TERYL RESOURCES CORP.

CONSOLIDATED FINANCIAL STATEMENTS

AS AT MAY 31, 2010 AND 2009
(Stated in Canadian Dollars)

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ACAL GROUP
CHARTERED ACCOUNTANTS
PCAOB & CPAB Registrant

AUDITORS' REPORT

To: the Shareholders of
Teryl Resources Corp.

We have audited the consolidated balance sheet of Teryl Resources Corp. (the "Company") as at May 31, 2010 and the consolidated statements of loss, comprehensive loss and deficit, cash flows and shareholders' equity for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards ("GAAS") in Canada and the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"). Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at May 31, 2010 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The consolidated financial statements as at May 31, 2009 and for the years ended May 31, 2009 and 2008 were audited by other auditors who expressed opinions without reservations on those statements in their reports to the shareholders dated September 28, 2009 and September 26, 2008.

"ACAL Group"
Chartered Accountants

Vancouver, British Columbia
September 26, 2010

COMMENTS BY AUDITORS FOR U.S. READERS ON CANADA – U.S. REPORTING CONFLICT

In the United States, reporting standards for auditors require the addition of an explanatory paragraph (following the opinion paragraph) when the financial statements are affected by significant uncertainties and contingencies such as those referred to in note 1 to these consolidated financial statements. Although we conducted our audit in accordance with both Canadian GAAS and the standards of the PCAOB, our report to the shareholders dated September 26, 2010 is expressed in accordance with Canadian reporting standards which do not require a reference to such matters when the uncertainties are adequately disclosed in the consolidated financial statements.

"ACAL Group"
Chartered Accountants

Vancouver, British Columbia
September 26, 2010

TERYL RESOURCES CORP.

CONSOLIDATED BALANCE SHEETS

(Stated in Canadian Dollars)

	May 31 2010 $	May 31 2009 $
ASSETS		
Current		
Cash	**260,150**	6,185
Amounts receivable and prepaid expenses	**40,375**	17,817
	300,525	24,002
Advances to Related Parties (Note 8)	**126,093**	90,529
Investments (Note 4)	**837**	867
Equipment (Note 5)	**7,941**	10,253
Mineral Property Interests (Note 7)	**196,855**	196,855
Deferred Exploration Expenditures (Note 7)	**2,637,853**	3,052,479
	3,270,104	3,374,985
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 12)	**107,394**	286,140
Advances from related parties (Note 8)	**25,488**	131,380
Liability component of convertible loan (Note 9)	**58,730**	-
	191,612	417,520
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:		
67,463,446 (2009 – 49,587,528) common shares	**13,456,263**	12,030,233
Equity component of convertible loan (Note 9)	**14,565**	-
Share Subscriptions Received	**10,000**	115,875
Contributed Surplus	**550,941**	344,878
Accumulated Other Comprehensive Loss	**(3,187)**	(3,157)
Deficit	**(10,950,090)**	(9,530,364)
	3,078,492	2,957,465
	3,270,104	3,374,985

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

Approved on behalf of the Board of Directors:

"John Robertson" Director   "Jennifer Lorette" Director

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

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

	Year Ended May 31 2010 $	Year Ended May 31 2009 $	Year Ended May 31 2008 $
General and Administrative Expenses			
Amortization of equipment	**2,312**	3,030	3,987
Bad debts	**790**	15,377	-
Filing and regulatory fees	**19,772**	16,785	58,530
Foreign exchange (gain) loss	**(8,317)**	(9,938)	2,678
Geological consulting	**41,915**	-	-
Consulting, Management and directors' fees (Note 12)	**133,359**	110,189	76,284
Office and sundry	**20,994**	16,446	28,637
Office rent and utilities (Note 12)	**15,055**	15,471	13,325
Professional fees	**59,726**	110,201	89,476
Publicity, promotion and investor relations	**228,196**	97,415	203,580
Secretarial and employee benefits (Note 12)	**41,925**	45,635	24,630
Stock-based compensation (Note 10)	**22,477**	12,474	21,311
Telephone	**8,121**	11,261	11,560
Transfer agent fees	**8,742**	8,994	8,959
Travel, auto and entertainment	**30,972**	21,702	35,725
Operating Loss	**(626,039)**	(475,042)	(578,682)
Other Income (Expenses)			
Miscellaneous income (loss)	**(1,667)**	8,261	19,832
Interest income	**-**	1,487	3,426
Interest expense	**(18,582)**	-	-
Oil and gas wells written off	**-**	-	(313,483)
Mineral properties written off	**-**	-	(60,705)
Recoverable expenditures	**-**	26,578	-
Exploration expenditures written off	**(773,438)**	(15,857)	(213,184)
	(793,687)	20,469	(564,114)
Net Loss for the Year	**(1,419,726)**	(454,573)	(1,142,796)
Unrealized losses on available-for-sale investments	**(30)**	(1,339)	(649)
Comprehensive Loss for the Year	**(1,419,756)**	(455,912)	(1,143,445)
Loss per Share – Basic and Diluted	**(0.02)**	(0.01)	(0.03)
Weighted Average Number of Common Shares Outstanding, Basic and Diluted	**60,736,673**	49,587,528	44,538,405

