

TERYL RESOURCES CORP.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

August 31, 2014

NOTICE OF NO AUDITOR REVIEW OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The accompanying Interim Consolidated Financial Statements for Teryl Resources Corp. (the “Company”) for the three months ended August 31, 2014 have been prepared by management in accordance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”). These interim consolidated financial statements, which are the responsibility of management, are unaudited and have not been reviewed by the Company’s auditors. Management believes the interim consolidated financial statements are free of material misstatement and present fairly, in all material respects, the financial position of the Company as at August 31, 2014 and the results of its operations and its cash flows for the three months ended August 31, 2014.

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

	August 31 2014 \$ (Unaudited)	May 31 2014 \$ (Audited)
ASSETS		
Current		
Cash and cash equivalent	160,045	243,154
Amounts receivable and prepaid expenses	11,545	9,567
Due from related parties (Note 10)	8,528	8,588
Promissory note receivable – related party (Note 10)	25,594	25,224
	205,712	286,533
Reclamation Bonds	5,800	5,800
Equipment (Note 7)	-	31
Mineral Property Interests (Note 9)	197,727	181,404
Deferred Exploration Expenditures (Note 9)	857,151	878,856
	1,266,390	1,352,624
LIABILITIES		
Current		
Accounts payable	33,933	38,262
Accrued liabilities	26,000	23,500
Due to related parties (Note 10)	4,352	-
	64,285	61,762
SHAREHOLDERS' EQUITY		
Share Capital (Note 11)		
Authorized:		
Unlimited common shares, voting, no par value		
Unlimited preferred shares, non-voting, \$1 par value		
Issued and outstanding:		
70,118,605 common shares on August 31 and May 31, 2014	13,550,994	13,550,994
Reserves	749,582	749,582
Accumulated Other Comprehensive Loss	(76,042)	(52,541)
Deficit	(13,022,429)	(12,957,173)
	1,202,105	1,290,862
	1,266,390	1,352,624

Going Concern (Note 1) and **Subsequent Events** (Note 15)

Approved on behalf of the Board of Directors:

“John Robertson”
Director

“Suzan El-Khatib”
Director

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

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

	Three Months Ended August 31 2014 \$	Three Months Ended August 31 2013 \$
General and Administrative Expenses		
Amortization of equipment	31	279
Filing and regulatory fees	3,962	3,548
Foreign exchange (gain) loss	(14,214)	9,530
Geological consulting	490	528
Consulting, management and directors' fees (Note 11)	39,383	57,514
Office and sundry	8,225	11,239
Office rent and utilities	7,482	11,708
Professional fees	2,500	6,315
Publicity, promotion and investor relations	8,245	14,979
Secretarial and employee benefits (Note 11)	9,617	13,564
	(65,721)	(129,204)
Operating Loss		
Other Income (Expenses)		
Miscellaneous income (loss)	(641)	1,659
Interest income	1,106	1,039
	465	2,698
Net Loss for the period	(65,256)	(126,506)
Translation of foreign operation	(23,501)	15,556
	(88,757)	(110,950)
Comprehensive Loss for the period		
Loss per Share – Basic and Diluted	(0.00)	(0.00)
Weighted Average Number of Common Shares Outstanding, Basic and Diluted	70,118,605	70,376,235

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

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

	Three Months Ended August 31, 2014 \$	Three Months Ended August 31, 2013 \$
Cash flows used in operating activities		
Net loss for the year	(65,256)	(126,506)
Items not affecting cash		
Amortization of equipment	31	279
Interest income on related party promissory note	(370)	(370)
Changes in non-cash working capital items		
Amounts receivable and prepaid expenses	(1,977)	(28,954)
Accounts payable and accrued liabilities	(1,827)	(77,001)
Advances to related parties	4,411	(6,716)
	<u>(64,988)</u>	<u>(239,268)</u>
Cash flows used in investing activities		
Mineral property and deferred exploration expenditures	(2,914)	(13,282)
	<u>(2,914)</u>	<u>(13,282)</u>
Effect of exchange rate changes on cash	(15,207)	2,046
Decrease in cash	(83,109)	(250,504)
Cash, beginning of year	243,154	822,119
Cash, end of year	<u>160,045</u>	<u>571,615</u>
Supplemental Disclosures		
Interest paid	-	-
Income taxes paid	-	-
Non-cash Transactions	<u>-</u>	<u>-</u>

