

# SECURITIES & EXCHANGE COMMISSION EDGAR FILING

**Laredo Oil, Inc.**

**Form: 10-Q**

**Date Filed: 2013-01-11**

Corporate Issuer CIK: 1442492

U.S. SECURITIES AND EXCHANGE  
COMMISSION  
Washington, D.C.20549

FORM 10-Q

x QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED NOVEMBER 30, 2012

Commission File Number 333-153168



**Laredo Oil, Inc.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of incorporation or organization)

**111 Congress Avenue, Suite 400  
Austin, Texas 78701**

(Address of principal executive offices) (Zip code)

**(512) 279-7870**

(Registrant's telephone number, including area code)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the last 90 days. Yes x No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," "non-accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 or the Exchange Act). Yes  No

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date:

53,500,013 shares of common stock issued and outstanding as of January 11, 2013.

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## ITEM 1. FINANCIAL STATEMENTS

The following unaudited financial statements have been prepared by Laredo Oil, Inc. (the "Company"), pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted pursuant to such SEC rules and regulations; nevertheless, the Company believes that the disclosures are adequate to make the information presented not misleading. However, except as disclosed herein, there have been no material changes in the information disclosed in the notes to the financial statements for the year ended May 31, 2012. These financial statements and the notes attached hereto should be read in conjunction with the financial statements and notes included in the Company's Form 10-K, which was filed with the SEC on August 29, 2012. In the opinion of management of the Company, all adjustments, including normal recurring adjustments necessary to present fairly the financial position of Laredo Oil, Inc., as of November 30, 2012 and the results of its operations for the three and six month periods and cash flows for the six month periods then ended, have been included. The results of operations for the three and six month periods ended November 30, 2012 are not necessarily indicative of the results for the full year ending May 31, 2013.

**Laredo Oil, Inc.**  
**Balance Sheets**

	November 30, 2012 (Unaudited)	May 31, 2012
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 99,499	\$ 114,563
Prepaid expenses and other current assets	26,360	30,762
<b>Total Current Assets</b>	<b>125,859</b>	<b>145,325</b>
<b>TOTAL ASSETS</b>	<b>\$ 125,859</b>	<b>\$ 145,325</b>
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 24,258	\$ 20,631
Accrued liabilities	140,513	89,494
Deferred management fee revenue	40,833	40,833
Warrant liabilities	44,736	73,356
<b>Total Current Liabilities</b>	<b>250,340</b>	<b>224,314</b>
Long term notes payable	350,000	350,000
<b>TOTAL LIABILITIES</b>	<b>600,340</b>	<b>574,314</b>
Commitments and Contingencies	-	-
<b>Stockholders' Deficit</b>		
Preferred stock: \$0.001 par value; 10,000,000 shares authorized; none issued and outstanding	-	-
Common stock: \$0.0001 par value; 90,000,000 shares authorized; 53,500,013 and 53,000,013 issued and outstanding, respectively	5,350	5,300
Additional paid in capital	5,947,273	5,735,121
Accumulated deficit	(6,427,104)	(6,169,410)
<b>Total Stockholders' Deficit</b>	<b>(474,481)</b>	<b>(428,989)</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT</b>	<b>\$ 125,859</b>	<b>\$ 145,325</b>

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

**Laredo Oil, Inc.**  
**Statements of Operations**  
(Unaudited)

	<b>Three Months Ended November 30, 2012</b>	<b>Three Months Ended November 30, 2011</b>	<b>Six Months Ended November 30, 2012</b>	<b>Six Months Ended November 30, 2011</b>
Management fee revenue	\$ 490,593	\$ 381,360	\$ 961,886	\$ 802,759
Direct costs	<u>423,242</u>	<u>289,311</u>	<u>792,596</u>	<u>513,495</u>
Gross profit	67,351	92,049	169,290	289,264
General, selling and administrative expenses	134,089	24,372	275,350	51,079
Consulting and professional services	<u>86,148</u>	<u>53,947</u>	<u>169,564</u>	<u>5,131,203</u>
Total Operating Expense	<u>220,237</u>	<u>78,319</u>	<u>444,914</u>	<u>5,182,282</u>
Operating income (loss)	(152,886)	13,730	(275,624)	(4,893,018)
Other income (expense)				
Gain on revaluation of warrant liability	7,551	39,837	28,620	481,864
Other income	-	-	-	200,000
Interest expense	<u>(5,268)</u>	<u>(5,264)</u>	<u>(10,690)</u>	<u>(14,437)</u>
Net income (loss)	<u>\$ (150,603)</u>	<u>\$ 48,303</u>	<u>\$ (257,694)</u>	<u>\$ (4,225,591)</u>
Net income (loss) per share, basic and diluted	\$ (0.00)	\$ 0.00	\$ (0.00)	\$ (0.08)
Weighted average number of common shares outstanding	53,500,013	52,000,013	53,327,882	52,000,013

