

**TERYL RESOURCES CORP.****INTERIM CONSOLIDATED FINANCIAL STATEMENTS****(UNAUDITED)**

February 28, 2013

**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 28, 2013 and the results of its operations, its cash flows and its statement of changes in equity for the nine months ended February 28, 2013.

**TERYL RESOURCES CORP.**  
**INTERIM STATEMENTS OF FINANCIAL POSITION**  
(Stated in Canadian Dollars)

|  | <b>February 28<br/>2013<br/>\$<br/>(Unaudited)</b> | <b>May 31<br/>2012<br/>\$</b> |
|--|--|-------------------------------|
| <b>ASSETS</b>  |  |                               |
| <b>Current</b>   |  |                               |
| Cash and cash equivalent   | 1,147,085  | 2,059,482                     |
| Amounts receivable and prepaid expenses  | 12,422   | 77,537                        |
| Promissory note receivable – related party (Note 8)  | 26,334   | 25,224                        |
|  | 1,185,841  | 2,162,243                     |
| <b>Reclamation Bonds</b>   | 8,778  | 8,778                         |
| <b>Equipment</b> (Note 5)  | 1,425  | 5,054                         |
| <b>Mineral Property Interests</b> (Note 7)   | 175,816  | 176,643                       |
| <b>Deferred Exploration Expenditures</b> (Note 7)  | 554,139  | 195,376                       |
|  | 1,925,999  | 2,548,094                     |
| <b>LIABILITIES,</b>  |  |                               |
| <b>Current</b>   |  |                               |
| Accounts payable   | 36,020   | 24,500                        |
| Accrued liabilities  | 3,800  | 39,384                        |
| Due to related parties (Note 8)  | 5,920  | 53,891                        |
|  | 45,740   | 117,775                       |
| <b>SHAREHOLDERS' EQUITY</b>  |  |                               |
| <b>Share Capital</b> (Note 9)  |  |                               |
| Authorized:  |  |                               |
| 100,000,000 common shares, voting, no par value  |  |                               |
| 5,000,000 preferred shares, non-voting, \$1 par value  |  |                               |
| Issued and outstanding:  |  |                               |
| 71,605,605 and 72,678,605 common shares outstanding at February 28, 2013 and May 31, 2012 respectively | 13,967,069   | 14,045,753                    |
| Treasury shares:   |  |                               |
| 1,060,000 and zero common shares at February 28, 2013 and May 31, 2012 respectively                    | (52,960)   | -                             |
| <b>Reserves</b>  | 726,617  | 701,825                       |
| <b>Accumulated Other Comprehensive Loss</b>  | (79,914)   | (83,160)                      |
| <b>Deficit</b>   | (12,680,553)                                       | (12,234,099)                  |
|  | 1,880,259  | 2,430,319                     |
|  | 1,925,999  | 2,548,094                     |

**Going Concern** (Note 1) and **Subsequent Events** (Note 13)

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)

|  | <b>Three months<br/>ended<br/>February 28<br/>2013<br/>\$</b> | Three months<br>ended<br>February 29<br>2012<br>\$ | <b>Nine months<br/>ended<br/>February 28<br/>2013<br/>\$</b> | Nine months<br>ended<br>February 29<br>2012<br>\$ |
|--|---|--|--|---|
| <b>General and Administrative Expenses</b>                                     |   |  |  |   |
| Amortization of equipment  | 309   | 244  | 673  | 732   |
| Filing and regulatory fees   | 10,045  | 9,785  | 24,786   | 21,231  |
| Foreign exchange (gain) loss   | 12,127  | 13,139   | 10,775   | (8,933)   |
| Geological consulting  | 5,212   | -  | 7,212  | -   |
| Consulting, management and directors' fees (Note 10)                           | 54,812  | 38,327   | 165,542  | 90,730  |
| Office and administrative  | 16,096  | 12,831   | 40,412   | 21,681  |
| Office rent and utilities  | 11,095  | 3,705  | 33,963   | 10,213  |
| Professional fees  | 5,726   | 9,094  | 18,934   | 18,754  |
| Publicity, promotion and investor relations                                    | 20,330  | 38,639   | 91,882   | 74,248  |
| Secretarial and employee benefits  | 15,211  | 7,220  | 44,574   | 20,103  |
| Stock-based compensation (Note 9)  | -   | -  | 24,792   | -   |
| <b>Operating Loss</b>  | <b>(150,963)</b>  | (132,984)  | <b>(463,545)</b>   | (248,759)   |
| <b>Other Income (Expenses)</b>   |   |  |  |   |
| Miscellaneous income   | 2,436   | 4,166  | 7,178  | 15,830  |
| Loss on disposal of mineral property interest                                  | -   | (376,924)  | -  | (376,924)   |
| Interest income  | 3,944   | 520  | 13,829   | 520   |
| Capital asset write-off  | -   | -  | (3,916)  | -   |
|  | <b>6,380</b>  | (372,238)  | <b>17,091</b>  | (360,574)   |
| <b>Net Loss for the Period</b>   | <b>(144,583)</b>  | (505,222)  | <b>(446,454)</b>   | (609,333)   |
| Translation of foreign operations  | 28,446  | 24,659   | 3,246  | 53,964  |
| <b>Comprehensive Loss for the Period</b>                                       | <b>(116,137)</b>  | (480,563)  | <b>(443,208)</b>   | (555,369)   |
| <b>Loss per Share – Basic and Diluted</b>                                      | <b>(0.002)</b>  | (0.007)  | <b>(0.006)</b>   | (0.008)   |
| <b>Weighted Average Number of Common Shares Outstanding, Basic and Diluted</b> | <b>71,605,605</b>   | 72,678,605   | <b>72,338,063</b>  | 72,422,583  |

