

TERYL RESOURCES CORP.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS AT AUGUST 31, 2010
(Stated in Canadian Dollars)

Reader's Note:

These unaudited interim consolidated financial statements of Teryl Resources Corp. ("the Company") for the three months ended August 31, 2010 have been prepared by management and have not been reviewed by the Company's auditors.

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

	August 31	May 31
	2010	2010
	\$	\$
	(Unaudited)	
ASSETS		
Current		
Cash	109,812	260,150
Amounts receivable and prepaid expenses	44,299	40,375
	154,111	300,525
Advances to Related Parties (Note 8)	144,194	126,093
Investments (Note 4)	669	837
Equipment (Note 5)	7,498	7,941
Mineral Property Interests (Note 7)	196,855	196,855
Deferred Exploration Expenditures (Note 7)	2,650,528	2,637,853
	3,153,855	3,270,104
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 12)	63,153	107,394
Advances from related parties (Note 8)	14,598	25,488
Liability component of convertible loan (Note 9)	-	58,730
	77,751	191,612
SHAREHOLDERS' EQUITY		
Share Capital (Note 10)		
Authorized:		
100,000,000 common shares, voting, no par value		
5,000,000 preferred shares, non-voting, \$1 par value		
Issued and outstanding:		
68,510,946 (May 31, 2010 – 67,463,446) common shares	13,597,747	13,456,263
Equity component of convertible loan (Note 9)	-	14,565
Share Subscriptions Received	-	10,000
Contributed Surplus	529,134	550,941
Accumulated Other Comprehensive Loss	(3,356)	(3,187)
Deficit	(11,047,421)	(10,950,090)
	3,076,104	3,078,492
	3,153,855	3,270,104

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 consolidated financial statements.

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

	Three months ended August 31, 2010	Three months ended August 31, 2009
	\$	\$
General and Administrative Expenses		
Amortization of equipment	443	578
Bad debts	-	828
Filing and regulatory fees	6,266	1,093
Foreign exchange (gain) loss	412	(10,017)
Geological consulting	7,033	-
Consulting, Management and directors' fees (Note 11)	27,797	24,510
Office and administrative	3,572	4,422
Office rent and utilities (Note 11)	3,355	3,630
Oil and gas production, royalties and other	1,240	179
Professional fees	5,881	4,765
Publicity, promotion and investor relations	30,988	24,212
Secretarial and employee benefits (Note 11)	10,271	12,490
Stock-based compensation (Note 10)	365	-
Telephone	3,478	1,835
Transfer agent fees	1,344	1,320
Travel, auto and entertainment	276	7,463
	<hr/>	<hr/>
Operating Loss	(102,721)	(77,308)
Other Income (Expenses)		
Miscellaneous income (loss)	6,660	1,007
Interest income	-	10
Interest expense	(1,270)	(611)
Exploration expenditures written off	-	(9,892)
	<hr/>	<hr/>
	5,390	(10,493)
Net Loss for the Period	(97,331)	(86,794)
Unrealized losses on available-for-sale investments	(169)	(173)
	<hr/>	<hr/>
Comprehensive Loss for the Period	(97,500)	(86,621)
Loss per Share – Basic and Diluted	(0.00)	(0.00)
Weighted Average Number of Common Shares Outstanding, Basic and Diluted	68,419,859	52,824,436

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

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

	Three months ended August 31, 2010	Three months ended August 31, 2009
	\$	\$
Cash flows from operating activities		
Net loss for the year	(97,331)	(86,794)
Items not affecting cash		
Amortization of equipment	443	578
Exploration expenditures written off	-	9,892
Interest expense	1,270	-
Stock-based compensation	365	-
Changes in non-cash working capital items		
Amounts receivable and prepaid expenses	(3,924)	(16,553)
Accounts payable and accrued liabilities	(44,245)	(116,106)
	(143,422)	(208,983)
Cash flows used in investing activities		
Deferred exploration expenditures	(12,675)	(268,492)
	(12,675)	(268,492)
Cash flows from financing activities		
Advances from (to) related parties	(28,991)	(33,116)
Proceeds from (repayment to) convertible loan	(60,000)	91,363
Share capital issued for cash, net of issuance costs	94,750	532,314
	5,759	590,561
(Decrease) increase in cash	(150,338)	113,086
Cash, beginning of period	260,150	6,185
Cash, end of period	109,812	119,271
Supplemental Disclosures		
Interest paid	-	-
Income taxes paid	-	-

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)