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

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

	Year Ended May 31 2010 $	Year Ended May 31 2009 $	Year Ended May 31 2008 $
Cash flows from operating activities			
Net loss for the year	**(1,419,726)**	(454,573)	(1,142,796)
Items not affecting cash			
Amortization of equipment	**2,312**	3,030	3,987
Exploration expenditures written off	**773,438**	15,857	213,184
Mineral properties written off	**-**	-	60,705
Oil and gas wells written off	**-**	-	313,483
Interest expense	**13,295**	-	-
Stock-based compensation	**22,477**	12,474	21,311
Changes in non-cash working capital items			
Amounts receivable and prepaid expenses	**(22,558)**	44,160	23,140
Accounts payable and accrued liabilities	**(178,746)**	58,537	(20,734)
	(809,508)	(320,515)	(527,720)
Cash flows used in investing activities			
Deferred exploration expenditures	**(358,812)**	(15,857)	(211,509)
Purchase of mineral property interests	**-**	-	(26,474)
Purchase of oil and gas well interests	**-**	-	(25,547)
	(358,812)	(15,857)	(263,530)
Cash flows from financing activities			
Advances from (to) related parties	**(141,456)**	12,982	(144,311)
Convertible loan proceeds	**60,000**	-	-
Share subscriptions received	**10,000**	115,875	-
Share capital issued for cash, net of issuance costs	**1,493,741**	(1,594)	1,147,908
	1,422,285	127,263	1,003,597
(Decrease) increase in cash	**253,965**	(209,109)	212,347
Cash, beginning of year	**6,185**	215,294	2,947
Cash, end of year	**260,150**	6,185	215,294
Supplemental Disclosures			
Interest paid	**5,287**	-	-
Income taxes paid	**-**	-	-

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

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

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

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

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

	Share Capital							
	Number	Amount $	Share Subscriptions Received $	Equity Component of Convertible Loan $	Contributed Surplus $	Accumulated Other Comprehensive Loss $	Deficit $	Total $
Balance, May 31, 2009	49,587,528	12,030,233	115,875	-	344,878	(3,157)	(9,530,364)	2,957,465
Unrealized loss on available-for-sale investments	-	-	-	-	-	(30)	-	(30)
Shares issued for cash upon:								
Exercise of stock options	12,500	1,250	-	-	-	-	-	1,250
Exercise of warrants	7,054,592	705,459	-	-	-	-	-	705,459
Fair value of options exercised	-	792	-	-	(792)	-	-	-
Fair value of warrants exercised	-	330,632	-	-	(330,632)	-	-	-
Subscription received	-	-	10,000	-	-	-	-	10,000
Private placements	10,808,826	967,105	(115,875)	-	-	-	-	851,230
Share issuance costs	-	(64,198)	-	-	-	-	-	(64,198)
Fair value of warrants granted	-	(515,010)	-	-	515,010	-	-	-
Equity component of convertible loan	-	-	-	14,565	-	-	-	14,565
Stock-based compensation	-	-	-	-	22,477	-	-	22,477
Net loss for the year	-	-	-	-	-	-	(1,419,726)	(1,419,726)
Balance, May 31, 2010	**67,463,446**	**13,456,263**	**10,000**	**14,565**	**550,941**	**(3,187)**	**(10,950,090)**	**3,078,492**

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

(Stated in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

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

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

The Company's ability to continue as a going concern is dependent upon its ability to obtain the financing necessary to complete its mineral projects by issuance of share capital or through joint ventures, and to realize future profitable production or proceeds from the disposition of its mineral interests. The Company has a working capital of $108,913 (2009 – working capital deficit of $393,518) and has incurred a loss of $1,419,726 in the year ended May 31, 2010 (2009 - $454,573; 2008 - $1,142,796). These consolidated financial statements do not include adjustments that would be necessary should it be determined that the Company may be unable to continue as a going concern.

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

2. SIGNIFICANT CANADIAN ACCOUNTING POLICIES

a) Consolidation

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

All inter-company transactions are eliminated upon consolidation.

b) Equipment

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

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

2. SIGNIFICANT CANADIAN ACCOUNTING POLICIES (Continued)

c) Accounting for Oil and Gas Well Interests

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

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

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

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

d) Accounting for Mineral Property Interests

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

i) If properties are sold outright – costs are written off entirely against proceeds.
ii) If properties are sold under option-type agreement – on the basis of cash or shares received over the total undiscounted amount to be received under the agreement, exclusive of royalties or net profit participation.
iii) If properties are brought into production - on the basis of units of production over the total estimated reserves recoverable.
iv) If properties are retained, but have no proven economic reserves and are not currently being explored or developed by the Company or joint venture partner – costs are written down to a nominal value.
v) If properties are abandoned – costs are written off entirely.

