TERYL RESOURCES CORP.

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The Company’s independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity’s auditor.

TERYL RESOURCES CORP.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS AT AUGUST 31, 2009
(Stated in Canadian Dollars)

Unaudited – Prepared by Management

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

	August 31 2009 $	May 31 2009 (Audited) $
ASSETS		
Current		
Cash	**119,271**	6,185
Amounts receivable and prepaid expenses	**34,370**	17,817
	153,641	24,002
Advances to Related Parties (Note 10)	**101,128**	90,529
Investments (Note 5)	**1,040**	867
Equipment (Note 6)	**9,675**	10,253
Mineral Property Interests (Note 8)	**196,855**	196,855
Deferred Exploration Expenditures (Note 8)	**3,311,079**	3,052,479
	3,773,418	3,374,985
LIABILITIES		
Current		
Accounts payable and accrued liabilities	**170,034**	286,140
Advances from related parties (Note 10)	**108,863**	131,380
Liability component of convertible loan (Note 9)	**88,593**	-
	367,490	417,520
SHAREHOLDERS' EQUITY		
Share Capital (Note 11)		
Authorized:		
100,000,000 common shares, voting, no par value		
5,000,000 preferred shares, non-voting, $1 par value		
Issued and outstanding:		
58,749,620 (May 31, 2009 – 49,587,528) common shares	**12,311,053**	12,030,233
Equity Component of Convertible Loan (Note 9)	**2,770**	-
Share Subscriptions Received	**-**	115,875
Contributed Surplus	**712,247**	344,878
Accumulated Other Comprehensive Loss	**(2,984)**	(3,157)
Deficit	**(9,617,158)**	(9,530,364)
	3,405,928	2,957,465
	3,773,418	3,374,985

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

Approved on behalf of the Board of Directors:

"John Robertson" Director "Jennifer Lorette" Director

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

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

	Three months Ended August 31 2009 $	Three months Ended August 31 2008 $
General and Administrative Expenses		
Amortization of equipment	578	757
Bad debts	828	-
Filing and regulatory fees	1,093	4,039
Foreign exchange (gain) loss	(10,017)	4,314
Management and directors' fees (Note 12)	24,510	22,358
Office and sundry	4,422	2,603
Office rent and utilities (Note 12)	3,630	3,035
Oil and gas production, royalties and other	179	6,505
Professional fees	4,765	14,670
Publicity, promotion and investor relations	24,212	54,269
Secretarial and employee benefits (Note 12)	12,490	10,439
Telephone	1,835	2,831
Transfer agent fees	1,320	967
Travel, auto and entertainment	7,463	7,145
Operating Loss	(77,308)	(133,932)
Other Income (Expenses)		
Miscellaneous income	1,007	7,873
Interest income	10	678
Interest expense	(611)	(187)
Recoverable expenditures	-	26,577
Exploration expenditures written off (Note 8)	(9,892)	(6,722)
	(10,493)	28,219
Net Loss for the Period	(86,794)	(105,713)
Unrealized gains on available-for-sale investments (Note 5)	173	(350)
Comprehensive Loss for the Period	(86,621)	(106,063)
Loss per Share – Basic and Diluted	(0.002)	(0.002)
Weighted Average Number of Common Shares Outstanding, Basic and Diluted	52,824,436	49,587,528

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

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

	Three months Ended August 31 2009 $	Three months Ended August 31 2008 $
Cash flows from operating activities		
Net loss for the year	(86,794)	(105,713)
Items not affecting cash		
Amortization of equipment	578	757
Exploration expenditures written off (Note 8)	9,892	6,722
Changes in non-cash working capital items		
Amounts receivable and prepaid expenses	(16,553)	(13,958)
Accounts payable and accrued liabilities	(116,106)	11,394
	(208,983)	(100,798)
Cash flows from investing activities		
Deferred exploration expenditures (Note 8)	(268,492)	(6,722)
	(268,492)	(6,722)
Cash flows from financing activities		
Advances from (to) related parties	(33,116)	(28,615)
Proceeds from convertible loan	91,363	-
Share issuance costs	(38,967)	-
Share capital issued for cash, net	571,281	-
	590,561	(28,615)
(Decrease) increase in cash	113,086	(136,135)
Cash, beginning of period	6,185	215,294
Cash, end of period	119,271	79,159