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

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

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

	<u>Share Capital</u>		Share Subscriptions Received \$	Equity Component of Convertible Loan \$	Contributed Surplus \$	Accumulated Other Comprehensive Loss \$	Deficit \$	Total \$
	Number	Amount \$						
Balance, May 31, 2009	49,587,528	12,030,233	115,875	-	344,878	(3,157)	(9,530,364)	2,957,465
Unrealized loss on available-for-sale investments	-	-	-	-	-	(30)	-	(30)
Shares issued for cash upon:								
Exercise of stock options	12,500	1,250	-	-	-	-	-	1,250
Exercise of warrants	7,054,592	705,459	-	-	-	-	-	705,459
Fair value of options exercised	-	792	-	-	(792)	-	-	-
Fair value of warrants exercised	-	330,632	-	-	(330,632)	-	-	-
Subscription received	-	-	10,000	-	-	-	-	10,000
Private placements	10,808,826	967,105	(115,875)	-	-	-	-	851,230
Share issuance costs	-	(64,198)	-	-	-	-	-	(64,198)
Fair value of warrants granted	-	(515,010)	-	-	515,010	-	-	-
Equity component of convertible loan	-	-	-	14,565	-	-	-	14,565
Stock-based compensation	-	-	-	-	22,477	-	-	22,477
Net loss for the year	-	-	-	-	-	-	(1,419,726)	(1,419,726)
Balance, May 31, 2010	67,463,446	13,456,263	10,000	14,565	550,941	(3,187)	(10,950,090)	3,078,492
Shares issued for cash upon:								
Exercise of warrants	1,047,500	141,484	(10,000)	-	(36,737)	-	-	94,747
Equity component of convertible loan	-	-	-	(14,565)	14,565	-	-	-
Stock-based compensation	-	-	-	-	365	-	-	365
Unrealized loss on available-for-sale investments	-	-	-	-	-	(169)	-	(169)
Net loss for the period	-	-	-	-	-	-	(97,331)	(97,331)
Balance, August 31, 2010	68,510,946	13,597,747	-	-	529,134	(3,356)	(11,047,421)	3,076,104

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

TERYL RESOURCES CORP.
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED AUGUST 31, 2010
(Stated in Canadian Dollars)
(Unaudited)

1. NATURE OF OPERATIONS AND GOING CONCERN

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

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

The Company’s ability to continue as a going concern is dependent upon its ability to obtain the financing necessary to complete its mineral projects by issuance of share capital or through joint ventures, and to realize future profitable production or proceeds from the disposition of its mineral interests. As at August 31, 2010 the Company had a working capital of \$76,360 (May 31, 2010 –\$108,913) and had incurred accumulated loss of \$11,047,421 (May 31, 2010 - \$10,950,090). 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. 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, 2010.

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

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 and advances to related parties are designated as “loans and receivables”. Investments are designated as “available-for-sale”. Advances from related parties, and accounts payable and accrued liabilities are designated as “other financial liabilities”.

TERYL RESOURCES CORP.
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED AUGUST 31, 2010
(Stated in Canadian Dollars)
(Unaudited)

3. FINANCIAL INSTRUMENTS (Continued)

Financial instruments carrying value and fair value (Continued)

The carrying value of cash, receivables, advances to and from related parties and accounts payable and accrued liabilities approximate their fair values due to their immediate or short-term maturity. Investments are recorded at fair value based on quoted market prices at the balance sheet date.

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:

August 31, 2010	Cash	Accounts payable and accrued liabilities
US dollars	\$ 6,454	\$ 8,640
May 31, 2010	Cash	Accounts payable and accrued liabilities
US dollars	\$ 13,065	\$ 51,879

At August 31, 2010, with other variables unchanged, a +/-10% change in exchange rates would increase/decrease pre-tax loss by +/- \$219.

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, 2010, with other variables unchanged, a +/- 10% change in equity prices would increase/decrease pre-tax loss by +/- \$67.

TERYL RESOURCES CORP.
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED AUGUST 31, 2010
(Stated in Canadian Dollars)
(Unaudited)

3. FINANCIAL INSTRUMENTS (Continued)

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.

Fair Value Measurement

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

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

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

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

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

	Level 1	Level 2
Investments	\$ 669	

4. INVESTMENTS

At August 31 and May 31, 2010, 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 at August 31, 2010, investments were measured at a fair value of \$669 (May 31, 2010 - \$837) and resulted in an unrealized loss of \$169 during the three months ended August 31, 2010 (2010 – \$173).