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

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

	Share Capital		Reserves	Accumulated Other	Treasury Shares	Deficit	Total
	Number	Amount		Comprehensive			
		\$	\$	\$	\$	\$	\$
Balance, May 31, 2013	70,545,605	13,633,533	749,582	(71,834)	(13,425)	(12,562,178)	1,735,678
Repurchase of shares	(294,000)	(56,830)	-	-	13,425	43,405	-
Net loss for the period	-	-	-	-	-	(126,506)	(126,506)
Translation of foreign operation	-	-	-	15,556	-	-	15,556
Balance, August 31, 2013 (unaudited)	70,251,605	13,576,703	749,582	(56,278)	-	(12,645,279)	1,624,728
Repurchase of shares	(133,000)	(25,709)	-	-	-	25,709	-
Net loss for the period	-	-	-	-	-	(337,603)	(337,603)
Translation of foreign operation	-	-	-	3,737	-	-	3,737
Balance, May 31, 2014 (audited)	70,118,605	13,550,994	749,582	(52,541)	-	(12,957,173)	1,290,862
Net loss for the period	-	-	-	-	-	(65,256)	(65,256)
Translation of foreign operation	-	-	-	(23,501)	-	-	(23,501)
Balance, August 31, 2014 (unaudited)	70,118,605	13,550,994	749,582	(76,042)	-	(13,022,429)	1,202,105

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

TERYL RESOURCES CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED AUGUST 31, 2014 AND 2013
(Stated in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Teryl Resources Corp. (the "Company") is a public company incorporated in British Columbia on May 23, 1980 and changed to its current name on February 28, 1984. Its shares are listed on the TSX Venture Exchange ("TSX.V"). The Company is in the business of acquiring mineral properties and carries out exploration work. It also acquires oil and gas property interests and participates in drilling wells. The Company's registered office is located at #240 – 11780, Hammersmith Way, Richmond, BC, V7A 5E9.

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

The Company's ability to continue as a going concern is dependent upon its ability to obtain the financing necessary to complete its mineral projects by issuance of share capital or through joint ventures, and to realize future profitable production or proceeds from the disposition of its natural resource interests. The Company has incurred an accumulated deficit of \$13,022,429 (May 31, 2014 - \$12,957,173) as at August 31, 2014 and has incurred a loss of \$65,256 in the three months ended August 31, 2014 (2014 – \$126,506). 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 consolidated 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 ACCOUNTING POLICIES

Basis of presentation and statement of compliance

These unaudited interim financial statements ("interim financial statements") are in compliance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). Accordingly, certain information and footnote disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), have been omitted. These interim financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended May 31, 2014.

These interim financial statements were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on October 30, 2014.

Basis of consolidation and presentation

These consolidated financial statements 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.

TERYL RESOURCES CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED AUGUST 31, 2014 AND 2013
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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

New standards and interpretations

The accounting policies applied in preparation of these interim financial statements are consistent with those applied and disclosed in the Company's consolidated financial statements for the year ended May 31, 2014. In addition, the Company adopted the following accounting policies effective June 1, 2014:

IAS 32 – Financial Instruments: Presentation

In December 2011, the IASB issued an amendment to clarify the meaning of the offsetting criterion and the principle behind net settlement, including identifying when some gross settlement systems may be considered equivalent to net settlement.

IAS 36 - Impairment of Assets – In May 2013, the IASB issued an amendment to address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

IAS 39 - Financial Instruments: Recognition and Measurement – In June 2013, the IASB issued a narrow scope amendment to IAS 39. Under the amendment, there would be no need to discontinue hedge accounting if a hedging derivative was novated, provided that certain criteria are met.

The following standard will be effective for annual periods beginning on or after January 1, 2018:

IFRS 9 – Financial Instruments

In November 2009, as part of the IASB project to replace IAS 39 Financial Instruments: Recognition and Measurement, the IASB issued the first phase of IFRS 9 Financial Instruments, that introduces new requirements for the classification and measurement of financial assets. The standard was revised in October 2010 to include requirements regarding classification and measurement of financial liabilities.

Unless otherwise noted, the extent of the impact of adoption of IFRS 9 on the consolidated financial statements of the Company has not been determined.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Use of Estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions about the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities, and the results of operations. Significant areas requiring the use of management estimates include determination of accrued liabilities, deferred tax assets and stock-based compensation. Actual results could differ from the estimates made.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Use of judgements

Critical accounting judgements are accounting policies that have been identified as being complex or involving subjective judgements or assessments with a significant risk of material adjustment in the next year.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

Use of judgements (Continued)

(i) Determination of functional currency

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

(ii) 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.

