

SECURITIES & EXCHANGE COMMISSION EDGAR FILING

Laredo Oil, Inc.

Form: 10-Q

Date Filed: 2017-04-14

Corporate Issuer CIK: 1442492

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

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED FEBRUARY 28, 2017

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 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 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

Accelerated filer

Non-accelerated filer

Smaller reporting company

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:

54,514,765 shares of common stock issued and outstanding as of April 14, 2017.

PART I FINANCIAL INFORMATION

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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, 2016. 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, 2016. 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 February 28, 2017, and the results of its operations for the three and nine month periods then ended and cash flows for the nine-month period then ended, have been included. The results of operations for the three and nine month periods ended February 28, 2017 are not necessarily indicative of the results for the full year ending May 31, 2017.

Laredo Oil, Inc.
Balance Sheets

| | February 28, 2017 <u>(Unaudited)</u> | May 31, 2016 <u></u> |
|---|--|----------------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 451,170 | \$ 393,937 |
| Prepaid expenses and other current assets | <u>81,569</u> | <u>46,293</u> |
| Total Current Assets | 532,739 | 440,230 |
| TOTAL ASSETS | <u>\$ 532,739</u> | <u>\$ 440,230</u> |
| LIABILITIES AND STOCKHOLDERS' DEFICIT | | |
| Current Liabilities | | |
| Accounts payable | \$ 28,107 | \$ 33,363 |
| Accrued payroll liabilities | 1,241,823 | 1,057,280 |
| Accrued liabilities-related party | 214,642 | 170,079 |
| Accrued interest | 151,868 | 129,632 |
| Deferred management fee revenue | 45,833 | 45,833 |
| Notes payable | <u>350,000</u> | <u>350,000</u> |
| Total Current Liabilities | <u>2,032,273</u> | <u>1,786,187</u> |
| TOTAL LIABILITES | <u>2,032,273</u> | <u>1,786,187</u> |
| 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 | 8,514,773 | 8,188,199 |
| Accumulated deficit | <u>(10,019,758)</u> | <u>(9,539,607)</u> |
| Total Stockholders' Deficit | <u>(1,499,534)</u> | <u>(1,345,957)</u> |
| TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT | <u>\$ 532,739</u> | <u>\$ 440,230</u> |

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

Laredo Oil, Inc.
Statements of Operations
(Unaudited)

| | Three Months Ended February 28, 2017 | Three Months Ended February 29, 2016 | Nine Months Ended February 28, 2017 | Nine Months Ended February 29, 2016 |
|--|--|---|--|--|
| Management fee revenue | \$ 2,491,566 | \$ 3,009,574 | \$ 7,523,009 | \$ 8,658,182 |
| Direct costs | <u>2,436,925</u> | <u>2,828,422</u> | <u>7,461,883</u> | <u>8,251,931</u> |
| Gross profit | 54,641 | 181,152 | 61,126 | 406,251 |
| General, selling and administrative expenses | 87,076 | 126,140 | 282,895 | 374,269 |
| Consulting and professional services | <u>48,212</u> | <u>88,721</u> | <u>235,735</u> | <u>300,641</u> |
| Total Operating Expense | <u>135,288</u> | <u>214,861</u> | <u>518,630</u> | <u>674,910</u> |
| Operating loss | (80,647) | (33,709) | (457,504) | (268,659) |
| Other income/(expense): | | | | |
| Loss on revaluation of warrant liability | - | - | - | (24,424) |
| Interest expense | <u>(7,302)</u> | <u>(7,040)</u> | <u>(22,647)</u> | <u>(20,691)</u> |
| Net loss | <u>\$ (87,949)</u> | <u>\$ (40,749)</u> | <u>\$ (480,151)</u> | <u>\$ (313,774)</u> |
| Net loss per share, basic and diluted | \$ (0.00) | \$ (0.00) | \$ (0.01) | \$ (0.01) |
| Weighted average number of common shares outstanding | 54,514,765 | 54,514,765 | 54,514,765 | 54,434,359 |