*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)

|  | <b>Nine months<br/>ended<br/>February 28,<br/>2013<br/>\$</b> | Nine months<br>ended<br>February 29,<br>2012<br>\$ |
|--|---|--|
| <b>Cash flows from operating activities</b>                              |   |  |
| Net loss for the period  | (446,454)   | (609,333)  |
| Items not affecting cash   |   |  |
| Amortization of equipment  | 673   | 732  |
| Interest expense (income)  | (1,650)   | 170  |
| Stock-based compensation   | 24,792  | -  |
| Loss on disposal of mineral property interest                            | -   | 376,924  |
| Changes in non-cash working capital items                                |   |  |
| Amounts receivable and prepaid expenses                                  | 65,115  | (3,672)  |
| Accounts payable and accrued liabilities                                 | (24,064)  | (33,560)   |
|  | <b>(381,588)</b>  | <b>(268,739)</b>                                   |
| <b>Cash flows from (used in) investing activities</b>                    |   |  |
| Reclamation bonds  | -   | (3,300)  |
| Purchase of office equipment   | (929)   | (850)  |
| Deferred exploration expenditures  | (352,089)   | (25,282)   |
| Proceeds from sale of mineral property interest                          | -   | 2,597,250  |
|  | <b>(353,018)</b>  | <b>2,567,818</b>                                   |
| <b>Cash flows from financing activities</b>                              |   |  |
| Repayment of advances from related parties                               | (47,971)  | (24,854)   |
| Purchase of treasury shares  | (52,960)  | -  |
| Share capital issued for cash  | -   | 52,645   |
|  | <b>(100,931)</b>  | <b>27,791</b>                                      |
| <b>Effect of foreign exchange</b>  | <b>(76,860)</b>   | <b>(59,276)</b>                                    |
| <b>Decrease in cash</b>  | <b>(912,397)</b>  | <b>2,267,594</b>                                   |
| <b>Cash, beginning of period</b>   | <b>2,059,482</b>  | <b>71</b>  |
| <b>Cash, end of period</b>   | <b>1,147,085</b>  | <b>2,267,665</b>                                   |
| <b>Supplementary disclosure of cash flow information:</b>                |   |  |
| Interest paid  | -   | -  |
| Income taxes paid  | -   | -  |
| <b>Non-cash items</b>  |   |  |
| 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   |

