

SECURITIES & EXCHANGE COMMISSION EDGAR FILING

Laredo Oil, Inc.

Form: 10-K

Date Filed: 2017-08-29

Corporate Issuer CIK: 1442492

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended May 31, 2017

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _ to

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)*

26-2435874

*(I.R.S. Employer
Identification No.)*

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)

Securities registered pursuant to Section 12(b) of the Act:

None

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 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 past 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

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

The aggregate market value of the registrant's outstanding shares of voting common stock held by non-affiliates based on the closing price of these shares on November 30, 2016 of \$0.0601 per share as reported on the OTC Bulletin Board, was \$1.2 million. That date was the last business day of the most recently completed second fiscal quarter. Shares held by each executive officer and director and by each person who owns 10% or more of the outstanding common stock are considered affiliates. The determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of August 29, 2017, the registrant had 54,514,765 shares of voting common stock outstanding.

LAREDO OIL, INC.
TABLE OF CONTENTS

	<u>Page</u>
Part I	
Item 1. Business	4
Item 2. Properties	6
Item 3. Legal Proceedings	7
Part II	
Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	7
Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations	8
Item 8. Financial Statements and Supplementary Data	10
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	10
Item 9A. Controls and Procedures	10
Item 9B. Other Information	11
Part III	
Item 10. Directors, Executive Officers and Corporate Governance	11
Item 11. Executive Compensation	13
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	16
Item 13. Certain Relationships and Related Transactions, and Director Independence	17
Item 14. Principal Accounting Fees and Services	18
Part IV	
Item 15. Exhibits, Financial Statement Schedules	18
Signatures	21
Index to Financial Statements	F-1

ANNUAL REPORT FOR THE YEAR ENDED MAY 31, 2017 ON FORM 10-K

PART I

Item 1. *Business***Summary**

Laredo Oil, Inc. ("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 ("EOR") methods for its sole customer, Stranded Oil Resources Corporation ("SORC"), an indirect, wholly owned subsidiary of Alleghany Corporation ("Alleghany").

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

The Company and Mark See now provide to SORC both management services and expertise pursuant to the SORC License Agreement, MS-Company License Agreement and the MSA. As consideration for the licenses to SORC, the Company will receive a 19.49% interest in SORC net profits as defined in the SORC License Agreement (the "Royalty"). Under the SORC License Agreement, the Company agreed that a portion of the Royalty equal to at least 2.25% of the net profits (the "Incentive Royalty") be used to fund a long-term incentive plan for the benefit of its employees, as determined by the Company's board of directors. On October 11, 2012, the Laredo Royalty Incentive Plan (the "Plan") was approved and adopted by the Board and the Incentive Royalty was assigned by the Company to Laredo Royalty Incentive Plan, LLC, a special purpose Delaware limited liability company and wholly owned subsidiary of Laredo Oil, Inc. formed to carry out the purposes of the Plan (the "Plan Entity"). As a result of the assignment of the Incentive Royalty to the Plan Entity, the Royalty retained by the Company has been reduced from 19.49% to 17.24% subject to reduction to 15% under certain events stipulated in the SORC License Agreement. Additionally, in the event of a SORC initial public offering or certain other defined corporate events, the Company will receive 17.24%, subject to reduction to 15% under the SORC License Agreement, of the SORC common equity or proceeds emanating from the event in exchange for termination of the Royalty. Under certain circumstances regarding termination of exclusivity and license terminations, the Royalty could be reduced to 7.25%.

The MSA provides that the Company will provide the services of various employees ("Service Employees"), including Mark See, in exchange for monthly and quarterly management service fees. Mark See acts as the CEO of SORC pursuant to the MSA. He and other members of Company management spend substantially all of their time and effort in fulfilling the terms of the Agreements whereby they use their best efforts to evaluate, acquire, develop and recover crude oil from fields conducive to the UGD oil recovery method. The quarterly management services fee is \$137,500 and the monthly management services fee is payment towards the salaries, benefit costs, and employment taxes specified for the Service Employees identified in the Agreements. In addition, SORC reimburses the Company for expenses incurred by 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. To date, no requests for additional funding have been submitted by the Company to SORC.

