

TERYL RESOURCES CORP.

CONSOLIDATED FINANCIAL STATEMENTS

AS AT MAY 31, 2009 AND 2008
(Stated in Canadian Dollars)



INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Teryl Resources Corp.

We have audited the consolidated balance sheets of Teryl Resources Corp. as at May 31, 2009 and 2008, and the consolidated statements of operations and comprehensive loss, cash flows, and shareholders' equity for each of the years in the three-year period ended May 31, 2009. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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, 2009 and 2008, and the results of its operations and its cash flows for each of the years in the three-year period ended May 31, 2009 in accordance with Canadian generally accepted accounting principles.

Vancouver, Canada

"Morgan & Company"

September 28, 2009

Chartered Accountants

COMMENTS BY AUDITORS FOR U.S. READERS ON CANADA-U.S. REPORTING DIFFERENCES

The reporting standards of the Public Company Accounting Oversight Board (United States) for auditors require the addition of an explanatory paragraph (following the opinion paragraph) when the financial statements are affected by conditions and events that cast substantial doubt on the Company's ability to continue as a going concern, such as those described in Note 1 to the consolidated financial statements. Our report to the shareholders, dated September 28, 2009, is expressed in accordance with Canadian reporting standards which do not permit a reference to such events and conditions in the auditor's report when these are adequately disclosed in the consolidated financial statements.

Vancouver, Canada

"Morgan & Company"

September 28, 2009

Chartered Accountants

TERYL RESOURCES CORP.
CONSOLIDATED BALANCE SHEETS
(Stated in Canadian Dollars)

	May 31 2009	May 31 2008
	\$	\$
ASSETS		
Current		
Cash	6,185	215,294
Amounts receivable and prepaid expenses	17,817	61,977
	24,002	277,271
Advances to Related Parties (Note 8)	90,529	64,201
Investments (Note 4)	867	2,208
Equipment (Note 5)	10,253	13,283
Mineral Property Interests (Note 7)	196,855	196,855
Deferred Exploration Expenditures (Note 7)	3,052,479	2,932,238
	3,374,985	3,486,056
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 11)	286,140	107,364
Advances from related parties (Note 8)	131,380	92,070
	417,520	199,434
SHAREHOLDERS' EQUITY		
Share Capital (Note 9)		
Authorized:		
100,000,000 common shares, voting, no par value		
5,000,000 preferred shares, non-voting, \$1 par value		
Issued and outstanding:		
49,587,528 (2008 – 49,587,528) common shares	12,030,233	12,031,827
Share Subscriptions Received	115,875	-
Contributed Surplus	344,878	332,404
Accumulated Other Comprehensive Loss	(3,157)	(1,818)
Deficit	(9,530,364)	(9,075,791)
	2,957,465	3,286,622
	3,374,985	3,486,056

Going Concern (Note 1) and **Subsequent Events** (Note 16)

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 2009 \$	Year Ended May 31 2008 \$	Year Ended May 31 2007 \$
General and Administrative Expenses			
Amortization of equipment	3,030	3,987	4,547
Bad debts	15,377	-	-
Filing and regulatory fees	16,785	58,530	18,961
Foreign exchange (gain) loss	(9,938)	2,678	(74)
Management and directors' fees (Note 11)	110,189	76,284	75,396
Office and sundry	16,446	28,637	21,993
Office rent and utilities (Note 11)	15,471	13,325	10,171
Professional fees	110,201	89,476	87,395
Publicity, promotion and investor relations	97,415	203,580	110,525
Secretarial and employee benefits (Note 11)	45,635	24,630	38,083
Stock-based compensation	12,474	21,311	66,300
Telephone	11,261	11,560	8,417
Transfer agent fees	8,994	8,959	5,894
Travel, auto and entertainment	21,702	35,725	11,193
Operating Loss	(475,042)	(578,682)	(458,801)
Other Income (Expenses)			
Miscellaneous income	8,261	19,832	3,029
Interest income	1,487	3,426	613
Oil and gas wells written off	-	(313,483)	-
Mineral properties written off	-	(60,705)	(9,381)
Recoverable expenditures	26,578	-	-
Exploration expenditures written off	(15,857)	(213,184)	(1,000)
	20,469	(564,114)	(6,739)
Net Loss for the Year	(454,573)	(1,142,796)	(465,540)
Unrealized losses on available-for-sale investments	(1,339)	(649)	-
Comprehensive Loss for the Year	(455,912)	(1,143,445)	(465,540)
Loss per Share – Basic and Diluted	(0.01)	(0.03)	(0.01)
Weighted Average Number of Common Shares Outstanding, Basic and Diluted	49,587,528	44,538,405	39,663,029