2. SIGNIFICANT CANADIAN ACCOUNTING POLICIES (Continued)

e) Revenue Recognition

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

f) Foreign Exchange Translations

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

i) Monetary items at the rate prevailing at the balance sheet date.
ii) Non-monetary items at the historical exchange rate.
iii) Revenue and expense at the average rates in effect during the year.

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

g) Investments

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

h) Use of Estimates

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

i) Income Taxes

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

2. SIGNIFICANT CANADIAN ACCOUNTING POLICIES (Continued)

j) Loss Per Share

Basic loss per share amount is computed using the weighted average number of common shares outstanding during the year. The Company calculates diluted loss per share using the treasury stock method. Under the treasury stock method, only instruments with exercise amounts less than the market prices impact the diluted calculations. In computing diluted loss per share, no shares were added to the weighted average number of common shares outstanding during the years ended May 31, 2010, 2009 and 2008 for the dilutive effect of employee stock options and warrants, as they were all anti-dilutive. No adjustments were required to the reported loss from operations in computing diluted per share amounts.

k) Stock Based Compensation

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

l) Fair Value of Warrants

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

m) Asset Impairment

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

n) Asset Retirement Obligations

The Company follows the recommendations in CICA Handbook Section 3110 – "Asset Retirement Obligations" whereby the legal obligations associated with the retirement of tangible long-lived assets are recorded as liabilities. The liabilities are calculated using the net present value of the cash flows required to settle the obligation. A corresponding amount is capitalized to the related asset. Asset retirement costs are charged to earnings in a manner consistent with the depreciation, depletion and amortization of the underlying asset. The liabilities are subject to accretion over time for changes in the fair value of the liability through charges to accretion, which is included in cost of sales and operating expenses. As at May 31, 2010 and 2009, the Company did not have any asset retirement obligations.

2. SIGNIFICANT CANADIAN ACCOUNTING POLICIES (Continued)

o) Variable Interest Entities

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

p) Comparative Figures

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

q) Changes in Canadian Accounting Policies

Accounting policies implemented effective June 1, 2008

During the year ended May 31, 2009, the Company adopted CICA Handbook Section 3862, “Financial Instruments – Disclosures” (“Section 3862”) and Section 3863, “Financial Instruments – Presentation” (“Section 3863”). Section 3862 requires disclosure of detail by financial asset and liability categories. Section 3863 establishes standards for presentation of financial instruments and non-financial derivatives. Section 3863 deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset. See Note 3 for additional details.

During the year ended May 31, 2009, the Company adopted CICA Handbook Section 1535, “Capital Disclosures”. This section establishes standards for disclosing information about an entity’s objectives, policies, and processes for managing capital. See Note 15 for additional details.

During the year ended May 31, 2009, the Company adopted CICA Handbook Section 3031, “Inventories”, which provides more guidance on the measurement and disclosure requirements for inventories. Specifically, the new pronouncement requires inventories to be measured at the lower of cost and net realizable value, and provides guidance on the determination of cost and its subsequent recognition as an expense, including any write-down to net realizable value. The new section had no material change to the Company’s financial position or results of operation.

In January 2009, the CICA approved EIC-173, “Credit Risk and the Fair Value of Financial Assets and Financial Liabilities.” This guidance clarified that an entity’s own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities including derivative instruments. The adoption of this new standard did not have a material impact on the Company’s consolidated financial statements.

In March 2009 the CICA approved EIC 174, Mining Exploration Costs. The guidance clarified that an enterprise that has initially capitalized exploration costs has an obligation in the current and subsequent accounting periods to test such costs for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. The guidance is applicable to fiscal periods ending after the issuance date. The adoption of this new standard did not have a material impact on the consolidated Company’s financial statements.

2. SIGNIFICANT CANADIAN ACCOUNTING POLICIES (Continued)

q) Changes in Canadian Accounting Policies (Continued)

Accounting policies implemented effective June 1, 2009

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

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

Accounting policies not yet adopted

In October 2008, the CICA issued Handbook Section 1582, "Business Combinations", which establishes new standards of accounting for business combinations. This is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. This adoption is not expected to have an impact on the Company's financial position, earnings or cash flows.

In October 2008, the CICA issued Handbook Section 1601, "Consolidated Financial Statements", and Section 1602, "Non-controlling Interests", to provide guidance on the preparation of consolidated financial statements and accounting for non-controlling interests subsequent to a business combination. The section is effective for fiscal years beginning on or after January 2011. This adoption is not expected to have an impact on the Company's financial position, earnings or cash flows.

