assets exceeds the estimated indicated future cash flow attributable to such assets.

n) Asset Retirement Obligations

The Company follows the recommendations in CICA Handbook Section 3110 – "Asset Retirement Obligations" whereby the legal obligations associated with the retirement of tangible long-lived assets are recorded as liabilities. The liabilities are calculated using the net present value of the cash flows required to settle the obligation. A corresponding amount is capitalized to the related asset. Asset retirement costs are charged to earnings in a manner consistent with the depreciation, depletion and amortization of the underlying asset. The liabilities are subject to accretion over time for changes in the fair value of the liability through charges to accretion, which is included in cost of sales and operating expenses. As at May 31, 2011 and 2010, the Company did not have any asset retirement obligations.

o) Variable Interest Entities

The CICA issued Accounting Guideline 15, "Consolidation of Variable Interest Entities", to provide accounting guidance related to variable interest entities ("VIE"). A VIE exists when the entity's equity investment is at risk. When a VIE is determined to exist, the guidance requires the VIE to be consolidated by the primary beneficiary. The Company has determined that it does not have a primary beneficiary interest in VIE.

p) Comparative Figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

TERYL RESOURCES CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2011 AND 2010
(Stated in Canadian Dollars)

2. SIGNIFICANT CANADIAN ACCOUNTING POLICIES (Continued)

q) Changes in Canadian Accounting Policies

Accounting policies implemented effective June 1, 2009

In February 2008, the CICA issued Handbook Section 3064, “Goodwill and Intangible Assets”, which replaces CICA HB Section 3062, “Goodwill and Intangible Assets”, and CICA HB Section 3450, “Research and Development Costs”; and amendments to Accounting Guideline (“AcG”) 11, “Enterprises in the Development Stage”, EIC-27, “Revenues and Expenditures during the Pre-operating Period”, and CICA HB Section 1000, “Financial Statement Concepts.” The standard intends to reduce the differences with International Financial Reporting Standards (“IFRS”) in the accounting for intangible assets and results in closer alignment with U.S. GAAP. Under current Canadian standards, more items are recognized as assets than under IFRS or U.S. GAAP. The objectives of Section 3064 are to reinforce the principle-based approach to the recognition of assets only in accordance with the definition of an asset and the criteria for asset recognition; and clarify the application of the concept of matching revenues and expenses such that the current practice of recognizing assets that do not meet the definition and recognition criteria are eliminated. The standard will also provide guidance for the recognition of internally developed intangible assets (including research and development activities), ensuring consistent treatment of all intangible assets, whether separately acquired or internally developed.

In June 2009, the CICA amended Section 3862, Financial Instruments – Disclosures that includes additional disclosure requirements about fair value measurements for financial instruments and liquidity risk disclosures. These amendments entail a three level hierarchy that takes into account the significance of the inputs used in making the fair value measurements. Additional disclosure has been included in the Company’s consolidated financial statements (See Note 3).

TERYL RESOURCES CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2011 AND 2010
(Stated in Canadian Dollars)

2. SIGNIFICANT CANADIAN ACCOUNTING POLICIES (Continued)

q) Changes in Canadian Accounting Policies (Continued)

Accounting policies not yet adopted

Section 1582 - Business Combinations, Section 1601 - Consolidated Financial Statements, Section 1602 - Non-controlling Interests

In January 2009, the CICA issued Handbook Sections 1582 Business Combinations, 1601 Consolidated Financial Statements, and 1602 Non-controlling Interests, which replaces CICA Handbook Sections 1581 Business Combinations and 1600 Consolidated Financial Statements. Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under International Financial Reporting Standards. Section 1582 is applicable for the Company's business combinations with acquisition dates on or after January 1, 2011. Early adoption of this Section is permitted. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1601 is applicable for the Company's interim and annual financial statements for its fiscal year beginning June 1, 2011. Early adoption of this Section is permitted. If the Company chooses to early adopt any one of these Sections, the other two sections must also be adopted. The Company does not expect the adoption of these new accounting standards will have a significant impact on its financial statements.

International Financial Reporting Standards

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canadian GAAP. This date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company's transition date of June 1, 2010 will require the restatement for comparative purposes of amounts reported by the Company for the year ended May 31, 2011. The Company is currently in the process of executing an IFRS conversion plan. This will be an ongoing process as the International Accounting Standards Board and the AcSB issue new standards and recommendations. The Company does anticipate a significant increase in disclosure resulting from the adoption of IFRS as well as certain presentation differences.

3. FINANCIAL INSTRUMENTS

Financial instruments carrying value and fair value

The Company's financial instruments consist of cash, receivables, investments, advances to and from related parties, convertible loans, debt component of convertible loans and accounts payable and accrued liabilities.

Cash is designated as "held-for-trading" and measured at fair value. Receivables and advances to related parties are designated as "loans and receivables". Investments are designated as "available-for-sale". Advances from related parties, debt component of convertible loans and accounts payable and accrued liabilities are designated as "other financial liabilities".

The carrying value of cash, receivables, advances to and from related parties and accounts payable and accrued liabilities approximate their fair values due to their immediate or short-term maturity. Investments are recorded at fair value based on quoted market prices at the balance sheet date. Debt component of convertible loans are initially measured using proportional fair value method and subsequently carried at amortized cost.