(iii) 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.

(iv) 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 consolidated statements of comprehensive loss.

(v) 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.

4. 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.

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4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Foreign exchange risk (Continued)

The Company is exposed to foreign currency risk through the following financial assets and liabilities that are denominated in United States dollars:

August 31, 2014	Cash	Accounts payable
	\$446	\$9,947

At August 31, 2014 with other variables unchanged, a +/-10% change in exchange rates would increase/decrease pre-tax loss by approximately +/- \$950.

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.

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5. INVESTMENT

As 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 permanent impairment.

6. EQUIPMENT

	August 31	May 31
	2014	2014
	\$	\$
Computer, furniture and fixtures – at cost	2,230	2,230
Less: Accumulated amortization	(2,230)	(2,199)
	<u>-</u>	<u>31</u>

7. OIL AND GAS WELL INTERESTS

The Company owns a 6.5% working interest in the Peters No. 1 Well, in Fayette County, Texas, a 4.992380% interest in the C-S #1 wells, a 0.131510% interest in Jancik #2 wells and a 7.5% interest in 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.

8. MINERAL PROPERTY INTERESTS

	Balance		Balance
	May 31	Changes	August 31
	2014		2014
	\$	\$	\$
Property acquisition costs			
Silverknife	32,001	-	32,001
Fish Creek	49,538	-	49,538
West Ridge	99,865	16,323	116,188
	<u>181,404</u>	<u>16,323</u>	<u>197,727</u>

TERYL RESOURCES CORP.
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8. MINERAL PROPERTY INTERESTS (continued)

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”), a former 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 in Fish Creek limited to US\$2,000,000, and the Company has the right to purchase the 5% Net Royalty for US\$500,000 within one year of production. On March 4, 2011 the Company and Linux further amended the agreement to extend the option agreement to March 5, 2012.

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

- Linux applies \$75,000 owed by the 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.

The Company exercised its option to pay the expenditures in cash in lieu of the exploration costs to Linux. As a result, \$75,000 advanced to Linux by the Company was applied as a recovery of exploration costs 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 May 31, 2013.

Effective March 5, 2013, the Company completed the expenditure of \$500,000 on exploration on Fish Creek property and cash payments made in lieu of exploration and the purchase of its interest in the Fish Creek property in accordance with the option agreement.

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9. MINERAL PROPERTY INTERESTS (Continued)

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.

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 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 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 August 31, 2014, no additional advance payment was received from Fairbanks as a result of no production commencement.

Deferred Exploration Expenditures

	August 31, 2014	May 31, 2014
	\$	\$
Silverknife Claims		
Staking and recording	-	-
Drilling	-	-
Geological consulting	561	-
	561	-
Fish Creek Claims		
Cash in lieu of exploration work	-	-
Staking and recording	2,353	2,262
Drilling	-	-
Geological consulting	-	8,073
	2,353	10,335
West Ridge Claims		
Staking and recording	-	9,124
Drilling	-	-
Assaying	-	668
Geological	-	378
	-	10,170
Exploration expenditures for the year	2,914	-
Disposition	-	-
Effect of foreign exchange rate changes	(24,619)	15,835
	(21,705)	36,340
Exploration expenditures – beginning of year	878,856	842,516
Exploration expenditures – end of year	857,151	878,856

TERYL RESOURCES CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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9. ADVANCES TO/ FROM RELATED PARTIES

Amounts due to/ from related parties, other than the note receivable from REGI US, Inc. 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.

Promissory note receivable from related party:

	August 31, 2014	May 31, 2014
	\$	\$
REGI US, Inc. (a)	<u>25,594</u>	<u>25,224</u>
	<u>25,594</u>	<u>25,224</u>

Advances from (to) related parties:

	August 31, 2014	May 31, 2014
	\$	\$
Minewest Silver and Gold Corp.	<u>(2,095)</u>	<u>(2,095)</u>
Linux Gold Corp. (b)	<u>(6,433)</u>	<u>(6,433)</u>
Reg Technologies, Inc.	-	(60)
KLR Petroleum Ltd.	<u>4,352</u>	<u>-</u>
	<u>(4,176)</u>	<u>(8,588)</u>

(a) 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 \$370 (2014 - \$370) on the promissory note during the three months ended August 31, 2014. The note initially matured on April 18, 2012 and was extended to June 30, 2015 after a few extensions.

