TERYL RESOURCES CORP.

(An Exploration Stage Company)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FEBRUARY 28, 2010
(Stated in Canadian Dollars)

(Unaudited – Prepared by Management)

Reader's Note:

These unaudited interim consolidated financial statements for the nine months ended February 28, 2010 have been prepared by management and have not been reviewed by the Company's auditors.

TERYL RESOURCES CORP. Statement 1

(An Exploration Stage Company)

INTERIM CONSOLIDATED BALANCE SHEETS

(Stated in Canadian Dollars)

	February 28 2010	May 31 2009 (Audited)
ASSETS	**$**	$
Current		
Cash	**510,240**	6,185
Amounts receivable and prepaid expenses	**34,210**	17,817
	544,450	24,002
Advances to Related Parties (Note 11)	**127,593**	90,529
Investments (Note 6)	**1,181**	867
Equipment (Note 7)	**8,519**	10,253
Mineral Property Interests (Note 9)	**196,855**	196,855
Deferred Exploration Expenditures (Note 9)	**3,268,925**	3,052,479
	4,147,523	3,374,985
LIABILITIES		
Current		
Accounts payable and accrued liabilities	**46,662**	286,140
Advances from related parties (Note 11)	**33,833**	131,380
Liability component of convertible loan (Note 10)	**22,392**	-
	102,887	417,520
SHAREHOLDERS' EQUITY		
Share Capital (Note 12)		
Authorized:		
100,000,000 common shares, voting, no par value		
5,000,000 preferred shares, non-voting, $1 par value		
Issued and outstanding:		
6,7,450,946 (May 31, 2009 – 49,587,528) common shares	**13,454,792**	12,030,233
Equity Component of Convertible Loan (Note 10) – *Statement 4*	**37,608**	-
Share Subscriptions Received – *Statement 4*	**-**	115,875
Contributed Surplus – *Statement 4*	**546,232**	344,878
Accumulated Other Comprehensive Loss – *Statement 4*	**(2,843)**	(3,157)
Deficit – *Statements 2 and 4*	**(9,991,153)**	(9,530,364)
	4,044,636	2,957,465
	4,147,523	3,374,985

Nature of Operations and 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 interim consolidated financial statements.

TERYL RESOURCES CORP. Statement 2

(An Exploration Stage Company)

INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(Stated in Canadian Dollars)

(Unaudited – Prepared by Management)

	Three months ended February 28 2010 $	Three months ended February 28 2009 $	**Nine months ended February 28 2010 $**	Nine months ended February 28 2009 $
Revenue				
Oil and gas sales	**1,064**	2,131	**3,741**	14,985
	1,064	2,131	**3,741**	14,985
Expenses				
Oil and gas production and royalty	**446**	1,252	**7,454**	10,716
Amortization of equipment	**578**	758	**1,734**	2,273
Bad debt expense	**-**	-	**810**	-
Filing and transfer agent	**12,612**	8,639	**24,811**	23,178
Foreign exchange (gain) loss	**(2,955)**	4,236	**2,881**	10,182
Interest expense	**1,576**	-	**3,958**	-
Consulting and management fees	**30,686**	26,447	**99,516**	78,934
Office and administrative expenses	**20,810**	21,065	**69,864**	62,518
Professional fees	**6,884**	10,487	**28,393**	55,724
Shareholder communication and investor relations	**76,666**	2,905	**177,745**	86,218
Stock-based compensation	**3,971**	-	**17,550**	-
Travel and entertainment	**8,146**	1,259	**26,623**	15,565
	159,420	77,048	**461,339**	345,308
Operating Loss	**(158,356)**	(74,917)	**(457,598)**	(330,323)
Other Income (Expenses)				
Recoverable expenditures	**-**	-	**-**	26,577
Exploration expenditures written off (Note 9)	**-**	(310)	**(3,191)**	(13,570)
	-	(310)	**(3,191)**	13,007
Net Loss for the Period	**(158,356)**	(75,227)	**(460,789)**	(317,316)
Unrealized gains (loss) on available-for-sale investments (Note 6)	**-**	724	**314**	(1,007)
Comprehensive Loss for the Period	**(158,356)**	(74,503)	**(460,475)**	(318,323)
Loss per Share – Basic and Diluted	**(0.003)**	(0.002)	**(0.008)**	(0.006)
Weighted Average Number of Common Shares Outstanding, Basic and Diluted	**63,872,791**	49,587,528	**58,472,568**	49,587,528