2. SIGNIFICANT CANADIAN ACCOUNTING POLICIES (Continued)

q) Changes in Canadian Accounting Policies (Continued)

International Financial Reporting Standards

In February 2008, the Accounting Standards Board announced that publicly accountable entities will be required to prepare financial statements in accordance with IFRS for interim and annual financial statements for fiscal years beginning on or after January 1, 2011. The Company is assessing the impact of the conversion from GAAP to IFRS on the financial statements and will develop a conversion implementation plan.

3. FINANCIAL INSTRUMENTS

Financial instruments carrying value and fair value

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

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

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

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.

(Stated in Canadian Dollars)

3. FINANCIAL INSTRUMENTS (Continued)

Foreign exchange risk (Continued)

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

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

May 31, 2009		Cash		Accounts payable and accrued liabilities
US dollars	$	1,210	$	106,319

At May 31, 2010, with other variables unchanged, a +/-10% change in exchange rates would increase/decrease pre-tax loss by +/- $6,777.

Interest rate risk

The Company is not exposed to significant interest rate risk.

Market risk

The Company is exposed to market risk arising from its investments in and holdings of marketable equity securities. Marketable securities are classified as available-for-sale. The Company intends to liquidate the marketable securities when market conditions are conducive to a sale of these securities. At May 31, 2010, with other variables unchanged, a +/- 10% change in equity prices would increase/decrease pre-tax loss by +/- $84.

Credit risk

The Company is exposed to credit risk in the amount of its receivables.

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, 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.

(Stated in Canadian Dollars)

3. FINANCIAL INSTRUMENTS (Continued)

Fair Value Measurement

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

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

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

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

At May 31, 2010, the levels in the fair value hierarchy into which the Company's financial assets and liabilities measured and recognized in the balance sheet at fair value are categorized are as follows:

	Level 1	Level 2
Investments	$ 837	

4. INVESTMENTS

At May 31, 2010 and 2009, the Company owned 15,880 common shares of Linux Gold Corp., a company with directors in common.

The Company classifies 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). As of May 31, 2010, investments were measured at a fair value of $837 (2009 - $867) and resulted in an unrealized loss of $30 during the year ended May 31, 2010 (2009 – $1,339).

5. EQUIPMENT

	May 31 2010 $	**May 31 2009 $**
Furniture and fixtures – at cost	**27,010**	27,010
Less: Accumulated amortization	**(20,896)**	(19,367)
	6,114	7,643
Automotive equipment – at cost	**15,531**	15,531
Less: Accumulated amortization	**(13,704)**	(12,921)
	1,827	2,610
	7,941	10,253

(Stated in Canadian Dollars)

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 2008 and 2009 $	Additions $	Write-Offs $	**Balance May 31 2010 $**
Property acquisition costs				
Silverknife	1	-	-	**1**
Fish Creek	49,538	-	-	**49,538**
West Ridge	116,189	-	-	**116,189**
Gil Venture	31,127	-	-	**31,127**
	196,855	-	-	**196,855**

	Balance May 31 2008 $	Additions $	Write-Offs $	Balance May 31 2009 $
Property acquisition costs				
Silverknife	1	-	-	1
Fish Creek	49,538	-	-	49,538
West Ridge	116,189	-	-	116,189
Gil Venture	31,127	-	-	31,127
	196,855	-	-	196,855

7. MINERAL PROPERTY INTERESTS (Continued)

Silverknife, Laird, BC, Canada

Pursuant to agreements between Reg Technologies Inc. ("Reg"), SMR Investments Ltd. ("SMR"), Rapitan Resources Inc. ("Rapitan"), and Chevron Minerals Ltd. ("Chevron"), the Company acquired a 30% working interest in the Silverknife mineral claims, situated in the Liard Mining Division in the Province of British Columbia, subject to a 10% Net Profit Royalty to Rapitan and a 1% Net Smelter Returns to SMR. The Company has written down their acquisition costs to $1 and has written off their exploration and development expenditures entirely, since the claims are not currently being explored and have no proven economic reserves.

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. The Company has written off their exploration and development expenditures of $111,947 entirely, since the claims are not currently being explored. The Company will continue to maintain the option agreement and will only commence its exploration program once more financings are available.

Gold Hill, Cochise County, Arizona, USA

On June 10, 2006, the Company and Frederic & John Rothermel (the "Vendors") entered into an agreement whereby the Company purchased a 100% interest in the Gold Hill Patented Claim Group (7 claims) located in the Warren Mining District, Cochise County, Arizona, USA, that are subject to a 10% Net Profit Royalty to the Vendors, for the following considerations:

- $5,655 ($5,000 US) for a 90 day option and $11,268 ($10,000 US) to complete a due diligence within 90 days (paid),
- $38,244 ($36,000 US) paid during 2008 and 2007 to the Vendors, with $6,000 US to be made each quarter (paid),
- complete a $50,000 US first phase exploration program conducted by the Vendors,
- $250,000 US per year upon commencement of production.