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 2009 \$	Year Ended May 31 2008 \$	Year Ended May 31 2007 \$
Cash flows from operating activities			
Net loss for the year	(454,573)	(1,142,796)	(465,540)
Items not affecting cash			
Amortization of equipment	3,030	3,987	4,547
Depletion of oil and gas wells	-	-	24,243
Exploration expenditures written off	15,857	213,184	1,000
Mineral properties written off	-	60,705	9,381
Oil and gas wells written off	-	313,483	-
Stock-based compensation	12,474	21,311	116,353
Changes in non-cash working capital items			
Amounts receivable and prepaid expenses	44,160	23,140	(6,630)
Accounts payable and accrued liabilities	58,537	(20,734)	105,775
	(320,515)	(527,720)	(210,871)
Cash flows from investing activities			
Deferred exploration expenditures	(15,857)	(211,509)	(41,624)
Purchase of mineral property interests	-	(26,474)	(34,231)
Purchase of oil and gas well interests	-	(25,547)	(209,134)
Purchase of equipment	-	-	(5,773)
	(15,857)	(263,530)	(290,762)
Cash flows from financing activities			
Advances from (to) related parties	12,982	(144,311)	95,765
Share subscriptions received	115,875	-	28
Share issuance costs	(1,594)	-	-
Share capital issued for cash, net	-	1,147,908	199,151
	127,263	1,003,597	294,944
(Decrease) increase in cash	(209,109)	212,347	(206,689)
Cash, beginning of year	215,294	2,947	209,636
Cash, end of year	6,185	215,294	2,947
Non-Cash Financing and Investing Activities:			
Shares issued for mineral properties	-	-	16,000

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		Share Subscriptions Received \$	Contributed Surplus \$	Accumulated Other Comprehensiv e Loss \$	Deficit \$	Total \$
	Number	Amount \$					
Balance, May 31, 2006	39,468,188	10,624,107	69,972	169,401	-	(7,467,455)	3,396,025
Shares issued for cash upon:							
Exercise of warrants	100,000	20,000	-	-	-	-	20,000
Private placements	1,194,340	179,151	-	-	-	-	179,151
Shares issued for mineral properties	100,000	16,000	-	-	-	-	16,000
Stock-based compensation	-	-	-	116,353	-	-	116,353
Foreign exchange adjustments on subscriptions received	-	-	28	-	-	-	28
Net loss for the year	-	-	-	-	-	(465,540)	(465,540)
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

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

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

	<u>Share Capital</u>		Share Subscriptions Received \$	Contributed Surplus \$	Accumulated Other Comprehensiv e Loss \$	Deficit \$	Total \$
	Number	Amount \$					
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.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2009 AND 2008
(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 Business Corporations Act on July 16, 1985. 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 deficiency of \$393,518 (2008 – working capital of \$77,837) and has incurred a loss of \$454,573 in the year ended May 31, 2009 (2008 - \$1,142,796; 2007 - \$465,540). These consolidated financial statements do not include adjustments that would be necessary should it be determined that the Company may be unable to continue as a going concern.