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

INTERIM CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Stated in Canadian Dollars)
(Unaudited)

	Share Capital							
	Number	Amount $	Share Subscriptions Received $	Equity Component of Convertible Loan $	Contributed Surplus $	Accumulated Other Comprehensive Loss $	Deficit $	Total $
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
Unrealized losses on available-for-sale investments	-	-	-	-	-	(1,339)	-	(1,339)
Share subscriptions received	-	-	115,875	-	-	-	-	115,875
Share issuance costs	-	(1,594)	-	-	-	-	-	(1,597)
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.
INTERIM CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Stated in Canadian Dollars)

(Unaudited)

	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 gains on available-for-sale investments	-	-	-	-	-	173	-	173
Private placements	9,162,092	687,156	(115,875)	-	-	-	-	571,281
Share issuance costs	-	(38,967)	-	-	-	-	-	(38,967)
Fair value of warrants granted	-	(367,369)	-	-	367,369	-	-	-
Equity component of convertible loan	-	-	-	2,770	-	-	-	2,770
Net loss for the period	-	-	-	-	-	-	(86,794)	(86,794)
Balance, August 31, 2009	**58,749,620**	**12,311,053**	**-**	**2,770**	**712,247**	**(2,984)**	**(9,617,158)**	**3,405,928**

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 interim 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 $213,849 (May 31, 2009 – working capital of $393,518) and has incurred a loss of $86,794 in the three month period ended August 31, 2009 (2008 - $105,713). These interim 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. BASIS OF CONSOLIDATION AND PRESENTATION

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the accounts of the Company and its wholly owned subsidiaries, Argon Investment Corporation (inactive) and Teryl, Inc. Intercompany balances have been eliminated upon consolidation. These unaudited interim consolidated financial statements follow the same accounting policies and methods of their application as the most recent annual financial statements. These unaudited interim consolidated financial statements should be read in conjunction with the audited financial statements of the Company as at May 31, 2009.

3. 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 4 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 14 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.

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.

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.

4. 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.

(Stated in Canadian Dollars)

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

US Dollars		**Cash**		**Accounts payable and accrued liabilities**
August 31, 2009	**$**	**141**	**$**	**2,536**
May 31, 2009	$	1,210	$	106,319

At August 31, 2009, with other variables unchanged, a +/-10% change in exchange rates would increase/decrease pre-tax loss by +/- $292.

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 August 31, 2009, with other variables unchanged, a +/- 10% change in equity prices would increase/decrease pre-tax loss by +/- $8.

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)

5. INVESTMENTS

At August 31, 2009 the Company owned 15,880 (May 31, 2009 – 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 August 31, 2009, investments were measured at a fair value of $1,040 (May 31, 2009 - $867) and resulted in an unrealized gain of $173 during the three month period ended May 31, 2009 (2008 – unrealized loss of $350).

6. EQUIPMENT

	August 31 2009 $	**May 31 2009 $**
Furniture and fixtures – at cost	27,010	27,010
Less: Accumulated amortization	(19,750)	(19,367)
	7,260	7,643
Automotive equipment – at cost	15,531	15,531
Less: Accumulated amortization	(13,116)	(12,921)
	2,415	2,610
	9,675	10,253

7. 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.

(Stated in Canadian Dollars)

8. MINERAL PROPERTY INTERESTS

	Balance May 31 2009 $	Additions $	Write-Offs $	**Balance August 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**

	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

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 and or back-in for 25% working interest prior to production.

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.

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, and the 2009 exploration program commenced in March 2009.

(Stated in Canadian Dollars)

Deferred Exploration Expenditures

	August 31 2009 $	May 31 2009 $
Fish Creek Claims		
Mining claims	**8,050**	-
	8,050	-
Gil Venture Claims		
Drilling	**258,600**	120,241
	258,600	120,241
Gold Hill Claims		
Travel, maps and rent	**1,842**	15,857
	1,842	15,857
Exploration expenditures for the year	**268,492**	136,098
Exploration expenditures invoiced or written off		
Written off – terminated, abandoned or inactive claims	**(9,892)**	(15,857)
	258,600	120,241
Exploration expenditures – beginning of period	**3,052,479**	2,932,238
Exploration expenditures – end of period	**3,311,079**	3,052,479

9. CONVERTIBLE LOAN PAYABLE

On July 15, 2009, the Company entered into two promissory note agreements with a related party for $60,000 and 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. As at August 31, 2009, the equity component of the convertible loan was valued at $2,770 (2008 - $nil).

