TERYL RESOURCES CORP.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

FEBRUARY 29, 2012

Responsibilities for Financial Statements

The accompanying financial statements for Teryl Resources Corp. (the "Company") have been prepared by management in accordance with International Financial Reporting Standards ("IFRS"). These consolidated financial statements, which are the responsibility of management, are unaudited and have not been reviewed by the Company's auditors. Management believes the consolidated financial statements are free of material misstatement and present fairly, in all material respects, the financial position of the Company as at February 29, 2012 and the results of its operations and its cash flows for the nine months ended February 29, 2012.

TERYL RESOURCES CORP.

INTERIM STATEMENTS OF FINANCIAL POSITION
(Stated in Canadian Dollars)
(Unaudited)

	February 29 2012 $	May 31 2011 $	June 1 2010 $
ASSETS			
Current			
Cash and cash equivalent	**2,267,665**	19,371	257,650
Amounts receivable and prepaid expenses	**14,048**	10,376	37,397
Advances to related parties (Note 8)	**17,318**	128,367	126,093
Promissory note – related party (Note 8)	**24,684**	-	-
	2,323,715	158,114	421,140
Investments (Note 4)	**-**	-	837
Reclamation Bonds	**8,778**	5,478	5,478
Equipment (Note 5)	**5,010**	4,892	7,941
Mineral Property Interests (Note 7)	**197,727**	228,855	196,855
Deferred Exploration Expenditures (Note 7)	**125,300**	2,942,351	2,637,853
	2,660,530	3,339,690	3,270,104
LIABILITIES			
Current			
Accounts payable and accrued liabilities	**66,113**	99,673	107,394
Advances from related parties (Note 8)	**2,500**	15,989	25,488
Liability component of convertible loan (Note 9)	**-**	-	58,730
	68,613	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: 72,678,605 common shares on February 29, 2012 and 72,103,605 common shares on May 31, 2011 (June 1, 2010 – 67,463,446)	**14,047,683**	14,004,922	13,456,263
Equity component of convertible loan (Note 9)	**-**	-	14,565
Share Subscriptions Received	**-**	-	10,000
Reserves	**709,646**	699,762	550,941
Accumulated Other Comprehensive Loss	**-**	-	(3,187)
Deficit	**(12,165,412)**	(11,480,656)	(10,950,090)
	2,591,917	3,224,028	3,078,492
	2,660,530	3,339,690	3,270,104

Going Concern (Note 1) and **Subsequent Events** (Note 14)

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.

INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(Stated in Canadian Dollars)

(Unaudited)

	Three months ended February 29 2012 $	Three months ended February 28 2011 $	**Nine months ended February 29 2012 $**	Nine months ended February 28 2011 $
General and Administrative Expenses				
Amorti5zation of equipment	**244**	306	**732**	1,191
Filing and regulatory fees	**9,785**	5,370	**21,231**	18,801
Consulting, management and directors' fees (Note 8)	**38,327**	43,098	**90,730**	100,079
Office and sundry	**12,831**	14954	**21,681**	29,370
Office rent and utilities	**3,705**	3,355	**10,213**	10,738
Professional fees	**9,094**	6,645	**18,754**	22,124
Publicity, promotion and investor relations	**35,564**	34,503	**68,766**	95,679
Secretarial and employee benefits	**7,220**	8,771	**20,103**	22,021
Stock-based compensation	**-**	365	**-**	1,095
Travel, auto and entertainment	**3,075**	9,305	**5,482**	16,125
Operating Loss	**(119,845)**	(126,672)	**(257,692)**	(317,223)
Other Income (Expenses)				
Miscellaneous income	**4,166**	618	**15,830**	20,105
Gain on disposal of mineral property interest	**571,084**	-	**571,084**	1,147
Foreign exchange loss	**(1,010,292)**	(3,383)	**(1,014,498)**	-
Interest income	**520**	-	**520**	(110)
Interest expense	**-**	-	**-**	(1,270)
Exploration expenditures written off	**-**	(43,212)	**-**	(118,233)
	(434,522)	(33,210)	**(427,064)**	(98,451)
Net Loss for the Period	**(554,367)**	(159,882)	**(684,756)**	(415,674)
Unrealized gains on available-for-sale investments	**-**	(730)	**-**	(109)
Comprehensive Loss for the Period	**(554,367)**	(160,612)	**(684,756)**	(415,783)
Loss per Share – Basic and Diluted	**(0.001)**	(0.002)	**(0.009)**	(0.006)
Weighted Average Number of Common Shares Outstanding, Basic and Diluted	**72,678,605**	70,849,347	**72,422,583**	69,256,280