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

**Laredo Oil, Inc.**  
**Statements of Cash Flows**  
**(Unaudited)**

	<u>Six Months Ended</u> <u>November 30, 2012</u>	<u>Six Months Ended</u> <u>November 30, 2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss	\$ (257,694)	\$ (4,225,591)
Adjustments to Reconcile Net Loss to Net Cash Provided (Used) by Operating Activities		
Stock issued for services	20,556	-
Warrants issued for services	-	4,931,873
Share based compensation	191,646	-
Gain on revaluation of warrant liability	(28,620)	(481,864)
Decrease in prepaid expenses and other current assets	4,402	100
(Decrease) increase in accounts payable and accrued liabilities	54,646	(212,029)
Increase in deferred management fee revenue	-	40,833
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>(15,064)</b>	<b>53,322</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
	-	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of notes payable	-	(75,000)
Repayment of convertible notes payable	-	(300,000)
Capital contributions	-	418,088
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>-</b>	<b>43,088</b>
Net (decrease) increase in cash and cash equivalent	(15,064)	96,410
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>114,563</b>	<b>428</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>\$ 99,499</b>	<b>\$ 96,838</b>
<u>Supplemental disclosures</u>		
Interest Paid	\$ -	\$ 43,088
<u>Noncash Financing Activities</u>		
Reclassification of warrant liability to equity	\$ -	\$ 651,153

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

**Laredo Oil, Inc.**  
**Notes to Financial Statements**  
**November 30, 2012**  
**(Unaudited)**

**NOTE 1 - ORGANIZATION AND DESCRIPTION OF BUSINESS**

On June 14, 2011, the Company entered into agreements with Stranded Oil Resources Corporation ("SORC") to seek recovery of stranded crude oil from mature, declining oil fields by using the Enhanced Oil Recovery ("EOR") method known as Underground Gravity Drainage ("UGD"). Such agreements include license agreements, management services agreements, and other agreements (collectively the "Agreements").

The Agreements stipulate that the Company and Mark See, the Company's Chairman and Chief Executive Officer ("CEO"), will provide to SORC, management services and expertise through exclusive, perpetual license agreements and a management services agreement (the "Management Service Agreement") with SORC. As consideration for the licenses to SORC, the Company will receive an interest in SORC's net profits as defined in the Agreements (the "Royalty"). The Management Service Agreement ("MSA") outlines that the Company will provide the services of key employees ("Key Persons"), including Mark See, in exchange for monthly and quarterly management service fees. The monthly and quarterly management service fees provide funding for the salaries, benefit costs, and FICA taxes for the Key Persons identified in the Management Services Agreement. The quarterly management fee of \$122,500 per quarter is paid on the first day of each calendar quarter, and, as such, \$40,833 has been recorded as deferred management fee revenue at November 30, 2012. In addition, SORC will reimburse the Company for monthly expenses incurred by the Key Persons in connection with their rendition of services under the Management Services Agreement. The Company may submit written requests to SORC for additional funding for payment of the Company's operating costs and expenses, which SORC, in its sole and absolute discretion, will determine whether or not to fund. As of the filing date, no such additional funding requests have been made.

In June 2011, SORC also provided \$418,088 to the Company which was used for the sole purpose of paying and retiring in full certain of the Company's debt obligations and accrued interest. During the first quarter of fiscal year 2012, all debt obligations and accrued interest other than amounts owed to Alleghany Capital were repaid. Further, SORC provided \$200,000 to the Company to reimburse a portion of the legal fees incurred in connection with the Agreements. The proceeds used for retiring the debt obligations are recorded in additional paid in capital and reimbursement of legal fees are included in other income.

