



An **Oxbridge Research** Investment Summary

**Teryl Resources Corp.**  
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**Teryl Resources Corp. : TRC.V / TRYLF**

Stock Price (10/16/13):	\$0.03
<b>Target Price:</b>	<b>\$0.14</b>
Recommendation:	Undervalued
Shares Outstanding:	70.3 mm
Market Capitalization:	\$2.1 mm
52 week range:	\$0.02 - \$0.07
Avg. Daily Volume (3 mos):	18,348

*Note: All figures in this report are in Canadian dollar unless otherwise indicated.*

**INITIATION OF COVERAGE**

**OCTOBER 16, 2013**

**ANALYST CERTIFYING THIS REPORT**

**JEFFREY SONG**

## Company Description

Teryl Resources Corp., is an early stage Canadian junior precious metals acquisition, exploration, and development company which holds interests in gold and silver properties in Alaska and British Columbia, Canada. The Company is an accomplished explorer with a proven track record of exploration, development, and marketing its properties to mining majors. The Company has three properties in Alaska and one property in British Columbia. Teryl's properties in Alaska are in the Fairbanks Mining District and include the West Ridge Property, Fish Creek Property, and Stepovich Property. The Fairbanks Mining District is one of the largest gold producing areas in Alaska. In 2011, Teryl sold its 20% stake in Gil Properties to Kinross Gold for US\$15 million. The Company's single property in British Columbia is its Silverknife Property. Teryl also has oil and gas properties in Texas and Kentucky. To date, Teryl has spent over \$2.2 million on exploration of its properties.

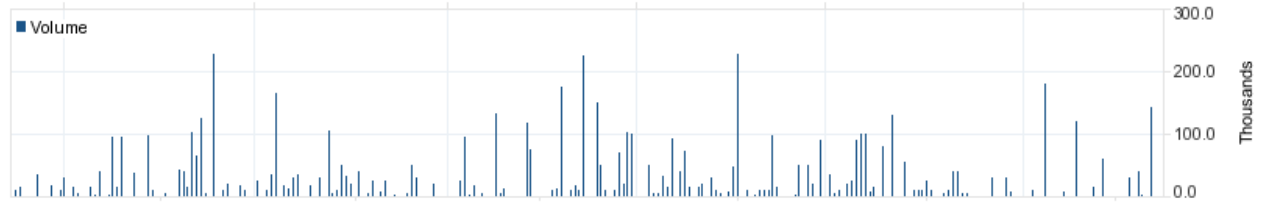
## Analyst Background

Jeffrey Song has over 10 years of investment banking, private equity, and public equity investing experience including 3 years of investment banking at Goldman Sachs, 4 years at a private equity firm, and 4 years as the investment manager for private family wealth. Mr. Song started his career at Goldman Sachs where he spent 3 years as a financial analyst in their mergers & acquisitions and private equity groups covering a broad range of industries and closing 8 transactions with a total value of over \$6 billion. He then spent 4 years as a senior associate at Friedman, Fleischer, & Lowe, a \$1 billion SF-based private equity firm where he focused on leverage buyouts and growth equity investments in middle market companies. After working briefly at Gandhara Capital, a \$2 billion equity hedge fund in Hong Kong, Mr. Song spent 4 years as the investment manager for private family wealth. Most recently, he was the consulting CFO and founder of two early stage internet startup ventures. Mr. Song graduated from Stanford University with a Bachelors degree in Industrial Engineering.

# TERYL RESOURCES CORP

■ TRC.V

Oct 15, 2013



## INVESTMENT HIGHLIGHTS

- **Opportunity to invest in an undervalued junior precious metals exploration company with valuable properties**
- **Proven history as an accomplished explorer and impressive track record of developing and marketing its properties**
  - US\$15 million sale of stake in Gil Properties to Kinross Gold proves success of the Company's long term strategy of developing and profitably selling properties to major miners
- **Four excellent exploration properties** in Alaska and British Columbia with strong potential for discovery of gold, silver, and other metal resources
  - Strategically located adjacent to operating mines or significant deposits operated by major mining companies (Kinross Gold, Silvercorp)
  - The three Alaskan properties are in the Fairbanks Mining District – one of the largest gold producing areas in Alaska with over 40 million ounces produced
- **Expression of interest by several buyers in two of its properties – Fish Creek and Silverknife**
  - These properties are adjacent to the projects of large mining companies, and will likely result in sales through a competitive bidding process
- **Strong financial position** after sale of interest in Gil Properties allows the Company to further explore and develop other properties, as well as seek new acquisitions
  - \$1.1 million in cash and upcoming US\$1.5 million Gil advance royalty payment
- **The stock is undervalued - our valuation analysis results in a target price of \$0.14 per share**
  - This target price represents significant upside of 4.6 times the current stock price and over 2.0 times the 52 week high
- **Gold pricing outlook is positive** given the recent price rebound/momentum, a favorable supply/demand situation, and supportive global macroeconomic factors
  - Gold mining stocks have severely underperformed and are poised to recover
- **Strong management team and Board of Directors** with considerable exploration and development mining experience

## Investment Thesis

Teryl Resources presents an opportunity to invest in an undervalued junior precious metals exploration company with valuable properties. The Company has a proven history as an accomplished explorer and impressive track record of developing and marketing its properties. In 2011, Teryl sold its 20% stake in Gil Properties to Kinross Gold for US\$15 million which validates the Company's long term strategy of successfully developing and profitably selling properties to major mining companies. Teryl owns a larger 50% stake in the potentially more valuable Fish Creek Property, which is adjacent to the Gil Properties and is attracting interest from several buyers. Similarly, Teryl's Silverknife Property in British Columbia has several interested buyers.

The Company has four excellent properties in Alaska and British Columbia with strong potential for discovery of gold, silver, and other resources. The properties are strategically located adjacent to operating mines or significant deposits operated by major mining companies - Kinross Gold in Alaska and Silvercorp in British Columbia. The Company's three properties in Alaska are in the Fairbanks Mining District which is one of the largest gold producing areas in the state with over 40 million ounces of gold produced. The Fairbanks Mining District contains Kinross Gold's Fort Knox Mine which is the second largest gold producer in Alaska with over 3.6 million ounces of proven and probable reserves. The Alaskan properties lie in the same area as the Gil Properties and have high potential for similar or better mineralization levels. Teryl's Silverknife Property in British Columbia, Canada is near Silvercorp's active Silvertip silver-zinc-lead project with an estimated 35 million ounces of silver (indicated and inferred).

At the current stock price of \$0.03 per share and market capitalization of \$2.1 million, the stock is undervalued given its recent sale of the Gil Properties and potential future sales of its other valuable properties. Our valuation analysis yields a market capitalization of \$9.7 million for Teryl and a target price of \$0.14 per share. This potential price represents significant upside of 4.6 times the current stock price and over 2.0 times the 52 week high of \$0.07 per share. At the current price of \$0.03 per share, there seems to be limited downside risk with a 52 week low of \$0.02 per share and future price support from the Company's recently announced 3.5 million share repurchase program (5% of shares outstanding).

The future success and viability of any early stage exploration mining company is dependent on the Company's access to capital to fund its operations and exploration activities. After sale of its Gil Properties to Kinross Gold, the Company is in a strong financial position to further explore and develop its properties and has no near-term financing needs. The Company has \$1.1 million in cash and expects an upcoming US\$1.5 million Gil advance royalty payment when production commences at the property and a 1% NSR payment when in production until \$15 million then reverts to 0.5% NSR.

Gold prices directly affect the profits, financial health, and stock valuations of gold mining production companies. In rising gold price environments, those companies will be more active in acquiring and investing in exploration and development companies. Gold prices are likely to sustain or increase from current levels in the mid-term given the recent price rebound/momentum, a favorable supply/demand situation and supportive macro-economic factors. Stocks in the gold mining sector have severely underperformed over the last year and

seem poised to recover with improved operating focus by companies, compressed valuations, and low investor expectations.