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

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

	Nine Months Ended February 29 2012 $	Nine Months Ended February 28 2011 $
Cash flows from operating activities		
Net loss for the period	**(684,756)**	(415,674)
Items not affecting cash		
Amortization of equipment	**732**	1,191
Interest expense	**170**	1,270
Stock-based compensation	**-**	1,095
Gain on disposal of mineral property interest	**(571,084)**	(1,147)
Changes in non-cash working capital items		
Amounts receivable and prepaid expenses	**(3,672)**	(13,828)
Accounts payable and accrued liabilities	**(33,560)**	52,464)
	(1,292,170)	(479,557)
Cash flows from (used in) investing activities		
Reclamation bonds	**(3,300)**	-
Deferred exploration expenditures	**(25,282)**	(195,417)
Purchase of office equipment	**(850)**	-
Proceeds from sale of mineral property interest	**2,597,250**	2,700
	2,567,818	(192,717)
Cash flows from financing activities		
Net repayment to related party advances	**(24,854)**	(27,762)
Proceeds from (repayment to) convertible loan	**-**	(60,000)
Share capital issued for cash	**52,645**	572,555
	27,791	484,793
Effect of changes in exchange rates	**925,484**	-
(Decrease) increase in cash	**2,228,923**	(187,481)
Cash, beginning of period	**71**	260,150
Cash, end of period	**2,248,294**	72,669
Supplementary disclosure of cash flow information:		
Interest paid	**-**	-
Income taxes paid	**-**	-
Non-cash items		
Shares issued for property	**-**	41,500
Promissory note issued for advances to related party	**24,684**	-
Conversion of due from related party to cash in lieu of exploration work	**75,000**	-

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

TERYL RESOURCES CORP.
INTERIM CONSOLIDATED STATEMENTS OF CHANGE IN EQUITY
(Stated in Canadian Dollars)
(Unaudited)

	Share Capital							
	Number	Amount $	Share Subscriptions Received $	Equity Component of Convertible Loan $	Reserves $	Accumulated Other Comprehensive Loss $	Deficit $	Total $
Balance, June 1, 2010	**67,463,446**	**13,456,263**	**10,000**	**14,565**	**550,941**	**(3,187)**	**(10,950,090)**	**3,078,492**
Shares issued for property	250,000	39,499	-	-	-	-	-	39,499
Shares issued for cash upon:								
Private placements	3,342,659	367,672		-	110,133	-	-	477,805
Exercise of warrants	1,047,500	141,488	(10,000)	-	(36,738)	-	-	94,750
Equity component of convertible loan	-	-	-	(14,565)	11,650	-	-	(2,915)
Stock-based compensation	-	-	-	-	1,095	-	-	1,095
Unrealized loss on available-for-sale investments	-	-	-	-	-	(109)	-	(109)
Net loss for the period	-	-	-	-	-	-	(415,674)	(415,674)
Balance, February 28, 2011	**72,103,605**	**14,004,922**	**-**	**-**	**637,081**	**(3,296)**	**(11,365,764)**	**3,272,942**
Stock-based compensation	-	-	-	-	37,012	-	-	37,012
Warrants extension	-	-	-	-	25,669	-	-	25,669
Available-for-sale investments written off	-	-	-	-	-	3,296	-	3,296
Net loss for the period	-	-	-	-	-	-	(114,892)	(114,892)
Balance, May 31, 2011	**72,103,605**	**14,004,922**	**-**	**-**	**699,762**	**-**	**(11,480,656)**	**3,224,028**
Shares issued for cash	575,000	42,761	-	-	9,884	-	-	52,645
Net loss for the period	-	-	-	-	-	-	(684,756)	(684,756)
Balance, February 29, 2012	**72,678,605**	**14,047,683**	**-**	**-**	**709,646**	**-**	**(12,165,412)**	**2,591,917**

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

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 ("TSX.V"). The Company is in the business of acquiring mineral properties and carrying out exploration work. It also acquires oil and gas property interests and participates in drilling wells.