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

2. SIGNIFICANT CANADIAN ACCOUNTING POLICIES

a) Consolidation

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

All inter-company transactions are eliminated upon consolidation.

b) Equipment

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

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

TERYL RESOURCES CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2009 AND 2008
(Stated in Canadian Dollars)

2. SIGNIFICANT CANADIAN ACCOUNTING POLICIES (Continued)

c) Accounting for Oil and Gas Well Interests

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

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

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

On the sale or retirement of a complete unit of a proved property, the cost and related accumulated depreciation, depletion, and amortization are eliminated from the property accounts, and the resultant gain or loss is recognized.

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

d) Accounting for Mineral Property Interests

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

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

2. SIGNIFICANT CANADIAN ACCOUNTING POLICIES (Continued)

TERYL RESOURCES CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2009 AND 2008
(Stated in Canadian Dollars)

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)

TERYL RESOURCES CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2009 AND 2008
(Stated in Canadian Dollars)

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, 2009, 2008 and 2007 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, 2009 and 2008, the Company did not have any asset retirement obligations.

2. SIGNIFICANT CANADIAN ACCOUNTING POLICIES (Continued)

o) Variable Interest Entities

TERYL RESOURCES CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2009 AND 2008
(Stated in Canadian Dollars)

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

On June 1, 2008, 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.

On June 1, 2008, 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.

On June 1, 2008, 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.

2. SIGNIFICANT CANADIAN ACCOUNTING POLICIES (Continued)

q) Changes in Canadian Accounting Policies (Continued)

TERYL RESOURCES CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2009 AND 2008
(Stated in Canadian Dollars)

Accounting policies to be 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.

The new section will be applicable to the Company’s financial statements for its fiscal year beginning June 1, 2009. The Company is currently evaluating the impact of the adoption of this new section on its consolidated financial statements.

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. The Company is considering early adoption to coincide with the adoption of IFRS. 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.

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 Company has evaluated the new section and determined that adoption of these new requirements will have no impact on the Company’s consolidated financial statements.

2. SIGNIFICANT CANADIAN ACCOUNTING POLICIES (Continued)

q) Changes in Canadian Accounting Policies (Continued)

International Financial Reporting Standards

TERYL RESOURCES CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2009 AND 2008
(Stated in Canadian Dollars)

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, and accounts payable and accrued liabilities.

Cash is designated as "held-for-trading" and measured at fair value. Receivables are designated as "loans and receivables". Investments are designated as "available-for-sale". Accounts payable and accrued liabilities are designated as "other financial liabilities".

The carrying value of cash, receivables, 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.

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.

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:

TERYL RESOURCES CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2009 AND 2008
(Stated in Canadian Dollars)

May 31, 2009	Cash	Accounts payable and accrued liabilities
US dollars	\$ 1,210	\$ 106,319
May 31, 2008	Cash	Accounts payable and accrued liabilities
US dollars	\$ (74,472)	\$ 18,990

At May 31, 2009, with other variables unchanged, a +/-10% change in exchange rates would increase/decrease pre-tax loss by +/- \$11,745.

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, 2009, with other variables unchanged, a +/- 10% change in equity prices would increase/decrease pre-tax loss by +/- \$87.

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.

3. FINANCIAL INSTRUMENTS (Continued)

Liquidity risk (Continued)

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

TERYL RESOURCES CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2009 AND 2008
(Stated in Canadian Dollars)

terms of any financing will be favourable. Many factors influence the Company's ability to raise funds, including the state of the resource market and commodities prices, the climate for mineral exploration, the Company's track record, and the experience and calibre of its management.

4. INVESTMENTS

At May 31, 2009 and 2008, 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, 2009, investments were measured at a fair value of \$867 (2008 - \$2,208) and resulted in an unrealized loss of \$1,339 during the year ended May 31, 2009 (2008 - \$649).