As consideration for the licenses to SORC, the Company will receive a 19.49% interest in SORC net profits as defined in the SORC License Agreement (the "Royalty"). Under the SORC License Agreement, the Company agreed that a portion of the Royalty equal to at least 2.25% of the net profits ("Incentive Royalty") be used to fund a long term incentive plan for the benefit of its employees, as determined by the Company's board of directors. On October 11, 2012, the Laredo Royalty Incentive Plan (the "Plan") was approved and adopted by the Board and the Incentive Royalty was assigned by the Company to Laredo Royalty Incentive Plan, LLC, a special purpose Delaware limited liability company and wholly owned subsidiary of Laredo Oil, Inc. formed to carry out the purposes of the Plan (the "Plan Entity"). As a result of the assignment of the Incentive Royalty to the Plan Entity, the Royalty retained by the Company has been reduced from 19.49% to 17.24% subject to reduction to 15% under certain events stipulated in the SORC License Agreement. Additionally, in the event of a SORC initial public offering or certain other defined corporate events, the Company will receive 17.24%, subject to reduction to 15% under the SORC License Agreement, of the SORC common equity or proceeds emanating from the event in exchange for termination of the Royalty. Under certain circumstances regarding termination of exclusivity and license terminations, the Royalty could be reduced to 7.25%. On October 11, 2012, under the LLC Agreement of the Plan Entity, the Plan Entity authorized one preferred membership unit and ten thousand common membership units. As a result of the assignment of the Incentive Royalty, the preferred membership unit was issued to the Company and allows for complete control of the Plan Entity through the voting rights of the preferred membership unit. The preferred and common membership units have no par value. Seven thousand six hundred forty (7,640) of the common membership units were issued to certain officers and key employees of the Company on October 11, 2012 under the Plan. The future funding of the Incentive Royalty, if any, is subject to certain conditions, as outlined in the Agreements. If any Incentive Royalty is funded as a result of those conditions being met, the Company may record compensation expense for the fair value of the Royalty Incentive, once all pertinent factors are known and considered probable.

On October 1, 2012, the Company announced that the SORC Board of Directors approved commencement of an EOR project under the Agreements. The Company manages the project on behalf of SORC, which will increase the aggregate management fee payable to the Company by \$17,083 per month under the MSA. SORC is the Company's sole provider of revenue.

*Basic and Diluted Loss per Share*

The Company's basic and diluted earnings per share ("EPS") amounts have been computed based on the weighted-average number of shares of common stock outstanding for the period. As the Company realized a net loss for the three and six month periods ended November 30, 2012 and 2011, no potentially dilutive securities were included in the calculation of diluted loss per share as their impact would have been anti-dilutive.

**NOTE 2 – GOING CONCERN**

These financial statements have been prepared on a going concern basis. The Company has no significant operating history as of November 30, 2012, and has a net loss of \$257,694 for the six months ended November 30, 2012. The Company entered into the Agreements with SORC to fund operations and to provide working capital. However, there is no assurance that in the future such financing will be available to meet the Company's needs.



**Laredo Oil, Inc.**  
**Notes to Financial Statements**  
**November 30, 2012**  
**(Unaudited)**

NOTE 2 – GOING CONCERN - *continued*

Management has undertaken steps as part of a plan to improve operations with the goal of sustaining our operations for the next twelve months and beyond. These steps include (a) providing services and expertise under the Agreements to expand operations; and (b) controlling overhead and expenses. There can be no assurance that the Company can successfully accomplish these steps and it is uncertain that the Company will achieve a profitable level of operations and obtain additional financing. There can be no assurance that any additional financing will be available to the Company on satisfactory terms and conditions, if at all.

The accompanying financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classifications of liabilities that may result from the possible inability of the Company to continue as a going concern.

NOTE 3 - RECENT AND ADOPTED ACCOUNTING STANDARDS

The Company has reviewed recently issued accounting standards and plans to adopt those that are applicable to it. It does not expect the adoption of those standards to have a material impact on its financial position, results of operations, or cash flows.

NOTE 4 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's financial instruments as defined by Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 825-10-50, *Financial Instruments*, include cash, trade accounts receivable, accounts payable, accrued liabilities, warrant liabilities and notes payable. All instruments, with the exception of the warrant liabilities which are measured at fair value, are accounted for on a historical cost basis, which, due to the short maturity of these financial instruments, approximates fair value at November 30, 2012. Based on the borrowing rates currently available to the Company for loans with similar terms and maturities, the fair value of long term notes payable approximates the carrying value.

FASB ASC 820, *Fair Value Measurements and Disclosures*, defines fair value as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. FASB ASC 820 provides a framework for measuring fair value, establishes a three level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date and requires consideration of the counterparty's creditworthiness when valuing certain assets.