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3. FINANCIAL INSTRUMENTS (Continued)

Foreign exchange risk

The Company is primarily exposed to currency fluctuations relative to the Canadian dollar through expenditures that are denominated in US dollars. Also, the Company is exposed to the impact of currency fluctuations on its monetary assets and liabilities.

The operating results and the financial position of the Company are reported in Canadian dollars. Fluctuations in exchange rates will, consequently, have an impact upon the reported operations of the Company and may affect the value of the Company's assets and liabilities.

The Company currently does not enter into financial instruments to manage foreign exchange risk.

The Company is exposed to foreign currency risk through the following financial assets and liabilities denominated in currencies other than Canadian dollars:

May 31, 2011	**Cash**	**Accounts payable and accrued liabilities**
US dollars	**$ 19,318**	**$ 34,275**

May 31, 2010	**Cash**	**Accounts payable and accrued liabilities**
US dollars	$ 13,065	$ 51,879

At May 31, 2011, with other variables unchanged, a +/-10% change in exchange rates would increase/decrease pre-tax loss by +/- $1,496.

Interest rate, credit and market risk

The Company has minimal cash balances and no interest-bearing debt. The Company has no significant concentrations of credit risk arising from operations. The Company's current policy is to invest any significant excess cash in investment-grade short-term deposit certificates issued by reputable financial institutions with which it keeps its bank accounts and management believes the risk of loss to be remote. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

Receivables consist of HST due from the Federal Government. Management believes that the credit risk concentration with respect to receivables is remote.

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3. FINANCIAL INSTRUMENTS (Continued)

Liquidity risk

The Company has no recent history of profitable operations and its present business is at an early stage. As such, 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, and the lack of revenues. The Company has no investments in asset backed commercial paper.

In order to finance the Company's exploration programs and to cover administrative and overhead expenses, the Company raises money through equity sales, from the exercise of convertible securities, loans from related parties and from the sale of investments. There can be no such assurance that it will be able to obtain adequate financing in the future or that the terms of any financing will be favourable. Many factors influence the Company's ability to raise funds, including the state of the resource market and commodities prices, the climate for mineral exploration, the Company's track record, and the experience and calibre of its management.

Fair Value Measurement

The Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3862 "Financial Instruments Disclosures" requires disclosure of a three-level hierarchy for fair value measurements based upon the significance of inputs used in making fair value measurements as follows:

Level 1 – quoted prices in active markets for identical assets or liabilities.

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e.: as prices) or indirectly (i.e.: derived from prices).

Level 3 – inputs for the asset or liability that are not based on observable market data.

At May 31, 2011, all of the financial instruments measured at fair value are included in Level 1.

4. INVESTMENTS

At May 31, 2011, the Company wrote off its investments in 15,880 common shares of Linux Gold Corp., a company with directors in common as a result of other-than-temporary losses.

The Company classified its investments as available-for-sale, with revaluation gains and losses recognized in accumulated other comprehensive income (loss) and other-than-temporary losses recognized in net income (loss).

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5. EQUIPMENT

	May 31 2011 $	May 31 2010 $
Furniture and fixtures – at cost	**27,010**	27,010
Less: Accumulated amortization	**(22,118)**	(20,896)
	4,892	6,114
Automotive equipment – at cost	**-**	15,531
Less: Accumulated amortization	**-**	(13,704)
	-	1,827
	4,892	7,941

6. OIL AND GAS WELL INTERESTS

The Company owns a 6.5% working interest (4.680% net revenue interest) in the Peters No. 1 Well, in Fayette County, Texas, and a 7.5% working interest (5.79375% net revenue interest) in each of the C-S #1, Jancik #2 and Herrmann #4 wells, located in Burleson County, Texas. The carrying cost of these wells has been completely depleted.

The Company entered into agreements with IAS Energy, Inc., a company with common directors, to purchase 40% interests (subject to 40% net revenue interests to others) on May 18, 2006, in the Ken Lee #1 natural gas well for $103,045 ($92,500 US), on June 8, 2006, in the Elvis Farris #2 natural gas well for $104,461 ($92,500 US) and on July 31, 2006, in the Clarence Bright #1 natural gas well for $104,673 ($92,500 US). All three wells are located in Knox and Laurel Counties, Kentucky. The three wells commenced production late in 2006. During the May 31, 2008 year end, the Company wrote off the carrying costs of the wells to $Nil, since the wells have no proven economic reserves.

7. MINERAL PROPERTY INTERESTS

	Balance May 31 2010 $	Additions $	Write-Offs $	**Balance May 31 2011 $**
Property acquisition costs				
Silverknife	1	32,000	-	**32,001**
Fish Creek	49,538	-	-	**49,538**
West Ridge	116,189	-	-	**116,189**
Gil Venture	31,127	-	-	**31,127**
Kahiltna Terrane	-	7,500	(7,500)	**-**
	196,855	39,500	(7,500)	**228,855**

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7. MINERAL PROPERTY INTERESTS (continued)

Silverknife, Laird, BC, Canada

Pursuant to agreements between Reg Technologies Inc. ("Reg"), SMR Investments Ltd. ("SMR"), Rapitan Resources Inc. ("Rapitan"), and Chevron Minerals Ltd. ("Chevron"), the Company acquired a 30% working interest in the Silverknife mineral claims, situated in the Liard Mining Division in the Province of British Columbia, subject to a 10% Net Profit Royalty ("NPR") to Rapitan and a 1% Net Smelter Returns to SMR. On December 21, 2010 the Company purchased the 10% NPR in the Silverknife property from Rapitan for consideration of 200,000 common shares of the Company issued at a fair value of $32,000 on January 25, 2011. (Note 10).