5. EQUIPMENT

	May 31 2009	May 31 2008
	\$	\$
Furniture and fixtures – at cost	27,010	27,010
Less: Accumulated amortization	(19,367)	(17,456)
	7,643	9,554
Automotive equipment – at cost	15,531	15,531
Less: Accumulated amortization	(12,921)	(11,802)
	2,610	3,729
	10,253	13,283

TERYL RESOURCES CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2009 AND 2008
(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 \$	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
	<u>196,855</u>	<u>-</u>	<u>-</u>	<u>196,855</u>
	Balance May 31 2007 \$	Additions \$	Write- Offs \$	Balance May 31 2008 \$
Property acquisition costs				
Silverknife	1	-	-	1
Fish Creek	49,538	-	-	49,538
Gold Hill	34,231	26,474	(60,705)	-
West Ridge	116,189	-	-	116,189
Gil Venture	31,127	-	-	31,127
	<u>231,086</u>	<u>26,474</u>	<u>(60,705)</u>	<u>196,855</u>

TERYL RESOURCES CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2009 AND 2008
(Stated in Canadian Dollars)

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, 2010. Linux will have a 5% Net Royalty Interest until the Company pays \$2,000,000 US.

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 (all required quarterly payments have been made),
- 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.

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 been conducting an exploration program over the past few years.

TERYL RESOURCES CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2009 AND 2008
(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. No expenditures were made in 2007. An exploration program was completed in late 2008.

Deferred Exploration Expenditures

	May 31 2009	May 31 2008
	\$	\$
Fish Creek Claims		
Geophysical survey	-	1,876
Insurance, lease, property tax and assays	-	316
	-	2,192
Gil Venture Claims		
Drilling	120,241	-
	120,241	-
Gold Hill Claims		
Assays and reports	-	16,714
Drilling and roads	-	175,569
Travel, maps and rent	15,857	1,950
	15,857	194,233
West Ridge Claims		
Geophysical survey	-	8,932
Rent assessment	-	6,152
	-	15,084
Exploration expenditures for the year	136,098	211,509
Exploration expenditures invoiced or written off		
Invoiced to joint venture partner	-	(65,830)
Written off – terminated, abandoned or inactive claims	(15,857)	(213,184)
	120,241	(67,505)
Exploration expenditures – beginning of year	2,932,238	2,999,743
Exploration expenditures – end of year	3,052,479	2,932,238

TERYL RESOURCES CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2009 AND 2008
(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	May 31
	2009	2008
	\$	\$
International Diamond Syndicate Ltd.	1	1
IAS Energy, Inc.	29,821	-
Linux Gold, Inc.	46,649	60,915
Reg Technologies Inc.	14,058	3,285
	90,529	64,201

Advances from related parties:

	May 31	May 31
	2009	2008
	\$	\$
IAS Energy, Inc.	-	1,317
Information-Highway.com, Inc.	28,146	24,146
JGR Petroleum, Inc.	24,456	24,456
John Robertson	19,308	17,609
KLR Petroleum	23,534	-
Rainbow Networks Inc.	23,531	23,227
REGI US, Inc.	12,405	428
SMR Investments Ltd.	-	887
	131,380	92,070

9. 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.

TERYL RESOURCES CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2009 AND 2008
(Stated in Canadian Dollars)

9. SHARE CAPITAL (Continued)

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.

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 November 7, 2007, an employee was granted stock options to purchase up to 25,000 common shares at a price of \$0.22 per share for five years.

On January 25, 2008, the Company entered into an investor relations agreement with KCrew Communications Inc. ("KCrew") for three months at \$8,500 per month. The Company granted KCrew stock options to purchase up to 300,000 common shares at a price of \$0.15, which expired May 25, 2008.

On March 4, 2008, a consultant's stock options for 75,000 common shares at a price of \$0.40 expired unexercised, and were replaced on March 10, 2008 with stock options for 75,000 common shares at a price of \$0.21, expiring March 10, 2013.

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.