SORC is funded solely by Alleghany Capital in exchange for issuance by SORC of 12% Cumulative Preferred Stock. As of June 30, 2017, SORC has received approximately \$274.6 million in net funding from Alleghany Capital. Prior to the Company receiving any cash distributions from SORC, all accrued dividends (in excess of \$100 million as of May 31, 2017) must be paid and preferred shares redeemed.

Under the Finder's Fee Agreement, SORC agreed to provide funding for amounts payable to Sunrise Securities Corporation ("Sunrise") for certain finder's fees relating to Alleghany's investment in SORC, which amounts shall not exceed \$1,100,000 in the aggregate. During fiscal year 2015, cumulative fee payments to Sunrise reached \$1,100,000, thus fulfilling the total amount due under the Finder's Fee Agreement.

Item 1. Business - continued

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

The Agreements require the Company to maintain confidentiality of SORC confidential information, except to the extent such confidential information is required to be disclosed under applicable law, but such disclosure is expressly limited to the sole purpose of complying with such law and such disclosure is permitted only to the extent required by such law.

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

We believe the costs of implementing the UGD method are significantly lower than those presently experienced by commonly used EOR methods. We also estimate that we can materially increase the field oil production rate from prior periods and, in some cases, recover amounts of oil equal to or greater than amounts previously recovered from the mature fields selected.

Our shares are currently listed for trading on the Over-the-Counter Bulletin Board ("OTCBB") under the symbol LRDC. As of the date of this report, there has been light to medium trading for our common stock and we cannot provide assurance that an active trading market for our securities will ever develop.

Competition

Our operating results are largely dependent upon SORC's net profits as defined in the SORC License Agreement. We believe that SORC will encounter competition from other oil companies in all areas of operation, including the acquisition of mature fields, and that such competitors may include large, well established companies with substantial capital resources.

Dependence on One or a Few Major Customers

The Company is dependent upon maintaining the Agreements with SORC and Alleghany Capital for its funding and for access to SORC's net profits as defined in the Agreements.

Operating Hazards and Uninsured Risks

Drilling activities are subject to many risks, including the risk that no commercially productive reservoirs will be encountered. We believe that the cost and timing of drilling, completing and operating wells is often uncertain and that drilling operations may be curtailed, delayed or canceled as a result of numerous factors, including low oil prices, title problems, reservoir characteristics, weather conditions, equipment failures, delays by project participants, compliance with governmental requirements, shortages or delays in the delivery of equipment and services and increases in the cost for such equipment and services. SORC's future oil recovery activities may not be successful and, if unsuccessful, such failure may result in cancellation of the Agreements and have a material adverse effect on our business, financial condition, results of operations and cash flows.

Operations that the Company will manage for SORC are subject to hazards and risks inherent in drilling for and producing and transporting oil, such as fires, natural disasters, explosions, encountering formations with abnormal pressures, blowouts, craterings, pipeline ruptures and spills, any of which can result in the loss of hydrocarbons, environmental pollution, personal injury claims and other damage to SORC properties and those of others. The Company maintains insurance against some, but not all, of the risks described above. In particular, the insurance we maintain does not cover claims relating to failure of title to oil leases, loss of surface equipment at well locations, business interruption, loss of revenue due to low commodity prices or loss of revenues due to well failure. The occurrence of an event that is not covered, or not fully covered, by insurance which we maintain or which SORC may acquire, could have a material adverse effect on our Royalty in the period such event may occur.

Governmental Regulation

Oil and natural gas exploration, production, transportation and marketing activities are subject to extensive laws, rules and regulations promulgated by federal and state legislatures and agencies, including but not limited to the Mine Safety and Health Administration ("MSHA"), the Federal Energy Regulatory Commission ("FERC"), the Environmental Protection Agency ("EPA"), the Bureau of Land Management ("BLM"), and various state regulatory agencies. Failure to comply with such laws, rules and regulations can result in substantial penalties, including the delay or stopping of our operations. The legislative and regulatory burden on the oil industry increases our cost of doing business and affects our Royalty.

Item 1. Business - continued

State regulatory agencies, as well as the federal government when operating on federal or Indian lands, require permits for drilling operations, drilling bonds and reports concerning operations and impose other requirements relating to the exploration and production of oil. These governmental authorities also have statutes or regulations addressing conservation matters, including provisions for the unitization or pooling of oil and natural gas properties, the establishment of maximum rates of production from wells and the regulation of spacing, plugging and abandonment of such wells. In each jurisdiction, we will most likely need exceptions to some regulations requiring regulatory approval. All of these matters could affect the Royalty.