Fish Creek, Fairbanks, Alaska, USA

The Company and Linux Gold Corp. ("Linux") entered into an agreement on March 5, 2002, whereby the Company may earn up to a 50% interest in the Fish Creek mineral claims, located in the Fairbanks district of Alaska, USA, by expending $500,000 US within three years and issuing 200,000 common shares (issued on December 16, 2002 at $0.08 per share). An additional 100,000 shares were issued on February 14, 2007 at $0.16 per share in payment of an extension of the expenditure date to March 5, 2007, which was further extended to March 5, 2011. Linux will have a 5% Net Royalty Interest until the Company pays $2,000,000 US. On March 4, 2011 the Company and Linux further amended the agreement to extend the option agreement to March 5, 2012. The Company will continue to maintain the option agreement and will commence its exploration program once more funding is available.

Kahiltna Terrane Option, Alaska, USA

On September 1, 2010 the Company signed an option agreement (the "Option Agreement") to acquire a 50% interest in eleven mineral claims located in the Kahiltna Terrane area approximately 130 kilometers northwest of Anchorage, Alaska. Consideration for the option is as follows:

- issue 50,000 common shares upon approval of the option agreement by the TSX.V (the "Approval Date") (issued on November 2, 2010, at a fair value of $7,500);
- issue an additional 50,000 common shares on the first anniversary of the Approval Date;
- issue an additional 100,000 common shares and pay a US$10,000 cash payment on the second anniversary of the Approval Date; and
- contribute $50,000 US for exploration expenditures in the first year and $100,000 US in exploration expenditures in the second year.

On October 26, 2010 the Company staked and recorded an additional 23 mineral claims in the Kahiltna Terrane.

As at May 31, 2011 and the date of this report, the Company plans to terminate the Option Agreement with the Vendors. Accordingly, property cost of $7,500 and exploration costs of $34,261 were written off.

West Ridge, Dome Creek, Alaska, USA

Pursuant to various agreements, the Company earned a 100% interest in the West Ridge mineral properties (approximately 5,200 acres) located in the Dome Creek area of the Fairbanks District of Alaska, USA. The Company will continue to maintain the claims and will commence its exploration program once more funding is available.

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7. MINERAL PROPERTY INTERESTS (Continued)

Gil Venture, Dome Creek, Alaska, USA

Pursuant to various agreements, the Company acquired a 20% interest in 237 claims located in the Gilmore Dome area of Fairbanks District of Alaska. On May 31, 1991, the Company, NERCO Exploration Company and Fort Knox Venture entered into an agreement, which granted the Company a 20% participating interest in the claims. Under the agreement, Fort Knox Venture paid the Company cash and funded approved programs, earning them an 80% participating interest in the property, with the Company retaining a 20% participating interest. Fort Knox Venture, through its operator Fairbanks Gold Mining, Inc. (“Fairbanks”), was doing exploration work on this property. During the year ended May 31, 2011 the Company incurred exploration expenditure of $279,448 (2010 - $358,812) on the property.

On September 20, 2011, the Company signed a letter of intent (“LOI”) to sell all of its remaining 20% interest in the Gil Venture property to Fairbanks (Note 17).

Deferred Exploration Expenditures

	May 31, 2011	May 31, 2010
	$	$
Silverknife Claims		
Staking and recording	**9,672**	-
Geological consulting	**7,213**	-
	16,885	-
Fish Creek Claims		
Written off – inactive claims	**-**	(111,947)
	-	(111,947)
Gil Venture Claims		
Exploration	**195,411**	
Geological consulting	**84,037**	-
Drilling	**-**	358,812
	279,448	358,812
Gold Hill Claims		
Travel, maps, rent and survey	**11,554**	-
Written off – inactive claims	**(11,554)**	
	-	-
Kahiltna Terrane Claims		
Staking and recording	**9,204**	-
Geological consulting	**25,057**	-
Written off – inactive claims	**(34,261)**	
	-	-
West Ridge Claims		
Staking and recording	**8,165**	-
Written off – inactive claims	**-**	(661,491)
	8,165	(661,491)
Exploration expenditures for the year	**350,313**	358,812
Exploration expenditures written off		
Written off – terminated, abandoned or inactive claims	**(45,815)**	(773,438)
	304,498	(414,626)
Exploration expenditures – beginning of year	**2,637,853**	3,052,479
Exploration expenditures – end of year	**2,942,351**	2,637,853

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8. ADVANCES TO/ FROM RELATED PARTIES

Amounts due to/ from related parties are unsecured, non-interest bearing and have no fixed terms of repayment. Unless otherwise indicated, the following table represents companies controlled by the President and CEO of the Company or companies where he is the President and CEO.