The three level fair value hierarchies for disclosure of fair value measurements defined by FASB ASC 820 are as follows:

**Level 1** – Unadjusted, quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities. An active market is defined as a market where transactions for the financial instrument occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

**Level 2** – Inputs, other than quoted prices in active markets, that are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date and for the duration of the instrument's anticipated life.

**Level 3** – Prices or valuations that require unobservable inputs that are both significant to the fair value measurement and unobservable. Valuation under level 3 generally involves a significant degree of judgment from management.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The Company has warrant liabilities which are measured at fair value on a recurring basis at November 30, 2012 and 2011. The Company recorded a gain on revaluation of warrant liability of \$7,551 and \$39,837 for the three months ended November 30, 2012 and 2011, and of \$28,620 and \$481,864, for the six months ended November 30, 2012 and 2011, respectively. For the year ended May 31, 2012, the Company reclassified \$651,153 in warrant liabilities to equity due to amendments of related warrant agreements. The Company measures the fair value of the warrant liabilities using the Black Scholes method. Inputs used to determine fair value under this method include the Company's stock, volatility and expected remaining life as disclosed in Note 6.

The following table presents the fair value hierarchy for those assets measured at fair value on a recurring basis as of November 30, 2012 and 2011:

Fair Value Measurements on a Recurring Basis

<b>Current Liability</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Warrant Liabilities – November 30, 2012	\$ -	\$ 44,736	\$ -	\$ 44,736
Warrant Liabilities – November 30, 2011	\$ -	\$ 149,491	\$ -	\$ 149,491

**Laredo Oil, Inc.**  
**Notes to Financial Statements**  
**November 30, 2012**  
**(Unaudited)**

NOTE 5- RELATED PARTY TRANSACTIONS

SORC and Alleghany Capital Corporation (“Alleghany Capital”) are considered related parties under FASB ASC 850. All management fee revenue reported by the Company for the three and six months ended November 30, 2012 is generated from charges to SORC. All outstanding long term notes payable at November 30, 2012 are held by Alleghany Capital. See Note 8.

In both November and December 2009, respectively, the Company entered into a \$25,000 and \$50,000 bridge note with Mr. Kenneth Lipson, a shareholder owning over 5% of the Company’s common stock. Interest expense accrued on both notes at a rate of 7% per annum. In June 2011, the outstanding balance of \$75,000 in notes payable and \$8,026 in accrued interest were repaid using proceeds provided by SORC as disclosed in Note 1.

NOTE 6- STOCKHOLDERS' DEFICIT

Share Based Compensation

The Black-Scholes option pricing model is used to estimate the fair value of options granted under our stock incentive plan.

The following table summarizes share-based compensation:

	Six Months Ended	
	November 30, 2012	November 30, 2011
Share-based compensation:		
General, selling and administrative expenses	\$ 191,646	\$ -
Consulting and professional services	20,556	-
	212,202	-
Share-based compensation by type of award:		
Stock options	191,646	-
Restricted stock	20,556	-
	\$ 212,202	\$ -

Stock Options

No stock options were issued during the six months ending November 30, 2012. On November 29, 2011, the Company granted 2.6 million stock options to employees with an exercise price of \$0.20 per share, the fair market value on the date of grant.

Restricted Stock

In August 2012, Laredo Oil granted 500,000 shares of restricted stock to its new independent board member. The shares vest in equal increments annually over three years.

The fair value of the restricted stock granted is the intrinsic value as of the respective grant date since the restricted stock is granted at no cost to the directors. The grant date fair values of restricted stock granted during the first quarter of fiscal year 2013 was \$0.13. No restricted stock was granted during the first six months in fiscal year 2012.

Warrants

No warrants have been issued during the first six months of fiscal year 2013.

During the first six months of fiscal year 2012, the Company issued warrants for 5,374,501 shares of common stock with a weighted average exercise price of \$0.70 to an investment bank for its role in enabling the transactions with SORC. These warrants were valued at \$4,931,873 under the Black Scholes valuation method with the following assumptions: risk free interest rate of 1.7%, volatility of 157%, expected term of 5 years and dividend rate of 0%. In addition, the warrants previously issued to the convertible debt holders were repriced from \$2.00 per share to \$0.25 per share during June 2011. A \$179,515 expense was recorded in gain on revaluation of warrant liability as a result of repricing revaluation on June 14, 2011. All outstanding warrants are currently exercisable through July 2015.