Potential risks to an investment in the Company include the following:

- No guarantee that gold, silver, or other metals will be found at properties in the same quantities as suggested in reports and samplings or will be economically recoverable
- Potential for permitting process to be declined or prolonged at properties; other regulatory and political issues at the federal, state, and local levels
- The majority of the future value of the Company is dependent on successful and profitable sales of the Company's existing properties
- The Company is dependent on the availability of future financings to fund further exploration and development; completion of future stock offerings will result in additional equity dilution
- Future potential operational risks associated with further exploration, development, and eventually production including accidents, community concerns, environmental issues, etc.
- Future decline and volatility in gold prices and/or gold mining stocks could impact viability of the Company and potential stock price appreciation
- The company has a very small market capitalization and low trading volumes/liquidity which could give rise to price volatility

## EXECUTIVE SUMMARY

- Teryl Resources is an early stage Canadian junior precious metals acquisition, exploration, and development company which holds interests in gold and silver properties in Alaska and British Columbia, Canada
  - Accomplished explorer with a proven track record of exploration, development, and marketing its properties profitably to mining majors
  - Three properties in Alaska and one property in British Columbia, Canada
  - Sold 20% stake in its Gil Properties to joint venture partner Kinross Gold for US\$15 million
  - To date, Teryl has spent over \$2.2 million on exploration of its properties
- Teryl is one of the main property owners in Alaska's Fairbanks Mining District
  - Fairbanks Mining District is one of Alaska's largest gold producing areas – gold production of over 40 million ounces
  - Contains Kinross Gold's Fort Knox Mine and True North Mine
  - Fort Knox Mine is the second largest gold producer in Alaska with over 7 million ounces of proven and probable gold reserves over the life of the mine
  - Three properties: West Ridge Property, Fish Creek Property, Stepovich Property
- US\$15 million sale of Gil Properties (Alaska) to Kinross Gold gives the company financial resources to pursue exploration and development of its other properties in Alaska and British Columbia, as well as seek future acquisitions
  - Substantiates its business model of successfully exploring and profitably selling properties to mining majors Relieves near-term fundraising needs US\$2.5 million paid, upcoming US \$1.5 million upon commencement of production, ongoing smelter income
  - Revenue from the Net Smelter Return (NSR) for the life of the mine
- The Company's remaining Alaskan properties lie in the same area as the Gil Properties in the Fairbanks Mining District and have high potential for similar successful outcomes
  - Adjacent to Kinross Gold's Fort Knox Mine and True North Mine
  - West Ridge Property – 100% owned, over \$300,000 spent to date on exploration, large anomalies identified, new drilling program in 2013
  - Fish Creek Property – 50% owned, over \$300,000 spent to date on exploration, mineralization similar to Gil Properties
  - Stepovich Property – 10% net profit interest, adjacent to Fort Knox gold deposit
- Teryl's Silverknife Property in British Columbia, Canada is near Silvercorp's active Silvertip silver-zinc-lead project with an estimated 35 million ounces of silver (indicated and inferred)
  - Teryl owns a 30% working interest and 10% net profit royalty
  - 2012 re-sampling project has confirmed historically reported mineralization levels
  - Multi-phase \$360,000 exploration program began in summer 2012

- Several interested buyers in the Fish Creek and Silverknife Properties which could create a competitive bidding process and result in higher acquisition prices than the Gil Property sale
  - Fish Creek is a higher quality property than the Gil Property and Teryl owns a larger 50% stake. There are several interested buyers including Kinross Gold which can leverage its existing physical infrastructure (roads, tailing ponds, facilities)
  - Silverknife also has several interested buyers including Silvercorp which has nearby physical infrastructure from its Silvertip Project
- The Company is on solid financial footing with \$1.1 million in cash (Feb 2013) which is sufficient to fund ongoing operations and exploration activities in the mid-term
  - Additional US\$1.5 million advance payment on Gil sale expected soon when production commences
  - Royalty payments when Gil property is in production
- After falling sharply in the first half of the year, gold prices have rebounded and are likely to maintain or increase from current levels due to a positive supply/demand situation driven by low production levels on the supply side, while strong demand is expected from the consumer segment in India and China, continued central bank purchases, and a recovery in the investment sector
  - A combination of global economic factors including slower global growth, higher commodity prices, inflation fears, and low interest rate environments should also drive continued investment in gold
  - Stocks in the gold mining sector seem to be overly punished and some recovery is expected due improved operating focus by companies, compressed valuations, and low investor expectations
- Strong management team and Board of Directors with experience in mining acquisition, exploration and development, as well as corporate development and finance



## Industry Overview

Since 2007 the world has seen a period of striking economic and financial volatility featuring the deepest recession since the 1930's and large declines in financial assets. In contrast to this backdrop, gold has had strong outperformance, roughly doubling in the same time period. Gold's performance during this period has led to increased investor education and reevaluation of the metal as a key asset class to include in investor's portfolio diversification strategies. Traditionally used as a method to store value and as insurance during stressful periods, gold is relatively immune to inflation, financial crises, economic cycles, and currency devaluations. These attributes were exemplified throughout the recession and continue to support the price of gold in the current uncertain global economic environment. The price of gold is currently approximately \$1,273 per ounce which is down over 25% since its peak in late 2012, but has risen over 5% since its recent low in July. The current price is near the bottom of the range over the last six months of approximately \$1,200 - \$1,600 per ounce. The outlook for gold prices remains positive due to numerous factors including: a favorable supply/demand relationship, a slow US economic recovery and weakness in Europe, slowdown of growth in developing countries, continued high government debt levels and massive deficits leading to loose monetary policies, expected inflationary pressures, and a prolonged low global interest rate environment.



## Supply and Demand

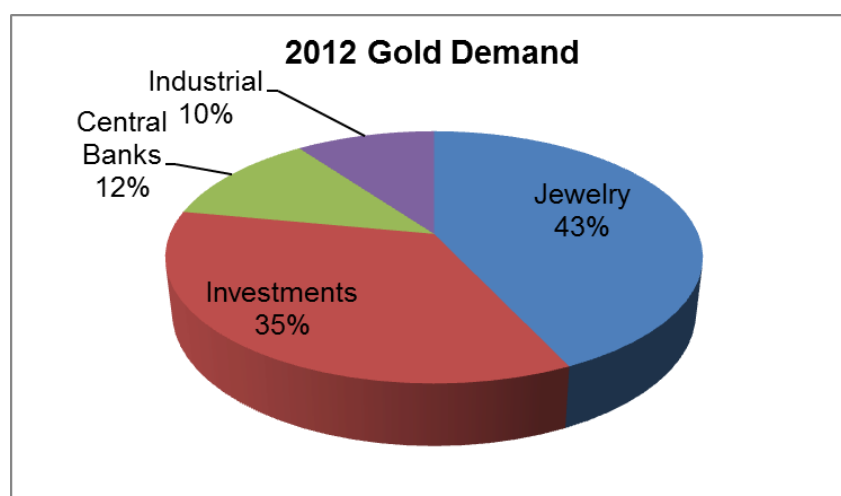
Gold's historical popularity as a currency to store value has certain characteristics that are unique from other financial assets. Unlike other commodities, gold is very resilient and does not degrade over time, making it a great long-term storage of value. Most gold that has been mined even hundreds of years ago likely still exists today in some form. Supply of gold is fairly constant and has exhibited flat to low growth over a long period of time. This is due to the fact

that annual mine production only accounts for around 60% of supply, with the other 40% coming from recycled gold. The production of gold has declined steadily over the last decade but there have been modest increases in recent years due to high gold prices. It is expected that gold production will decline in the long term due to limited exploration success and lower grade discoveries. This weakness in long term production places an increasingly high premium on in-ground gold reserves.