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

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

| | Nine Months Ended February 28, 2017 | Nine Months Ended February 29, 2016 |
|---|--|--|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net loss | \$ (480,151) | \$ (313,774) |
| Adjustments to Reconcile Net Loss to Net Cash provided by Operating Activities: | | |
| Share based compensation | 326,574 | 442,798 |
| Loss on revaluation of warrant liability | - | 24,424 |
| Decrease/(increase) in prepaid expenses and other current assets | (35,276) | 25,753 |
| Increase in accounts payable and accrued liabilities | 246,086 | 44,302 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 57,233 | 223,503 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| | - | - |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| | - | - |
| Net increase in cash and cash equivalents | 57,233 | 223,503 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | 393,937 | 85,835 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | \$ 451,170 | \$ 309,338 |
| NON-CASH FINANCING ACTIVITY | | |
| Reclassification of warrant liability to equity | \$ - | \$ 276,415 |

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 Capital Corporation ("Alleghany Capital") which 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 key employees ("Key Persons"), 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 Key Persons 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 per quarter 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 February 28, 2017. In addition, SORC will reimburse the Company for monthly expenses incurred by the 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. 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 February 28, 2017 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, preferred shares redeemed, and debt retired to comply with any loan agreements. Additionally, when SORC acquires additional oil fields, any Alleghany Capital funds invested into 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 and nine month periods ended February 28, 2017 and February 29, 2016, no potentially dilutive securities were included in the calculation of diluted loss per share as their impact would have been anti-dilutive. Diluted net loss per share is computed by dividing the 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 no significant operating history as of February 28, 2017, and has a net loss of \$87,949 and \$480,151 for the three and nine months ended February 28, 2017. 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)**

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. 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 restrict the growth of the Company's headcount at a time of expanding demand for its services under the MSA. Further, the Company works closely with SORC to obtain its approval in advance of committing to material costs and expenditures in order to keep the Company's expenses in line with the management fee revenue. 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 and cash equivalents, accounts payable, accrued liabilities, warrant liabilities and notes payable. All instruments are accounted for on a historical cost basis, which, due to the short maturity of these financial instruments, approximates fair value at February 28, 2017.

FASB ASC 820, Fair Value Measurements ("FASB ASC 820"), 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 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 had warrant liabilities which were measured at fair value on a recurring basis until the underlying warrants were exercised in July 2015. The Company recorded a loss on revaluation of warrant liability of \$24,424 for the three months ended August 31, 2015. The Company measured the fair value of the warrant liabilities using the Black Scholes method. Inputs used to determine fair value under this method included the Company's stock price volatility and expected remaining life as disclosed in Note 6.

**NOTES TO FINANCIAL STATEMENTS
(UNAUDITED)**

NOTE 4 - FAIR VALUE OF FINANCIAL INSTRUMENTS – continued

During July 2015, the warrant liabilities were measured at fair value prior to exercise of the underlying warrants. Upon exercise of the warrants in July 2015 the resulting liability was reclassified to additional paid in capital. Accordingly, the warrant liability no longer requires fair value measurement as of August 31, 2015.

NOTE 5 - 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 Capital are considered related parties under FASB ASC 850. All management fee revenue reported by the Company for the three and nine month periods ended February 28, 2017 and February 29, 2016 is generated from charges to SORC. The Company has also recorded approximately \$215,000 payable to SORC for payroll liabilities covered by SORC pursuant to the management services agreements. All outstanding notes payable at February 28, 2017 and February 29, 2016 are held by Alleghany Capital. See Note 7.

Mr. Donald Beckham, a director of the Company, provided consulting services to SORC related to the Teapot Dome Oilfield acquired by SORC in January 2015. During the quarter ended August 31, 2015, Mr. Beckham was paid approximately \$62,000 as consideration for such services. This consulting arrangement terminated on July 24, 2015.

**NOTES TO FINANCIAL STATEMENTS
(UNAUDITED)**

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:

| | Nine Months Ended | |
|---|------------------------------|------------------------------|
| | February 28, 2017 | February 29, 2016 |
| Share-based compensation: | | |
| General, selling and administrative expenses | \$ 239,663 | \$ 309,463 |
| Consulting and professional services | <u>86,911</u> | <u>133,335</u> |
| | 326,574 | 442,798 |
| Share-based compensation by type of award: | | |
| Stock options | 325,185 | 432,937 |
| Restricted stock | <u>1,389</u> | <u>9,861</u> |
| | <u>\$ 326,574</u> | <u>\$ 442,798</u> |

Stock Options

No option grants were made during the first nine months of fiscal year 2017. Option grants for the purchase of 925,000 shares of common stock at a price of \$0.405 per share were made during the first quarter of fiscal year 2016. The options vest monthly over three years beginning September 1, 2015 and expire on August 8, 2025. The grant date fair value of this employee stock option grant amounted to approximately \$365,000. The assumptions used in calculating these values were based on an expected term of 7.0 years, volatility of 174% and a 1.92% risk free interest rate at the date of grant.