As of August 31, 2009, $596 (2008 - $nil) of interest has been paid to the lender.

(Stated in Canadian Dollars)

10. 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:

	August 31 2009 $	May 31 2009 $
International Diamond Syndicate Ltd.	**1**	1
IAS Energy, Inc.	**29,821**	29,821
Linux Gold, Inc.	**51,648**	46,649
Reg Technologies Inc.	**14,058**	14,058
SMR Investments Ltd.	**5,600**	-
	101,128	90,529

Advances from related parties:

	August 31 2009 $	May 31 2009 $
Information-Highway.com, Inc.	**24,145**	28,146
JGR Petroleum, Inc.	**25,090**	24,456
John Robertson	**17,303**	19,308
KLR Petroleum	**5,990**	23,534
Rainbow Networks Inc.	**23,930**	23,531
REGI US, Inc.	**12,405**	12,405
	108,863	131,380

11. 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 with eight placees 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. As at May 31, 2009, the Company received had $115,875 in share subscriptions.

On August 18, 2009, the Company issued 7,042,092 units of capital stock pursuant to a Private Placement with 41 placees 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.

There was an additional $814 paid for filing fees in relation to the two financings completed during the quarter.

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.

(Stated in Canadian Dollars)

The following is a summary of the Company's stock option activities during the three month period ended August 31, 2009:

	Number of Options	Weighted Average Exercise Price $
Balance – May 31 and August 31, 2009	**1,825,000**	**0.15**

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

Expiry Date	Exercise Price $	Number of Options	Remaining Contractual Life (years)	Number of Options Exercisable
November 2, 2011	0.18	25,000	2.17	6,250
April 24, 2012	0.15	1,650,000	2.65	412,500
November 7, 2012	0.22	25,000	3.19	6,250
March 10, 2013	0.21	75,000	3.53	18,750
April 23, 2014	0.10	50,000	4.65	12,500
		1,825,000		456,250

Warrants

The following is a summary of the Company's warrant activities during the three month period ended August 31, 2009:

	Number of Warrants	Weighted Average Exercise Price $
Balance – May 31, 2009	2,715,000	0.25
Granted	8,102,092	0.10
Expired	(678,750)	0.25
Balance – August 31, 2009	**8,102,092**	**0.10**

(Stated in Canadian Dollars)

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

Expiry Date	Exercise Price	Number of Warrants	Remaining Contractual Life (years)
	$		
June 8, 2010	0.10	1,060,000	0.77
August 18, 2011	0.10/0.15	7,042,092	1.96
		8,102,092	1.80

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 $7,500 during the three month period ended August 31, 2009 (2008 - $7,500). As of August 31, 2009, $nil (May 31, 2009 - $77,883) was payable to SMR by the Company, and the amount was included in accounts payable and accrued liabilities.

During the three month period ended August 31, 2009, directors fees of $4,500 (2008 - $4,500) were paid to the President of the Company. Administration consulting fees of $5,100 (2008 - $6,600) were paid to a director of the Company. Secretarial and consulting fees of $2,850 (2008 - $2,850) were paid to a director of the Company.

During the three month period ended August 31, 2009, fees of $2,512 (2008 - $3,758) 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 $3,630 (2008 - $3,035) was paid to Linux Gold, Inc. for the three month period ended August 31, 2009.

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:

August 31, 2009	**Canada $**	**United States $**	**Total $**
Total assets	**265,475**	**3,507,943**	**3,773,418**
Acquisition and exploration costs	**1**	**3,507,933**	**3,507,934**
Net loss	**86,606**	**188**	**86,794**

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

14. CAPITAL MANAGEMENT

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

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

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

15. SUBSEQUENT EVENTS

On 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.