Environmental Matters

The oil industry is subject to extensive and changing federal, state and local laws and regulations relating to both environmental protection, including the generation, storage, handling, emission, transportation and discharge of materials into the environment, and safety and health. The recent trend in environmental legislation and regulation is generally toward stricter standards, and this trend is likely to continue. These laws and regulations may require a permit or other authorization before construction or drilling commences, and for certain other activities, limit or prohibit access, seismic acquisition, construction, drilling and other activities on certain lands lying within wilderness and other protected areas, impose substantial liabilities for pollution resulting from its operations, and require the reclamation of certain lands.

The permits that are required for oil and gas operations are subject to revocation, modification and renewal by issuing authorities.

Federal regulations require certain owners or operators of facilities that store or otherwise handle oil to prepare and implement spill prevention, control countermeasure and response plans relating to the possible discharge of oil into surface waters. The Oil Pollution Act of 1990 ("OPA") contains numerous requirements relating to the prevention of and response to oil spills into waters of the United States. For onshore and offshore facilities that may affect waters of the United States, the OPA requires an operator to demonstrate financial responsibility. Regulations are currently being developed under federal and state laws concerning oil pollution prevention and other matters that may impose additional regulatory burdens on participants in the oil and gas industry. In addition, the Clean Water Act and analogous state laws require permits to be obtained to authorize discharge into surface waters or to construct facilities in wetland areas. The Clean Air Act of 1970 and its subsequent amendments in 1990 and 1997 also impose permit requirements and necessitate certain restrictions on point source emissions of volatile organic carbons (nitrogen oxides and sulfur dioxide) and particulates with respect to certain of our operations. The EPA and designated state agencies have in place regulations concerning discharges of storm water runoff and stationary sources of air emissions. These programs require covered facilities to obtain individual permits, participate in a group or seek coverage under an EPA general permit. Most agencies recognize the unique qualities of oil and natural gas exploration and production operations. A number of agencies including but not limited to MSHA, the EPA, the BLM, and similar state commissions have adopted regulatory guidance in consideration of the operational limitations on these types of facilities and their potential to emit pollutants.

Formation

We were incorporated under the laws of the State of Delaware on March 31, 2008 under the name of "Laredo Mining, Inc." with authorized common stock of 90,000,000 shares at \$0.0001 par value and authorized preferred stock of 10,000,000 shares at \$0.0001 par value. On October 21, 2009 the name was changed to "Laredo Oil, Inc." Effective October 21, 2009, all shares of the Company's common stock issued and outstanding were combined and reclassified on a 1-to-6.25 basis. In connection with this change, the Certificate of Incorporation was amended to retain the par value at \$0.0001 per share.

Facilities

Our principal executive office is located in Golden, Colorado, at 110 N. Rubey Dr., Suite 120, Golden, Colorado 80403.

Employees

As of May 31, 2017, we had 70 full-time employees and two non-employee directors.

Website Access

We make available, free of charge through our website, www.laredo-oil.com, our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on form 8-K, and all amendments to those reports as soon as reasonably practicable after such material is electronically filed with the Securities and Exchange Commission. Information on our website is not a part of this report.

Item 2. Properties

We currently do not own any material physical property or own any real property. Physical property consists of office equipment and furniture, and offices are rented on an annual basis.

Item 3. Legal Proceedings

We are not currently involved in any legal proceedings and we are not aware of any pending or potential legal actions.

As of May 31, 2017, there are no known environmental or other regulatory matters related to our operations that are reasonably expected to result in a material liability to us.

PART II**Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities****Market Information**

The Company's common stock currently is quoted on the OTCBB which is not recognized as a stock exchange for SEC reporting purposes. Since the Company began trading November 5, 2009 on the OTCBB, there has been a limited trading market for the Company's common stock. The following table presents the range of high and low bid information for the common equity for each full quarterly period within the two most recent fiscal years.

