

SECURITIES & EXCHANGE COMMISSION EDGAR FILING

Laredo Oil, Inc.

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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 AUGUST 31, 2020

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)

**110 N. Rubey Dr., Suite 120
Golden, Colorado 80403**

(Address of principal executive offices) (Zip code)

(720) 295-1214

(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 o

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 o

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

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

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

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

54,514,765 shares of common stock issued and outstanding as of October 15, 2020.

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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, 2020. 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, 2020. 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 August 31, 2020 and the results of its operations and cash flows for the three-month period then ended, have been included. The results of operations for the three-month period ended August 31, 2020 are not necessarily indicative of the results for the full year ending May 31, 2021.

Laredo Oil, Inc.
Balance Sheets

	August 31, 2020 (unaudited)	May 31, 2020
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 948,795	\$ 1,532,511
Receivable – related party	294,491	32,058
Prepaid expenses and other current assets	28,261	58,492
Total Current Assets	1,271,547	1,623,061
Equity method investment	448,900	-
TOTAL ASSETS	\$ 1,720,447	\$ 1,623,061
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current Liabilities		
Accounts payable	\$ 83,105	\$ 20,954
Accrued payroll liabilities	1,799,714	1,581,847
Accrued interest	271,331	259,133
Deferred management fee revenue	45,833	45,833
Notes payable – related party	350,000	350,000
Current note payable	680,327	473,778
Total Current Liabilities	3,230,310	2,731,545
Long-term note, net of current note payable	553,329	759,878
TOTAL LIABILITIES	3,783,639	3,491,423
Commitments and Contingencies	-	-
Stockholders' Deficit		
Preferred stock: \$0.0001 par value; 10,000,000 shares authorized; none issued and outstanding	-	-
Common stock: \$0.0001 par value; 90,000,000 shares authorized; 54,514,765 issued and outstanding	5,451	5,451
Additional paid in capital	8,844,592	8,844,592
Accumulated deficit	(10,913,235)	(10,718,405)
Total Stockholders' Deficit	(2,063,192)	(1,868,362)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	\$ 1,720,447	\$ 1,623,061

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

Laredo Oil, Inc.
Statements of Operations
(Unaudited)

	Three Months Ended August 31, 2020	Three Months Ended August 31, 2019
Management fee revenue - related party	\$ 1,675,987	\$ 2,085,182
Direct costs	<u>1,718,864</u>	<u>2,069,317</u>
Gross profit	(42,877)	15,865
General, selling and administrative expenses	18,997	21,818
Consulting and professional services	120,758	70,665
Total Operating expenses	<u>139,755</u>	<u>92,483</u>
Operating loss	(182,632)	(76,618)
Non-operating income (expense)		
Interest expense	<u>(12,198)</u>	<u>(8,630)</u>
Net loss	<u>\$ (194,830)</u>	<u>\$ (85,248)</u>
Net loss per share, basic and diluted	\$ (0.00)	\$ (0.00)
Weighted average number of basic and common shares outstanding	54,514,765	54,514,765

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

Laredo Oil, Inc.
Statements of Changes in Stockholders' Deficit
(Unaudited)

	Common Stock		Preferred Stock		Additional	Accumulated	Total
	Shares	Amount	Shares	Amount	Paid in Capital	Deficit	Stockholders' Deficit
For the three months ended August 31, 2020							
Balance as of May 31, 2020	54,514,765	\$ 5,451	-	-	\$ 8,844,592	\$ (10,718,405)	\$ (1,868,362)
Net Loss	-	-	-	-	-	(194,830)	(194,830)
Balance as of August 31, 2020	54,514,765	\$ 5,451	-	-	\$ 8,844,592	\$ (10,913,235)	\$ (2,063,192)

	Common Stock		Preferred Stock		Additional	Accumulated	Total
	Shares	Amount	Shares	Amount	Paid in Capital	Deficit	Stockholders' Deficit
For the three months ended August 31, 2019							
Balance as of May 31, 2019	54,514,765	\$ 5,451	-	-	\$ 8,844,592	\$ (10,551,489)	\$ (1,701,446)
Net Loss	-	-	-	-	-	(85,248)	(85,248)
Balance as of August 31, 2019	54,514,765	\$ 5,451	-	-	\$ 8,844,592	\$ (10,636,737)	\$ (1,786,694)