Advances to related parties:

	May 31, 2011 $	May 31, 2010 $
IAS Energy, Inc.	**24,821**	24,821
Linux Gold, Inc.	**74,946**	72,672
REGI US, Inc.	**28,600**	28,600
	128,367	126,093

Advances from related parties:

	May 31, 2011 $	May 31, 2010 $
Reg Technologies Inc.	**7,213**	14,598
KLR Petroleum	**-**	5,990
SMR Investments Ltd.	**8,776**	4,900
	15,989	25,488

9. CONVERTIBLE LOANS

On July 15, 2009, the Company entered into two promissory note agreements with an external party for $60,000 and $31,363 (US$27,000) to be paid on or before June 30, 2010. The two promissory notes have an interest rate of 8% per annum to be paid monthly commencing on August 15, 2009. The principal amounts are convertible into shares of the Company at $0.20 per share upon regulatory approval.

In January, 2010 the Company redeemed the convertible loan of $31,363 (US$27,000) with cash payment on the full principal amount of US$27,000.

The fair value of the debt component of the convertible loan was estimated using discounted cash flow at 10% for equivalent debt without the conversion feature. The fair value of equity component was estimated using Black-Scholes option pricing model with following assumptions: risk-free interest rate of 1.45%, dividend of 0%, expected life of 1 year and expected volatility of 210%. The debt and equity components of the convertible loans were then measured using the proportional or relative fair value method and were initially recorded at $76,798 and $14,565 respectively. As at May 31, 2010, $13,295 interest was amortized with its debt component carried at amortized cost of $58,730 after the repayment of $31,363 (US$27,000).

On June 1, 2010 the Company redeemed the remaining convertible loan of $60,000 with full payment on the principal. Total interest of $200 (2010 - $5,287) was paid to the lender.

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10. SHARE CAPITAL

Authorized share capital consists of:

100,000,000 voting common shares with no par value
5,000,000 non-voting preferred shares with $1 par value

The Preferred Shares have attached thereto a right to receive dividends as determined by the Directors. The Preferred Shares may be issued in series, with special rights and restrictions therefore being determined by the Directors, subject to regulatory approval. No Preferred Shares have been issued to the date of these financial statements.

On June 8, 2009, the Company issued 2,120,000 units of capital stock pursuant to a Private Placement at a price of $0.075 per unit. Each unit consists of one common share and one-half share purchase warrant exercisable within one year for $0.10 per share. Finders' fees in connection with this non-brokered private placement were $3,675.

On August 18, 2009, the Company issued 7,042,092 units of capital stock pursuant to a Private Placement at a price of $0.075 per unit. Each unit consists of one common share and one share purchase warrant exercisable within one year for $0.10 per share and within two years for $0.15 per share. Finders' fees in connection with this non-brokered private placement were $34,478.

On November 17, 2009, an employee exercised stock options for 12,500 shares at a price of $0.10 per share.

On November 25, 2009, the Company issued 1,646,734 units of capital stock pursuant to a Private Placement at a price of $0.17 per unit. Each unit consists of one common share and one share purchase warrant exercisable within one year for $0.22 per share. Finders' fees in connection with this non-brokered private placement were $17,881.

During January, 2010, the Company issued 7,042,092 common shares for warrants exercised at $0.10 per share.

On April 30, 2010 the Company issued 12,500 common shares for warrants exercised at $0.10 per share.

On June 6, 2010 the Company issued 1,047,500 common shares for warrants exercised at $0.10 per share for gross proceeds of $104,750.

On November 2, 2010 the Company issued 50,000 common shares to the vendor of the Kahiltna Terrane Option Agreement (Note 7). The shares are valued at $7,500 based on the trading price of $0.15 on November 2, 2010, the issuance date of the shares.

On December 17, 2010, the Company issued 1,983,326 units of capital stock pursuant to a private placement at $0.15 per unit. Each unit consists of one common share and one share purchase warrant exercisable into the Company's common stock at $0.20 per share expiring December 17, 2011. Finders' fee of $11,570 was paid in connection with this private placement.

On January 25, 2011 the Company issued 200,000 common shares as consideration for purchasing an additional 10% NPR in the Silverknife property (Note 7). The shares are valued at $32,000 based on the trading price of $0.16 on January 25, 2011, the issuance date of the shares.

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10. SHARE CAPITAL (Continued)

On January 19, 2011, the Company issued 1,359,333 units of capital stock pursuant to a private placement at $0.15 per unit. Each unit consists of one common share and one share purchase warrant exercisable into the Company's common stock at $0.20 per share expiring January 19, 2012. In connection with the private placement finders' fee of $6,993 was paid and 39,000 broker warrants were issued which are exercisable into the Company's common stock at $0.20 per share expiring January 19, 2012. The broker warrants were valued at $1,725 using the Black-Scholes option pricing model, with the assumptions of risk free interest rate - 1.46%, expected life - one year, expected dividend yield - $ nil and expected stock price volatility – 79.72%.

Stock Options

The Company has a stock option plan to issue up to 10% of the issued common shares to certain directors and employees. All options granted under the plan vest immediately upon grant, but are subject to the following exercise conditions:

i) Up to 25% of the options may be exercised at any time during the term of the option; such initial exercise is referred to as the "First Exercise";

ii) The second 25% of the options may be exercised at any time after 90 days from the date of the First Exercise; such second exercise is referred to as the "Second Exercise";

iii) The third 25% of the options may be exercised at any time after 90 days from the date of the Second Exercise; such third exercise is referred to as the "Third Exercise"; and

iv) The fourth and final 25% of the options may be exercised at any time after 90 days from the date of the Third Exercise.