(b) During the year ended May 31, 2013, the Company completed the expenditure of \$500,000 on exploration on Fish Creek property and cash payments made in lieu of exploration and the purchase of its interest in the Fish Creek property in accordance with the option agreement (Note 9).

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10. SHARE CAPITAL

Authorized share capital consists of:

- Unlimited voting common shares with no par value; and
- Unlimited 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. As at May 31, 2013, the Company repurchased with cash consideration of \$145,065 a total of 2,427,000 common shares, of which 2,133,000 common shares were cancelled and returned to treasury by May 31, 2013 and the remaining 294,000 common shares were cancelled and returned to treasury in July, 2013. The average carrying value of the common shares was \$0.1933 per share. The difference between the purchase price and the carrying value of the common shares was \$280,580.

On September 9, 2013 the Company received the approval from the TSX.V on a second NCIB to purchase up to 3,512,580 issued and outstanding common shares of the Company on the open market. In November, 2013 the Company repurchased with cash consideration of \$3,200 a total of 133,000 common shares which were cancelled and returned to treasury on February 7, 2014. The average carrying value of the common shares was \$0.1933 per share. The difference between the purchase price and the carrying value of the common shares was \$22,509 for the 133,000 shares and recorded as reduction to shareholders' deficit.

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10. 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 have the following vesting schedule:

- 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.

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 \$24,261.

During the year ended May 31, 2014, 50,000 options (2013 – 700,000) were forfeited due to the termination of the agreement with the consultants.

On May 28, 2013, the Company granted 2,500,000 options exercisable into the Company’s common shares at \$0.10 per share until May 28, 2018. The fair value of the options was recorded at \$22,965.

The Company did not grant any options during the year-ended May 31, 2014 or the three months ended August 31, 2014.

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10. SHARE CAPITAL (Continued)

Stock Options (Continued)

The following is a summary of the Company's stock option activities during the year ended May 31, 2014 and three months ended August 31, 2014:

	Number of Options	Weighted Average Exercise Price \$
Balance – May 31, 2013	4,800,000	0.11
Forfeited, unexercised	(50,000)	0.10
Balance – May 31, 2014 and August 31, 2014	4,750,000	0.11

The following share purchase options were outstanding at August 31, 2014:

Expiry Date	Exercise Price \$	Number of Options	Remaining Contractual Life (years)	Number of Options Exercisable
October 30, 2014	0.185	100,000	0.17	25,000
October 30, 2014	0.100	125,000	0.17	31,250
April 19, 2015	0.100	100,000	0.63	25,000
June 21, 2017	0.100	1,950,000	2.81	493,750
May 28, 2018	0.100	2,475,000	3.74	625,000
		<u>4,750,000</u>		<u>1,187,500</u>

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11. RELATED PARTY TRANSACTIONS

Related party transactions occurred in the normal course of operations and are measured at agreed to amounts, which is the amount of consideration established and agreed to by the 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 \$7,500 during the three months ended August 31, 2014 (2014 - \$7,500). As of August 31, 2014, \$Nil (May 31, 2014 - \$Nil) was payable to SMR by the Company.

During the three months ended August 31, 2014, management and director's fees of \$6,000 (2014 - \$9,000) were paid to the President of the Company. Fees of \$1,432 (2014 - \$2,175) were paid to KLR Petroleum Ltd. (which is controlled by an officer of the Company) for administration of the Company payroll and benefit plan as well as other administrative services.

12. TERYL, INC. TRANSACTIONS (100% US Subsidiary)

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

13. SEGMENTED INFORMATION

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

Three Months ended	Canada	United States	Total
August 31, 2014	\$	\$	\$
Total assets	323,418	942,972	1,266,390
Acquisition and exploration costs	85,328	969,550	1,054,878
Net loss	(74,827)	9,571	(65,256)
Year Ended	Canada	United States	Total
May 31, 2014	\$	\$	\$
Total assets	377,542	975,082	1,352,624
Acquisition and exploration costs	84,769	975,491	1,060,260
Net loss	(439,961)	(20,948)	(460,909)

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14. 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.

15. SUBSEQUENT EVENTS

On October 30, 2014, 100,000 options exercisable into the Company's common stocks at \$0.185 per share and 125,000 options exercisable into the Company's common stock at \$0.10 per share expired without being exercised.