These unaudited 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.

In December, 2011 the Company received $2,500,000 advance royalty payment from the sale of its 20% interest in Gil Venture Property. The management believes that the Company has sufficient funds for working capital and for carrying out exploration programs on its properties for a minimum of two years.

The Company continues to incur operating losses, has limited sources of operating cash flow, and no assurances that further royalty payments 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 further royalty payments, and to realize future profitable production or proceeds from the disposition of its natural resource interests. At February 29, 2012, the Company had working capital of $2,255,102 (May 31, 2011 – working capital of $42,452) and incurred a loss of $684,756 in the nine months ended February 29, 2012 (2011 – $415,674). 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.

2. SIGNIFICANT CANADIAN ACCOUNTING POLICIES

a) Basis of accounting and principles of consolidation

These interim consolidated financial statements of the Company and its subsidiaries, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). As these consolidated financial statements represent the Company's initial presentation of its operating results and financial position under IFRS, they were prepared in accordance with International Accounting Standard ("IAS") 34 (Interim Financial Reporting) and IFRS 1 (First time Adoption of IFRS). These interim consolidated financial statements have been prepared in accordance with the accounting policies the Company expects to apply to its May 31, 2012 annual financial statements. These accounting policies are based on the IFRS standards and International Financial Reporting Interpretations Committee ("IFRIC") interpretations that the Company expects to be applicable at that time.

The Company's consolidated financial statements were previously prepared in accordance with Canadian GAAP. Canadian GAAP differs in certain respects from IFRS. In preparing these interim consolidated financial statements, management has amended certain accounting, valuation and consolidation methods previously applied in the Canadian GAAP financial statements to comply with IFRS.

These interim consolidated financial report do not include all of the information required of a full annual financial report and is intended to provide users with an updated in relation to events and transactions that are significant to an understanding of the changes of financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that these consolidated financial statements be read in conjunction with the audited annual financial statements of the Company for the year ended May 31, 2011.

However, these interim consolidated financial statements, being the first IFRS financial report, provide selected significant disclosures that are required in the annual financial statements under IFRS. The disclosures concerning the transition from Canadian Generally Accepted Accounting Principals ("Canadian GAAP") to IFRS are provided in Note 15.

2. SIGNIFICANT CANADIAN ACCOUNTING POLICIES (Continued)

b) Consolidation

These consolidated financial statements have been prepared in accordance with IFRS 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.

c) Use of Estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates related to the determination of impairment of assets and useful lives for depreciation and amortization, fair values of financial instruments, the future income tax valuation allowance, and the determination of fair value for stock-based awards and compensation. Where estimates have been used financial results as determined by actual events could differ from those estimates.

d) Comparative Figures

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

e) New Standards and Interpretations

A number of new standards and interpretations issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committees, and amendments to standards and interpretations, are not yet effective for the nine months ended February 29, 2012, and have not been applied in preparing these unaudited interim consolidated financial statements. The extent of the impact of adoption of these standards and interpretations on the consolidated financial statements of the Corporation has not been determined.

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 evaluated 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.

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:

February 29, 2012	**Cash**	**Accounts payable and accrued liabilities**
US dollars	$ 1,761,910	$ 26,536

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

At February 29, 2012, with other variables unchanged, a +/-10% change in exchange rates would increase/decrease pre-tax loss by +/- $173,537.

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.

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

Three-level hierarchy for fair value measurements based upon the significance of inputs used in making fair value measurements is 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 February 29, 2012, 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).

5. EQUIPMENT

	February 29, 2012 $	May 31 2011 $
Furniture and fixtures – at cost	**27,860**	27,010
Less: Accumulated amortization	**(22,850)**	(22,118)
	5,010	4,892

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 2011 $	Additions $	Disposition $	**Balance February 29 2012 $**
Property acquisition costs				
Silverknife	32,001	-	-	**32,001**
Fish Creek	49,538	-	-	**49,538**
West Ridge	116,189	-	-	**116,189**
Gil Venture	31,127	-	(31,127)	-
	228,855	-	(31,127)	**197,728**

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.

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 October 1, 2011 the Company and Linux further amended the agreement to extend the option agreement to March 5, 2012.