In 2012, total gold supply declined by 1.4% to 4,453 tons. 2012 saw a pause in the rising trend in gold mine production with production growing just 0.4%. The decline in gold supply was driven by a 3% decrease in recycled gold supply. Supply continued to decline in Q2 2013 down 6% from a year ago driven by a sharp 21% fall in recycling while mine production was a solid 4% higher. The outlook for gold supply is tightening given that many large projects have been cancelled or delayed and large miners are forecasting lower future production levels.

There are four sources of demand for gold (% of total demand figures for 2012):

- Jewelry – 43%
- Investments (bars, coins, ETFs, other investment vehicles) – 35%
- Central Bank Purchases – 12%
- Technology/Industrial (electronics manufacturing, dentistry) – 10%



Gold demand fell 3.9% in 2012 to 4,406 tons as increase in demand from institutional investors and central banks only partly offset a decline in consumer demand. Investment demand declined the most at close to 10% due to an expected tapering off from a period of remarkable historical growth. Jewelry and tech/industrial demand were weak declining 3-5% but China consumer demand remains steady and India staged a strong second half recovery following a difficult first half. China and India combined account for 57% of global jewelry demand and 60% of global consumer demand. Total central bank purchases surged 17% to 535 tons as central banks continue to focus on building gold reserves including countries such as Russia and South Korea, while Latin America has also become more active (Brazil, Paraguay). Central bank purchases accounted for a greater share of gold demand in 2012 at 12% compared to 10% in the prior year.

Gold demand in Q2 2013 declined 12% from the prior year to 856 tons due to a pullback in central bank purchases from a record-breaking quarter in the prior year and net outflows from ETFs as hedge funds and other investors continued to exit positions. Consumer demand for gold was up a lofty 53% led by strong demand in China and India. For the tenth consecutive quarter, central banks were net buyers of gold purchasing 71 tons, reinforcing a trend that began several years ago. Trends in Q2 support the continued rebalancing in the market with gold coming into the market from ETF sales met with high demand for bars, coins, and jewelry.

The recent fall in gold prices has generated significant interest in demand, most notably from consumers in India and China. Momentum in consumer demand created in the first half of the year is expected to continue and investment demand should stabilize as investors continue to focus on gold's role as a store of wealth and a standard portfolio diversification asset class, along with continued innovation in the range of gold investment products available across a range of countries. Further, central banks are expected to continue their multi-year trend of proactively increasing their gold reserves to diversify their asset base and reduce reliance on one or two foreign currencies. Russia, China, and India have been the most aggressive purchasers over the last four years with Russia adding 490 tons (89% increase), China adding 454 tons (76% increase), and India adding 200 tons (56% increase) over the period.

In summary, the supply/demand situation looks positive with strength on the demand side from the consumer segment led by India and China, continued central bank purchases, and a recovery in the investment sector. On the supply side, mine production is expected to be reduced from previous levels and recycling activity is not likely to increase substantially. The unique diversity characteristics of global gold demand and the self-balancing nature of the market is becoming apparent as different sectors of the gold market have risen in prominence at different points through the global economic cycle.

### *Macro-economic Factors*

From a macro-economic perspective, there are several factors that should support and potentially lift gold prices from current levels. Although the US economy is certainly in recovery mode with GDP expected to grow around 1.5% this year supported by a strong housing recovery and solid consumer spending, there are still a number of large obstacles including stubbornly high unemployment, high government debt, high oil prices, and a potential slowdown in corporate earnings as most companies remain cautious about growth and expect future margin pressure. From a global perspective, Europe is in the midst of a shallow recession and the region is still dealing with massive government debt issues. In the near term, growth in emerging markets is expected to remain at subdued levels, as evidenced in China, India, and Brazil. Sustained high oil, commodities, and raw materials prices will also dampen consumer spending and economic growth around the world. Against this backdrop of potentially slowing global economic growth, gold should see strong investor interest as a safe haven and wealth preservation play. Concerns over tapering of the Fed's bond buying program and fears of conflict in the Middle East have pushed more money into the gold safety trade as well. Furthermore, easy monetary policies by the US and other developed countries over the last several years has increased money supplies, setting the stage for future inflation. Emerging markets including China, India, and Vietnam are already dealing with elevated inflation levels. Investors should gravitate to gold to preserve value as inflation emerges around the world.

## Gold Mining Sector

Unlike other mining industries, the gold mining industry is not vertically integrated. There are three main types of gold mining companies:

- Exploration – these companies tend to have very little assets and their sole focus is to explore and prove that gold exists in its properties. The company's major assets are land leases, rights to drill, and a small amount of capital for drilling and exploration activities. In addition to a few large exploration companies, there are hundreds of small exploration companies that focus on a single property or limited properties.
- Development – once gold deposits are discovered by exploration companies they either become development companies or sell their properties to development companies. Development companies operate on explored areas that have proven deposits.
- Production – production mining companies are mature mining companies that extract and produce gold from existing mines. These include large cap companies such as Goldcorp, Newmont Mining, Barrick Gold, and Yamana Gold.

Historically, stock prices in the gold mining sector have generally followed the pricing pattern in gold prices as these companies' revenues and profits are directly correlated with gold spot prices. Due to their operational leverage, gold mining stocks tend to outperform in gold bull markets but underperform in gold bear markets given their fixed cost structure and exposure to operational and market risks. From the market lows in 2008, the gold mining sector has been one of the best performing areas with substantial outperformance over the S&P500 as well as the price of gold itself. This trend reversed in 2011 and continued in 2012 when gold prices remained at lofty prices but the gold mining sector suffered from lower profit margins due to escalating production costs and global economic concerns. Another factor negatively affecting prices in the gold mining sector has been the popularity and growth of gold ETFs as investment vehicles for exposure to gold.



The underperformance of the gold mining sector in 2012 has accelerated significantly in 2013 with both the GDX gold miners ETF and the GDXJ junior gold miners ETF down over 40% year to date. The junior gold miners sector contains smaller capitalization companies which are small producers or mature exploration and development miners. The severe collapse in the gold mining sector can mostly be attributed to the sharp decline in gold prices which have fallen 25% since the beginning of the year while production costs have remained elevated. Mining

companies are now much more focused on profit margins and ROI of projects and have delayed or cancelled a number of large projects which should drive a healthier supply/demand dynamic going forward. With improved operating performance of miners coupled with compressed valuations in the sector and low investor expectations, underperformance in the gold mining sector is not likely to last much longer. Investors should begin to see value in this overly punished sector assuming that gold prices continue their move higher from current levels.

Higher gold prices not only translate into higher profits for production companies but also place a higher valuation on the in-ground assets of exploration and development companies whose place in the supply chain is growing increasingly important with the majors' reserves dwindling. Furthermore, higher stock valuations and profits for the gold mining production and development companies results in healthier balance sheets, higher stock currency, and increased management confidence which can all contribute to heightened acquisition and investment activity in exploration companies.