Laredo Oil, Inc. High/Low Market Bid Prices (\$)

	Fiscal Q1: Jun 2016 — Aug 2016	Fiscal Q2: Sep 2016 — Nov 2016	Fiscal Q3: Dec 2016 — Feb 2017	Fiscal Q4: Mar 2017 — May 2017
High Bid	0.14	0.11	0.09	0.085
Low Bid	0.0751	0.05	0.0413	0.045

	Fiscal Q1: Jun 2015 — Aug 2015	Fiscal Q2: Sep 2015 — Nov 2015	Fiscal Q3: Dec 2015 — Feb 2016	Fiscal Q4: Mar 2016 — May 2016
High Bid	0.58	0.34	0.25	0.12
Low Bid	0.33	0.20	0.06	0.075

Over-the-counter market quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions.

The Securities and Exchange Commission ("SEC") has adopted rules that regulate broker-dealer practices in connection with transactions in penny stocks. Penny stocks are generally equity securities with a price of less than \$5.00, other than securities registered on certain national securities exchanges or quoted on the NASDAQ system, provided that current price and volume information with respect to transactions in such securities is provided by the exchange or quotation system. The penny stock rules require a broker-dealer, prior to a transaction in a penny stock, to deliver a standardized risk disclosure document prepared by the SEC, that: (a) contains a description of the nature and level of risk in the market for penny stocks in both public offerings and secondary trading; (b) contains a description of the broker's or dealer's duties to the customer and of the rights and remedies available to the customer with respect to a violation to such duties or other requirements of securities laws; (c) contains a brief, clear, narrative description of a dealer market, including bid and ask prices for penny stocks and the significance of the spread between the bid and ask price; (d) contains a toll-free telephone number for inquiries on disciplinary actions; (e) defines significant terms in the disclosure document or in the conduct of trading in penny stocks; and (f) contains such other information and is in such form, including language, type, size and format, as the SEC shall require by rule or regulation. The broker-dealer also must provide, prior to effecting any transaction in a penny stock, the customer with: (a) bid and offer quotations for the penny stock; (b) the compensation of the broker-dealer and its salesperson in the transaction; (c) the number of shares to which such bid and ask prices apply, or other comparable information relating to the depth and liquidity of the market for such stock; and (d) monthly account statements showing the market value of each penny stock held in the customer's account. In addition, the penny stock rules require that prior to a transaction in a penny stock not otherwise exempt from those rules, the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written acknowledgment of the receipt of a risk disclosure statement, a written agreement to transactions involving penny stocks, and a signed and dated copy of a suitably written statement.

These disclosure requirements may have the effect of reducing the trading activity in the secondary market for our stock if it becomes subject to these penny stock rules. Therefore, if our common stock becomes subject to the penny stock rules, stockholders may have difficulty selling those securities.

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities - continued

Holders

As of August 29, 2017, the Company had 54,514,765 shares of common stock issued and outstanding estimated to be held by more than 300 record holders including those who own units through their brokers "in street name". Additionally, the Company had outstanding warrants to purchase 5,374,501 shares of stock at an exercise price equal to \$0.70 per share. The Company also had outstanding options to purchase 1,935,000 shares of common stock at \$0.20 per share, 694,000 shares of common stock at \$0.25 per share, 250,000 shares of common stock at \$0.27 per share, 1,200,000 shares of common stock at \$0.36 per share, 1,100,000 shares of common stock at \$0.38 per share, 600,000 shares of common stock at \$0.40 per share, 575,000 shares of common stock at \$0.405, and 1,500,000 shares of common stock at \$2.00 per share, all of which total 7,854,000 options. If shares underlying all outstanding warrants and both vested and unvested options were issued, the fully diluted number of shares outstanding would be 67,743,266 shares.

Dividends

Since its inception, the Company has not paid any dividends on its common stock, and the Company does not anticipate that it will pay dividends before the Royalty is paid to the Company by SORC, and there can be no assurance provided that the Royalty will be received, and if received, that such Royalty will be in sufficient amounts to warrant payment of a dividend.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of 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, an indirect, wholly owned subsidiary of Alleghany. See "Item 1. Business" 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 May 31, 2017, no royalties have been accrued or paid.

From SORC's formation in 2011 through June 30, 2017, Alleghany Capital has invested \$274.6 million into SORC, including \$5.4 million through the first half of calendar year 2017 and \$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 was delayed by third-party equipment problems 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 part of its 2016 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 calendar year-end 2016 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. As of the date of this filing, several underground wellbores are in production.