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

TERYL RESOURCES CORP. Statement 3

(An Exploration Stage Company)
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(Stated in Canadian Dollars)
(Unaudited – Prepared by Management)

	Three months ended February 28 2010 $	Three months ended February 28 2009 $	**Nine months ended February 28 2010 $**	Nine months ended February 28 2009 $
Cash flows from operating activities				
Net loss for the period	**(158,356)**	(65,557)	**(460,789)**	(301,645)
Items not affecting cash				
Amortization of equipment	**578**	758	**1,734**	2,273
Exploration expenditure written-off	**-**	310	**-**	13,570
Stock-based compensation	**3,971**	-	**17,550**	-
Changes in non-cash working capital items				
Amounts receivable and prepaid expenses	**(5,963)**	5,989	**(16,393)**	50,603
Accounts payable and accrued liabilities	**(13,121)**	2,207	**(239,478)**	(31,731)
	(172,891)	(56,293)	**(697,376)**	(266,930)
Cash flows from investing activities				
Deferred exploration expenditures (Note 9)	**-**	(310)	**(249,664)**	(13,570)
Recovery of mineral property costs (Note 9)	**-**	-	**33,218**	-
	-	(310)	**(216,446)**	(13,570)
Cash flows from financing activities				
Advances from (to) related parties	**(72,207)**	53,518	**(134,611)**	84,343
Proceeds from (redemption of) convertible loan	**(31,363)**	-	**60,000**	-
Share issuance costs	**(2,045)**	-	**(64,198)**	-
Share capital issued for cash, net	**735,149**	-	**1,556,686**	-
	629,534	53,518	**1,417,877**	84,343
Effect of foreign exchange on cash balances	**-**	(9,671)	**-**	(15,671)
(Decrease) increase in cash	**456,643**	(12,756)	**504,055**	(211,828)
Cash, beginning of period	**53,597**	16,222	**6,185**	215,294
Cash, end of period	**510,240**	3,466	**510,240**	3,466
Supplementary disclosure of cash flow information:				
Fair market value of options exercised	**792**	-	**792**	-
Cash paid for interest	**1,576**	-	**3,958**	-
Cash paid for income taxes	**-**	-	**-**	-

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

TERYL RESOURCES CORP. Statement 4

(An Exploration Stage Company)

INTERIM CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(Stated in Canadian Dollars)

(Unaudited – Prepared by Management)

	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. Statement 4, continued

(An Exploration Stage Company)

INTERIM CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(Stated in Canadian Dollars)

(Unaudited – Prepared by Management)

	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	-	-	-	-	-	314	-	314
Shares issued for cash upon:								
Exercise of stock options	12,500	1,250	-	-	-	-	-	1,250
Exercise of warrants	7,042,092	704,209	-	-	-	-	-	704,209
Fair value of options exercised	-	792	-	-	(792)	-	-	-
Fair value of warrants exercised	-	330,414	-	-	(330,414)	-	-	-
Subscription received	-	-	(115,875)	-	-	-	-	(115,875)
Private placements	10,808,826	967,102	-	-	-	-	-	967,102
Share issuance costs	-	(64,198)	-	-	-	-	-	(64,198)
Fair value of warrants granted	-	(515,010)	-	-	515,010	-	-	-
Equity component of convertible loan	-	-	-	37,608	-	-	-	37,608
Stock-based compensation	-	-	-	-	17,550	-	-	17,550
Net loss for the period	-	-	-	-	-	-	(460,789)	(460,789)
Balance, February 28, 2010	**67,450,946**	**13,454,792**	**-**	**37,608**	**546,232**	**(2,843)**	**(9,991,153)**	**4,044,636**

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

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 unaudited 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 of $441,563 (May 31, 2009 – working capital deficiency of $393,518) and has incurred a loss of $460,789 in the nine month period ended February 28, 2010 (2009 - $317,316). These unaudited 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.

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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.

Certain of the figures presented for comparative purposes have been reclassified to conform to the presentation adopted in the current period.

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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, 2009, the Company adopted CIBC Handbook Section 3064, "Goodwill and Intangible Assets" ("Section 3064"), which replaces Handbook Section 3062, "Goodwill and Other Intangible Assets" ("Section 3062") and Handbook Section 3450, "Research and Development Costs"). Various changes have been made to other sections of the CICA Handbook for consistency purposes. Section 3064 establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition of intangible assets. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. 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.