*Source: statistics from World Gold Council.*

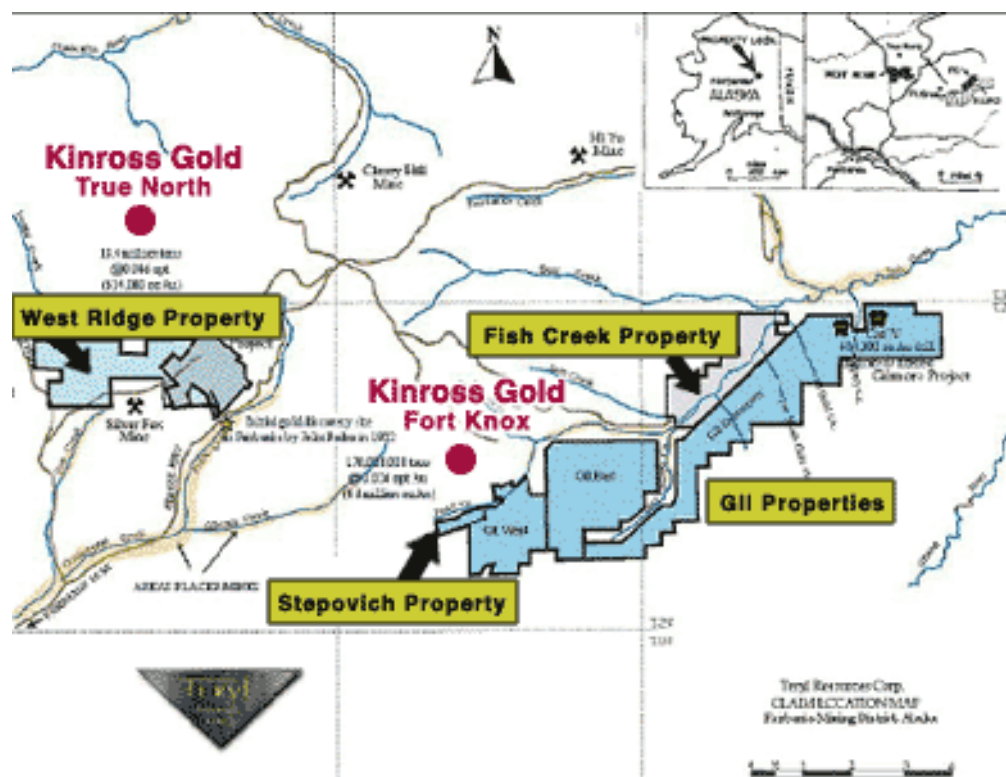
## Overview of Properties

Teryl is engaged in the acquisition, exploration, and development of resource properties. The Company has four mineral and exploration properties in Alaska and British Columbia, Canada. The properties in Alaska include the West Ridge Claims, the Fish Creek Claims, Gil Properties (sold to Kinross Gold), and the Stepovich Property which are all located in the Fairbanks Mining District. The sole property in British Columbia, Canada is the Silverknife Property in the Laird Mining Division.

Teryl also has oil and gas properties in Texas including working interests in one property in Fayette County and three properties in Burleson County, as well as working interests in three properties in Kentucky.

The following is an overview of each of the Company's properties:

### Alaska - Mineral and Exploration Properties



- Teryl is one of the main property owners in the Fairbanks Mining District – contains Kinross Gold's producing Fort Knox Mine and True North Mine
  - The Fairbanks Mining District is one of Alaska's largest gold producing areas – gold production of over 40 million ounces

- The Fort Knox Mine is the second largest gold producer in Alaska – over 350,000 ounces gold equivalent produced in 2012 and proven and probable reserves of 3.6 million ounces
  - The True North Mine produced 1.7 million tons of ore from 2001-2004
- Teryl's properties include the West Ridge Property, Fish Creek Property, Gil Properties (sold), and Stepovich Property:
- West Ridge Property (100% owned by Teryl) – adjacent and near Kinross Gold's True North Mine and Fort Knox Mine
  - Past exploration and drilling activities have hit economic results and identified huge anomalies
  - To date, Teryl has spent over \$300,000 on the exploration of the West Ridge Property.
- Fish Creek Property (50% owned by Teryl) – located adjacent to Kinross Gold's Gil Properties
  - Drilling program results suggest the property may contain similar mineralization as the Gil Properties
  - To date, Teryl has expended over \$300,000 on exploration activities
- Gil Properties (sold to Kinross Gold) – 237 claims located in the Gilmore dome area of Fairbanks Mining District
  - Sold 20% working interest to Kinross Gold for US\$15 million (US\$2.5 million has been paid) and ongoing royalties from net smelter income
  - Additional advance royalty payment of US\$1.5 million upon commencement of commercial production
- Stepovich Property – Teryl owns a 10% net profit interest
  - Property is adjacent to the Fort Knox gold deposit
- The Company believes its properties in Alaska could contain significant deposits of ore similar to that found at Fort Knox and True North
  - These deposits, once defined, could be readily put into production and processed at Kinross Gold's Fort Knox mill

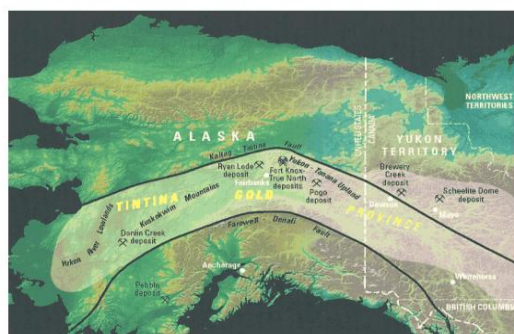


Figure (3) Modified satellite image of general location of the Tintina Gold Belt with selected major multi-million ounce gold deposits, often intrusion or plutonic related. Modified by Rutledge after Hart and others, 2002.



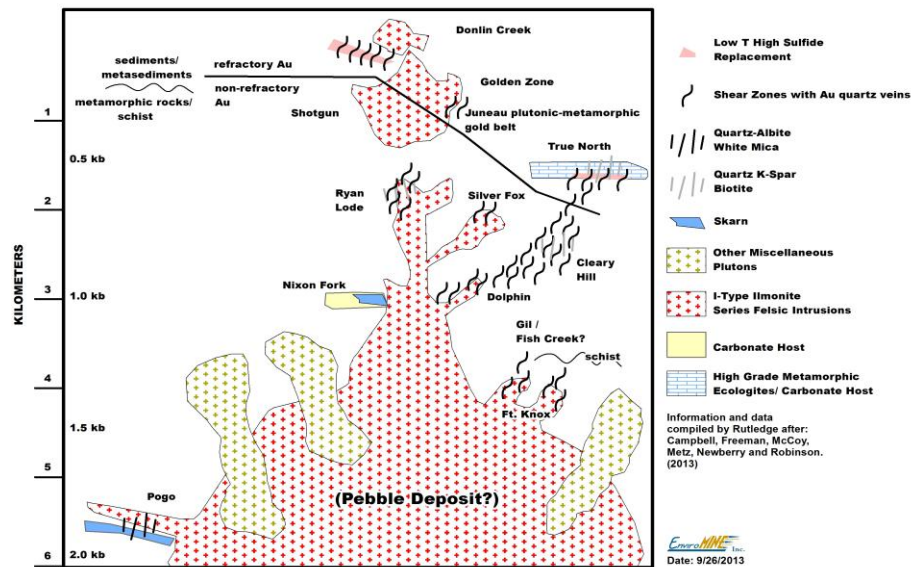
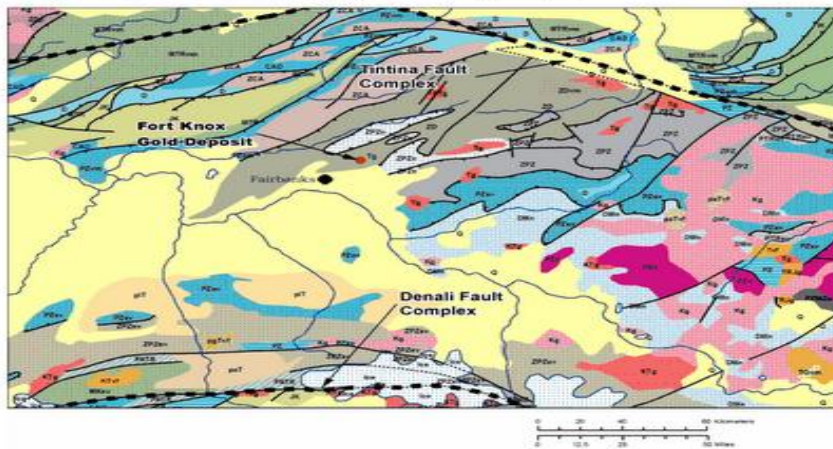


Figure 2 below illustrates the general geology of interior Alaska with particular attention to the area between the Denali Fault Complex to the south and the Tintina Fault Complex to the north. This area starting from portions of northwest British Columbia, through the Yukon and into Alaska have an unusual abundance of economic gold deposits and over the years have been called various names the current name in use today is the Tintina Gold Belt aka the Tintina Gold Province, Hart and others, 2002. For the purposes of this report only the Ft. Knox Deposit is illustrated because it is in close proximity to the Fish Creek property and the Gil gold deposit.