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 and further developing those leases acquired using conventional production methods, and continues to gather and analyze geological data concerning the oil reservoir regarding its suitability for implementing the UGD recovery 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. The Company, on behalf of SORC, is currently operating and further developing those leases acquired using conventional production methods, and continues to gather and analyze geological data concerning the oil reservoir regarding its suitability for 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.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - continued

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.

In accordance with the terms of the Agreements, the Company has agreed with SORC that it 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 May 31, 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 June 30, 2017, SORC had received \$274.6 million in net funding from Alleghany Capital. Prior to the Company receiving any Royalty cash distributions from SORC, all SORC preferred share accrued dividends (in excess of \$100 million as of May 31, 2017) 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 reported cash at May 31, 2017 was \$330,684. For the year ended May 31, 2017, the Company received \$10,000,037 from SORC in management fees and payments. Total debt outstanding as of the filing date of this report is \$350,000 owed to Alleghany Capital, which is classified as short-term.

Recently issued accounting pronouncements

Refer to Note 3 of the Notes to Financial Statements for a discussion of recently issued accounting pronouncements.

Results of Operations

Pursuant to the Management Services Agreement with SORC, the Company received and recorded management fee revenue and direct costs totaling \$9,823,386 and \$10,101,432, respectively, for the fiscal year ending May 31, 2017 and \$10,896,736 and \$10,624,321, respectively, for the fiscal year ending May 31, 2016. The decrease in revenues and direct costs is primarily attributable to a decrease in average number of employees as operations contracted in fiscal year ending May 31, 2017 as compared to fiscal year ending May 31, 2016. The decrease in direct costs in fiscal year ending May 31, 2017 is offset by an increase in employee separation costs, resulting in the negative gross profit.

During the years ended May 31, 2017 and 2016, respectively, we incurred operating expenses of \$656,034 and \$880,054. 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 year ended May 31, 2017 as compared to the same period in 2016 is primarily attributable to decreases in share based compensation expense, legal fees, and rent expense.

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.

Prior to the second quarter of fiscal year 2016, the Company's operating results were affected by changes of value of the warrant liability associated with the Sutter and Seaside warrants. The 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. Further, for the year ended May 31, 2016, the Company experienced a loss on revaluation of the warrant liability of \$24,424. The change on revaluation is due to increases and decreases in the common stock price in the respective period, as well as a change in the exercise price on certain warrants.

Item 7. 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 stock options and 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 stock options and 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 8. Financial Statements and Supplementary Data

Our Financial Statements required by this item are included on the pages immediately following the Index to Financial Statements appearing on page F-1.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A Controls and Procedures

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 ensuring 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.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)). Under the supervision and with the participation of our management, including our CEO and CFO, we conducted an evaluation of the effectiveness of our internal controls over financial reporting based on the framework in Internal Controls – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in Internal Control – Integrated Framework, our management concluded that our internal controls over financial reporting were not effective as of May 31, 2017. As we grow, we are working on further improving our segregation of duties and level of supervision.

Item 9A Controls and Procedures - continued

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to SEC rules adopted in conformity with the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Exchange Rules 13a-15(f) and 15d-15(f)) that occurred during the quarter ended May 31, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The following table sets forth as of August 29, 2017, the name, age, and position of each executive officer and director and the term of office of each director of the Company.

Name	Age	Position Held	Term as Director or Officer Since
Donald Beckham	57	Director	March 1, 2011
Christopher E. Lindsey	51	General Counsel and Secretary	October 16, 2013
Michael H. Price	69	Independent Director	August 3, 2012
Mark See	56	Chief Executive Officer and Chairman	October 16, 2009
Bradley E. Sparks	70	Chief Financial Officer, Treasurer and Director	March 1, 2011

Each director of the Company serves for a term of three years and until his successor is elected at the Company's annual shareholders' meeting and is qualified, subject to removal by the Company's shareholders. Each officer serves at the pleasure of the Board of Directors for a term of one year and until his successor is elected at the Annual General Meeting of the Board of Directors.

Set forth below is certain biographical information regarding each of the Company's executive officers and directors.