A further 28 claims were staked in the Company's name for a cost of $5,538 ($5,214 US). The Company elected to terminate its agreement with the Vendors on May 31, 2008 as to the original 7 patent claims and to abandon the other 28 claims; accordingly, $60,705 in property costs and $213,184 in exploration costs were written off at May 31, 2008. Additional exploration expenditures of $13,570 were written off during the year ended May 31, 2009.

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 has written off their exploration and development expenditures of $661,615 entirely, since the claims are not currently being explored. The Company will continue to maintain the claims and will only commence its exploration program once more financings are available.

(Stated in Canadian Dollars)

7. MINERAL PROPERTY INTERESTS (Continued)

Gil Venture, Dome Creek, Alaska, USA

Pursuant to various agreements, the Company acquired a 50% 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., was doing exploration work on this property. An exploration program was completed in late 2008. During the year ended May 31, 2010 the Company incurred exploration expenditure of $358,812 on the property.

Deferred Exploration Expenditures

	May 31 2010 $	May 31 2009 $
Fish Creek Claims		
Written off – inactive claims	**(111,947)**	
	(111,947)	-
Gil Venture Claims		
Drilling	**358,812**	120,241
	358,812	120,241
Gold Hill Claims		
Travel, maps and rent	**-**	15,857
	-	15,857
West Ridge Claims		
Written off – inactive claims	**(661,491)**	-
	(661,491)	-
Exploration expenditures for the year	**358,812**	136,098
Exploration expenditures invoiced or written off		
Invoiced to joint venture partner	**-**	-
Written off – terminated, abandoned or inactive claims	**(773,438)**	(15,857)
	(414,626)	120,241
Exploration expenditures – beginning of year	**3,052,479**	2,932,238
Exploration expenditures – end of year	**2,637,853**	3,052,479

(Stated in Canadian Dollars)

8. ADVANCES TO/ FROM RELATED PARTIES

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

Advances to related parties:

	May 31, 2010	May 31, 2009
	$	$
International Diamond Syndicate Ltd.	**-**	1
IAS Energy, Inc.	**24,821**	29,821
Linux Gold, Inc.	**72,672**	46,649
REGI US, Inc.	**28,600**	-
Reg Technologies Inc.	**-**	14,058
	126,093	90,529

Advances from related parties:

	May 31, 2010	May 31, 2009
	$	$
Reg Technologies Inc.	**14,598**	-
Information-Highway.com, Inc.	**-**	28,146
JGR Petroleum, Inc.	**-**	24,456
John Robertson	**-**	19,308
KLR Petroleum	**5,990**	23,534
Rainbow Networks Inc.	**-**	23,531
REGI US, Inc.	**-**	12,405
SMR Investments Ltd.	**4,900**	-
	25,488	131,380

9. CONVERTIBLE LOANS

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

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

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

As of May 31, 2010, interest of $5,272 has been paid to the lender.

Subsequent to May 31, 2010 the Company redeemed the remaining convertible loan of $60,000 with full payment on the principal (See Note 17(a)).

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 August 30, 2007, the Company issued 2,715,000 units of capital stock pursuant to a Private Placement with 36 placees at a price of $0.15 per unit. Each unit consists of one share and one share purchase warrant exercisable for $0.20 per share in the first year and $0.25 per share in the second year.

On February 14, 2008, an employee exercised stock options for 10,000 shares at a price of $0.15 per share.

On February 22, 2008, the Company issued 6,000,000 units of capital stock pursuant to a Private Placement with 77 placees at a price of $0.15 per unit. Each unit consists of one share and one share purchase warrant exercisable within one year for $0.20 per share. 238,400 broker's share purchase warrants were issued as commissions valued at $25,339, which has been recorded in contributed surplus on the balance sheet. The broker's warrants were valued using the Black-Scholes option pricing model with the following assumptions: risk-free interest rate of 1.84%, dividend yield of nil, volatility of 99.05%, and expected life of 1 year.

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

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

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

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

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

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

During the year ended May 31, 2010 the Company incurred filing fees of $8,164 in relation to the financings completed during the year.

(Stated in Canadian Dollars)

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 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.

On April 22, 2009, a director was granted stock options to purchase up to 50,000 common shares at a price of $0.10 per share for five years.

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

	2010	2009	2008
Risk-free interest rate	**2.50%**	1.94%	2.47%
Expected dividend yield	**Nil**	Nil	Nil
Expected stock price volatility	**137%**	117%	126%
Expected life (in years)	**4.44**	5.00	1.50

On November 17, 2009, a total of 12,500 stock options with a fair value of $792 were exercised, resulting in another 12,500 stock options exercisable on February 16, 2010 and recorded as stock based compensation of $792.