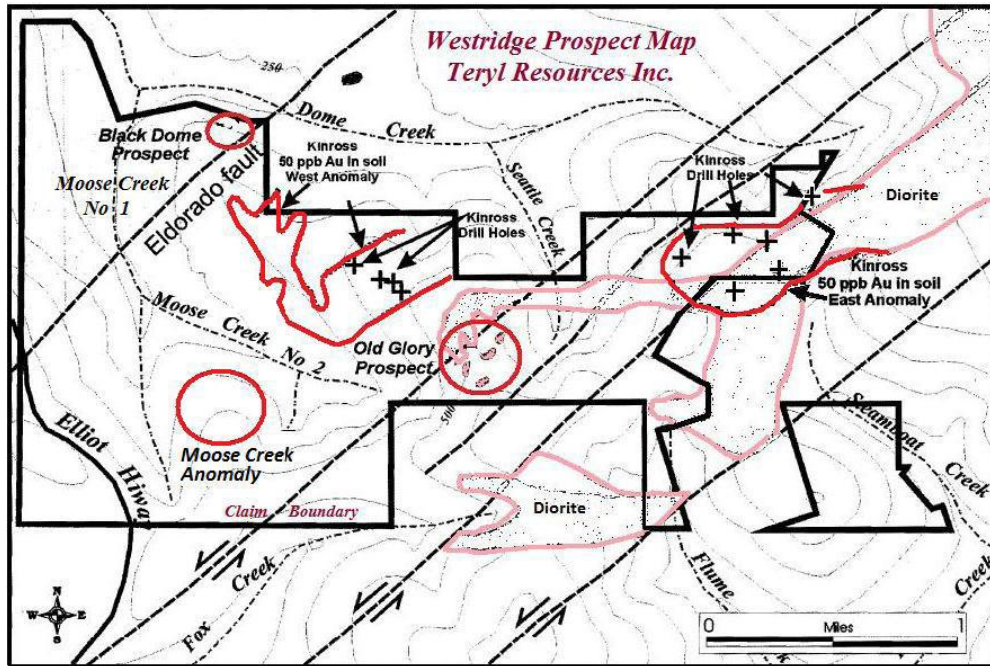


**Figure (2)** Illustration of the general geology of interior Alaska between the Denali Fault complex in the south and the Tintina Fault complex in the north. Many gold deposits are located between these two fault zones but only the Ft Knox gold deposit is shown because of its close proximity to the Fish Creek property and the Gil gold deposit. Modified by Rutledge after Reed, Wheeler and Tusholke, 2005.



### 1) *West Ridge Property, Fairbanks Mining District, Alaska*

- 48 mining claims located adjacent to Kinross Gold's True North Mine and near its Fort Knox Mine
- Past exploration and drilling activities have hit economic results and identified huge anomalies
- To date, Teryl has spent over \$300,000 on exploration activities.
- Teryl owns a 100% interest



The Company owns a 100% interest in the West Ridge mineral claims, comprising approximately 5,200 acres, located in the Dome Creek area of the Fairbanks district of Alaska. West Ridge is located 16 km north of Fairbanks, Alaska and the property consists of 48 mining claims. The West Ridge Property adjoins Kinross Gold Corp.'s True North gold deposit and lies approximately eight miles northwest of the producing Fort Knox gold mine. The Company's past exploration activities have hit economic results and identified huge anomalies. Creeks in the area such as Dome, Fox, Steamboat, and Flume creeks have been mined extensively for placer gold in the past. Limited past gold exploration in the 1990's through 2003 indicate shear and intrusive hosted gold mineralization at the Old Glory Prospect, Black Dome Prospect, East Anomaly, West Anomaly, and Moose Creek Anomaly within the West Ridge Property. The property is completely road accessible and claims are subject to a 1% net smelter return to the state of Alaska.

The Fairbanks Mining District is a northeast-trending belt of lode and placer gold deposits that comprise one of Alaska's largest gold producing areas – gold production of around 40 million ounces. The Fort Knox Mine (owned by Kinross Gold), within the Fairbanks Mining District, is an open-pit mine that is the second largest gold producer in Alaska. Mine construction began in 1995 and gold production commenced in 1997. The Fort Knox Mine produced over 350,000

ounces of gold equivalent in 2012 and had 7 million ounces of proven and probable gold reserves. Also located in the Fairbanks Mining District, Kinross Gold's True North Mine was in production from 2001-2004 and produced 11.7 million tons of ore. The open-pit operation delivered its ore to the mill at Fort Knox and suspended operations in 2009.

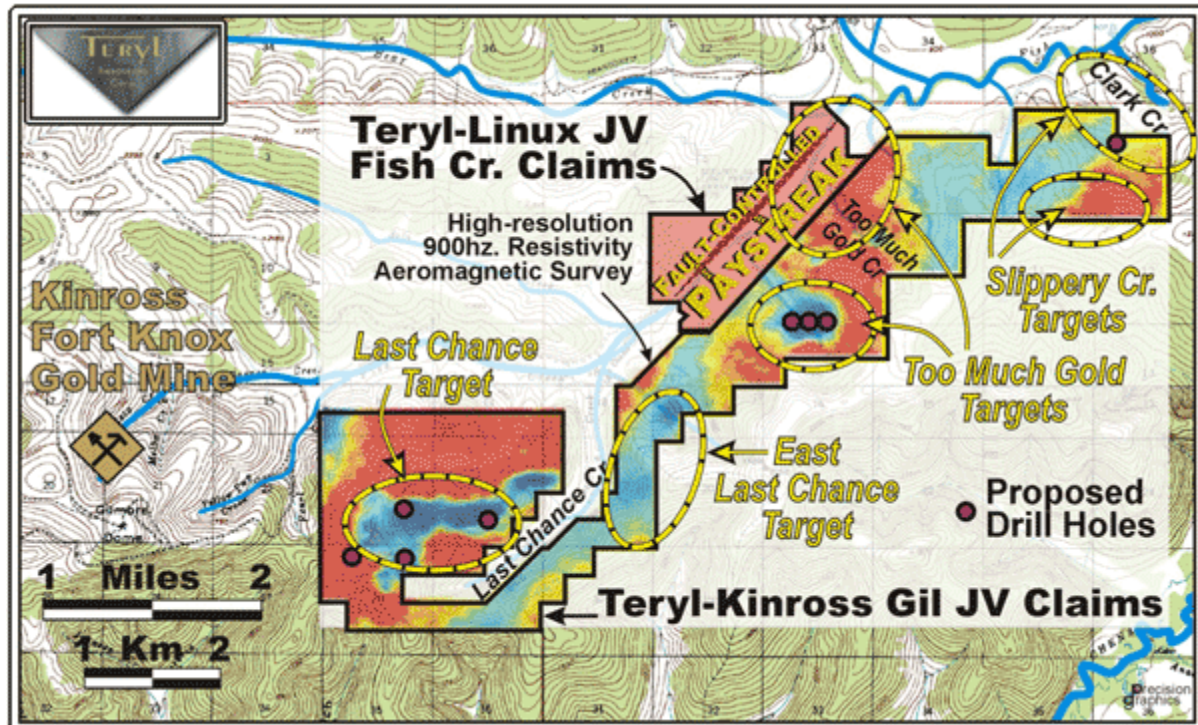
#### Exploration and development activities:

- March 2013 (Geological Report) - additional exploration and drilling on the property is recommended as follows:
  - Additional drilling for the Old Glory Prospect area
  - Additional auger soil sampling to expand existing soil grid centered on the Old Glory Prospect
  - Additional trenching in the Old Glory Prospect
  - Additional rock grab sampling and geologic mapping traverses for the entire property
  - Geophysical surveys could potentially be used to map structural features and magnetic rocks.
- December 2012 – drilling program results and receipt of chemical assays from the five holes drilled in the 2012 mineral exploration program
  - Detailed review and digital compilation of all drill data in 2012 and 2011 exploration results initiated to assist with planning and implementation for a proposed drilling program in 2013
  - Highlighted analytical results:
    - Hole WRC-1201 – 125-145 feet, 0.009 opt gold
    - Hole WRC-1202 – 115-180 feet, 0.007 opt gold
    - Hole WRC-1205 – 100-115 feet, 0.008 opt gold
    - Hole WRC-1205 – 390-400 feet, 0.031 opt gold
- October 2012 - completed \$200,000+ diamond drill program on five holes for a total of 2,500 feet
  - Lode targets include the Old Glory and Black Dome Prospects, as well as the West, East, and Moose Creek Anomalies
  - Old Glory Prospect – previously identified a 300 by 300 foot area that averages more than 50 ppb gold with individual assays grading up to 1,155 ppb gold
    - Best drill intercepts to date consist of 35 feet grading 0.49 opt gold
  - Black Dome Prospect – lies along same fault forming the southern boundary of Kinross Gold's True North Deposit and hosts a pattern of gold mineralization similar to that of the True North
  - West Anomaly – soil testing has identified a 4,000 by 3,000 square foot area of more than 50 ppb gold
    - Previous drilling intercepted 20 feet of 0.033 opt gold and 10 feet of 0.04 opt gold
  - East Anomaly – contains a 7,000 foot long mineralized zone of up to 1.64 ppm gold
  - Moose Creek – lies along same trend as West Anomaly and has not been previously drill tested

During the year ended May 2012 and the nine months ended February 2013, Teryl incurred exploration costs of \$21,066 and \$241,628 on the West Ridge Property, respectively. To date, Teryl has spent over \$300,000 on the exploration of the West Ridge Property.

## 2) Fish Creek Claims, Fairbanks Mining District, Alaska

- 30 mineral claims located adjacent to Kinross Gold's Gil Properties gold prospect
- Six geophysical targets have been located with intrusive potential similar to the Fort Knox and Gill Property mines
- To date, Teryl has expended over \$300,000 on exploration activities
- Teryl owns a 50% working interest.



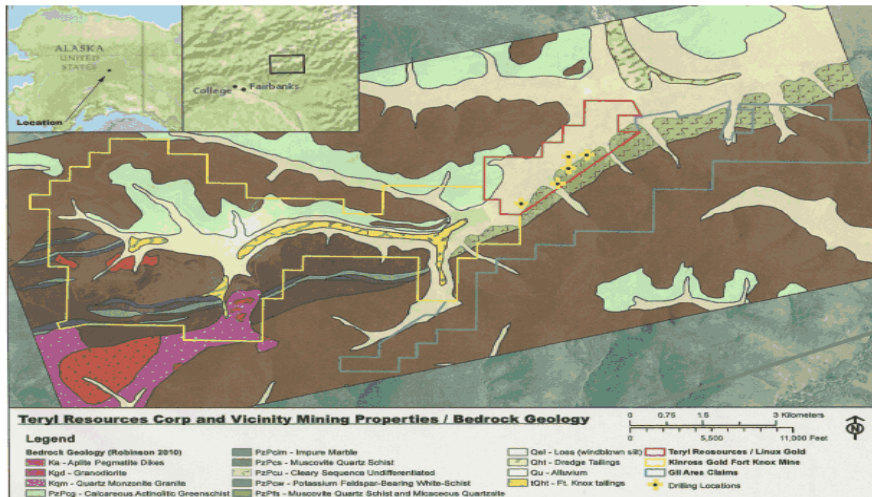
The Fish Creek Property consists of 30 claims located in the Fairbanks Mining District in Alaska and lies adjacent to the Gil Properties, which the Company sold to Kinross Gold in 2011. Elevated gold value, identified in an auger drill program, suggest the property may contain an extension of the mineralized zone found on the Gil Properties. In March 2002, Teryl acquired from Linux Gold Corp. an option to earn a 50% interest in the Fish Creek claims by expending \$500,000 on exploration or in cash. In March 2013, Teryl acquired the 50% working interest from Linux Gold who will retain a 5% net royalty with a limit of \$2.0 million. Teryl has the right to purchase the 5% net royalty, for \$500,000, within one year of production.

Exploration and development activities:

- Future exploration at Fish Creek will focus on six main gold targets identified during a previous geological survey completed for Kinross Gold.
- May 2013 - commenced additional drilling program consisting of placer and hard rock diamond drilling on one intrusive target.
  - In addition to the lode drilling which had already commenced
  - Drill targets were generated from previous drilling results and from interpretations performed by geologists whom have conducted work in the past

- Staked additional claims adjacent to the Fish Creek Property for access purposes, and received a permit for placer and lode drilling

As of February 2013, the Company has expended \$407,127 on exploration of the Fish Creek Property or cash payment in lieu of exploration.



Recommended drilling locations on the Fish Creek Claim Block



### **3) *Gil Properties, Fairbanks Mining District, Alaska***

- 237 claims located in the Gilmore dome area of the Fairbanks Mining District
- Sold 20% working interest to Kinross Gold for US\$15 million (US\$2.5 million has been paid) and ongoing royalties from net smelter income
- Additional advance royalty payment of US\$1.5 million upon commencement of commercial production

Until December 2011 the Company owned a 20% working interest in 237 claims located in the Gilmore dome area of the Fairbanks Mining District of Alaska. In September 2011, Teryl entered into a letter of intent to sell all of its remaining 20% interest in the Gil Venture property to Fairbanks Gold Mining, a subsidiary of Kinross Gold. Fairbanks grants to the Company a production royalty equal to 1% of net smelter returns on all production from the property up to US\$15.0 million, after which the royalty is equal to 0.5% of the net smelter returns on all production from the property. When the transaction closed in December 2011, Fairbanks paid the Company US\$2.5 million as an advance payment of the production royalty. This advance payment is US\$0.5 million more than the Company has spent at this property to date. An additional advance royalty payment of US\$1.5 million will be paid to the Company upon commencement of commercial production from a mine constructed on the property. An ongoing revenue stream will begin upon production at the Gil property.