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4. RECENT ACCOUNTING PRONOUNCEMENTS 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.

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.

5. MANAGEMENT OF FINANCIAL RISK

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.

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 receivable**		**Accounts payable and accrued liabilities**
November 30, 2009	$	62,290	$	1,444	$	10,953
May 31, 2009	$	1,210	$	-	$	106,319

At February 28, 2010, with other variables unchanged, a +/-10% change in exchange rates would increase/decrease pre-tax loss by +/- $6,178.

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 February 28, 2010, with other variables unchanged, a +/- 10% change in equity prices would increase/decrease pre-tax loss by +/- $42.

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.

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6. INVESTMENTS

At February 28, 2010 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 February 28, 2010, investments were measured at a fair value of $1,181 (May 31, 2009 - $867) and resulted in an unrealized gain of $314 during the nine month period ended February 28, 2010 (2009 – unrealized loss of $1,007).

(Stated in Canadian Dollars)

7. EQUIPMENT

	February 28 2010 $	May 31 2009 $
Furniture and fixtures – at cost	27,010	27,010
Less: Accumulated amortization	(20,514)	(19,367)
	6,496	7,643
Automotive equipment – at cost	15,531	15,531
Less: Accumulated amortization	(13,508)	(12,921)
	2,023	2,610
	8,519	10,253

8. 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)

9. MINERAL PROPERTY INTERESTS

	Balance May 31 2009 $	Additions $	Write-Offs $	Balance February 28 2010 $
Property acquisition costs				
Fish Creek	49,538	-	-	49,538
West Ridge	116,190	-	-	116,190
Gil Venture	31,127	-	-	31,127
	196,855	-	-	196,855

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.

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)

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 (US$5,000) for a 90 day option and $11,268 (US$10,000) to complete a due diligence (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 2009 fiscal year, and $3,191 was written off during the nine months ended February 28, 2010.

Deferred Exploration Expenditures

	February 28 2010 $	May 31 2009 $
West Ridge Claims		
Mining claims	8,666	-
	8,666	-
Gil Venture Claims		
Drilling	240,998	120,241
	240,998	120,241
Gold Hill Claims		
Travel, maps and rent	-	15,857
	-	15,857
Exploration expenditures for the year	249,664	136,098
Exploration expenditures recovered or written off		
Recovery of expenditures	(33,218)	-
Expenditures written off	-	(15,857)
	216,446	120,241
Exploration expenditures – beginning of period	3,052,479	2,932,238
Exploration expenditures – end of period	3,268,925	3,052,479

(Stated in Canadian Dollars)

10. CONVERTIBLE LOANS

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

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

As at February 28, 2010 the Company had outstanding convertible loan of $60,000 (May 31, 2009 - $nil), with its debt component valued at $22,392 and its equity component valued at $37,608.

As of February 28, 2010, interest of $3,958 (2009 - $nil) has been paid on the convertible loans.

11. 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:	February 28 2010 $	May 31 2009 $
International Diamond Syndicate Ltd.	1	1
IAS Energy, Inc.	24,821	29,821
Imaging Technologies Inc.	28,600	-
Information-Highway.com, Inc.	3,000	-
Linux Gold, Inc.	71,171	46,649
Reg Technologies Inc.	-	14,058
	127,593	90,529

Advances from related parties:	February 28 2010 $	May 31 2009 $
Information-Highway.com, Inc.	-	28,146
JGR Petroleum, Inc.	-	24,456
John Robertson	-	19,308
KLR Petroleum	14,335	23,534
Rainbow Networks Inc.	-	23,531
Reg Technologies Inc.	14,598	-
REGI US, Inc.	-	12,405
SMR Investments Ltd.	4,900	-
	33,833	131,380

12. 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.

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.

On November 11, 2009, an employee exercised stock options for 12,500 shares at a price of $0.10 per share.

On November 25, 2009, the Company issued 1,646,734 units of capital stock pursuant to a Private Placement with 20 placees at a price of $0.17 per unit. Each unit consists of one common share and one-half share purchase warrant exercisable within one year for $0.22 per share. Finders' fees in connection with this non-brokered private placement were $17,966.

During January, 2010, the Company issued 7,042,092 common shares for warrants exercised at $0.10 per share for net proceeds of $704,209.