TERYL RESOURCES CORP.
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED AUGUST 31, 2010
(Stated in Canadian Dollars)
(Unaudited)

5. EQUIPMENT

	August 31	May 31
	2010	2009
	\$	\$
Furniture and fixtures – at cost	27,010	27,010
Less: Accumulated amortization	(21,202)	(20,896)
	5,808	6,114
Automotive equipment – at cost	15,531	15,531
Less: Accumulated amortization	(13,841)	(13,704)
	1,690	1,827
	7,498	7,941

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 Burlinson 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		Balance
	May 31,	Additions	August 31,
	2010	\$	2010
	\$	\$	\$
Property acquisition costs			
Silverknife	1	-	1
Fish Creek	49,538	-	49,538
West Ridge	116,189	-	116,189
Gil Venture	31,127	-	31,127
	196,855	-	196,855

TERYL RESOURCES CORP.
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED AUGUST 31, 2010
(Stated in Canadian Dollars)
(Unaudited)

7. MINERAL PROPERTY INTERESTS (Continued)

Silverknife, Laird, BC, Canada

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

Fish Creek, Fairbanks, Alaska, USA

The Company and Linux Gold Corp. (“Linux”) entered into an agreement on March 5, 2002, whereby the Company may earn up to a 50% interest in the Fish Creek mineral claims, located in the Fairbanks district of Alaska, USA, by expending \$500,000 US within three years and issuing 200,000 common shares (issued on December 16, 2002 at \$0.08 per share). An additional 100,000 shares were issued on February 14, 2007 at \$0.16 per share in payment of an extension of the expenditure date to March 5, 2007, which was further extended to March 5, 2011. Linux will have a 5% Net Royalty Interest until the Company pays \$2,000,000 US. The Company has written off their exploration and development expenditures of \$111,947 entirely during the year ended May 31, 2010, since the claims are not currently being explored. The Company will continue to maintain the option agreement and will only commence its exploration program once more financings are available.

Gold Hill, Cochise County, Arizona, USA

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

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

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

West Ridge, Dome Creek, Alaska, USA

Pursuant to various agreements, the Company earned a 100% interest in the West Ridge mineral properties (approximately 5,200 acres) located in the Dome Creek area of the Fairbanks District of Alaska, USA. The Company has written off their exploration and development expenditures of \$661,615 entirely, since the claims are not currently being explored. The Company will continue to maintain the claims and will only commence its exploration program once more financings are available.

TERYL RESOURCES CORP.
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED AUGUST 31, 2010
(Stated in Canadian Dollars)
(Unaudited)

7. MINERAL PROPERTY INTERESTS (Continued)

Gil Venture, Dome Creek, Alaska, USA

Pursuant to various agreements, the Company acquired a 50% interest in 237 claims located in the Gilmore Dome area of Fairbanks District of Alaska. On May 31, 1991, the Company, NERCO Exploration Company and Fort Knox Venture entered into an agreement, which granted the Company a 20% participating interest in the claims. Under the agreement, Fort Knox Venture paid the Company cash and funded approved programs, earning them an 80% participating interest in the property, with the Company retaining a 20% participating interest. Fort Knox Venture, through its operator Fairbanks Gold Mining, Inc., was doing exploration work on this property. An exploration program was completed in late 2008. During the three months ended August 31, 2010 the Company incurred exploration expenditure of \$8,377 on the property.

Deferred Exploration Expenditures

	Thee Months Ended August 31, 2010 \$	Thee Months Ended August 31, 2009 \$
Fish Creek Claims		
Mining claims	-	8,050
	-	(8,050)
Gil Venture Claims		
Drilling	12,675	258,600
	12,675	258,600
Gold Hill Claims		
Travel, maps and rent	-	1,842
	-	1,842
West Ridge Claims		
Written off – inactive claims	-	-
	-	-
Exploration expenditures for the year	-	-
Exploration expenditures invoiced or written off		
Invoiced to joint venture partner	-	-
Written off – terminated, abandoned or inactive claims	-	(9,892)
	-	(9,892)
Exploration expenditures – beginning of period	2,637,853	3,052,479
Exploration expenditures – end of period	2,650,528	3,311,079

TERYL RESOURCES CORP.
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED AUGUST 31, 2010
(Stated in Canadian Dollars)
(Unaudited)

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:

	August 31, 2010	May 31, 2010
	\$	\$
IAS Energy, Inc.	24,821	24,821
Linux Gold, Inc.	90,773	72,672
REGI US, Inc.	28,600	28,600
	144,194	126,093

Advances from related parties:

	August 31, 2010	May 31, 2010
	\$	\$
Reg Technologies Inc.	14,598	-
Information-Highway.com, Inc.	-	28,146
JGR Petroleum, Inc.	-	24,456
John Robertson	-	19,308
KLR Petroleum	-	23,534
Rainbow Networks Inc.	-	23,531
REGI US, Inc.	-	12,405
	14,598	131,380

9. CONVERTIBLE LOANS

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

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

The fair value of the debt component of the convertible loan was estimated using discounted cash flow at 10% for equivalent debt without the conversion feature. The fair value of equity component was estimated using Black-Scholes option pricing model with following assumptions: risk-free interest rate of 1.45%, dividend of 0%, expected life of 1 year and expected volatility of 210%. The debt and equity components of the convertible loans were then measured using the proportional or relative fair value method and were initially recorded at \$76,798 and \$14,565 respectively. As at May 31, 2010, \$13,295 interest has been amortized with its debt component carried at amortized cost of \$58,730 after the repayment of \$31,363 (US\$27,000). On June 1, 2010 the remaining balance of \$60,000 was repaid to the lender in full with the unamortized interest of \$1,270 at May 31, 2010 recorded as interest expense upon repayment.

As of August 31, 2010, interest of \$5,472 has been paid to the lender.

TERYL RESOURCES CORP.
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED AUGUST 31, 2010
(Stated in Canadian Dollars)
(Unaudited)

10. SHARE CAPITAL

Authorized share capital consists of:

100,000,000 voting common shares with no par value

5,000,000 non-voting preferred shares with \$1 par value

The Preferred Shares have attached thereto a right to receive dividends as determined by the Directors. The Preferred Shares may be issued in series, with special rights and restrictions therefore being determined by the Directors, subject to regulatory approval. No Preferred Shares have been issued to the date of these financial statements.

On August 30, 2007, the Company issued 2,715,000 units of capital stock pursuant to a Private Placement with 36 places 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 places at a price of \$0.15 per unit. Each unit consists of one share and one share purchase warrant exercisable within one year for \$0.20 per share. 238,400 broker's share purchase warrants were issued as commissions valued at \$25,339, which has been recorded in contributed surplus on the balance sheet. The broker's warrants were valued using the Black-Scholes option pricing model with the following assumptions: risk-free interest rate of 1.84%, dividend yield of nil, volatility of 99.05%, and expected life of 1 year.

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

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

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

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

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

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

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

During the three months ended August 31, 2010 the Company issued 1,047,500 common shares for warrants exercised at \$0.10 per share.

TERYL RESOURCES CORP.
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED AUGUST 31, 2010
(Stated in Canadian Dollars)
(Unaudited)

10. SHARE CAPITAL (Continued)

Stock Options

The Company has a stock option plan to issue up to 10% of the issued common shares to certain directors and employees. All options granted under the plan vest immediately upon grant, but are subject to the following exercise conditions:

- i) Up to 25% of the options may be exercised at any time during the term of the option; such initial exercise is referred to as the “First Exercise”;
- ii) The second 25% of the options may be exercised at any time after 90 days from the date of the First Exercise; such second exercise is referred to as the “Second Exercise”;
- iii) The third 25% of the options may be exercised at any time after 90 days from the date of the Second Exercise; such third exercise is referred to as the “Third Exercise”; and
- iv) The fourth and final 25% of the options may be exercised at any time after 90 days from the date of the Third Exercise.

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

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

During the three months ended August 31, 2010, the Company granted a total of 250,000 stock options exercisable at \$0.19 per share up to August 26, 2013 with total fair value of \$365 for the options vested during the period. Because the options were granted to a consultant performing investor relations activities, the options vest in stages over 12 months with no more than ¼ of the options vesting in any three months 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:

	Three months ended August 31, 2010	Year ended May 31, 2010
Risk-free interest rate	1.52%	2.50%
Expected dividend yield	Nil	Nil
Expected stock price volatility	145%	137%
Expected life (in years)	3	4.44

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.