Restricted Stock

No restricted stock was granted during the first nine months of fiscal year 2017 or during fiscal year 2016.

Warrants

No warrants were issued during the first nine months of fiscal year 2017 or during fiscal year 2016.

During July 2015, warrants to purchase 975,000 shares of common stock were exercised on a cashless basis, resulting in the issuance of 516,196 shares of common stock. As of February 28, 2017, 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.

All outstanding warrants are currently exercisable.

During fiscal year 2011, the Company issued warrants to purchase 975,000 shares of common stock in connection with a stock purchase agreement. These warrants are exercisable for five years from the date of the Company's Private Placement. The exercise price of each warrant is equal to the lesser of the stock price in a future financing arrangement or \$0.25. Accordingly, these warrants contained anti-dilution provisions that adjust the exercise price of the warrants in the event additional shares of common stock or securities convertible into common stock are issued by the Company at a price less than the then applicable exercise price of the warrants. Pursuant to FASB ASC 815-40, *Derivatives and Hedging*, these warrants were treated as a liability measured at fair value at inception, with the calculated increase or decrease in fair value each quarter being recognized in the Statement of Operations. During July 2015, the warrant liabilities were measured at fair value prior to exercise of the underlying warrants issued to purchase 975,000 shares of common stock on a cashless basis resulting in the issuance of 516,196 shares of common stock. The resulting liability was reclassified to additional paid in capital. Accordingly, the warrant liability is no longer outstanding as of February 28, 2017. The fair value of the warrants was determined prior to the warrant exercise during the three months ended August 31, 2015 using the Black-Scholes option pricing model based a risk-free interest rate of 0.02%, expected term of 0.4 years, expected volatility of 163.1% and no dividend yield.

**NOTES TO FINANCIAL STATEMENTS
(UNAUDITED)**

NOTE 7 - NOTES PAYABLE

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 which is compounded annually based on the original outstanding principal of \$350,000 at the rate of 6% per annum. As of February 28, 2017, accrued interest totaling \$151,868 is recorded in accrued liabilities. The interest is payable in either cash or in kind. The notes have been amended and restated and have a maturity date of December 31, 2017 and are classified as short 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 Capital.

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.

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, an indirect, wholly owned subsidiary of Alleghany. See "Item 1. Business" in the Form 10-K for the year ended May 31, 2016 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 February 28, 2017, no royalties have been accrued or paid.

From its formation in 2011 through December 31, 2016, Alleghany Capital has invested approximately \$269.2 million into SORC, including \$25.3 million and \$88.2 million in calendar years 2016 and 2015, respectively. This investment has been channeled primarily into three major projects located in separate states. The projects are listed in order of acquisition, but not necessarily in order of when work may commence on Underground Gravity Drainage ("UGD") projects if and when approved by the SORC board of directors.

The first project is in Fredonia, Kansas. After completing construction of its underground facility in 2014, SORC commenced its drilling program in 2015. The drilling program, however, was delayed by third-party equipment problems, which have since been corrected, as well as a longer than expected trial-and-error process determining the optimum well completion technique for the reservoir which is characterized by a lack of vertical permeability. As of the date of this filing, several selected individual underground wellbores are in production and being monitored for their ability to produce commercially viable oil quantities. As part of its year-end asset impairment accounting assessments, SORC engaged a third-party petroleum engineering firm to provide it with an evaluation of the oil-recovery prospects from the project. The evaluation found that the field proved to have much less oil in place than originally estimated and was of poor quality. This conclusion coupled with the current level of oil prices at year-end led to a \$98.8 million impairment charge concerning certain assets in Fredonia. At December 31, 2016, there were approximately \$9 million in net oil reserve assets reported.

The second project is in Louisiana. SORC has acquired oil and gas leases on approximately 9,240 acres in a targeted oil reservoir. Discussions continue to acquire additional mineral rights and leases in that oil field, and the Company believes that mineral rights underlying sufficient acreage are already in place to develop another UGD project there. The Company, on behalf of SORC, is currently operating those leases acquired using conventional production methods. Based on the lessons learned from the Fredonia project, the Company is reassessing the geological data concerning the oil reservoir there and will begin implementing the UGD method if approved by the SORC board of directors.