7. MINERAL PROPERTY INTERESTS (Continued)

Fish Creek, Fairbanks, Alaska, USA (Continued)

On December 1, 2011 the Company and Teryl further amended the agreement to include the following terms which are subject to regulatory approval (Note 8):

- Teryl will apply $75,000 of the balance owed by Linux to Teryl towards the above stated minimum exploration budget of US$500,000;
- Teryl has an option to pay the expenditures for the Fish Creek property in cash in lieu of the exploration costs to the Company; and
- The term of the agreement is extended to March 5, 2013.

The Company will continue to maintain the claims.

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.

Kahiltna Terrane Option, Alaska, USA

On September 1, 2010 the Company signed a Letter Agreement with a group of owners (the "Vendors") for mineral claims located in the Kahiltna Terrane area approximately 130 kilometers northwest of Anchorage, Alaska.

The letter agreement includes an option agreement (the "Option Agreement") to acquire a 50% interest in eleven mineral claims (the "Fortitude Project"). 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.

As at May 31, 2011, the Company planned to terminate the Option Agreement with the Vendors. Accordingly, property cost of $7,500 and exploration costs of $34,261 were written off. The Option Agreement was officially terminated on October 4, 2011.

Also in accordance with the Letter Agreement, on October 26, 2010 the Company staked and recorded an additional 23 mineral claims in the Kahiltna Terrane within five miles from the exterior boundary of the Fortitude Project. The additional mineral claims are 100% owned by Teryl Resources Corp, subject to a 2 ½ % net royalty interest to the Vendors.

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.

Effective December 19, 2011 the Company executed the Asset Purchase Agreement to sell all of its remaining 20% interest in the Gil Venture property to Fairbanks. 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. On December 19, 2011 Fairbanks paid 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.

Deferred Exploration Expenditures during the periods:

	Nine Months Ended February 29, 2012 $	Year Ended May 31, 2011 $
Silverknife Claims		
Staking and recording	**2,418**	9,672
Geological consulting	**-**	7,213
	2,418	16,885
Gil Venture Claims		
Exploration	**-**	195,411
Geological consulting	**-**	84,037
Disposition	**(2,917,332)**	-
	(2,917,332)	279,448
Gold Hill Claims		
Travel, maps, rent and survey	**-**	11,554
Written off – inactive claims	**-**	(11,554)
	-	-
Kahiltna Terrane Claims		
Staking and recording	**9,770**	9,204
Geological consulting	**-**	25,057
Written off – inactive claims	**-**	(34,261)
	9,770	-
Fish Creek Claims		
Cash in lieu of exploration work	**75,000**	-
Staking and recording	**2,139**	-
	77,139	-
West Ridge Claims		
Staking and recording	**6,243**	8,165
Exploration	**4,711**	-
	10,954	8,165
Exploration expenditures for the period		350,313
Exploration expenditures on disposed property	**(2,917,332)**	
Exploration expenditures written off		
Written off – terminated, abandoned or inactive claims	**-**	(45,815)
		304,498
Exploration expenditures – beginning of period	**2,942,351**	2,637,853
Exploration expenditures – end of period	**125,300**	2,942,351

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.

Balances due from (to) related parties:

	February 29, 2011 $	May 31, 2011 $
IAS Energy, Inc.	**(2,500)**	24,821
Reg Technologies Inc.	**9,631**	(7,213)
Linux Gold, Inc.	**7,517**	74,946
REGI US, Inc. (Interest on promissory note)	**170**	28,600
SMR Investments Ltd.	**-**	(8,776)
	14,818	**112,378**

During the nine months ended February 29, 2011 REGI US, Inc. repaid $3,916 to the Company and converted the balance of $24,684 into a promissory note owed to the Company at annual interest rate of $6%, for which the Company recorded interest income of $170 on the promissory note.

During the nine months ended February 29, 2012 Linux and the Company revised the Fish Creek property option agreement whereby the Company applies $75,000 of the balance owed by Linux as cash payment in lieu of exploration work required by the option agreement, in consideration of which Linux extended the option agreement for an additional year (Note 7).

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 were 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. On June 1, 2010 the Company redeemed the remaining convertible loan of $60,000 with full payment on the principal.

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 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 were valued at $7,500 based on the trading price of $0.15 on November 2, 2010, the issuance date of the shares.

10. SHARE CAPITAL (Continued)

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.

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%.