### **4) *Stepovich Property, Fairbanks Mining District, Alaska***

- Adjacent to the Fort Knox Mine
- Teryl owns a 10% net profit interest
- Kinross Gold owns 100% of the claims subject to Teryl's 10% net profit interest

## **British Columbia, Canada - Mineral and Exploration Properties**

### **1. *Silverknife Property, Laird Mining Division, British Columbia, Canada***

- Near Silvercorp's active Silvertip silver-lead-zinc deposits – estimated 35 million ounces of silver (indicated and inferred)
- 2012 re-sampling project has confirmed historically reported mineralization levels
- Teryl owns a 30% working interest and a 10% net profit interest

The Silverknife Property, situated in the Liard Mining Division in British Columbia, lies in a well mineralized and historically and currently important precious and base metals exploration intensive area. The property is within two kilometers of Silvercorp's active Silvertip silver-lead-zinc deposits, which hosts an estimated 35 million ounces of silver, indicated and inferred. Silverknife is "genetically related" to Silvertip and appears to be a lower zone of Silvercorp's deposit – raising the prospect of a future buyout deal. Up to 29 ounces of silver and 17% lead-zinc were discovered between 1983-1985 and a 2012 re-sampling project has confirmed these mineralization levels currently. The most relevant targets for mineral exploration on the property are associated chimney-type feeder systems and mantos related to the Silvertip mineralizing event. A mill is planned by Silvercorp one kilometer from the Silverknife claims.

Pursuant to agreements between Reg. Technologies, SMR Investments, Rapitan Resources, and Chevron Minerals, Teryl acquired a 30% working interest and a 10% net profit interest in the Silverknife claims, subject to a 1% net smelter return to SMR. The remaining 70% working interest in Silverknife is owned by Minewest Gold & Silver.

Exploration and development activities:

- A drill program for 1,000 meters is planned to drill known targets identified by previous drilling and exploration work including geophysical targets
- November 2012 – analytical results from the 2012 Silverknife silver-zinc-lead core re-sampling project has confirmed historically reported mineralization and has defined high priority drill targets for a fully permitted 2013 diamond drilling program targeting extension to the known silver-zinc-lead mineralization, however, due to inclement weather conditions, the exploration program has been delayed.
  - Silver - trace to 21.19 opt silver with an average of 1.79 opt silver
  - Zinc – trace to 16.48% zinc with an average of 1.99% zinc
  - Lead – trace to 10.98% lead with an average of 0.87% lead
- October 2012 – first phase of exploration program completed
- May 2012 – Announced plans for \$360,000 multi-phase exploration program in summer 2012
  - Compiling and digitizing existing exploration data
  - Conducting a ground-based geological and prospecting survey, geophysical surveying, diamond drilling and an updated technical report
- April 2012 – Exploration permit approved for Silverknife claims
- The claims originally acquired in 1980s by Reg Resources and Chevron Minerals which conducted a series of mineral exploration programs, including extensive drilling
  - Discovery of significant silver-zinc-lead mineralization ranging to 29.02 oz/t silver, 10.14% lead, and 7.02% zinc

## Texas and Kentucky - Oil and Gas Properties

### **1. Fayette and Burleson Counties, Texas**

- Working interests in four oil and gas properties in Texas

The Company owns a 6.5% working interest (4.68% net revenue interest) in the Peters No. 1 Well, in Fayette county, Texas, and a 7.5% working interest (5.79% net revenue interest) in each of the C-S #1, Jancik #2 and Herrmann #4 wells, located in Burleson County, Texas. During the nine months ended February 2013, the Company recorded net revenues of \$7,178 and \$24,423 for the year ended May 2012. The carrying cost of these wells has been completely depleted.

### **2. Knox and Laurel Counties, Kentucky**

- Working interests in three oil and gas properties in Kentucky

The Company owns 40% working interests in the Ken Lee #1 natural gas well, Elvis Farris #2 natural gas well, and the Clarence Bright #1 natural gas well. All three wells are located in Knox

and Laurel Counties, Kentucky. In 2009, Teryl completely wrote off the carrying costs of the wells since they had no proven economic reserves.

## Financials

### *Income Statement / Cash Flows*

(In CAN dollars)

	9 months ended	
	February 29, 2012	February 28, 2013
<b><u>Income Statement</u></b>		
<b>General and Administrative Expenses</b>		
Amortization of equipment	\$ 732	\$ 673
Filing and regulatory fees	21,231	24,786
Foreign exchange loss	(8,933)	10,775
Geological consulting	-	7,212
Consulting, management and directors' fees	90,730	165,542
Office and administrative	21,681	40,412
Office rent and utilities	10,213	33,963
Professional fees	18,754	18,934
Publicity, promotion and IR	74,248	91,882
Secretarial and employee benefits	20,103	44,574
Stock-based compensation	-	24,792
Total expenses	248,759	463,545
<b>Operating Loss</b>	<b>\$ (248,759)</b>	<b>\$ (463,545)</b>
<b>Other Income (Expenses)</b>		
Loss on disposal of mineral property interest	(376,924)	-
Other income (expenses)	16,350	17,091
Total expenses	(360,574)	17,091
<b>Net Loss</b>	<b>\$ (609,333)</b>	<b>\$ (446,454)</b>
<b>Net Loss per share</b>	<b>\$ 0.008</b>	<b>\$ 0.006</b>
<b><u>Cashflow Statement</u></b>		
Cashflow from operations (a)	\$ (268,739)	\$ (381,588)
Cashflow from investing activities (b)	2,567,818	(353,018)
Cashflow from financing activities	27,791	(100,931)
<b>Change in cash</b>	<b>2,267,594</b>	<b>(912,397)</b>

(a) Includes \$376,924 cash inflow from loss on disposal of mineral property interest in 2012

(b) Includes \$352,089 cash outflow from deferred exploration expenditures in 2013 and

\$2,597,250 cash inflow from proceeds from sale of mineral property interest in 2012

Source: company materials



The Company's properties are early stage exploration properties which have not commenced production and therefore do not expect to generate significant revenues in the near future. The majority of operating expenses are related to exploration work, consulting, filing/regulatory fees for its properties, as well as general overhead such as personnel expenses, office expenses, and publicity/promotion. The Company recorded a loss from operations of \$463,545 in the nine months ended February 2013, a significant increase from \$248,759 in the same period in 2012. General and administrative expenses, except professional fees which remained consistent, increased from 2012 to 2013 due to increased operation scales, as more exploration work on mineral claims and supporting work was carried out. The Company incurred a net loss of \$446,454 during the nine months ended February 2013 compared to a \$609,333 net loss in the same period in 2012. The higher net loss in 2012 was due to the loss of \$376,924 we recorded in 2012 on sale of the Gil Properties.

In the 2013 period, Teryl had total exploration expenditures of \$352,089 (included in cashflows from investing activities) which consisted of the following: Silverknife \$26,367, Fish Creek \$84,094, and West Ridge \$241,628. These expenditures increased the Deferred Exploration Expenditures asset balance to \$554,139.

## Balance Sheet

(In CAN dollars)	Feb 28, 2013	May 31, 2012
<b>Assets</b>		
Current Assets		
Cash and equivalents	\$ 1,147,085	\$ 2,059,482
Other current assets	<u>38,756</u>	<u>102,761</u>
Total current assets	1,185,841	2,162,243
Reclamation bonds	8,778	8,778
Equipment	1,425	5,054
Mineral property interests	175,816	176,643
Deferred exploration expenditures	554,139	195,376
<b>Total Assets</b>	<b>\$ 1,925,999</b>	<b>\$ 2,548,094</b>
<b>Liabilities</b>		
Current liabilities	\$ 45,740	\$ 117,775
Total Liabilities	45,740	117,775
Equity	1,880,259	2,460,319
<b>Total Liabilities and Equity</b>	<b>\$ 1,925,999</b>	<b>\$ 2,578,094</b>

Source: company materials

As of February 28, 2013, the Company had cash and cash equivalents of \$1,147,085, compared to \$2,059,482 as at May 31, 2012, or a decline of \$912,397. During the nine months ended February 2013, the company purchased 2,133,000 shares for a gross purchase of \$78,680. During the nine months ended February 29, 2012, the Company raised \$52,645 from issuance of private placement shares. Exploration expenditures were significantly higher in the 2013 period at \$352,089 due to new exploration programs versus \$25,282 in 2012, resulting in a Deferred Exploration Expenditures balance of \$554,139.