TERYL RESOURCES CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2009 AND 2008
(Stated in Canadian Dollars)

9. SHARE CAPITAL (Continued)

Stock Options (Continued)

The following is a summary of the Company's stock option activities during the years ended May 31, 2009 and 2008:

	Number of Options	Weighted Average Exercise Price \$
Balance – May 31, 2007	2,487,500	0.21
Granted	400,000	0.17
Excercised	(10,000)	0.15
Expired	(625,000)	0.23
Balance – May 31, 2008	2,252,500	0.20
Granted	50,000	0.10
Expired	(477,500)	0.35
Balance – May 31, 2009	1,825,000	0.15

The following share purchase options were outstanding at May 31, 2009:

Expiry Date	Exercise Price \$	Number of Options	Remaining Contractual Life (years)	Number of Options Exercisable
November 2, 2011	0.18	25,000	2.42	6,250
April 24, 2012	0.15	1,650,000	2.90	412,500
November 7, 2012	0.22	25,000	3.44	6,250
March 10, 2013	0.21	75,000	3.78	18,750
April 23, 2014	0.10	50,000	4.90	12,500
		<u>1,825,000</u>		<u>456,250</u>

TERYL RESOURCES CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2009 AND 2008
(Stated in Canadian Dollars)

9. SHARE CAPITAL (Continued)

Warrants

The following is a summary of the Company's warrant activities during the years ended May 31, 2009 and 2008:

	Number of Warrants	Weighted Average Exercise Price \$
Balance – May 31, 2007	2,418,340	0.28
Issued	8,953,400	0.20
Expired	<u>(2,418,340)</u>	<u>0.28</u>
Balance – May 31, 2008	8,953,400	0.20
Expired	<u>(6,238,400)</u>	<u>0.20</u>
Balance – May 31, 2009	<u>2,715,000</u>	<u>0.25</u>

The following share purchase warrants were outstanding at May 31, 2009:

Expiry Date	Exercise Price \$	Number of Warrants	Remaining Contractual Life (years)
August 30, 2009	0.25	<u>2,715,000</u>	0.25

Subsequent to year-end, these warrants expired unexercised.

Stock-Based Compensation Expense

The fair value of each option granted is estimated on the grant date using the Black-Scholes option-pricing model assuming no dividend yield and the following weighted average assumptions for options granted:

	2009	2008	2007
Expected volatility	117%	126%	130%
Weighted average risk-free interest rate	1.94%	2.47%	4.11%
Expected life	5 years	1.50 years	4.73 years

TERYL RESOURCES CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2009 AND 2008
(Stated in Canadian Dollars)

10. 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, 2009 and 2008 are as follows:

	2009	2008
	\$	\$
Non-capital loss carry forwards	923,000	818,000
Equipment	14,000	14,000
Resource deductions	306,000	306,000
Share issue costs	14,000	20,000
	1,257,000	1,158,000
Valuation allowance	(1,257,000)	(1,158,000)
Future income tax assets	-	-

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

	2009	2008
	\$	\$
Statutory tax rate	30%	33%
Income tax recovery at statutory rate	(138,000)	(291,000)
Permanent differences and other	48,000	8,000
Effect of change in tax rate	61,000	38,000
Tax benefits not recognized	29,000	245,000
	-	-

The Company has Canadian non-capital losses of approximately \$3,690,000 (2008 - \$3,145,000), which expire over the years 2010 to 2029. The Company also has cumulative exploration expenses in the amount of \$1,385,000 (2008 - \$1,338,000) in Canada, which can be carried forward indefinitely.

11. RELATED PARTY TRANSACTIONS

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

11. RELATED PARTY TRANSACTIONS (Continued)

TERYL RESOURCES CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2009 AND 2008
(Stated in Canadian Dollars)

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, 2009 (2008 - \$30,000; 2007 - \$30,000).

As of May 31, 2009, \$77,883 (May 31, 2008 - \$42,258) was payable to SMR by the Company, and the amount was included in accounts payable and accrued liabilities.