As the Company believes that it is not probable that any options (other than those granted to investor relations) would vest except the first 25% of the options that vested immediately upon a date of grant, the fair value of the first 25% of the options that vested were charged to the consolidated statements of loss and comprehensive loss.

During the year ended May 31, 2010, the Company granted a total of 490,000 stock options with total fair value of $21,685 for the options vested during the period.

During the year ended May 31, 2011, the Company granted a total of 250,000 stock options exercisable at $0.19 per share up to August 26, 2013 with total fair value of $38,107 for the options vested during the period. Because the options were granted to a consultant performing investor relation activities, the options vest in stages over 12 months with no more than 25% of the options vesting in any three months period.

The fair value of options granted was estimated on the date of grant using the Black-Scholes option pricing model, with the following weighted-average assumptions:

	2011	2010	2009
Risk-free interest rate	**1.52%**	2.50%	1.94%
Expected dividend yield	**Nil**	Nil	Nil
Expected stock price volatility	**190%**	137%	117%
Expected life (in years)	**3.00**	4.44	5.00

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10. SHARE CAPITAL (Continued)

Stock Options (Continued)

The following is a summary of the Company's stock option activities during the year ended May 31, 2011:

	Number of Options	Weighted Average Exercise Price $
Balance – May 31, 2010	2,302,500	0.16
Granted	250,000	0.19
Expired	(65,000)	0.25
Forfeited, unexercised	(87,500)	0.15
Balance – May 31, 2011	2,400,000	0.16

The following share purchase options were outstanding at May 31, 2011:

Expiry Date	Exercise Price $	Number of Options	Remaining Contractual Life (years)	Number of Options Exercisable
November 2, 2011	0.180	25,000	0.42	6,250
April 24, 2012	0.150	1,650,000	0.90	412,500
November 7, 2012	0.220	25,000	1.44	6,250
March 10, 2013	0.210	75,000	1.78	18,750
October 30, 2014	0.185	225,000	3.42	56,250
November 5, 2014	0.185	50,000	3.44	12,500
April 19, 2015	0.240	100,000	3.89	25,000
August 26, 2013	0.190	250,000	2.24	250,000
		2,400,000		787,500

Warrants

The following is a summary of the Company's warrant activities during the years ended May 31, 2011 and 2010:

	Number of Warrants	Weighted Average Exercise Price $
Balance – May 31, 2009	2,715,000	0.25
Issued	9,748,826	0.12
Exercised	(7,054,592)	0.10
Expired	(2,715,000)	0.25
Balance – May 31, 2010	2,694,234	0.17
Issued	3,381,659	0.20
Exercised	(1,047,500)	0.10
Expired	(1,646,734)	0.22
Balance – May 31, 2011	3,381,659	0.20

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10. SHARE CAPITAL (Continued)

Warrants (continued)

The following share purchase warrants were outstanding at May 31, 2011

Expiry Date	Exercise Price	Number of Warrants	Remaining Contractual Life (years)
	$		
December 17, 2011	0.20	1,983,326	0.55
January 19, 2012	0.20	1,398,333	0.64
		3,381,659	

During the year ended May 31, 2011, a total of 3,342,659 warrants and 39,000 broker warrants were issued with fair values of $108,408 and $1,715 respectively. The fair value of warrants issued was estimated on the date of grant using the Black-Scholes option pricing model, with the following weighted-average assumptions:

Risk-free interest rate	1.63% - 1.67%
Expected dividend yield	Nil
Expected stock price volatility	79.72% - 81.84%
Expected life (in years)	1.00

On October 21, 2010, the Company extended the expiry date of 1,646,734 share purchase warrants issued on November 25, 2010 to May 25, 2011, resulting in a further $25,668 allocated to these warrants. The additional fair value of warrants was determined using the Black-Scholes warrant pricing model using the following weighted average assumptions: risk free interest rate of 0.99%, expected life of 0.6 year, annualized volatility of 85.31% and expected dividend of 0%.

11. INCOME TAXES

Future income taxes reflect the net tax effects of the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's Canadian future tax assets as of May 31, 2011 and 2010 are as follows:

	2011	2010
	$	$
Non-capital loss carry forwards	**1,092,000**	964,000
Equipment & others	**17,000**	15,000
Resource deductions	**347,000**	345,000
Share issue costs	**19,000**	22,000
	1,475,000	1,346,000
Valuation allowance	**(1,475,000)**	(1,346,000)
Future income tax assets	**-**	-

A reconciliation of the combined Canadian federal and provincial income taxes at statutory rates and the Company's effective income tax expense is as follows:

	2011	2010
	$	$
Statutory tax rate	**27.7%**	29.60%
Income tax recovery at statutory rate	**(146,967)**	(420,239)
Permanent differences and other	**5,835**	182,168
Change in tax rate for non-Canadian company	**(902)**	39,349
Effect of change in tax rate	**13,051**	30,883
Tax benefits not recognized	**128,983**	167,839
	-	-

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11. INCOME TAXES (Continued)

The Company has Canadian non-capital losses of approximately $4,370,000 (2010 - $3,854,000), which expire over the years 2014 to 2031. The Company also has cumulative exploration expenses in the amount of $1,577,000 (2010 -$1,430,000) in Canada and the USA, which can be carried forward indefinitely.