The following is a summary of the Company's stock option activities during the year ended May 31, 2010:

	Number of Options	**Weighted Average Exercise Price $**
Balance – May 31, 2009	1,825,000	0.150
Granted	325,000	0.185
Granted	65,000	0.250
Granted	100,000	0.240
Exercised	(12,500)	0.100
Balance – May 31, 2010	2,302,500	0.160

(Stated in Canadian Dollars)

10. SHARE CAPITAL (Continued)

Stock Options

The following share purchase options were outstanding at May 31, 2010:

Expiry Date	Exercise Price $	Number of Options	Remaining Contractual Life (years)	Number of Options Exercisable
December 4, 2010	0.250	65,000	0.50	16,250
November 2, 2011	0.180	25,000	1.42	6,250
April 24, 2012	0.150	1,650,000	1.90	412,500
November 7, 2012	0.220	25,000	2.44	6,250
March 10, 2013	0.210	75,000	2.78	18,750
April 23, 2014	0.100	37,500	3.90	12,500
October 30, 2014	0.185	275,000	4.42	68,750
November 5, 2014	0.185	50,000	4.44	12,500
April 19, 2015	0.240	100,000	4.89	25,000
		2,302,500		578,750

Warrants

The following is a summary of the Company's warrant activities during the years ended May 31, 2010 and 2009:

	Number of Warrants	Weighted Average Exercise Price $
Balance – May 31, 2008	8,953,400	0.20
Expired	(6,238,400)	0.20
Balance – May 31, 2009	2,715,000	0.25
Issued	9,748,826	0.12
Exercised	(7,054,592)	0.10
Expired	(2,715,000)	0.25
Balance – May 31, 2010	2,694,234	0.17

(Stated in Canadian Dollars)

10. SHARE CAPITAL (Continued)

Warrants

The following share purchase warrants were outstanding at May 31, 2010:

Expiry Date	Exercise Price	Number of Warrants	Remaining Contractual Life (years)
	$		
June 8, 2010	0.10	1,047,500	0.02
November 25, 2010	0.22	1,646,734	0.49
		2,694,234	

During the year ended May 31, 2010, a total of 9,748,826 warrants were issued with a fair value of $515,010. The fair value of warrants issued was estimated on the date of grant using the Black-Scholes option pricing model, with the following weighted-average assumptions:

Risk-free interest rate	1.25%
Expected dividend yield	Nil
Expected stock price volatility	195.36%
Expected life (in years)	1.36

11. INCOME TAXES

Future income taxes reflect the net tax effects of the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's Canadian future tax assets as of May 31, 2010 and 2009 are as follows:

	2010	2009
	$	$
Non-capital loss carry forwards	**964,000**	923,000
Equipment & others	**15,000**	14,000
Resource deductions	**345,000**	306,000
Share issue costs	**22,000**	14,000
	1,346,000	1,257,000
Valuation allowance	**(1,346,000)**	(1,257,000)
Future income tax assets	-	-

(Stated in Canadian Dollars)

11. INCOME TAXES (Continued)

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

	2010 **$**	2009 $
Statutory tax rate	**29.60%**	30.38%
Income tax recovery at statutory rate	**(420,239)**	(138,000)
Permanent differences and other	**182,168**	48,000
Change in tax rate for non-Canadian company	**39,349**	-
Effect of change in tax rate	**30,883**	61,000
Tax benefits not recognized	**167,839**	29,000
	-	-

The Company has Canadian non-capital losses of approximately $3,854,000 (2009 - $3,690,000), which expire over the years 2014 to 2030. The Company also has cumulative exploration expenses in the amount of $1,430,000 (2009 - $1,385,000) in Canada, which can be carried forward indefinitely.

12. RELATED PARTY TRANSACTIONS

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

SMR Investments Ltd. ("SMR") is a private company controlled by an officer of the Company. Under a management contract with SMR, the Company agreed to pay up to $2,500 per month for management services. The Company was charged management fees by SMR of $30,000 during the year ended May 31, 2010 (2009 - $30,000; 2008 - $30,000). As of May 31, 2010, $4,900 (May 31, 2009 - $77,883) was payable to SMR by the Company.

During the year ended May 31, 2010, directors fees of $12,000 (2009 - $16,500; 2008 - $15,500) were paid to the President of the Company. Administration consulting fees of $20,400 (2009 - $20,400; 2008 - $13,500) were paid to a director of the Company. Secretarial and consulting fees of $18,600 (2009 - $11,400; 2008 - $5,700) were paid to a director of the Company.

During the year ended May 31, 2010, fees of $5,039 (2009 - $9,409; 2008 - $6,508) were paid to KLR Petroleum Ltd. (which is controlled by an officer of the Company) for administration of the Company payroll and benefit plan.