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

|   | Share<br>Number   | Capital<br>Amount<br>\$ | Share<br>Subscriptions<br>Received<br>(Treasury<br>shares<br>Purchased)<br>\$ | Reserves<br>\$ | Accumulated Other<br>Comprehensive<br>Loss<br>\$ | Deficit<br>\$       | Total<br>\$      |
|---|-------------------|-------------------------|---|----------------|--|---------------------|------------------|
| <b>Balance, May 31, 2011</b>                    | <b>72,103,605</b> | <b>14,004,922</b>       | -   | <b>688,112</b> | <b>(1,084,750)</b>                               | <b>(11,467,769)</b> | <b>2,140,515</b> |
| Shares issued for cash, net of share issue cost | 575,000           | 41,033                  | -   | 11,614         | -  | -                   | 52,647           |
| Fair value of broker warrants                   |                   | (202)                   | -   | 202            | -  | -                   | -                |
| Net loss for the period                         | -                 | -                       | -   | -              | -  | (609,333)           | (609,333)        |
| Translation of foreign operation                | -                 | -                       | -   | -              | 53,964   | -                   | 53,964           |
| <b>Balance, February 29, 2012</b>               | <b>72,678,605</b> | <b>14,045,753</b>       | -   | <b>699,928</b> | <b>(1,030,786)</b>                               | <b>(12,077,102)</b> | <b>1,637,793</b> |
| Stock based compensation                        | -                 | -                       | -   | 1,897          | -  | -                   | 1,897            |
| Net loss for the period                         | -                 | -                       | -   | -              | -  | (156,997)           | (156,997)        |
| Translation of foreign operation                | -                 | -                       | -   | -              | 947,626  | -                   | 947,626          |
| <b>Balance, May 31, 2012</b>                    | <b>72,678,605</b> | <b>14,045,753</b>       | -   | <b>701,825</b> | <b>(83,160)</b>                                  | <b>(12,234,099)</b> | <b>2,430,319</b> |
| Stock based compensation                        | -                 | -                       | -   | 24,792         | -  | -                   | 24,792           |
| Treasury shares purchased and cancelled         | (1,073,000)       | (78,684)                | -   | -              | -  | -                   | (78,684)         |
| Treasury shares to be cancelled                 | -                 | -                       | (52,960)  | -              | -  | -                   | (52,960)         |
| Net loss for the period                         | -                 | -                       | -   | -              | -  | (446,454)           | (446,454)        |
| Translation of foreign operation                | -                 | -                       | -   | -              | 3,246  | -                   | 3,246            |
| <b>Balance, February 28, 2013</b>               | <b>71,605,605</b> | <b>13,967,069</b>       | <b>(52,960)</b>   | <b>726,617</b> | <b>(79,914)</b>                                  | <b>(12,680,553)</b> | <b>1,880,259</b> |

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

**TERYL RESOURCES CORP.**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE MONTHS ENDED FEBRUARY 28, 2013 AND FEBRUARY 29, 2012  
(Stated in Canadian Dollars)  
(Unaudited)

**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 mineral property acquisition and exploration. The Company’s registered office is located at #240 – 11780, Hammersmith Way, Richmond, BC, V7A 5E9.

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.

The Company’s ability to continue as a going concern is dependent upon the availability of additional royalty payments, through joint ventures, realization of future profitable production or proceeds from disposition of its natural resource interests. At February 28, 2013 the Company had working capital of \$1,140,101 (May 31, 2012 – \$2,044,468) and accumulated deficit of \$12,680,553 since inception. 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) 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”) and International Accounting Standard (“IAS”) 34 (Interim Financial Reporting). These interim consolidated financial statements have been prepared in accordance with the accounting policies the Company expects to apply to its May 31, 2013 annual financial statements. Those 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.

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 update 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 financial statements be read in conjunction with the audited annual financial statements of the Company for the year ended May 31, 2012.

These interim consolidated financial statements were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on April 29, 2013.

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**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 Company's mineral property interests and oil and gas well interests located in the USA.

All inter-company transactions are eliminated upon consolidation.

c) Significant Accounting Judgments and Estimates

The preparation of financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported revenues and expenses during the period.

Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

Significant Judgments

*Determination of functional currency*

The Company determines the functional currency through an analysis of several indicators such as expenses and cash flows, financing activities, retention of operating cash flows, and frequency of transactions with the reporting entity.

Significant Estimates

*Valuation of share-based payments*

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based payments. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

*Income taxes*

In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

*Depreciation for equipment*

Depreciation expense is allocated based on assumed asset lives. Should the asset life or depreciation rates differ from the initial estimate, an adjustment would be made in the operations of the period.

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 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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**2. SIGNIFICANT CANADIAN ACCOUNTING POLICIES (Continued)**

c) Significant Accounting Judgments and Estimates (Continued)

Significant Estimates (Continued)

*Economic recoverability and probability of future economic benefits of mineral properties*

Management has determined that mineral property and deferred exploration costs incurred which were capitalized have future economic benefits and are economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geological and metallurgic information, history of conversion of mineral deposits to proven and probable reserves, scoping and feasibility studies, accessible facilities, existing permits and life of mine plans.

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 28, 2013, 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 Company has not been determined.