12. RELATED PARTY TRANSACTIONS

Related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Related party transactions not disclosed elsewhere in these financial statements are as follows:

SMR Investments Ltd. ("SMR") is a private company controlled by an officer of the Company. Under a management contract with SMR, the Company agreed to pay up to $2,500 per month for management services. The Company was charged management fees by SMR of $30,000 during the year ended May 31, 2011 (2010 - $30,000; 2009 - $30,000). As of May 31, 2011, $8,776 (May 31, 2010 - $4,900) was payable to SMR by the Company.

During the year ended May 31, 2011, directors fees of $12,000 (2010 - $12,000; 2009 - $16,500) were paid to the President of the Company. Fees of $6,493 (2010 - $5,039; 2009 - $9,409) were paid to KLR Petroleum Ltd. (which is controlled by an officer of the Company) for administration of the Company payroll and benefit plan.

13. TERYL, INC. TRASACTIONS (100% US Subsidiary)

In 1998, Teryl, Inc. offered a private placement of up to 1,000,000 shares at a price of $0.23 ($0.15 US) and subscriptions of $146,044 ($96,750 US) were received by November 19, 1999. Since the offering was not fully subscribed, the Company negotiated with the subscribers to replace the Teryl, Inc. shares with shares of the Company. On October 17, 2006, the authorized capital for Teryl, Inc. was reduced to 10,000 common shares, which resulted in a rollback to 1 common share for each 10,000 outstanding. On August 29, 2007, the final six subscribers agreed to a settlement of $70,000 ($50,250 US).

14. SEGMENTED INFORMATION

The Company's business consists of mineral properties and oil and gas property interests. Details on a geographic basis are as follows:

	Canada	**United States**	**Total**
May 31, 2011	**$**	**$**	**$**
Total assets	**86,188**	**3,253,502**	**3,339,690**
Acquisition and exploration costs	**48,886**	**3,122,320**	**3,171,206**
Net income (loss)	**553,121**	**22,555**	**530,566**

	Canada	United States	Total
May 31, 2010	$	$	$
Total assets	432,746	2,837,359	3,270,105
Acquisition and exploration costs	1	2,834,707	2,834,708
Net loss	752,797	666,929	1,419,726

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15. CAPITAL MANAGEMENT

The capital of the Company consists of the items included in shareholders' equity. The Company manages the capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the Company's assets.

The Company's objectives of capital management are intended to safeguard the entity's ability to continue the Company's development and exploration of its mineral properties and support any expansionary plans.

To effectively manage the entity's capital requirements, the Company has in place a planning and budgeting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its development and exploration objectives.

16. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). Material variations in the accounting measurement principles, practices and methods used in preparing these consolidated financial statements from measurement principles, practices and methods accepted in the United States ("US GAAP") are described and quantified below.

a) Oil and Gas Well Interests

Under Canadian and US GAAP, oil and gas well interests are carried at cost according to the successful efforts method of accounting and written down if the value is impaired. Depreciation and depletion of capitalized costs of oil and gas producing properties are calculated using the straight-line method over 10 years, which is the estimated pay-out term. The Company has determined that there were no material differences in the measurement and presentation of oil and gas well interests between Canadian GAAP and US GAAP as at May 31, 2011, 2010 and 2009.

b) Mineral Properties and Deferred Exploration Costs

Under Canadian GAAP, mineral property interests and deferred exploration costs, including acquisition and exploration costs, are carried at cost and written down if the properties are abandoned, sold or if management determines there to be an impairment in value. Under United States GAAP, mineral property interests are carried at cost and deferred exploration costs are expensed as incurred.

c) Asset Retirement Obligations

Under US GAAP, ASC 410, "Asset Retirement and Environmental Obligations" requires companies to record the fair value of the liability for closure and removal costs associated with legal obligations upon the retirement or removal of any tangible long-lived assets effective June 1, 2003. Under this standard, the initial recognition of the liability is capitalized as part of the asset cost and amortized over its estimated useful life. For Canadian GAAP purposes, effective June 1, 2004, the Company adopted the provisions of CICA HB Section 3110, "Asset Retirement Obligations", which are substantially similar to those of ASC 410. The Company has determined that there were no material differences in the measurement and presentation of asset retirement obligations between Canadian GAAP and US GAAP as at May 31, 2011, 2010 and 2009.

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16. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (Continued)

d) Stock-Based Compensation

Under US GAAP, ASC 718, "Compensation - Stock Compensation" requires the measurement and recognition of compensation expense, based on estimated fair values, for all share-based awards made to employees and directors, including stock options. The Company applied the provisions of ASC 718 which requires companies to estimate the fair value of share-based awards on the date of grant using an option-pricing model. The Company uses the Black-Scholes option pricing model as its method of determining fair value. The value of the portion of the award that is ultimately expected to vest is recognized as an expense in the consolidated statements of operations over the requisite service period.