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

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

	Three Months Ended August 31, 2020	Three Months Ended August 31, 2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (194,830)	\$ (85,248)
Adjustments to Reconcile Net Income (Loss) to Net Cash provided by (used in) Operating Activities		
(Increase)/decrease in receivable – related party	(262,433)	(116,416)
Decrease in prepaid expenses and other current assets	30,231	12,812
Increase in accounts payable and accrued liabilities	292,216	220,721
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(134,816)	31,869
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in equity method investment	(448,900)	-
NET CASH USED IN INVESTING ACTIVITIES	(448,900)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
	-	-
Net change in cash and cash equivalents	(583,716)	31,869
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	1,532,511	289,559
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 948,795	\$ 321,428

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

**NOTES TO FINANCIAL STATEMENTS
(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”). SORC is a subsidiary of Alleghany Corporation (“Alleghany”).

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 various employees (“Service Employees”), including Mark See, in exchange for monthly and quarterly management service fees. The monthly management service fees provide funding for the salaries, benefit costs, and FICA taxes for the Service Employees identified in the MSA. SORC remits payment for the monthly management fees in advance and is payable on the first day of each calendar month. The quarterly management fee is \$137,500 and is paid on the first day of each calendar quarter, and, as such, \$45,833 has been recorded as deferred management fee revenue at August 31, 2020. In addition, SORC will reimburse the Company for monthly expenses incurred by the Service Employees 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. As of the filing date, no such additional funding requests have been made.

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 “SORC License Agreement”). 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”). Through August 31, 2020 the subsidiary has received no distributions from SORC. 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%. 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 Incentive Royalty, once all pertinent factors are known and considered probable.

Prior to the Company receiving any Royalty cash distributions from SORC, all SORC preferred share accrued dividends must be paid (in excess of \$200 million as of June 30, 2020), preferred shares redeemed (\$271.5 million as of June 30, 2020), and debt retired to comply with any loan agreements. Additionally, when SORC acquires additional oil fields, any Alleghany funds invested in SORC to finance their acquisition and development must be repaid prior to the distribution of any Royalty cash distributions to Laredo.

Basic and Diluted Loss per Share

The Company’s basic 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-month periods ended August 31, 2020 and 2019, no potentially dilutive securities were included in the calculation of diluted loss per share as their impact would have been anti-dilutive. Diluted net income (loss) per share is computed by dividing the net income (loss) by the weighted-average number of common and dilutive common equivalent shares outstanding during the period.

NOTE 2 – GOING CONCERN

These financial statements have been prepared on a going concern basis. The Company has routinely incurred losses since inception, resulting in an accumulated deficit and is dependent upon one customer for its revenue. 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.

**NOTES TO FINANCIAL STATEMENTS
(UNAUDITED)**

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 to optimize operations; and (b) controlling overhead and expenses. In that regard, the Company has worked to attract and retain key personnel with significant experience in the industry to enhance the quality and breadth of the services it provides. At the same time, in an effort to control costs, the Company has required a number of its personnel to multi-task and cover a wider range of responsibilities in an effort to minimize headcount. 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 – SIGNIFICANT ACCOUNTING POLICIES

Equity Method Investment - Investments classified as equity method consist of investments in companies in which the Company is able to exercise significant influence but not control. Under the equity method of accounting, the investment is initially recorded at cost, then the Company's proportional share of investee's underlying net income or loss is recorded as a component of "other income" with a corresponding increase or decrease to the carrying value of the investment. Distributions received from the investee reduce the Company's carrying value of the investment. These investments are evaluated for impairment if events or circumstances arise that indicate that the carrying amount of such assets may not be recoverable. No changes in carrying value or impairments were recognized for the Company's equity method investment during the quarter ended August 31, 2020. See Note 11.