**3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

*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 that are denominated in United States dollars:

| February 28, 2013 | Cash      | Accounts payable |
|-------------------|-----------|------------------|
|                   | \$142,112 | \$9,545          |

At February 28, 2013 with other variables unchanged, a +/-10% change in exchange rates would increase/decrease pre-tax loss by approximately +/- \$13,256.



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**3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)**

*Interest rate and credit risk*

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 goods and services tax due from the Federal Government. Management believes that the credit risk concentration with respect to receivables is remote.

*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.

**4. INVESTMENTS**

At May 31, 2011, the Company wrote off its investments of 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**

|                                  | <b>February 28<br/>2013</b> | <b>May 31<br/>2012</b> |
|----------------------------------|-----------------------------|------------------------|
|                                  | <b>\$</b>                   | <b>\$</b>              |
| Furniture and fixtures – at cost | <b>2,230</b>                | 28,311                 |
| Less: Accumulated amortization   | <b>(805)</b>                | (23,257)               |
|                                  | <b>1,425</b>                | 5,054                  |

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**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.

During the nine months ended February 28, 2013 the Company recorded net revenue after production cost of \$7,178 (2012 - \$15,830) from the wells in Texas.

**7. MINERAL PROPERTY INTERESTS**

|                            | Balance<br>May 31<br>2012<br>\$ | Effect of<br>Exchange Rate<br>Changes<br>\$ | Balance<br>February 28<br>2013<br>\$ |
|----------------------------|---------------------------------|---|--------------------------------------|
| Property acquisition costs |                                 |   |                                      |
| Silverknife                | 32,001                          | -   | 32,001                               |
| Fish Creek                 | 49,538                          | -   | 49,538                               |
| West Ridge                 | 95,104                          | (827)                                       | 94,277                               |
|                            | <b>176,643</b>                  | <b>(827)</b>                                | <b>175,816</b>                       |

**Silverknife, Laird, BC, Canada**

Pursuant to agreements between Reg Technologies Inc. ("Reg Tech"), 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.

On April 20, 2012 the Company and Minewest Silver and Gold Inc. ("Minewest"), formerly 100% owned subsidiary of Reg Tech to which Reg Tech spun off 100% of its interest in the Silverknife claims, entered into an Exploration, Development and Mine Operating Agreement (the "Exploration Agreement") until the completion of mining and environmental restoration on the Property with initial participation interests of 70% and 30% for Minewest and the Company respectively. The Exploration Agreement was approved by the TSX Venture Exchange on September 7, 2012.

**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. Linux has the option to convert its 5% net Royalty Interest to a 25% working interest in the Fish Creek one year after production.

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**7. MINERAL PROPERTY INTERESTS (Continued)**

**Fish Creek, Fairbanks, Alaska, USA (Continued)**

On December 1, 2011 the Company and Linux further amended the agreement to include the following terms:

- Linux applies \$75,000 owed by Linux to the Company towards the above stated minimum exploration budget of US\$500,000;
- The Company 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.

As a result of the above amendment, \$75,000 advanced to Linux by the Company was applied as deferred exploration expenditure for the year ended May 31, 2012.

During May, 2012 the Company and Linux agreed to apply towards the minimum exploration budget of \$500,000 the balance owed by Linux of \$7,517 and additional cash payment of \$60,000, which was paid off as of February 28, 2013.

During the nine months ended February 28, 2013 the Company made an additional payment of \$74,000 to Linux in lieu of exploration expenditure, and expended \$10,545 on exploration.

As at February 28, 2013, of the minimum exploration budget of \$500,000 the Company has expended a total of \$407,127 on exploration on Fish Creek property and cash payments made in lieu of exploration. The remaining balance was paid subsequent to February 28, 2013, which completed the Company's purchase of its interest in the Fish Creek property in accordance with the option agreement.

**West Ridge, Dome Creek, Alaska, USA**

Pursuant to various agreements, the Company earned 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. As of February 28, 2013, the Company has expended US\$362,422 exploration and drilling on the West Ridge property.

**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 \$270,462 on the property.

Effective December 21, 2011 the Company executed the Asset Purchase Agreement to sell all of its 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 US\$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. As at February 28, 2013, no additional advance payment was received from Fairbanks as a result of their production commencement.