There was an additional $8,079 paid for filing fees in relation to the three financings completed during the nine month period.

(Stated in Canadian Dollars)

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.

The following is a summary of the Company's stock option activities during the nine month period ended February 28, 2010:

	Number of Options	Weighted Average Exercise Price $
Balance – May 31, 2009	1,825,000	0.160
Granted	325,000	0.185
Granted	65,000	0.250
Exercised	(12,500)	0.100
Balance – February 28, 2010	2,202,500	0.167

The following share purchase options were outstanding at February 28, 2010:

Expiry Date	Exercise Price $	Number of Options	Remaining Contractual Life (years)	Number of Options Exercisable
December 4, 2010	0.250	65,000	0.75	16,250
November 2, 2011	0.180	25,000	1.67	6,250
April 24, 2012	0.150	1,650,000	2.15	412,500
November 7, 2012	0.220	25,000	2.69	6,250
March 10, 2013	0.210	75,000	3.03	18,750
April 23, 2014	0.100	37,500	4.15	12,500
October 30, 2014	0.185	275,000	4.67	68,750
November 5, 2014	0.185	50,000	4.67	12,500
		2,202,500		553,750

(Stated in Canadian Dollars)

During the nine month period ended February 28, 2010, the Company granted a total of 390,500 stock options having a total fair value of $16,758 for the options vested during the period. The fair value of options granted was estimated on the date of grant using the Black-Scholes option pricing model, with the following weighted-average assumptions:

Risk-free interest rate	1.20% - 2.16%
Expected dividend yield	Nil
Expected stock price volatility	121.76% - 245.99%
Expected life (in years)	1 - 4.96

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

Warrants

The following is a summary of the Company's warrant activities during the nine month period ended February 28, 2010:

	Number of Warrants	**Weighted Average Exercise Price $**
Balance – May 31, 2009	2,715,000	0.25
Issued	9,748,826	0.12
Exercised	(7,042,092)	0.10
Expired	(2,715,000)	0.25
Balance – February 28, 2010	2,706,734	0.17

The following share purchase warrants were outstanding at February 28, 2010:

Expiry Date	**Exercise Price**	**Number of Warrants**	**Remaining Contractual Life (years)**
	$		
June 8, 2010	0.10	1,060,000	0.27
November 25, 2010	0.22	1,646,734	0.74
		2,706,734	

(Stated in Canadian Dollars)

During the nine month period ended February 28, 2010, a total of 9,748,826 warrants were issued with a fair value of $515,010. The fair value of warrants issued was estimated on the date of grant using the Black-Scholes option pricing model, with the following weighted-average assumptions:

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

During the nine months ended February 28, 2010, 7,042,092 warrants issued on August 18, 2009 were exercised at $0.10 per share. The fair value of the warrants was assessed at $330,414 upon their issuance.

13. RELATED PARTY TRANSACTIONS

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

SMR Investments Ltd. (“SMR”) is a private company controlled by an officer of the Company. Under a management contract with SMR, the Company agreed to pay up to $2,500 per month for management services. The Company was charged management fees by SMR of $22,500 during the nine month period ended February 28, 2010 (2009 - $22,500). As of February 28, 2010, $4,900 (May 31, 2009 - $77,883) was payable to SMR by the Company.

During the nine month period ended February 28, 2010, directors fees of $9,000 (2009 - $12,000) were paid to the President of the Company. Administration consulting fees of $15,300 (2009 - $19,800) were paid to a director of the Company. Secretarial and consulting fees of $13,500 (2009 - $8,550) were paid to a director of the Company.

During the nine month period ended February 28, 2010, fees of $9,311 (2009 - $10,600) 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 $11,986 (2009 - $11,645) was paid to Linux Gold, Inc. for the nine month period ended February 28, 2010.

(Stated in Canadian Dollars)

14. SEGMENTED INFORMATION

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

February 28, 2010	**Canada** $	**United States** $	**Total** $
Total assets	637,462	3,510,061	4,147,523
Acquisition and exploration costs	1	3,507,933	3,507,934
Net loss	437,568	23,221	460,789

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

15. CAPITAL MANAGEMENT

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

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

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

16. SUBSEQUENT EVENTS

The following events occurred subsequent to February 28, 2010 and up to and including April 28, 2010:

On April 19, 2010, the Company granted two consultants stock options to purchase a total of 100,000 shares of the Company's common stock at an exercise price of $0.24 for a period of five years.