NOTE 4 – REVENUE RECOGNITION

Monthly Management Fee

The Company generates monthly management revenues from fees for labor and benefit costs. The Company recognizes revenue for these services in the month the labor and benefits are received by the customer. Monthly management fee revenues of \$1,538,487 and \$1,947,682 were recognized for the three months ended August 31, 2020 and 2019, respectively.

Quarterly Management Fee

The Company generates management fee revenue each quarter. The Company recognizes revenue over the applicable quarter on a straight-line basis. The management fee is billed quarterly in advance. As a result, we have recorded deferred revenue for services that have not been provided of \$45,833 as of August 31, 2020 and 2019. Quarterly management fees recognized for the three months ended August 31, 2020 and 2019 were \$137,500.

NOTE 5 – 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 6 – 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 and cash equivalents, equity method investments, accounts payable, accrued liabilities and notes payable. The equity method investments approximates fair value as a result of limited activity by the investee since formation. All other instruments are accounted for on a historical cost basis, which, due to the short maturity of these financial instruments, approximates fair value at August 31, 2020.

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.

**NOTES TO FINANCIAL STATEMENTS
(UNAUDITED)**

NOTE 7 – RELATED PARTY TRANSACTIONS

Transactions between related parties are considered to be related party transactions even though they may not be given accounting recognition. FASB ASC 850, *Related Party Disclosures* ("FASB ASC 850") requires that transactions with related parties that would make a difference in decision making shall be disclosed so that users of the financial statements can evaluate their significance. Related party transactions typically occur within the context of the following relationships:

- Affiliates of the entity;
- Entities for which investments in their equity securities is typically accounted for under the equity method by the investing entity;
- Trusts for the benefit of employees;
- Principal owners of the entity and members of their immediate families;
- Management of the entity and members of their immediate families.
- Other parties that can significantly influence the management or operating policies of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests.

SORC and Alleghany are considered related parties under FASB ASC 850. All management fee revenue reported by the Company for the three months ended August 31, 2020 and 2019 is generated from charges to SORC. All outstanding notes payable at August 31, 2020 and May 31, 2020 are held by Alleghany Capital Corporation ("Alleghany Capital"), a wholly owned subsidiary of Alleghany. See Note 8.

NOTE 8 – 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.

Share based compensation expense is fully recorded with respect to stock option awards outstanding. No share based compensation expense was recorded for the three months ended August 31, 2020 or 2019.

Stock Options

No option grants were made during the first quarter of fiscal years 2021 and 2020.

Restricted Stock

No restricted stock was granted during the first quarter of fiscal years 2021 or 2020.

Warrants

No warrants were issued during the first quarter of fiscal years 2021 or 2020. As of August 31, 2020, there were 5,374,501 warrants remaining to be exercised at a price of \$0.70 per share to Sunrise Securities Corporation to satisfy the finders' fee obligation associated with the Alleghany transaction. The warrants will expire June 14, 2021 and are currently exercisable.

NOTE 9 – NOTES PAYABLE

Alleghany Notes

During the fiscal year ended May 31, 2011, the Company entered into two Loan Agreements with Alleghany Capital 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 August 31, 2020, accrued interest totaling \$267,140 is recorded in accrued interest. The interest is payable in either cash or in kind. The notes have been amended and restated and now have a maturity date of December 31, 2020 and are classified as current 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 Capital.

Paycheck Protection Program Loan

	August 31, 2020	May 31, 2020
PPP Loan	\$ 1,233,656	\$ 1,233,656
Total Long-Term Notes	1,233,656	1,233,656
Less amounts classified as current	680,327	473,778
Long-term note, excluding current portion	\$ 553,329	\$ 759,878

On April 28, 2020, the Company entered into a Note (the "Note") with IBERIABANK for \$1,233,656 pursuant to the terms of the Paycheck Protection Program ("PPP") authorized by the Coronavirus Aid, Relief, and Economic Security (CARES) Act ("Program"). The Note will accrue interest on the outstanding principal sum at the rate of 1% per annum, and is due two years from the date of the Note, at which time all unpaid principal, accrued interest and any other amounts will be due and payable. No interest or principal will be due during the first six months after April 28, 2020, although interest will continue to accrue over this six-month deferral period. As of August 31, 2020, accrued interest totaling \$4,191 is recorded in accrued interest on the accompanying balance sheets. After such six-month deferral period and after taking into account any loan forgiveness applicable to the Note pursuant to the Program, as approved by the Small Business Administration, an agency of the United States of America, any remaining principal and accrued interest will be payable in substantially equal monthly installments on the first day of each month over the remaining 18-month term of the Note.