The third project is 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 and currently producing crude oil using conventional production methods. Based on the lessons learned from the Fredonia project, the Company is reassessing the geological data concerning the oil reservoir there and will begin implementing the UGD recovery method if approved by the SORC board of directors.

Using the knowledge gained from the Fredonia project, the Company continues to assist SORC in its search for additional oil fields possessing characteristics conducive to employment of the UGD enhanced recovery method and which are producing oil using conventional production methods.

When SORC acquires mineral rights, it generally will continue to operate any producing properties associated with those rights and expects to generate revenue and profit from doing so. Some mineral rights acquired thus far include leases which have producing wells on them. Once development of the underground chamber and the UGD method is prepared for operation, selected conventional wells are expected to be plugged and abandoned after UGD production has begun. The effect of such operational procedures should result in minimal disruption of oil production from the SORC field investments.

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

In accordance with the terms of the Agreements, the Company has agreed with SORC that the Company will not acquire any fields associated with UGD development.

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 will provide all required funding and will own the acquired assets. It is expected that SORC will be funded primarily by Alleghany Capital in exchange for issuance by SORC to Alleghany Capital of 12% Cumulative Preferred Stock. In April 2014, one of the SORC subsidiaries obtained a \$250 million non-recourse secured bank credit facility to provide it with a lower cost source of funding as compared to the cost of funds received from Alleghany Capital. As of February 28, 2017, SORC had no borrowings under the facility which is limited to the value of properties included in the borrowing base as determined by the lending institution. As of December 31, 2016, SORC had received \$269.2 million in net funding from Alleghany Capital. Prior to the Company receiving any Royalty cash distributions from SORC, all SORC preferred share accrued dividends must be paid, preferred shares redeemed, and debt retired to comply with any loan agreements. Additionally, when SORC acquires additional oil fields, any Alleghany Capital funds invested into SORC to finance their acquisition and development must be repaid prior to the distribution of any Royalty cash distributions to Laredo. 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.

Our cash and cash equivalents at February 28, 2017 was \$451,170. Total debt outstanding as of the filing date of this report is \$350,000 owed to Alleghany Capital, which is classified as short term.

Results of Operations

Pursuant to the MSA with SORC, the Company received and recorded management fee revenue and direct costs totaling \$2,491,566 and \$2,436,925 for the quarter ended February 28, 2017 and \$3,009,574 and \$2,828,422 for the quarter ended February 29, 2016. Similarly, the Company received and recorded management fee revenue and direct costs totaling \$7,523,009 and \$7,461,883 for the nine months ended February 28, 2017 and \$8,658,182 and \$8,251,931 for the nine months ended February 29, 2016. The decrease in revenues and direct costs is primarily attributable to a decrease in employees in the three and nine months ended February 28, 2017 as compared to the same three and nine months of the prior year.

During the quarters ended February 28, 2017 and February 29, 2016, respectively, we incurred operating expenses of \$135,288 and \$214,861. The Company incurred operating expenses of \$518,630 and \$674,910 during the nine months ended February 28, 2017 and February 29, 2016, respectively. 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 stock option compensation expense. The decrease in expenses for the three and nine months ended February 28, 2017 as compared to the same periods ending February 29, 2016 is primarily attributable to the decreased share based compensation expense and professional fees.

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, if and when the price of oil increases, it also most likely will result in making targeted oil fields more expensive.

During the three and nine months ended February 28, 2017, the Company's operating results are not affected by changes of value of the warrant liability associated with the Sutter and Seaside warrants as those warrants to purchase 975,000 shares of common stock were exercised on a cashless basis during the first quarter of fiscal year 2016, resulting in the issuance of 516,196 shares of common stock. For the nine months ended February 29, 2016, the Company experienced a loss on revaluation of warrant liability of \$24,424. The changes on revaluation during the nine months ended February 29, 2016 are due to an increase in the common stock price, as well as a change in the exercise price on certain warrants.

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

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. 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 the valuation of warrants.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they 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 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.

ITEM 4. CONTROLS AND PROCEDURES - continued

(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: April 14, 2017

By: /s/ Mark See

Mark See

Chief Executive Officer and Chairman of the Board

Date: April 14, 2017

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 February 28, 2017 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: April 14, 2017

/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 February 28, 2017 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: April 14, 2017

/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 February 28, 2017, 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: April 14, 2017

**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 February 28, 2017, 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: April 14, 2017