During the year ended May 31, 2009, directors fees of \$16,500 (2008 - \$15,500; 2007 - \$12,000) were paid to the President of the Company. Administration consulting fees of \$20,400 (2008 - \$13,500; 2007 - \$24,000) were paid to a director of the Company. Secretarial and consulting fees of \$11,400 (2008 - \$5,700; 2007 - \$15,000) were paid to a director of the Company.

During the year ended May 31, 2009, fees of \$9,409 (2008 - \$6,508; 2007 - \$9,396) 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 \$15,471 (2008 - \$12,872; 2007 - \$15,018) was paid to Linux Gold, Inc. for the year ended May 31, 2009.

12. 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).

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:

	Canada	United States	Total
	\$	\$	\$
May 31, 2009			
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

13. SEGMENTED INFORMATION (Continued)

TERYL RESOURCES CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2009 AND 2008
(Stated in Canadian Dollars)

May 31, 2008	Canada	United	Total
	\$	States	\$
	\$	\$	\$
Total assets	352,894	3,133,162	3,486,056
Acquisition and exploration costs	1	3,129,092	3,129,093
Net loss	880,045	262,751	1,142,796

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. 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, 2009, 2008 and 2007.

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

TERYL RESOURCES CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2009 AND 2008
(Stated in Canadian Dollars)

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, Statement of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations" ("SFAS 143") 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 SFAS 143. 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, 2009, 2008 and 2007.

d) Stock-Based Compensation

Under US GAAP, Statement of Financial Accounting Standard 123(R), "Share-Based Payments," 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. In March 2005, the Securities and Exchange Commission issued SAB 107 relating to SFAS 123(R). The Company applied the provisions of SAB 107 in its adoption of SFAS 123(R).

SFAS 123(R) requires companies to estimate the fair value of share-based awards on the date of grant using an option-pricing model. The Company uses the Black-Scholes option pricing model as its method of determining fair value. The value of the portion of the award that is ultimately expected to vest is recognized as an expense in the consolidated statements of operations over the requisite service period.

The Company has a stock-based compensation plan which is described in Note 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, 2009, 2008 and 2007.

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

TERYL RESOURCES CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2009 AND 2008
(Stated in Canadian Dollars)

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, 2009 and 2008, 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, Statement of Financial Accounting Standard No. 115, “Accounting for Certain Investments in Debt and Equity Securities” (“SFAS 115”) 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, the FASB issued SFAS No. 167, “Amendments to FASB Interpretation No. 46(R)” (“SFAS 167”). SFAS No. 167 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 Interpretation No. 46 (revised December 2003), “Consolidation of Variable Interest Entities”, related to the changes to the special-purpose entity proposal in FASB Statement No. 166, “Accounting for Transfers of Financial Assets”, and the treatment of specific provisions of Interpretation 46(R). SFAS No. 167 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 SFAS No. 167 will have no impact on its consolidated financial statements.

In June 2009, the FASB issued SFAS No. 166, “Accounting for Transfers of Financial Assets—an amendment of FASB Statement” (“SFAS 166”). SFAS No. 166 is intended to establish standards of financial reporting for the transfer of assets and transferred assets to improve the relevance, representational faithfulness, and comparability. SFAS 166 was established to clarify derecognition of assets under FASB Statement No. 140, “Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities”. SFAS No. 166 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 SFAS No. 166 will have no impact on its consolidated financial statements.

TERYL RESOURCES CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2009 AND 2008
(Stated in Canadian Dollars)

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

f) Recent Accounting Pronouncements (Continued)

In May 2009, the FASB issued SFAS No. 165, “Subsequent Events” (“SFAS No. 165”). SFAS No. 165 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. SFAS No. 165 is effective for financial statements issued for fiscal years and interim periods ending after June 15, 2009. The Company is evaluating the impact that the adoption of SFAS No. 165 will have on its consolidated financial statements.