The Company did not provide any collateral or guarantees for the loan, nor did the Company pay any facility charge to obtain the loan. The Note provides for customary events of default, including, among others, those relating to failure to make payment, bankruptcy, breaches of representations and material adverse effects. The Company may prepay the Note at any time without payment of any penalty or premium.

On June 5, 2020, the PPP Flexibility Act of 2020 was signed into law and amended the CARES Act and eased rules on how and when recipients can use loans and still be eligible for forgiveness. As noted above, under the terms of the Program and PPP Flexibility Act, PPP loan recipients can apply for and be granted forgiveness for all or a portion of the loan granted under the PPP. Such forgiveness will be determined, subject to limitations, based on the use of loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and the maintenance of the Company's payroll levels. No assurance can be given that the Company will obtain forgiveness of the loan, in whole or in part. If all or a portion of a loan is ultimately forgiven, the Company plans to record income from the extinguishment of its loan obligation when it is legally released from being the primary obligor in accordance with ASC 405-20-40-1.

NOTE 10 – EMPLOYEE SEPARATIONS

The Company establishes obligations for expected termination benefits provided under existing agreements with a former or inactive employee after employment but before retirement. These benefits generally include severance payments and medical continuation coverage. During the first quarter of 2021, the Company continued to reduce expenses in response to the impact of the COVID-19 pandemic. These activities included further reductions in its workforce. The Company incurred severance and related charges totaling \$222,023 during the first quarter 2021. As of August 31, 2020, the Company had a remaining severance accrual of \$48,223 included in accrued payroll liabilities. There were no similar accruals as of May 31, 2020.

NOTE 11 – EQUITY METHOD INVESTMENT

On June 30, 2020, Laredo Oil, Inc. ("Laredo") entered into a Limited Liability Company Agreement (the "LLC Agreement") of Cat Creek Holdings LLC ("Cat Creek"), a Montana limited liability company formed as a joint venture for the purchase of certain oil and gas properties in the Cat Creek Field in Petroleum and Garfield Counties in the State of Montana (the "Cat Creek Properties"). In accordance with the LLC Agreement, Laredo invested \$448,900 in Cat Creek for 50% of the ownership interests in Cat Creek using cash on hand. Each of Lipson Investments LLC and Viper Oil & Gas, LLC, the other two members of Cat Creek, have ownership interests in Cat Creek of 25% in consideration of their respective investments of \$224,450. Cat Creek will be managed by a Board of Directors consisting of four directors, two of which shall be designated by Laredo.

Cat Creek entered into an Asset Purchase and Sale Agreement (the "Purchase Agreement") with Carrell Oil Company ("Seller") on July 1, 2020 for the purchase of the Cat Creek Properties from Seller. On September 21, 2020, upon resolving the purchase contingency under the Purchase Agreement, the Seller received consideration of \$400,000, taking into effect certain adjustments resulting from pre- and post-effective date revenue, expense, and allocations.

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.

Impact of COVID-19 to our Business

The impacts of the global emergence of novel coronavirus 2019 ("COVID-19") on our business are currently unknown. In an effort to protect the health and safety of our employees, we took proactive, aggressive action from the earliest signs of the outbreak in China to adopt social distancing policies at our locations, including working from home, limiting the number of employees attending meetings, reducing the number of people in our sites at any one time, and suspending employee travel. In an effort to contain COVID-19 or slow its spread, governments around the world have also enacted various measures, including orders to close all businesses not deemed "essential," isolate residents to their homes or places of residence, and practice social distancing when engaging in essential activities.