On June 14, 2011, as a result of the Agreements disclosed in Note 1, the warrants issued with the convertible notes were reclassified on the balance sheet to equity due to an amendment to the warrant agreement that removed the price protection on the warrants. The warrants were revalued on June 14, 2011 and \$651,153 in warrant liability was reclassified to additional paid in capital.

**Laredo Oil, Inc.**  
**Notes to Financial Statements**  
**November 30, 2012**  
**(Unaudited)**

NOTE 6- STOCKHOLDERS' DEFICIT - *continued*

Contributions

As discussed in Note 1, \$418,088 was recorded as contributions from SORC for proceeds used to pay in full certain debt obligations and accrued interest.

NOTE 7 – CONVERTIBLE NOTES PAYABLE

During June and July 2011, the ten convertible notes totaling \$300,000 and accrued interest of \$35,062 were paid in full using proceeds received from SORC as disclosed in Note 1.

NOTE 8– LONG TERM NOTES PAYABLE

During the fiscal year ended May 31, 2011, the Company entered into two Loan Agreements with Alleghany for a combined available borrowing limit of \$350,000. The notes accrue interest on the outstanding principal of \$350,000 at the rate of 6% per annum. As of November 30, 2012, accrued interest totaling \$39,822 is recorded in accrued liabilities. The interest is payable in either cash or in kind. The notes have a maturity date of December 31, 2013 and are classified as long term notes payable. The loan agreements require any stock issuances for cash be utilized to pay down the outstanding loan balance unless written consent is obtained from Alleghany.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This report contains forward-looking statements that involve risk and uncertainties. We use words such as "anticipate", "believe", "plan", "expect", "future", "intend", and similar expressions to identify such forward-looking statements. Investors should be aware that all forward-looking statements contained within this filing are good faith estimates of management as of the date of this filing. Our actual results could differ materially from those anticipated in these forward-looking statements.

### DESCRIPTION AND STATUS OF SIGNIFICANT CONTRACTS WITH STRANDED OIL RESOURCES CORPORATION

From its inception through October 2009, the Company was primarily engaged in acquisition and exploration efforts for mineral properties. After a change in control in October 2009, the Company shifted its focus to locating mature oil fields with the intention of acquiring those oil fields and recovering stranded oil using enhanced oil recovery methods. The Company was unable to raise the capital required to purchase any suitable oil fields. On June 14, 2011, the Company entered into several agreements with Stranded Oil Resources Corporation ("SORC") to seek recovery of stranded crude oil from mature, declining oil fields by using the Enhanced Oil Recovery ("EOR") method known as Underground Gravity Drainage ("UGD"). Such agreements consist of a license agreement between the Company and SORC (the "SORC License Agreement"), a license agreement between the Company and Mark See, the Company's Chairman and Chief Executive Officer ("CEO") (the "MS-Company License Agreement"), an Additional Interests Grant Agreement between the Company and SORC, a Management Services Agreement between the Company and SORC (the "MSA"), a Finder's Fee Agreement between the Company and SORC, and a Stockholders Agreement among the Company, SORC and Alleghany Capital Corporation, each of which are dated June 14, 2011 (collectively, the "Agreements").

The Company and Mark See now provide to SORC both management services and expertise pursuant to the SORC License Agreement, MS-Company License Agreement and the MSA. As consideration for the licenses to SORC, the Company will receive a 19.49% interest in SORC net profits as defined in the SORC License Agreement (the "Royalty"). Under the SORC License Agreement, the Company agreed that a portion of the Royalty equal to at least 2.25% of the net profits ("Incentive Royalty") be used to fund a long term incentive plan for the benefit of its employees, as determined by the Company's board of directors. On October 11, 2012, the Laredo Royalty Incentive Plan (the "Plan") was approved and adopted by the Board and the Incentive Royalty was assigned by the Company to Laredo Royalty Incentive Plan, LLC, a special purpose Delaware limited liability company and wholly owned subsidiary of Laredo Oil, Inc. formed to carry out the purposes of the Plan (the "Plan Entity"). As a result of the assignment of the Incentive Royalty to the Plan Entity, the Royalty retained by the Company has been reduced from 19.49% to 17.24% subject to reduction to 15% under certain events stipulated in the SORC License Agreement. Additionally, in the event of a SORC initial public offering or certain other defined corporate events, the Company will receive 17.24%, subject to reduction to 15% under the SORC License Agreement, of the SORC common equity or proceeds emanating from the event in exchange for termination of the Royalty. Under certain circumstances regarding termination of exclusivity and license terminations, the Royalty could be reduced to 7.25%. On October 11, 2012, under the LLC Agreement of the Plan Entity, the Plan Entity authorized one preferred membership unit and ten thousand common membership units. As a result of the assignment of the Incentive Royalty, the preferred membership unit was issued to the Company and allows for complete control of the Plan Entity through the voting rights of the preferred membership unit. The preferred and common membership units have no par value. 7,640 of the common membership units were issued to certain offices and key employees of the Company on October 11, 2012 under the Plan. The future funding of the Incentive Royalty, if any, is subject to certain conditions, as outlined in the Agreements. If any Incentive Royalty is funded as a result of those conditions being met, the Company may record compensation expense for the fair value of the Royalty Incentive, once all pertinent factors are known and considered probable.