DONALD BECKHAM has served as a director of the Company since March 1, 2011. Since July 2015, he has served as Senior Vice President of Operations for Copestone Energy Partners, LLC. In 1993 he founded Beckham Resources, Inc. ("BRI") which for the past 20 years has been a licensed, bonded and insured operator in good standing with the Railroad Commission of Texas. Through BRI, Mr. Beckham has drilled and operated fields for his own account. His expertise is in the acquisition, exploitation, exploration and production enhancement of mature oil and gas fields through which he has been able to enhance production by compressor optimization, pump design, work-over programs, stimulation techniques and identifying new pay zones. BRI has operated wells in the following fields: Hull, Liberty, Aransas Pass, McCampbell, Mission River, Garcitas Creek, Sour Lake, Batson, Barton Ranch and Dayton. Prior to BRI, Mr. Beckham was the chief operations manager for Houston Oil Fields Corporation ("HOFCO") where he began his career. There he was responsible for drilling, production and field operations and managed approximately 100 people including engineers, geologists, land men, pumpers, and other contract personnel, as well as state and federal environmental and regulatory functions. He managed an annual capital budget of approximately \$30 million and operated approximately 100 wells. HOFCO drilled about 20 wells per annum and performed approximately 30 recompletions and work over operations each year. HOFCO owned interests in about 10 key fields principally in Texas, and company-managed production was approximately 1,000 bpd of crude oil and 10 mm cfd of natural gas. Fields that he managed were as follows: Manvell, Cold Springs, Shepherd, Turtle Bay, Red Fish Bay, Dickinson, Refugio, Lost Lake, Liberty and Abbeville. Mr. Beckham is a petroleum engineer and 1984 graduate of Mississippi State University.

CHRISTOPHER E. LINDSEY has served as the General Counsel and Secretary of the Company since October 16, 2013. Prior to joining the Company, Mr. Lindsey served briefly as a partner in the Houston office of Liskow & Lewis, representing oil and gas clients. Prior to Liskow, in 2013 Mr. Lindsey was a partner at Gordon Arata McCollam Duplantis & Eagan LLC as an oil and gas partner in the Houston office. Before that Mr. Lindsey was an oil and gas partner in the Houston office of Burleson LLP from 2011 to 2012. From 2010 to 2011, Mr. Lindsey was in the legal department of Boxer Property Management Corporation. Prior to that Mr. Lindsey was a partner in the Greensboro, North Carolina office of Purrington Moody WeilLLP from 2001 to 2009. He has practiced law both in-house and at various firms for over 21 years, including in-house positions as general counsel of Mariner Energy, LLC from 1998 to 2000 and SalvageSale.com from 2000 to 2001. Mr. Lindsey began his career as an associate in the Houston office of Bracewell and Giuliani LLP from 1993 to 1998. Mr. Lindsey graduated from the University of Virginia with a BA in Economics in 1988, from the University of Texas School of Law with a JD in 1993 and from the University of Texas at Austin with an MBA in 2003.

Item 10. Directors, Executive Officers and Corporate Governance - continued

MICHAEL H. PRICE, has over 40 years of senior financial and petroleum experience in the global oil and gas industry. He has been a principal in Octagon Energy Advisors, a Houston based energy investment advisory firm, from 2002 to the present. The firm advises financial institutions and institutional investors participating in energy investments. Since 2008, he has been a Managing Director at ING Capital which provides debt financing to domestic exploration and production companies. From 1998 through 2002, Mr. Price was the Chief Financial Officer of Forman Petroleum Corporation. Before that, Mr. Price was Managing Director at Chase Manhattan Bank for fifteen years, and was in charge of technical support for Chase's worldwide energy merchant banking activities. In his early career, he worked as a consulting principal on domestic petroleum engineering and landowner matters, and gained extensive international experience working with major oil companies in a variety of operating positions. He holds a BS and MS from Illinois Institute of Technology, a MBA from the University of Chicago, a M.Sc. from the London School of Economics, and a MS in Petroleum Engineering from Tulane University.

MARK SEE has been the Chief Executive Officer and Chairman of the Board of Directors for the Company since October 16, 2009. He has over 25 years experience in tunneling, natural resources and the petroleum industries. He was the founder and founding CEO of Rock Well Petroleum, a private oil & gas company from January 2005 until December 2008 and worked from then until October of 2009 forming Laredo Oil. He was employed with Albion Sands as the Manager for the Alberta Oil Sands Projects at Fort McMurray, Alberta, Canada, a joint venture between Shell Canada and Chevron. Mr. See was also President of Oil Recovery Enhancement LLC in Bozeman, Montana, a private oil company. He was selected as one of the top 25 Engineers in North America by the *Engineering News Record* for his innovations in the petroleum industry. He is a member of the Society of Mining Engineers and the Society of Petroleum Engineers.