On September 30, 2011, the Company issued 575,000 units of capital stock pursuant to a 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 per share expiring September 30, 2012. In connection with the private placement finders' fee of $2,100 was paid and 10,000 broker warrants were issued which are exercisable into the Company's common stock at $0.15 per share expiring September 30, 2012. The broker warrants were valued at $202 using the Black-Scholes option pricing model, with the assumptions of risk free interest rate – 0.83%, expected life - one year, expected dividend yield - $ nil and expected stock price volatility – 111.84%.

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, 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.

10. SHARE CAPITAL (Continued)

Stock Options (Continued)

The following is a summary of the Company's stock option activities from May 31, 2011 to February 29, 2012:

	Number of Options	Weighted Average Exercise Price $
Balance – May 31, 2011	2,400,000	0.16
Expired	(25,000)	0.18
Balance – February 29, 2012	2,375,000	0.16

The following share purchase options were outstanding at February 29, 2012:

Expiry Date	Exercise Price $	Number of Options	Remaining Contractual Life (years)	Number of Options Exercisable
April 24, 2012	0.150	1,650,000	0.15	412,500
November 7, 2012	0.220	25,000	0.69	6,250
March 10, 2013	0.210	75,000	1.03	18,750
October 30, 2014	0.185	225,000	2.67	56,250
November 5, 2014	0.185	50,000	2.69	12,500
April 19, 2015	0.240	100,000	3.14	25,000
August 26, 2013	0.190	250,000	1.49	250,000
		2,375,000		781,250

Warrants

The following is a summary of the Company's warrant activities from May 31, 2011 to February 29, 2012:

	Number of Warrants	Weighted Average Exercise Price $
Balance – May 31, 2011	3,381,659	0.20
Issued	585,000	0.15
Expired without exercised	(3,381,659)	0.20
Balance – February 29, 2012	585,000	0.15

The following share purchase warrants were outstanding at February 29, 2012:

Expiry Date	Exercise Price $	Number of Warrants	Remaining Contractual Life (years)
September 30, 2012	0.15	585,000	0.59
		585,000	

During the nine months ended February 29, 2012, a total of 575,000 warrants and 10,000 broker warrants were issued with fair values of $9,682 and $202 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	0.83%
Expected dividend yield	Nil
Expected stock price volatility	111.84
Expected life (in years)	1.00

11. 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 $22,500 during the nine months ended February 29, 2012 (2011 - $22,500). As of February 29, 2012, no balance (May 31, 2011 - $8,776) was payable to SMR by the Company.

During the nine months ended February 29, 2012, directors fees of $9,000 (2011 - $9,000) were paid to the President of the Company. Fees of $10,973 (2011 - $11,887) were accrued to KLR Petroleum Ltd. (which is controlled by an officer of the Company) for administration of the Company payroll and benefit plan.

12. 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**
February 29, 2012	**$**	**$**	**$**
Total assets	1,274,078	1,386,452	2,660,530
Acquisition and exploration costs	51,304	271,723	323,027
Net income (loss) for the nine months ended February 29, 2012	(260,459)	(424,297)	(684,756)

	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) for the year ended May 31, 2011	(553,121)	22,555	(530,566)

13. 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.

14. SUBSEQUENT EVENTS

Effective March 12, 2012, the Company entered into an investor relation service agreement for a minimum period expiring September 14, 2012 for monthly fee of $7,500. In addition the Company granted options 300,000 options exercisable into the Company's common stock at $0.08 per share. 25% of the 300,000 options vested immediately upon grant, and an additional 25% of the options will vest on June 15, 2012, September 15, 2012 and December 15, 2012 respectively.

During April, 2011, 1,650,000 warrants exercisable into the Company's common stock at $0.15 per share expired unexercised.

15. TRANSITION TO IFRS

As a result of the Accounting Standards Board of Canada's decision to adopt IFRS for publicly accountable entities for financial reporting periods beginning on or after January 1, 2011, the Company has adopted IFRS in these financial statements, making them the first interim financial statements of the Company under IFRS. The Company previously applied the available standards under previous Canadian GAAP that were issued by the Accounting Standards board of Canada.

IFRS 1 *First-time Adoption of International Financial Reporting Standards* sets forth guidance for the initial adoption of IFRS. Under IFRS 1 the standards are applied retrospectively at the transitional statement of financial position date with all adjustment to assets and liabilities taken to retained earnings unless certain exemptions are applied.