Office rent of $15,055 (2009 - $15,471; 2008 - $12,872) was paid to Linux Gold, Inc. for the year ended May 31, 2010.

(Stated in Canadian Dollars)

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

In 1998, Teryl, Inc. offered a private placement for 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 Companies negotiated with the subscribers to replace the Teryl, Inc. shares with Teryl Resources Corp. shares. On October 17, 2006, the authorized capital for Teryl, Inc. was reduced to 10,000 common shares, which resulted in a rollback to 1 common share for each 10,000 outstanding. On August 29, 2007, the final six subscribers agreed to a settlement of $70,000 ($50,250 US).

14. SEGMENTED INFORMATION

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

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

May 31, 2009	Canada $	United States $	Total $
Total assets	124,638	3,250,347	3,374,985
Acquisition and exploration costs	1	3,249,333	3,249,334
Net loss	447,653	6,920	454,573

15. CAPITAL MANAGEMENT

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

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

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

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

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

a) Oil and Gas Well Interests

Under Canadian and US GAAP, oil and gas well interests are carried at cost according to the successful efforts method of accounting and written down if the value is impaired. Depreciation and depletion of capitalized costs of oil and gas producing properties are calculated using the straight-line method over 10 years, which is the estimated pay-out term. The Company has determined that there were no material differences in the measurement and presentation of oil and gas well interests between Canadian GAAP and US GAAP as at May 31, 2010, 2009 and 2008.

b) Mineral Properties and Deferred Exploration Costs

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

c) Asset Retirement Obligations

Under US GAAP, ASC 410, "Asset Retirement and Environmental Obligations" requires companies to record the fair value of the liability for closure and removal costs associated with legal obligations upon the retirement or removal of any tangible long-lived assets effective June 1, 2003. Under this standard, the initial recognition of the liability is capitalized as part of the asset cost and amortized over its estimated useful life. For Canadian GAAP purposes, effective June 1, 2004, the Company adopted the provisions of CICA HB Section 3110, "Asset Retirement Obligations", which are substantially similar to those of ASC 410. The Company has determined that there were no material differences in the measurement and presentation of asset retirement obligations between Canadian GAAP and US GAAP as at May 31, 2010, 2009 and 2008.

d) Stock-Based Compensation

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

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

d) Stock-Based Compensation (Continued)

The Company has a stock-based compensation plan which is described in Note 9. The Company accounts for stock-based compensation, including stock options and warrants, using the fair value based method, as prescribed by CICA HB 3870 “Stock-based Compensation and Other Stock-Based Payments”, to account for stock based transactions with officers, directors and consultants. Under this method, the fair value of the stock options and warrants at the date of grant is amortized over the vesting period, with an offsetting credit recorded as an increase in contributed surplus. If the stock options or warrants are exercised, the proceeds are credited to share capital and the fair value at the date of the grant is reclassified from contributed surplus to share capital. Accordingly, there were no material differences between Canadian GAAP and US GAAP for the years ended May 31, 2010, 2009 and 2008.

e) Marketable Securities and Investments

Under Canadian GAAP, for the year ended May 31, 2007, short-term marketable securities are carried at the lower of aggregate cost or current market value, with any unrealized loss included in the consolidated statements of operations. Long-term investments are carried on the cost or equity basis and are only written down when there is evidence of a decline in value that is other than temporary. Under Canadian GAAP, for the years ended May 31, 2010 and 2009, the Company adopted the provisions of CICA HB Section 3855, “Financial Instruments – Recognition and Measurement”, and CICA HB Section 1530, “Comprehensive Income”, which are similar to the requirements of US GAAP.

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

f) Recent Accounting Pronouncements

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

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

f) Recent Accounting Pronouncements (Continued)

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

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

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

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

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

f) Recent Accounting Pronouncements (Continued)

In December 2007, the FASB issued ASC 805, "Business Combinations", defines the acquirer in a business combination as the entity that obtains control of one or more businesses in a business combination and establishes the acquisition date as the date that the acquirer achieves control. ASC 805 requires an acquirer to recognize the assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree at the acquisition date, measured at their fair values as of that date. ASC 805 also requires the acquirer to recognize contingent consideration at the acquisition date, measured at its fair value at that date. This statement is effective for fiscal years and interim periods within those fiscal years, beginning on or after December 15, 2008, and earlier adoption is prohibited. The Company has determined that the adoption of ASC 805 have no impact on its consolidated financial statements.

In December 2007, the FASB issued ASC 810, "Consolidation", which establish accounting and reporting standards for the non-controlling interest in a subsidiary and for the deconsolidation of a subsidiary. This statement is effective for fiscal years and interim periods within those fiscal years, beginning on or after December 15, 2008, and earlier adoption is prohibited. The Company has determined that the adoption of ASC 810 have no impact on its consolidated financial statements.