In May 2008, the FASB issued SFAS No. 163, “Accounting for Financial Guarantee Insurance Contracts – An interpretation of FASB Statement No. 60”. SFAS No. 163 requires that an insurance enterprise recognize a claim liability prior to an event of default when there is evidence that credit deterioration has occurred in an insured financial obligation. It also clarifies how Statement No. 60 applies to financial guarantee insurance contracts, including the recognition and measurement to be used to account for premium revenue and claim liabilities, and requires expanded disclosures about financial guarantee insurance contracts. It is effective for financial statements issued for fiscal years beginning after December 15, 2008, except for some disclosures about the insurance enterprise’s risk-management activities. SFAS No. 163 requires that disclosures about the risk-management activities of the insurance enterprise be effective for the first period beginning after issuance. Except for those disclosures, earlier application is not permitted. The adoption of this statement is not expected to have a material effect on the Company’s consolidated financial statements.

In May 2008, the FASB issued SFAS No. 162, “The Hierarchy of Generally Accepted Accounting Principles”. SFAS No. 162 identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles in the United States. It is effective 60 days following the SEC’s approval of the Public Company Accounting Oversight Board amendments to AU Section 411, “The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles”. The adoption of this statement is not expected to have a material effect on the Company’s consolidated financial statements.

In March 2008, the FASB issued SFAS No. 161, “Disclosures about Derivative Instruments and Hedging Activities – an amendment to FASB Statement No. 133”. SFAS No. 161 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 adoption of this statement is not expected to have a material effect on the Company’s consolidated financial statements.

15. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED

TERYL RESOURCES CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2009 AND 2008
(Stated in Canadian Dollars)

ACCOUNTING PRINCIPLES (Continued)

f) Recent Accounting Pronouncements (Continued)

In December 2007, the FASB issued SFAS No. 141R, “Business Combinations”. This statement replaces SFAS No. 141 and 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. SFAS No. 141R 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. SFAS No. 141R 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 adoption of this statement is not expected to have a material effect on the Company's consolidated financial statements.

In December 2007, the FASB issued SFAS No. 160, “Noncontrolling Interests in Consolidated Financial Statements Liabilities – an Amendment of ARB No. 51”. This statement amends ARB No. 51 to 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 adoption of this statement is not expected to have a material effect on the Company's consolidated financial statements.

On December 21, 2007, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 110, (“SAB 110”). SAB 110 provides guidance to issuers on the method allowed in developing estimates of expected term of “plain vanilla” share options in accordance with SFAS No. 123R, “Share-Based Payments”. The staff will continue to accept, under certain circumstances, the use of a simplified method beyond December 31, 2007 which amends question 6 of Section D.2 as included in SAB 107, “Valuation of Share-Based Payment Arrangements for Public Companies”, which stated that the simplified method could not be used beyond December 31, 2007. SAB 110 is effective April 1, 2008. The adoption of this statement is not expected to have a material effect on the Company's consolidated financial statements.

TERYL RESOURCES CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2009 AND 2008
(Stated in Canadian Dollars)

15. 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:

	2009		
	Balance Canadian GAAP \$	Adjustments \$	Balance US GAAP \$
Current assets	24,002	-	24,002
Advances to related parties	90,529	-	90,529
Investments (Note 13(e))	867	-	867
Equipment	10,253	-	10,253
Mineral property interests (Note 13(b))	196,855	-	196,855
Deferred exploration expenditures (Note 13(b))	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
	2008		
	Balance Canadian GAAP \$	Adjustments \$	Balance US GAAP \$
Current assets	277,271	-	277,271
Advances to related parties	64,201	-	64,201
Investments (Note 13(e))	2,208	-	2,208
Equipment	13,283	-	13,283
Mineral property interests (Note 13(b))	196,855	-	196,855
Deferred exploration expenditures (Note 13(b))	2,932,238	(2,932,238)	-
	3,486,056	(2,932,238)	553,818
Current liabilities	199,434	-	199,434
Shareholders' equity	3,286,622	(2,932,238)	354,384
	3,486,056	(2,932,238)	553,818