The MSA provides that the Company will provide the services of key employees ("Key Persons"), including Mark See, in exchange for monthly and quarterly management service fees. Mark See acts as the CEO of SORC pursuant to the MSA. He and other members of Company management spend substantially all of their time and effort in fulfilling the terms of the Agreements whereby they use their best efforts to evaluate, acquire, develop and recover crude oil from fields conducive to the UGD oil recovery method. The quarterly management services fee is \$122,500 and the monthly management services fee is comprised of the salaries, benefit costs, and FICA taxes for the Key Persons identified in the Agreements. In addition, SORC reimburses the Company for expenses incurred by Key Persons in connection with their rendition of services under the MSA. The Company may submit written requests to SORC for additional funding for payment of the Company's operating costs and expenses which SORC, in its sole and absolute discretion, will determine whether or not to fund. To date, no requests for additional funding have been submitted by the Company to SORC.

Under the MS-Company License Agreement, Mark See granted the Company an exclusive license to use certain intellectual property. The Stockholders Agreement, which shall not be effective unless and until the Royalty is converted into SORC common stock pursuant to the License Agreement, provides, among other things, that the Company shall have certain registration rights with respect to the SORC common stock it acquires.

It is expected that SORC will be funded solely by Alleghany Capital Corporation, a wholly-owned subsidiary of Alleghany ("Alleghany Capital"), in exchange for issuance by SORC of 12% cumulative preferred stock and common stock. Prior to the Company receiving any cash distributions from SORC, all accrued dividends must be paid and preferred shares redeemed which as of the date of this filing exceeds \$16 million.

RESULTS OF OPERATIONS

The Company is a management services company managing both the acquisition of mature oil fields and the recovery of stranded oil from those fields using EOR methods for its sole customer, SORC, an indirect, wholly owned subsidiary of Alleghany.

The UGD method uses conventional mining processes to establish a chamber underneath an existing oil field from where closely spaced wellbores are intended to be drilled up into the reservoir, using residual radial pressure and gravity to then drain the targeted reservoir through the wellbores. This method is applicable to mature oil fields that have very specific geological characteristics. The Company has done extensive research and has identified oil fields within the United States that it believes are qualified for UGD recovery methods. The Company intends to manage and support SORC's efforts to pursue and recover stranded oil from selected mature fields chosen from this group which may be acquired by SORC in its sole and absolute discretion.

SORC's initial \$16 million funding commitment under the Agreements has been exceeded. On October 1, 2012, the Company announced that the SORC Board of Directors approved commencement of an EOR project under the Agreements. The Company is currently managing that project on behalf of SORC by pursuing permits, amalgamating mineral rights in proximity to the project, securing contractors, and performing other ancillary activities supporting the effort.

SORC is the Company's sole provider of revenue.

As a result of signing the Agreements with SORC, we started receiving payments under the MSA effective June 14, 2011 and received management fee revenue totaling \$490,593 and \$961,886 and recorded direct costs totaling \$423,242 and \$792,596 for the three and six month periods ended November 30, 2012, respectively. Additionally, we received management fee revenue totaling \$381,360 and \$802,759 and recorded direct costs totaling \$289,311 and \$513,495 for the three and six month periods ended November 30, 2011, respectively.

During the quarters ended November 30, 2012 and 2011, respectively, we incurred operating expenses of \$220,237 and \$78,319. These expenses consisted of general operating expenses incurred in connection with the day to day operation of our business, the preparation and filing of our required reports, and costs associated with fund raising. The increase in expenses for the quarter ended November 30, 2012 as compared to the same period in 2011 is primarily attributable to an increase in costs recognized associated with the issuance of stock options and restricted stock. We incurred operating expenses of \$444,914 and \$5,182,282 during the six months ended November 30, 2012 and 2011, respectively. The decrease in expenses for the six months ended November 30, 2012 as compared to the same period in 2011 is primarily attributable to the costs of closing the Alleghany transaction. Offsetting this decrease is an increase in costs recognized in the first quarter of fiscal 2013 associated with the issuance of stock options and restricted stock.