TERYL RESOURCES CORP.
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED AUGUST 31, 2010
(Stated in Canadian Dollars)
(Unaudited)

10. SHARE CAPITAL (Continued)

Stock Options

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

	Number of Options	Weighted Average Exercise Price \$
Balance – May 31, 2009	1,825,000	0.150
Granted	325,000	0.185
Granted	65,000	0.250
Granted	100,000	0.240
Exercised	(12,500)	0.100
Balance – May 31, 2010	2,302,500	0.160
Granted	250,000	0.190
Balance – August 31, 2010	2,552,500	0.163

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

Expiry Date	Exercise Price \$	Number of Options	Remaining Contractual Life (years)	Number of Options Exercisable
December 4, 2010	0.250	65,000	0.25	16,250
November 2, 2011	0.180	25,000	1.17	6,250
April 24, 2012	0.150	1,650,000	1.65	412,500
November 7, 2012	0.220	25,000	2.19	6,250
March 10, 2013	0.210	75,000	2.53	18,750
August 31, 2013	0.190	250,000	2.99	2,055
April 23, 2014	0.100	37,500	3.65	12,500
October 30, 2014	0.185	275,000	4.17	68,750
November 5, 2014	0.185	50,000	4.19	12,500
April 19, 2015	0.240	100,000	4.64	25,000
		<u>2,552,500</u>		<u>580,805</u>

TERYL RESOURCES CORP.
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED AUGUST 31, 2010
(Stated in Canadian Dollars)
(Unaudited)

10. SHARE CAPITAL (Continued)

Warrants

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

	Number of Warrants	Weighted Average Exercise Price \$
Balance – May 31, 2009	2,715,000	0.25
Issued	9,748,826	0.12
Exercised	(7,054,592)	0.10
Expired	(2,715,000)	0.25
Balance – May 31, 2010	2,694,234	0.17
Exercised	(1,047,500)	0.10
Balance – August 31, 2010	<u>1,646,734</u>	<u>0.22</u>

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

Expiry Date	Exercise Price \$	Number of Warrants	Remaining Contractual Life (years)
November 25, 2010	0.22	<u>1,646,734</u>	0.24
		<u>1,646,734</u>	

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

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

TERYL RESOURCES CORP.
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED AUGUST 31, 2010
(Stated in Canadian Dollars)
(Unaudited)

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:

SMR Investments Ltd. ("SMR") is a private company controlled by an officer of the Company. Under a management contract with SMR, the Company agreed to pay up to \$2,500 per month for management services. The Company was charged management fees by SMR of \$7,500 during the three months ended August 31, 2010 (2010 - \$7,500). As at August 31, 2010, \$nil (May 31, 2010 - \$4,900) was payable to SMR by the Company.

During the three months ended August 31, 2010, directors fees of \$3,000 (2010 - \$4,500) were paid to the President of the Company. Administration consulting fees of \$5,100 (2010 - \$5,100) were paid to a director of the Company. Secretarial and consulting fees of \$4,650 (2010 - \$2,850) were paid to a director of the Company.

During the three months ended August 31, 2010, fees of \$1,145 (2010 - \$2,512) were paid to KLR Petroleum Ltd. (which is controlled by an officer of the Company) for administration of the Company payroll and benefit plan.

During the three months ended August 31, 2010, office rent of \$3,355 (2010 - \$3,630) was paid to Linux Gold, Inc.

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
	\$	\$	\$
Three Months Ended August 31, 2010			
Total assets	346,809	2,807,046	3,153,855
Acquisition and exploration costs	1	2,847,382	2,847,383
Net income (loss)	(102,756)	5,425	(97,331)
Year ended May 31, 2010			
Total assets	432,746	2,837,359	3,270,105
Acquisition and exploration costs	1	2,834,707	2,834,708
Net loss	752,797	666,929	1,419,726

TERYL RESOURCES CORP.
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED AUGUST 31, 2010
(Stated in Canadian Dollars)
(Unaudited)

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

Kahiltna Terrane Option Agreement

On September 1, 2010 the Company signed an option agreement (the "Option Agreement") to acquire a 50% interest in eleven mineral claims located in the Kahiltna Terrane area approximately 130 kilometers northwest of Anchorage, Alaska. Consideration for the option is as follows:

- (a) issue 50,000 common shares upon approval of the option agreement by the TSX.V (the "Approval Date") (not issued);
- (b) issue an additional 50,000 common shares on the first anniversary of the Approval Date;
- (c) issue an additional 100,000 common shares and pay a US\$10,000 cash payment on the second anniversary of the Approval Date; and
- (d) contribute \$50,000 US for exploration expenditures in the first year and \$100,000 US in exploration expenditures in the second year.

On October 26, 2010 the Company staked and recorded an additional 23 mineral claims in the Kahiltna Terrane. Pursuant to the Option Agreement the Company has a 100% interest in the additional new mineral claims, subject to a 2½ % net royalty interest.

Warrants extension

On October 21, 2010, the Company received TSX approval to an extension of the term of the 1,646,734 warrants due to expire on November 25, 2010, for an additional six months to May 25, 2011.