The Company has a stock-based compensation plan which is described in Note 10. The Company accounts for stock-based compensation, including stock options and warrants, using the fair value based method, as prescribed by CICA HB 3870 "Stock-based Compensation and Other Stock-Based Payments", to account for stock based transactions with officers, directors and consultants. Under this method, the fair value of the stock options and warrants at the date of grant is amortized over the vesting period, with an offsetting credit recorded as an increase in contributed surplus. If the stock options or warrants are exercised, the proceeds are credited to share capital and the fair value at the date of the grant is reclassified from contributed surplus to share capital. Accordingly, there were no material differences between Canadian GAAP and US GAAP for the years ended May 31, 2011, 2010 and 2009.

e) Marketable Securities and Investments

Under Canadian GAAP, for the year ended May 31, 2007, short-term marketable securities are carried at the lower of aggregate cost or current market value, with any unrealized loss included in the consolidated statements of operations. Long-term investments are carried on the cost or equity basis and are only written down when there is evidence of a decline in value that is other than temporary. Under Canadian GAAP, for the years ended May 31, 2011 and 2010, the Company adopted the provisions of CICA HB Section 3855, "Financial Instruments – Recognition and Measurement", and CICA HB Section 1530, "Comprehensive Income", which are similar to the requirements of US GAAP.

Under US GAAP, ASC 320, "Investments – Debt and Equity Securities" requires that certain equity investments must be classified into available-for-sale securities and carried at fair market value. Any unrealized holding gains or losses are reported as a separate component of shareholders' equity until realized for available-for-sale securities, and included in earnings for trading securities. Under Canadian GAAP, as described in Note 2(g), and under US GAAP, the Company's investments are classified as available-for-sale securities.

f) Recent Accounting Pronouncements

In June 2009, FASB issued ASC 810-10-05, "Consolidation – Variable Interest Entities" which is intended to establish general standards of financial reporting for companies with variable interest entities. It requires timely and useful disclosure of information related to the Company's involvement with variable interest entities. This disclosure should alert all users to the effects on specific provisions of FASB ASC 810-10-05, "Consolidation - Variable Interest Entities", related to the changes to the special-purpose entity proposal in FASB ASC 860, "Transfers and Servicing", and the treatment of specific provisions of ASC 810-10-05. ASC 810-10-05 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2009. The Company has determined that the adoption of ASC 810-10-05 have no impact on its consolidated financial statements.

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16. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (Continued)

f) Recent Accounting Pronouncements (Continued)

In June 2009, the FASB issued ASC 860, "Transfers and Servicing", which is intended to establish standards of financial reporting for the transfer of assets and transferred assets to improve the relevance, representational faithfulness, and comparability. ASC 860 was established to clarify derecognition of assets under FASB ASC 860-10-40, "Transfers and Servicing – Derecognition". ASC 860 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2009. The Company has determined that the adoption of ASC 860 have no impact on its consolidated financial statements.

In May 2009, the FASB issued ASC 855, "Subsequent Events", which is intended to establish general standards of accounting for and disclosure of events that occur after the balance sheet date, but before financial statements are issued or are available to be issued. It requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date–that is, whether that date represents the date the financial statements were issued or were available to be issued. This disclosure should alert all users of financial statements that an entity has not evaluated subsequent events after that date in the set of financial statements being presented. ASC 855 is effective for financial statements issued for fiscal years and interim periods ending after June 15, 2009. The Company has already adopted this policy and its full disclosure is included in Note 17.

In June 2009, the FASB issued FASB ASC 105, "The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles – a replacement of FASB Statement No. 162"**.** Under FASB ASC 105 the "FASB Accounting Standards Codification" ("Codification") will become the source of authoritative US GAAP to be applied by nongovernmental entities. Rules and interpretive releases of the Securities and Exchange Commission ("SEC") under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. The Codification became effective for financial statements issued for interim and annual periods ending after September 15, 2009. On the effective date, the Codification will supersede all then-existing non-SEC accounting and reporting standards. All other non-grandfathered non-SEC accounting literature not included in the Codification will become non-authoritative. The Company changed the Company's references to U.S. GAAP accounting standards but did not impact the Company's results of operations, financial position or cash flows.

In March 2008, the FASB issued AS 815, "Derivative and Hedging", which is intended to improve financial standards for derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity's financial position, financial performance, and cash flows. Entities are required to provide enhanced disclosures about: (a) how and why an entity uses derivative instruments; (b) how derivative instruments and related hedged items are accounted for under Statement No. 133 and its related interpretations; and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. It is effective for financial statements issued for fiscal years beginning after November 15, 2008, with early adoption encouraged. The Company has determined that the adoption of ASC 815 have no impact on its consolidated financial statements.

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16. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (Continued)

f) Recent Accounting Pronouncements (Continued)

In June 2009, the Securities and Exchange Commission's Office of the Chief Accountant and Division of Corporation Finance announced the release of Staff Accounting Bulletin (SAB) No. 112. This staff accounting bulletin amends or rescinds portions of the interpretive guidance included in the Staff Accounting Bulletin Series in order to make the relevant interpretive guidance consistent with current authoritative accounting and auditing guidance and Securities and Exchange Commission rules and regulations. Specifically, the staff is updating the Series in order to bring existing guidance into conformity with recent pronouncements by the Financial Accounting Standards Board, namely, ASC 805, "Business Combinations", and ASC 810, "Consolidation". The statements in staff accounting bulletins are not rules or interpretations of the Commission, nor are they published as bearing the Commission's official approval. They represent interpretations and practices followed by the Division of Corporation Finance and the Office of the Chief Accountant in administering the disclosure requirements of the Federal securities laws.

In April 2009, an update was made to the FASB ASC 820, "Fair Value Measurements and Disclosures", that provides additional guidance for estimating fair value when the volume and level of activity for the assets or liability have significantly decreased. This update is effective for interim and annual periods ending after June 15, 2009 with early adoption permitted for periods ending after March 15, 2009. The Company has determined that the adoption of this update have no impact on its consolidated financial statements.