Additionally, for the three and six months ended November 30, 2012 and 2011, the Company experienced gains on revaluation of the warrant liability of \$7,551 and \$28,620 and \$39,837 and \$481,864, respectively, due to a decrease in the common stock price in the respective periods, as well as a change in the exercise price on certain warrants.

During the three months ended August 31, 2011, the Company fixed the price of the warrants issued in connection with the \$300,000 Convertible Notes to \$0.25 per share and removed the price protection originally included with the warrants. Removal of the price protection feature associated with the warrants issued in connection with the convertible debt resulted in reclassification of \$651,153 of the associated warrant liability to additional paid in capital. However, the Company's operating income (loss) will continue to be affected by changes of value of the warrant liability associated with the warrants issued in conjunction with the sale of \$500,000 of common stock in 2010 and which contain price-protection provisions. Those warrants will be outstanding until they are either exercised or expire in July 2015.

## **ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - continued**

### **LIQUIDITY & CAPITAL RESOURCES**

Due to the nature of the SORC transaction, the Company forecasts that it will need no additional funding in order to execute its agreements with SORC. In accordance with the SORC license and management services agreements, the Company believes that it will receive sufficient working capital necessary to meet its obligations under the Agreements. The Company provides the know-how, expertise, and management required to identify, evaluate, acquire, test and develop targeted properties, and SORC will provide all required funding and will own the acquired assets. It is expected that SORC will be funded solely by Alleghany Capital in exchange for issuance by SORC to Alleghany Capital of 12% Cumulative Preferred Stock and common stock. Prior to the Company's receiving any Royalty cash distributions from SORC, all preferred share accrued dividends must be paid and preferred shares redeemed.

Our cash and cash equivalents at November 30, 2012 was \$99,499. Since entering into the SORC transaction on June 14, 2011, the Company has received \$3,395,058 from SORC in management fees, reimbursement for transaction expenses, and funds used to retire a portion of Company debt. Total debt outstanding as of the filing date of this report is \$350,000 owed to Alleghany Capital.

Management has undertaken steps as part of a plan to improve operations with the goal of sustaining our operations for the next twelve months and beyond. These steps include (a) providing services and expertise under the Agreements to expand operations so that SORC generates gross profit; and (b) controlling overhead and expenses. There can be no assurance that the Company can successfully accomplish these steps and it is uncertain that the Company will achieve a profitable level of operations and obtain additional financing. There can be no assurance that any additional financing will be available to the Company on satisfactory terms and conditions, if at all.

The accompanying financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classifications of liabilities that may result from the possible inability of the Company to continue as a going concern.

### **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

The process of preparing financial statements requires that we make estimates and assumptions that affect the reported amounts of liabilities and stockholders' equity at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Such estimates primarily relate to revaluation of warrants as of the date of the financial statements; accordingly, actual results may differ from estimated amounts. Our estimates and assumptions are based on current facts, historical experience and various other factors we believe to be reasonable under the circumstances. The most significant estimates with regard to the financial statements included with this report relate to valuation of warrants.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary, are reported in earnings in the periods in which they become known.

### **OFF-BALANCE SHEET ARRANGEMENTS**

We do not currently have any off balance sheet arrangements or other such unrecorded obligations, and we have not guaranteed the debt of any other party.

## **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Our exposure to market risk is confined to our cash equivalents. We invest in high-quality financial instruments and we believe we are subject to limited credit risk. Due to the short-term nature of our cash, we do not believe that we have any material exposure to interest rate risk arising from our investments.

#### ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Securities Exchange Act of 1934, as amended ("Exchange Act"), is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission ("SEC") rules and forms. Our disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosures. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives, and management necessarily is required to use its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

An evaluation was carried out under the supervision and with the participation of the Company's management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report as defined in Exchange Act Rule 13a-15(e) and Rule 15d-15(e). Based on that evaluation, the CEO and CFO have concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures are not effective in insuring that information required to be disclosed in our Exchange Act reports is (1) recorded, processed, summarized and reported in a timely manner, and (2) accumulated and communicated to our management, including the our CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

Our size has prevented us from being able to employ sufficient resources to enable us to have an adequate level of supervision and segregation of duties. Therefore, it is difficult to effectively segregate accounting duties which comprises a material weakness in internal controls. This lack of segregation of duties leads management to conclude that the Company's disclosure controls and procedures are not effective to give reasonable assurance that the information required to be disclosed in reports that the Company files under the Exchange Act is recorded, processed, summarized and reported as and when required.