The Company has applied the following exemptions to its opening statement of financial position dated June 1, 2010:

- IAS 21 "The Effects of Changes in Foreign Exchange Rates" has not been applied to cumulative translation differences that existed at the dated of transition to IFRS. The Company has eliminated the cumulative translation difference and adjusted retaining earnings by the same amount at the date of transition to IFRS. If, subsequent to adoption, a foreign operation is disposed of, the translation differences that arose before the date of transition to IFRS will not affect the gain or loss on disposal.

- IFRS2 "Share-based Payment" has not been applied to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the later of the date of transition to IFRS and January 1, 2005. The Company has elected not to apply IFRS 2 to awards that vested prior to June 1, 2010, which have been accounted for in accordance with Canadian GAAP.

- IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" has been applied prospectively to all provisions for restoration and environmental obligations that are within the scope of International Financial Reporting Interpretations Committee ("IFRIC") "Changes in Existing Decommissioning, Restoration and Similar Liabilities". The Company has:

    - re-measured the liabilities as at June 1, 2010 in accordance with IAS37;

    - estimated the amount that would have been included in the cost of the related asset when the liability first arose, by discounting the liability to that date using its best estimate of the historical risk-adjusted discount rates that would have applied for that liability over the intervening period, and

    - calculate the accumulated depreciation on that amount, as at June 1, 2010 on the basis of the current estimate of the useful life of the asset, using the depreciation policy adopted by the entity.

    - The Company has applied the transitional provision in IFRIC 4 "Determining whether an Arrangement contains a Lease" and has assessed all arrangements as at June 1, 2010.

- In accordance with IFRS 1, an entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under previous GAAP, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates as of June 1, 2010 are consistent with its Canadian GAAP estimates for that date.

IFRS employs a conceptual framework that is similar to Canadian GAAP. However, significant differences exist in certain matters of recognition, measurement and disclosure. While the first time adoption of IFRS did not have an impact on the total operating, investing or financing cash flows, it has resulted in changes to the Company's reported financial position and results of operations. In order to allow the users of the financial statements to better understand these changes, the Company's Canadian GAAP consolidated statements of operations and comprehensive income (loss), for the nine months ended February 28, 2011 and the year ended May 31, 2011 have been reconciled to IFRS, with the resulting differences explained. In addition, the consolidated statements of financial position as at May 31, 2011 and June 1, 2010 have been reconciled with the resulting differences explained as follows:

15. TRANSITION TO IFRS (Continued)

(a) Functional and presentation currency

IFRS requires that the functional currency of each entity in the consolidated Group be determined separately in accordance with the indicators as per IAS 21 “The Effects of Changes in Foreign Exchange Rates” and should be measured using the currency of the primary economic environment in which the entity operates (“the functional currency”) The functional currency of the subsidiaries of the Company is the Canadian dollar. The consolidated financial statements are presented in Canadian dollars which is the Company’s presentation currency.

Under the IFRS, 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.

(b) Warrants

Under Canadian GAAP the Company classified warrants it issued in Canadian dollars to purchase common shares as equity instruments. Under IFRS, warrants issued by the Company to purchase common shares, for a fixed price stated in a currency other than the functional currency of the issuing entity and not offered pro rata to all existing shareholders of the same class at the time of issuance, are considered derivative financial liabilities. Such warrants are required to be measured and recognized at the fair value with changes subsequent to initial recognition charged to profit or loss. The Company determined fair value of the warrants using the Black-Schholes option pricing model.

(c) Share-based payments

The Company grants stock options that have a graded vested schedule. Under Canadian GAAP, the Company grants stock options that have a graded vesting schedule. Under Canadian GAAP, the Company accounted for grants of options with graded vesting as a single award and determined the fair value using the average life of the options granted. Stock-based compensation was recognized on a straight-line basis over the total vesting period. Under IFRS, the Company treats each installment as its own award. Therefore, each installment is measured and recognized separately.

(d) Reserves

Under Canadian GAAP, amounts recorded in relation to the fair value of stock options granted and warrants issued were recorded to contributed surplus. Under IFRS these amounts have been reclassified as reserves.

(e) GAAP - IFRS Reconciliation

There is no impact to Canadian GAAP in these financial statements in regards to the application of IFRS and accordingly no reconciliation is provided.