In April 2009, an update was made to FASB ASC 825, "Financial Instruments", which requires a publicly traded company to include disclosures about the fair value of its financial instruments whenever it issues summarized financial information for interim reporting periods. This update is effective for interim reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. The Company has determined that the adoption of this update have no impact on its consolidated financial statements.

In April 2010, the FASB issued Accounting Standards Update 2010-13, "Compensation – Stock Compensation (ASC 718)", which addresses the classification of an employee share-based payment award with an exercise price denominated in the currency of a market in which the underlying equity security trades. The Update provides guidance on the classification of a share-based payment award as either equity or a liability. A share-based payment award that contains a condition that is not a market, performance, or service condition is required to be classified as a liability. The amendments in this Update are effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2010. The Company is currently evaluating the impact of this update on the financial statements.

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16. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (Continued)

The impact of the differences between Canadian GAAP and US GAAP on the consolidated balance sheets would be as follows:

	2011		
	Balance Canadian GAAP $	**Adjustments $**	**Balance US GAAP $**
Current assets	**158,114**	**-**	**158,114**
Reclamation bonds	**5,478**	**-**	**5,478**
Equipment (Note 5)	**4,892**	**-**	**4,892**
Mineral property interests (Note 7)	**228,855**	**-**	**228,855**
Deferred exploration expenditures (Note 7)	**2,942,351**	**(2,942,351)**	**-**
	3,339,690	**(2,942,351)**	**397,339**
Current liabilities	**115,662**	**-**	**115,662**
Shareholders' equity	**3,224,028**	**(2,942,351)**	**281,677**
	3,339,690	**(2,942,351)**	**397,339**

	2010		
	Balance Canadian GAAP $	Adjustments $	Balance US GAAP $
Current assets	421,140	-	421,140
Reclamation bonds	5,478	-	5,478
Investments (Note 4)	837	-	837
Equipment (Note 5)	7,941	-	7,941
Mineral property interests (Note 7)	196,855	-	196,855
Deferred exploration expenditures (Note 7)	2,637,853	(2,637,853)	-
	3,270,104	(2,637,853)	632,251
Current liabilities	191,612	-	191,612
Shareholders' equity	3,078,492	(2,637,853)	440,639
	3,270,104	(2,637,853)	632,251

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16. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (Continued)

The impact of the differences between Canadian GAAP and US GAAP on the consolidated statements of operations and comprehensive loss would be as follows:

	2011 $	2010 $	2009 $
Net loss for the year, Canadian GAAP	**(530,566)**	(1,419,726)	(454,573)
Adjustment:			
Deferred exploration costs (Note 7)	**(304,498)**	414,626	(120,241)
Net loss for the year, US GAAP	**(835,064)**	(1,005,100)	(574,814)
Basic and diluted loss per share, US GAAP	**(0.01)**	(0.02)	(0.01)
Weighted average number of common shares outstanding, basic and diluted	**69,973,962**	60,736,673	49,587,528

The Company's comprehensive loss is comprised as follows:

	2011 $	2010 $	2009 $
Net loss for the year, US GAAP	**(835,064)**	**(1,005,100)**	(574,814)
Change in net unrealized gain (loss) on available-for-sale investments (Note 4)	**3,187**	**(30)**	(1,339)
Comprehensive loss	**(831,877)**	**(1,005,130)**	(576,153)

The impact of the differences between Canadian GAAP and US GAAP on the consolidated statements of cash flows would be as follows:

	2011 $	2010 $	2009 $
Cash flows from (used in) operating activities, Canadian GAAP	**(399,970)**	(950,964)	(307,533)
Adjustment:			
Exploration expenditures (Note 7)	**(353,563)**	(358,812)	(15,857)
Cash flows used in operating activities, US GAAP	**(753,533)**	(1,309,776)	(323,390)
Cash flows provided by financing activities, Canadian and US GAAP	**512,555**	1,563,741	114,281
Cash flows used in investing activities, Canadian GAAP	**(350,864)**	(358,812)	(15,857)
Adjustment:			
Exploration expenditures (Note 7)	**353,563**	358,812	15,857
Cash flows used in investing activities, US GAAP	**2,699**	-	-
(Decrease) increase in cash	**(238,279)**	253,965	(209,109)
Cash, beginning of year	**257,650**	3,685	212,794
Cash, end of year	**19,371**	257,650	3,685

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17. SUBSEQUENT EVENTS

Subsequent to May 31, 2011 the Company received gross proceeds of $47,500 as subscription for 475,000 units of private placement at $0.10 per unit. Each unit consists of one common share and one share purchase warrant exercisable into the Company's common stock at $0.15 for one year after the issuance.

On September 21, 2011 the Company entered into a letter of intent ("LOI") to sell all of its remaining 20% interest in the Gil Venture property to Fairbanks (Note 7). In accordance with the terms of the LOI, Fairbanks granted to the Company a production royalty equal to 1% of net smelter returns on all production from the property up to $15,000,000, after which the royalty is equal to 0.5% of the net smelter returns on all production from the property. At closing Fairbanks will pay the Company US$2,500,000 as an advance payment of the production royalty. An additional advance payment of royalty of US$1,500,000 will be paid to the Company upon commencement of commercial production from a mine constructed on the property.