In 2011, the Company received a US\$2.5 million advance royalty payment on its sale of its Gil Properties to Kinross Gold. The Company expects to receive an additional advance royalty payment of US\$1.5 million when production at this property commences. Timing of future royalty payments from Kinross Gold and future potential liquidity events on other properties is uncertain, so the Company will likely continue to rely on the sale of equity securities to raise capital or shareholder loans.

Making the assumption that operating and investing cash flow needs of the Company stay flat at the annualized trailing 9 months figure, the Company would need approximately \$1.0 million in funding over the next 12 months. Given the Company's current cash position, lack of liquidity or funding for operations and exploration activities is not likely to be an issue in the mid-term

horizon. Furthermore, the Gil Property is expected to go into production in the near future, which will result in a US\$1.5 million advance production royalty payment from Kinross Gold in addition to an ongoing revenue stream from Teryl's share of net smelter returns.

### ***Mineral Property Interests / Deferred Exploration Expenditures***

Mineral property acquisitions costs are capitalized and deferred until the mineral property is placed into production, sold, allowed to lapse, or is determined to be impaired.

(In CAN dollars)	May 31, 2012	February 28, 2013
<b>Mineral property acquisition costs</b>		
Silverknife	\$ 32,001	\$ 32,001
Fish Creek	49,538	49,538
West Ridge (a)	95,104	94,277
Total	\$ 176,643	\$ 175,816

(a) West Ridge includes \$827 in F/X changes for 2013.

Source: company materials

(In CAN dollars)	Year ended May, 2012	9 mos ended Feb, 2013
<b>Deferred Exploration Expenditures</b>		
Silverknife	\$ 4,604	\$ 26,367
Fish Creek	144,656	84,094
Gil Creek	(2,948,428)	-
West Ridge	21,066	241,628
Exploration expenditures for the period	170,326	352,089
Disposition	(2,948,428)	-
Effect of F/X rate changes	1,082,335	6,674
Exploration Expenditures - beg of period	\$ 1,891,143	\$ 195,376
Exploration Expenditures - end of period	\$ 195,376	\$ 554,139

## Valuation

Given the early stage nature of exploration mining companies it is difficult to apply most standard valuation methodologies. Factors affecting valuation that can vary widely among exploration mines include mix of metals mined, location and geology, stage of exploration/permitting, quality of potential deposits, experience of management team, degree of prior mining in the area, regulatory environment, etc. Given the lack of public data on other similar mining acquisitions, we will use the Gil Properties sale as a valuation metric comparable to value Teryl's other mining properties.

Teryl sold its 20% interest in Gil Properties to Kinross Gold for \$15.5 million which equates to a 5.2x multiple of Gil's deferred exploration expenditures. The current deferred exploration expenditures balance of Teryl's other properties is \$0.6 million. Assuming an additional \$2.0 million is expended on future exploration before these properties are sold, the future deferred exploration balance would be \$2.6 million. Given management's belief that some of its other properties are more valuable than the Gil Properties and expect a competitive auction process, we will apply a premium multiple of 7.0x to the future deferred exploration balance. This results in a valuation of \$17.9 million for the sale of these other properties. Applying a 50% discount factor for uncertainty and timing of the future payments yields an adjusted valuation of \$8.9 million.

The following table details the analysis we used to derive our valuation for the Company. Key components include:

- \$1.1mm of cash on balance sheet (Feb 2013)
- \$1.5mm upcoming Gil advanced royalty upon commencement of production
- \$5.7mm remaining Gil payment which is a 50% discount to the remaining \$11.3mm to account for risk and uncertainty of payments and timing
- \$8.9mm adjusted valuation of Teryl properties as outlined above
- Less: \$2.0mm in estimated future exploration activities before properties are sold
- Less: \$1.5mm in estimated next 2 years of operating expenses based on current expenses

(In millions of CAN dollars)

Cash on B/S (Feb 2013)		\$ 1.147
Upcoming Gil advanced royalty		1.546
Remaining Gil payment		5.670 (a)
Estimated sale of other properties		8.939 (b)
Less: Future exploration expenditures		(2.000)
Less: Ongoing est. operating expenses next 2 yrs		<u>(1.500)</u>
Valuation subtotal		\$ 13.803
Discount factor	30%	<u>(4.141)</u>
<b>Valuation</b>		<b>\$ 9.662</b>
<b>Price per Share</b>	<b>70.252 shrs</b>	<b>\$ 0.14</b>

(a) Remaining \$11.3mm balance discounted by 50%

(b) 7.0x Deferred Exploration Expenditures of \$2.6mm X 50% discount factor

\$2.6mm Deferred Exploration Expenditures = current \$0.6mm + estimated future \$2.0mm

Our analysis applies an additional discount of 30% to take a conservative approach and adjust for the many risks associated with such an early stage exploration company including operational risk, procedural/regulatory risks, funding risks, disappointing deposit finds, timing, gold pricing, and others. Applying this discount yields a valuation of \$9.7 million or \$0.14 per share. This target price of \$0.14 provides significant price upside of 4.6x the current share price and over 2.0x the 52 week high.

## Management Team

### John Robertson (President and Director)

Mr. Robertson has been President, CEO, Chairman of the Board and Director of Teryl Resources since 1982. He has an extensive background in the mining sector, also serving as president of Linux Gold Corp., the Company's joint venture partner at Fish Creek. He is president, as well, of REGI U.S., Inc./Reg Technologies, a technology company developing an innovative rotary engine for military, automotive, and other power applications. Robertson brings an extensive business, mining, and marketing background to Teryl Resources.

### Susanne Robertson (Director)

Susanne Robertson has been a director of Teryl since September 1990. She is also the owner of SMR Investments, Ltd., a private company incorporated in 1979 that has assisted in consulting and raising funds for several public companies. She has also worked in various positions for the Royal Bank of Canada.

### Thomas I. Robertson (Director)

Thomas I. Robertson has been Director of both private and public companies since 1980. As director & senior officer held positions as President, Vice President of several companies. In public sector he has been involved in mining, oil & gas, real estate, technologies and health industries. He also been involved in corporate and public relations and has raised seed for private companies and done private placements for public companies since 1978.

### Suzan El-Khatib (Director)

Suzan El-Khatib advises individual and corporate clients on corporate/commercial, real estate, intellectual property, construction, employment, estates and family law matters. Suzan has experience as a solicitor and as a litigator, appearing before the Provincial and Supreme Courts in British Columbia. She has experience negotiating successful settlements for clients in the employment and litigation contexts. She has acted for clients as counsel on patent infringement, copyright infringement, breach of contract, break of fiduciary duty and construction litigation matters. Suzan is a current member of the Law Society of British Columbia, the Canadian Bar Association, the Young Lawyers Section of the Canadian Bar Association and the Trial Lawyers Association of British Columbia.

### Tom Parkhill (Director)

Tom Parkhill is a licensed professional geologist (State of Minnesota). Recently involved in field work for copper, precious metals, coal, humate, uranium and diamonds in Arizona, New Mexico, Nevada, Colorado, Utah, Namibia, South Africa, and Indonesia. Work involved literature

research, petrographic work, mineral identification, mineral property evaluations, prospect generation and detailed geologic field mapping.

Sources: Teryl Resources Corp., Kinross Gold Corp., Linux Gold Corp., SilverCorp.

Forward-looking statements:- The Company's actual results, performance or achievements could differ materially from those expressed in, or implied by, these forward-looking statements, including those described in the Company's Financial Statements, Management Discussion and Analysis and Material Change Reports filed with the Canadian Securities Administrators and available at [www.sedar.com](http://www.sedar.com), and the Company's 20-F annual report filed with the United States Securities and Exchange Commission at [www.sec.gov](http://www.sec.gov).

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