We anticipate that these actions and the global health crisis caused by COVID-19 will negatively impact business activity across the globe. We have observed declining demand and price reductions in the oil and gas sector as business and consumer activity decelerates across the globe. When COVID-19 is demonstrably contained, we anticipate a rebound in economic activity, depending on the rate, pace, and effectiveness of the containment efforts deployed by various national, state, and local governments.

We will continue to actively monitor the situation and may take further actions altering our business operations that we determine are in the best interests of our employees, customers, partners, suppliers, and stakeholders, or as required by federal, state, or local authorities. It is not clear what the potential effects any such alterations or modifications may have on our business, including the effects on our customers, employees, and prospects, or on our financial results for the remainder of fiscal 2021.

Company Description and Operations

The Company is a management services company managing the acquisition and conventional operation of mature oil fields and the further recovery of stranded oil from those fields using enhanced oil recovery methods for its sole customer, SORC, a direct, wholly owned subsidiary of Alleghany. See "Item 1. Business" in the Form 10-K for the period ended May 31, 2020 for a discussion of our business and our transactions with SORC. The sole source of revenue for the Company comes from the management fees described in the MSA and from a Royalty based upon the success of SORC. As of August 31, 2020, no royalties have been accrued or paid.

From SORC's formation in 2011 through June 30, 2020, Alleghany's net investment into SORC has been \$275.9 million. This investment has been channeled primarily into three major projects discussed in the following paragraphs.

The first project was located in Kansas. SORC funds have been used to acquire oil and gas leases and to purchase mineral rights totaling approximately 2,500 acres and used to construct and develop an Underground Gravity Drainage ("UGD") facility. SORC completed construction of its underground facility in 2014 and commenced its drilling program in 2015. After a thorough evaluation of the project, SORC sold substantially all its assets to third parties as of December 29, 2017 and no longer has oil and gas properties in Kansas.

The second project was located in Louisiana where SORC had acquired oil and gas leases on approximately 9,244 acres in a targeted oil reservoir. The oil field assets there were operational, producing crude oil using both conventional and UGD production methods, and were sold to a third party in July 2020.

The third project is located in Wyoming. On January 30, 2015, SORC, through one of its subsidiaries, purchased the Department of Energy's Naval Petroleum Reserve Number 3 (NPR-3), the Teapot Dome Oilfield, for \$45.2 million. The purchase culminated a competitive bidding process that closed on October 16, 2014. Under the terms of the sale, operation and ownership of all of NPR-3's mineral rights and approximately 9,000 acres of land immediately transferred to SORC. The remaining surface acreage transferred in June 2015, bringing the total acres purchased to 9,318. The oil field there is operational, currently producing crude oil using both conventional and UGD production methods, and classified by SORC as held for sale.

In its Form 10-Q report for the second quarter ended June 30, 2020, Alleghany reported that (a) for the second quarter and first six months of 2020, Alleghany recorded \$44.5 million and \$74.4 million, respectively, of impairment charges at SORC from write-downs of SORC's oil field assets; (b). SORC's oil field assets are held for sale and consequently, were written down to estimated fair value, which reflects a significant decline in oil prices, less costs to sell; and (c) as of June 30, 2020, SORC's stockholder's equity was \$26 million, which consisted primarily of deferred tax assets and current taxes receivable.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS – *continued*

On June 30, 2020, Laredo Oil, Inc. ("Laredo") entered into a Limited Liability Company Agreement (the "LLC Agreement") of Cat Creek Holdings LLC ("Cat Creek"), a Montana limited liability company formed as a joint venture for the purchase of certain oil and gas properties in the Cat Creek Field in Petroleum and Garfield Counties in the State of Montana (the "Cat Creek Properties"). In accordance with the LLC Agreement, Laredo invested \$448,900 in Cat Creek for 50% of the ownership interests in Cat Creek using cash on hand. Each of Lipson Investments LLC and Viper Oil & Gas, LLC, the other two members of Cat Creek, have ownership interests in Cat Creek of 25% in consideration of their respective investments of \$224,450. Cat Creek will be managed by a Board of Directors consisting of four directors, two of which shall be designated by Laredo.