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**7. MINERAL PROPERTY INTERESTS (Continued)**

**Deferred Exploration Expenditures**

|  | Nine months<br>Ended<br>February 28, 2013<br>\$ | Year<br>Ended<br>May 31, 2012<br>\$ |
|--|---|-------------------------------------|
| Silverknife Claims                             |   |                                     |
| Drilling and assaying                          | 22,124  | -                                   |
| Staking and recording                          | 498   | 2,418                               |
| Geological consulting                          | 3,745   | 2,186                               |
|  | <u>26,367</u>                                   | <u>4,604</u>                        |
| Fish Creek Claims                              |   |                                     |
| Cash in lieu of exploration work               | 73,549  | 142,517                             |
| Staking and recording                          | 10,545  |                                     |
| Geological consulting                          | -   | 2,139                               |
|  | <u>84,094</u>                                   | <u>144,656</u>                      |
| Gil Venture Claims                             |   |                                     |
| Disposition                                    | -   | (2,948,428)                         |
|  | <u>-</u>  | <u>(2,948,428)</u>                  |
| West Ridge Claims                              |   |                                     |
| Drilling and Assaying                          | 230,248   | -                                   |
| Staking and recording                          | 11,380  | 21,066                              |
|  | <u>241,628</u>                                  | <u>21,066</u>                       |
| Exploration expenditures for the period        | 352,089   | 170,326                             |
| Disposition                                    | -   | (2,948,428)                         |
| Effect of foreign exchange rate changes        | 6,674   | 1,082,335                           |
|  | <u>358,763</u>                                  | <u>(1,695,767)</u>                  |
| Exploration expenditures – beginning of period | 195,376   | 1,891,143                           |
| Exploration expenditures – end of period       | <u>554,139</u>                                  | <u>195,376</u>                      |

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**8. ADVANCES TO/ FROM RELATED PARTIES**

Promissory note receivable – related party:

|               | May 31, 2012  | February 28, 2013    |
|---------------|---------------|----------------------|
|               | \$            | \$                   |
| REGI US, Inc. | 25,224        | <b>26,334</b>        |
|               | <u>25,224</u> | <u><b>26,334</b></u> |

Due to related parties:

|                                | May 31, 2012  | February 28, 2013   |
|--------------------------------|---------------|---------------------|
|                                | \$            | \$                  |
| Minewest Silver and Gold Corp. | 4,458         | <b>2,763</b>        |
| Linux Gold Corp.               | 49,433        | -                   |
| SMR Investments Ltd.           | -             | <b>2,800</b>        |
| KLR Petroleum Ltd.             | -             | <b>357</b>          |
|                                | <u>53,891</u> | <u><b>5,920</b></u> |

During the year ended May 31, 2012 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 \$540 on the promissory note during the year ended May 31, 2012. During the nine months ended February 28, 2013 the Company recorded interest income of \$1,110 accrued on the promissory note.

**9. SHARE CAPITAL**

Authorized share capital consists of:

- 100,000,000 voting common shares with no par value, and
- 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 consolidated financial statements.

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%.

On July 4, 2012, the Company received the approval from the TSX-V on a normal course issuer bid ("NCIB") to purchase up to 10% of the issued and outstanding common shares of the Company on the open market. During the nine months ended February 28, 2013, the Company purchased 2,133,000 shares of the Company for gross purchase of \$78,680 at prices between \$0.045 to \$0.085 per share, of which 1,073,000 shares were cancelled on October 11, 2012 and 1,060,000 were cancelled on March 11, 2013.

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**9. SHARE CAPITAL (Continued)**

**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 operations and comprehensive loss.

During the year ended May 31, 2012, the Company granted 300,000 stock options exercisable at \$0.08 per share up to three months after the termination of the consultant’s service with fair value of \$1,897 for the options vested during the year. Because the options were granted to a consultant performing investor relation activities, 25% of the options vested immediately and the rest were to vest at 25% every three months. The investor relation agreement was terminated after the three month trial period.

On July 10, 2012, the Company received the approval from the TSX-V on re-pricing 300,000 options from exercise prices between \$0.185 and \$0.24 to the new exercise price of \$0.10. The incremental fair value of the repriced options was recorded at \$531.

On June 21, 2012, the Company granted 2,125,000 options exercisable into the Company’s common shares at \$0.10 per share until June 21, 2017. The fair value of the options was recorded at \$24,792.

During the nine months ended February 28, 2013, 550,000 options were forfeited due to the termination of the agreement with the consultant.