(b) Changes in Internal Control Over Financial Reporting

None.

## PART II - OTHER INFORMATION

### ITEM 6. EXHIBITS

The exhibits required to be filed herewith by Item 601 of Regulation S-K, as described in the following index of exhibits, are attached hereto unless otherwise indicated as being incorporated herein by reference, as follows:

- 3.1 Certificate of Incorporation, included as Exhibit 3.1 in our Form S-1 filed August 25, 2008, File No. 333-153168 and incorporated herein by reference.
- 3.2 Certificate of Amendment of Certificate of Incorporation, included as Exhibit 10.1 to our Form 8-K filed October 22, 2009 and incorporated herein by reference.
- 3.3 Bylaws, included as Exhibit 3.2 in our S-1 filed August 25, 2008, File No. 333-153168 and incorporated herein by reference.
- 10.1 Amended and Restated Laredo Management Retention Plan dated as of October 11, 2012 (included as Exhibit 10.1 to our Form 10-Q filed October 15, 2012, File No. 333-153168 and incorporated herein by reference).
- 10.2 Amendment to Certificate of Formation of Laredo Royalty Incentive Plan, LLC (included as Exhibit 10.2 to our Form 10-Q filed October 15, 2012, File No. 333-153168 and incorporated herein by reference).
- 10.3 Limited Liability Company Agreement of Laredo Royalty Incentive Plan, LLC, dated as of October 11, 2012 (included as Exhibit 10.3 to our Form 10-Q filed October 15, 2012, File No. 333-153168 and incorporated herein by reference).
- 10.4 Form of Restricted Common Unit Agreement for Laredo Royalty Incentive Plan, LLC (included as Exhibit 10.4 to our Form 10-Q filed October 15, 2012, File No. 333-153168 and incorporated herein by reference).
- [31.1 Certification of the Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)
- [31.2 Certification of the Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)
- [32.1 Certificate Pursuant to 18 U.S.C. Section 1350 signed by the Chief Executive Officer](#)
- [32.2 Certificate Pursuant to 18 U.S.C. Section 1350 signed by the Chief Financial Officer](#)
- 101.INS XBRL Instance Document
- 101.SCH XBRL Taxonomy Extension Schema
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase
- 101.DEF XBRL Taxonomy Extension Definition Linkbase
- 101.LAB XBRL Taxonomy Extension Label Linkbase
- 101.PRE XBRL Extension Presentation Linkbase



**SIGNATURES**

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**LAREDO OIL, INC.**

(Registrant)

Date: January 11, 2013

By: /s/ Mark See  
Mark See  
Chief Executive Officer and Chairman of the Board

Date: January 11, 2013

By: /s/ Bradley E. Sparks  
Bradley E. Sparks  
Chief Financial Officer, Treasurer and Director

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECURITIES EXCHANGE ACT OF 1934  
RULE 13a-14(a) OR 15d-14(a)**

I, Mark See, Chief Executive Officer of Laredo Oil, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended November 30, 2012 of Laredo Oil, Inc., the registrant;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: January 11, 2013

/s/ Mark See

Mark See

Chief Executive Officer

**CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECURITIES EXCHANGE ACT OF 1934  
RULE 13a-14(a) OR 15d-14(a)**

I, Bradley E. Sparks, Chief Financial Officer and Treasurer of Laredo Oil, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended November 30, 2012 of Laredo Oil, Inc., the registrant;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: January 11, 2013

/s/ Bradley E. Sparks

Bradley E. Sparks

Chief Financial Officer and Treasurer

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Laredo Oil, Inc. on Form 10-Q for the period ended November 30, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Mark See, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge and belief:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Mark See  
Mark See  
Chief Executive Officer

Date: January 11, 2013

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Laredo Oil, Inc. on Form 10-Q for the period ended November 30, 2012, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Bradley E. Sparks, Chief Financial Officer and Treasurer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge and belief:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Bradley E. Sparks  
Bradley E. Sparks  
Chief Financial Officer and Treasurer

Date: January 11, 2013