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

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

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

(Stated in Canadian Dollars)

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

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

	2010		
	Balance Canadian GAAP $	**Adjustments $**	**Balance US GAAP $**
Current assets	**300,525**	**-**	**300,525**
Advances to related parties (Note 8)	**126,093**	**-**	**126,093**
Investments (Note 4)	**837**	**-**	**837**
Equipment (Note 5)	**7,941**	**-**	**7,941**
Mineral property interests (Note 7)	**196,855**	**-**	**196,855**
Deferred exploration expenditures (Note 7)	**2,637,853**	**(2,637,853)**	**-**
	3,270,104	**(2,637,853)**	**632,251**
Current liabilities	**191,612**	**-**	**191,612**
Shareholders' equity	**3,078,492**	**(2,637,853)**	**440,639**
	3,270,104	**(2,637,853)**	**632,251**

	2009		
	Balance Canadian GAAP $	Adjustments $	Balance US GAAP $
Current assets	24,002	-	24,002
Advances to related parties	90,529	-	90,529
Investments (Note 4)	867	-	867
Equipment (Note 5)	10,253	-	10,253
Mineral property interests (Note 7)	196,855	-	196,855
Deferred exploration expenditures (Note 7)	3,052,479	(3,052,479)	-
	3,374,985	(3,052,479)	322,506
Current liabilities	417,520	-	417,520
Shareholders' equity	2,957,465	(3,052,479)	(95,014)
	3,374,985	(3,052,479)	322,506

(Stated in Canadian Dollars)

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

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

	2010 **$**	**2009** **$**	**2008** **$**
Net loss for the year, Canadian GAAP	**(1,419,726)**	(454,573)	(1,142,796)
Adjustment:			
Deferred exploration costs (Note 7)	**414,626**	(120,241)	67,505
Net loss for the year, US GAAP	**(1,005,100)**	(574,814)	(1,075,291)
Basic and diluted loss per share, US GAAP	**(0.02)**	(0.01)	(0.02)
Weighted average number of common shares outstanding, basic and diluted	**60,736,673**	49,587,528	44,538,405

The Company's comprehensive loss is comprised as follows:

	2010 **$**	**2009** **$**	**2008** **$**
Net loss for the year, US GAAP	**(1,005,100)**	(574,814)	(1,075,291)
Change in net unrealized losses on available-for-sale investments (Note 4)	**(30)**	(1,339)	(649)
Comprehensive loss	**(1,005,130)**	(576,153)	(1,075,940)

(Stated in Canadian Dollars)

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

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

	2010 $	2009 $	2008 $
Cash flows used in operating activities, Canadian GAAP	**(809,508)**	(320,515)	(527,720)
Adjustment:			
Exploration expenditures (Note 7)	**(358,812)**	(15,857)	(211,509)
Cash flows used in operating activities, US GAAP	**(1,168,320)**	(336,372)	(739,229)
Cash flows provided by financing activities, Canadian and US GAAP	**1,422,285**	127,263	1,003,597
Cash flows used in investing activities, Canadian GAAP	**(358,812)**	(15,857)	(263,530)
Adjustment:			
Exploration expenditures (Note 7)	**358,812**	15,857	211,509
Cash flows used in investing activities, US GAAP	**-**	-	(52,021)
(Decrease) increase in cash	**253,965**	(209,109)	212,347
Cash, beginning of year	**6,185**	215,294	2,947
Cash, end of year	**260,150**	6,185	215,294

17. SUBSEQUENT EVENTS

a) On June 1, 2010 the Company redeemed the remaining convertible loan of $60,000 with full payment on the principal amount (See Note 9);

b) On June 8, 2010 the Company issued 1,047,500 common shares for warrants exercised at $0.10 per share.

c) On August 17, 2010 the Company signed a letter of agreement, subject to third party due diligence, which will result in the Company acquiring 50% interest in three mining claims in the State of Alaska knows as the Fortitude Project ("the Property") for following consideration:

- Issuance of 50,000 common shares of the Company upon acceptance by the Toronto Venture Exchange (the "Approval Date") (not issued);
- Incur $50,000 in exploration expenditures on the Property within one year of the Approval Date and an additional $100,000 exploration expenditures within two years of the Approval Date;
- Issuance of 50,000 common shares of the Company on the first anniversary of the Approval Date;
- Issuance of 100,000 common shares of the Company and cash payment of US$10,000 on the second anniversary of the Approval Date.

17. SUBSEQUENT EVENTS (Continued)

d) On August 26, 2010 the Company granted to an investor relations consultant 250,000 share purchase options exercisable into the Company's common shares at $0.19 per share for three years. The options vest over 12 months with 25% of the options vesting every three months.