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:

|                                 | <b>Nine months<br/>Ended<br/>February 28, 2013</b> | <b>Year<br/>Ended<br/>May 31, 2012</b> |
|---------------------------------|--|--|
| Risk-free interest rate         | <b>0.93% - 1.26%</b>                               | 0.91%                                  |
| Expected dividend yield         | <b>Nil</b>   | Nil                                    |
| Expected stock price volatility | <b>116% - 166%</b>                                 | 162%                                   |
| Forfeiture rate                 | <b>75%</b>   | 75%                                    |
| Expected life (in years)        | <b>0.67 - 5</b>                                    | 0.25                                   |

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**9. SHARE CAPITAL (Continued)**

**Stock Options (Continued)**

The following is a summary of the Company's stock option activities during the year ended May 31, 2012 and the nine months ended February 28, 2013:

|                             | <b>Number of Options</b> | <b>Weighted Average<br/>Exercise<br/>Price<br/>\$</b> |
|-----------------------------|--------------------------|---|
| Balance – May 31, 2011      | 2,400,000                | 0.16  |
| Issued                      | 300,000                  | 0.08  |
| Forfeited, unexercised      | (75,000)                 | 0.20  |
| Expired                     | (1,675,000)              | 0.15  |
| Balance – May 31, 2012      | 950,000                  | 0.16  |
| Issued                      | 2,125,000                | 0.10  |
| Repriced                    | (300,000)                | 0.21  |
| Repriced                    | 300,000                  | 0.10  |
| Forfeited, unexercised      | (550,000)                | 0.13  |
| Balance – February 28, 2013 | 2,525,000                | 0.10  |

The following share purchase options were outstanding at February 28, 2013:

| <b>Expiry Date</b> | <b>Exercise Price<br/>\$</b> | <b>Number<br/>of Options</b> | <b>Remaining<br/>Contractual Life<br/>(years)</b> | <b>Number of<br/>Options<br/>Exercisable</b> |
|--------------------|------------------------------|------------------------------|---|--|
| March 10, 2013     | 0.100                        | 75,000                       | 0.02  | 18,750                                       |
| October 30, 2014   | 0.185                        | 100,000                      | 1.66  | 25,000                                       |
| October 30, 2014   | 0.100                        | 125,000                      | 1.66  | 31,250                                       |
| April 19, 2015     | 0.100                        | 100,000                      | 2.13  | 25,000                                       |
| June 15, 2017      | 0.100                        | 2,125,000                    | 4.29  | 531,250                                      |
|                    |                              | <u>2,525,000</u>             |   | <u>631,250</u>                               |

**Warrants**

The following is a summary of the Company's warrant activities during the years ended May 31, 2012 and the nine months ended February 28, 2013:

|                                 | <b>Number of Warrants</b> | <b>Weighted Average<br/>Exercise<br/>Price<br/>\$</b> |
|---------------------------------|---------------------------|---|
| Balance – May 31, 2011          | 3,381,659                 | 0.20  |
| Issued                          | 585,000                   | 0.15  |
| Expired without being exercised | (3,381,659)               | 0.20  |
| Balance – May 31, 2012          | 585,000                   | 0.15  |
| Expired without being exercised | (585,000)                 | 0.15  |
| Balance – February 28, 2013     | -                         | -   |

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**10. 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 28, 2013 (2012 - \$22,500).

During the nine months ended February 28, 2013, management, consulting and directors fees of \$27,000 (2012 - \$9,000) were paid to the President of the Company.

**11. 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 28, 2013                                    | \$        | \$            | \$        |
| Total assets   | 1,021,180 | 904,819       | 1,925,999 |
| Acquisition and exploration costs                    | 366,924   | 363,031       | 729,955   |
| Net loss for the nine months ended February 28, 2013 | (452,067) | 5,613         | (446,454) |
|  | Canada    | United States | Total     |
| May 31, 2012   | \$        | \$            | \$        |
| Total assets   | 2,262,481 | 285,613       | 2,548,094 |
| Acquisition and exploration costs                    | 113,490   | 258,529       | 372,019   |
| Net loss for the year ended May 31, 2012             | (413,975) | (352,355)     | (766,330) |

**12. 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.

**13. SUBSEQUENT EVENTS**

During March, 2013 the Company purchased 102,000 shares of the Company for gross purchase of \$5,560 at prices between \$0.045 and \$0.055 per share.

On March 10, 2013, 75,000 stock options exercisable into the Company's common stock at \$0.08 per share expired without being exercised.



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**13. SUBSEQUENT EVENTS** (Continued)

In March, 2013, the Company completed the acquisition of 50% working interest in the Fish Creek property from Linux. Linux will retain a 5% net royalty with a limit of \$2,000,000. The Company has the right to purchase the 5% net royalty for consideration of \$500,000 within one year of production from Linux.