TERYL RESOURCES CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2009 AND 2008
(Stated in Canadian Dollars)

15. 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:

	2009	2008	2007
	\$	\$	\$
Net loss for the year, Canadian GAAP	(454,573)	(1,142,796)	(465,540)
Adjustment:			
Deferred exploration costs (Note 13(b))	(120,241)	67,505	(40,624)
Net loss for the year, US GAAP	(574,814)	(1,075,291)	(506,164)
Basic and diluted loss per share, US GAAP	(0.01)	(0.02)	(0.01)
Weighted average number of common shares outstanding, basic and diluted	49,587,528	44,538,405	39,663,029

The Company's comprehensive loss is comprised as follows:

	2009	2008	2007
	\$	\$	\$
Net loss for the year, US GAAP	(574,814)	(1,075,291)	(506,164)
Change in net unrealized losses on available-for-sale investments (Note 13(e))	(1,339)	(649)	(1,170)
Comprehensive loss	(576,153)	(1,075,940)	(507,334)

TERYL RESOURCES CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2009 AND 2008
(Stated in Canadian Dollars)

15. 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:

	2009	2008	2007
	\$	\$	\$
Cash flows used in operating activities, Canadian GAAP	(320,515)	(527,720)	(210,871)
Adjustment:			
Exploration expenditures (Note 13(b))	(15,857)	(211,509)	(41,624)
Cash flows used in operating activities, US GAAP	(336,372)	(739,229)	(252,495)
Cash flows provided by financing activities, Canadian and US GAAP	195,343	1,003,597	294,944
Cash flows used in investing activities, Canadian GAAP	(15,857)	(263,530)	(290,762)
Adjustment:			
Exploration expenditures (Note 13(b))	15,857	211,509	41,624
Cash flows used in investing activities, US GAAP	-	(52,021)	(249,138)
(Decrease) increase in cash	(209,109)	212,347	(206,689)
Cash, beginning of year	215,294	2,947	209,636
Cash, end of year	6,185	215,294	2,947

16. SUBSEQUENT EVENTS

On June 8, 2009, the Company closed a private placement of 2,120,000 units at \$0.075 per unit for total proceeds of \$159,000. Each unit consisted of one common share and one-half share purchase warrant, with two one-half warrants entitling the holder to acquire one additional common share at a price of \$0.10 per common share for a period of one year. Finders' fees in connection with this non-brokered private placement were \$3,675. As at May 31, 2009, the Company received \$115,875 in share subscriptions.

TERYL RESOURCES CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2009 AND 2008
(Stated in Canadian Dollars)

16. SUBSEQUENT EVENTS (Continued)

On July 15, 2009, the Company entered into two promissory note agreements with a related party for \$27,000 US and \$60,000 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 regulating approval.

On August 18, 2009, the Company closed a private placement of 7,042,092 units at \$0.075 per unit for total proceeds of \$528,157. Each unit consisted of one common share and one share purchase warrant, with one warrant entitling the holder to acquire one additional common share at a price of \$0.10 in the first year and \$0.15 in the second year. Finders' fees in connection with this non-brokered private placement were \$34,478. If the closing price of the shares on the TSXV is \$0.25 or greater for 20 consecutive days, the warrant holders will have 30 days to exercise their warrants, as they will expire after that period. The acceleration conditions will apply four months and one day from the date of closing the private placement.

On September 10, 2009, the Company entered into a public relations agreement with Maximus Stategic Consulting Inc. for a term of three months. The Company has paid \$26,250 upon commencement of the contract.

On September 21, 2009, the Company entered into a public relations agreement with KCrew Communications Inc. for a term of three months for service fees of \$7,500 per month.