Cat Creek entered into an Asset Purchase and Sale Agreement (the "Purchase Agreement") with Carrell Oil Company ("Seller") on July 1, 2020 for the purchase of the Cat Creek Properties from Seller. On September 21, 2020, upon resolving the purchase contingency under the Purchase Agreement, the Seller received consideration of \$400,000, taking into effect certain adjustments resulting from pre- and post-effective date revenue, expense, and allocations.

The Company accounts for its investment in Cat Creek as an equity method investment.

Liquidity and Capital Resources

In accordance with the SORC license and management services agreements, the Company believes that it will receive from SORC 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 provides all required funding and owns any acquired assets. It is expected that SORC will be funded primarily by Alleghany in exchange for issuance by SORC to Alleghany of 12% Cumulative Preferred Stock. As of June 30, 2020, SORC had received \$275.9 million in net funding from Alleghany. Prior to the Company receiving any Royalty cash distributions from SORC, all SORC preferred share accrued dividends (in excess of \$260 million as of June 30, 2020) must be paid, preferred shares redeemed, and debt retired to comply with any loan agreements. With such uncertainty, Royalty cash distributions are not foreseen in the near future, and the main source of income for the Company will continue to be the management fee revenue under the Management Services Agreement.

On April 28, 2020, the Company entered into a note in the amount of \$1,233,656 (the "PPP Note") pursuant to the terms of the Paycheck Protection Program ("PPP") authorized by the Coronavirus Aid, Relief and Economic Security (CARES) Act (the "Program"). The Program provides loans to qualifying businesses for amount up to 2.5 times the average monthly payroll expenses of the qualifying business. Under the terms of the Program, PPP loan participants can apply for and be granted forgiveness for all or a portion of the loan (including interest) granted pursuant to the PPP. Such forgiveness will be determined, subject to limitations, based on the use of the loan proceeds for eligible purposes. No assurance can be given that the Company will obtain forgiveness of the PPP Loan, in whole or part.

Our cash and cash equivalents at August 31, 2020 was \$948,795. Total debt outstanding as of the filing date of this report is \$1,583,656 comprised of \$350,000 owed to Alleghany Capital, which is classified as short-term notes payable and \$1,233,656 pursuant to the PPP Note. Based on the terms of the PPP Note, \$553,329 is classified as a long-term note, net of the current portion totaling \$680,327 which is classified as a current note payable.

Results of Operations

Pursuant to the MSA with SORC, the Company received and recorded management fee revenue and direct costs totaling \$1,675,987 and \$1,718,864 for the quarter ended August 31, 2020 and \$2,085,182 and \$2,069,317 for the same quarter ended August 31, 2019. The decrease in revenues and direct costs is primarily attributable to a reduction in force resulting in a decrease in employee related costs in the quarter ended August 31, 2020 as compared to the same quarter of last year.

During the quarters ended August 31, 2020 and 2019, respectively, we incurred operating expenses of \$139,755 and \$92,483. These expenses consisted of general operating expenses incurred in connection with the day to day operation of our business and the preparation and filing of our required reports. The increase in expenses for the quarter ended August 31, 2020 as compared to the same period in 2019 is primarily attributable to legal costs related to Cat Creek and other corporate matters.

Due to the nature of the Agreements, the Company is relatively unaffected by the impact of inflation. Usually, when general price inflation occurs, the price of crude oil increases as well, which may have a positive effect on sales. However, as the price of oil increases, it also most likely will result in making targeted oil fields more expensive.

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/(deficit) at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Our estimates and assumptions are based on current facts, historical experience and various other factors we believe to be reasonable under the circumstances. As of August 31, 2020, and 2019, there are no significant estimates with regard to the financial statements included with this report.

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 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 5. OTHER INFORMATION

None.

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.](#)
- [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: October 15, 2020

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

Date: October 15, 2020

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 August 31, 2020 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: October 15, 2020

/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 August 31, 2020 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: October 15, 2020

/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 August 31, 2020, 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: October 15, 2020

**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 August 31, 2020, 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: October 31, 2020