BRADLEY E. SPARKS currently serves as the Chief Financial Officer and Treasurer and has been a director of the Company since March 1, 2011. Before joining Laredo Oil in October 2009, he was the Chief Executive Officer, President and a Director of Visualant, Inc. Prior to joining Visualant, he was the Chief Financial Officer of WatchGuard Technologies, Inc. from 2005-2006. Before joining WatchGuard, he was the founder and managing director of Sunburst Growth Ventures, LLC, a private investment firm specializing in emerging-growth companies. Previously, he founded Pointer Communications and served as Chief Financial Officer for several telecommunications and internet companies, including eSpire Communications, Inc., Digex, Inc., Omnipoint Corporation, and WAM!NET. He also served as Vice President and Treasurer of MCI Communications from 1988-1993 and as Vice President and Controller from 1993-1995. Before his tenure at MCI, Mr. Sparks held various financial management positions at Ryder System, Inc. Mr. Sparks currently serves on the Board of Directors of iCIMS and Comrise. Mr. Sparks graduated from the United States Military Academy at West Point in 1969 and is a former Army Captain in the Signal Corps. He has a Master of Science in Management degree from the Sloan School of Management at the Massachusetts Institute of Technology and is a licensed CPA in Florida.

To the knowledge of management, except as noted below, during the past ten years, no present or former director, executive officer or person nominated to become a director or an executive officer of the Company:

- (1) filed a petition under the federal bankruptcy laws or any state insolvency law, nor had a receiver, fiscal agent or similar officer appointed by the court for the business or property of such person, or any partnership in which he was a general partner at or within two years before the time of such filings;
- (2) was convicted in a criminal proceeding or named subject of a pending criminal proceeding (excluding traffic violations and other minor offenses);
- (3) was the subject of any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining him from or otherwise limiting, the following activities:
 - (i) acting as a futures commission merchant, introducing broker, commodity trading advisor, commodity pool operator, floor broker, leverage transaction merchant, any other person regulated by the Commodity Futures Trading Commission, or an associated person of any of the foregoing, or as an investment adviser, underwriter, broker or dealer in securities, or as an affiliated person, director or employee of any investment company, bank, savings and loan association or insurance company, or engaging in or continuing any conduct or practice in connection with such activity;
 - (ii) engaging in any type of business practice; or
 - (iii) engaging in any activities in connection with the purchase or sale of any security or commodity or in connection with any violation of federal or state securities laws or federal commodities laws;
- (4) was the subject of any order, judgment, or decree, not subsequently reversed, suspended, or vacated, of any federal or state authority barring, suspending or otherwise limiting for more than 60 days the right of such person to engage in any activity described above under this Item, or to be associated with persons engaged in any such activities;
- (5) was found by a court of competent jurisdiction in a civil action or by the Securities and Exchange Commission to have violated any federal or state securities law, and the judgment in such civil action or finding by the Securities and Exchange Commission has not been subsequently reversed, suspended, or vacated;
- (6) was found by a court of competent jurisdiction in a civil action or by the Commodity Futures Trading Commission to have violated any federal commodities law, and the judgment in such civil action or finding by the Commodity Futures Trading Commission has not been subsequently reversed, suspended or vacated;
- (7) was the subject of, or a party to, any federal or state judicial or administrative order, judgment, decree, or finding, not subsequently reversed, suspended or vacated, relating to an alleged violation of:
 - (i) Any federal or state securities or commodities law or regulation; or
 - (ii) Any law or regulation respecting financial institutions or insurance companies including, but not limited to, a temporary or permanent injunction, order of disgorgement or restitution, civil money penalty or temporary or permanent cease-and-desist order, or removal or prohibition order; or
 - (iii) Any law or regulation prohibiting mail or wire fraud or fraud in connection with any business entity; or

Item 10. Directors, Executive Officers and Corporate Governance - continued

(8) was the subject of, or a party to, any sanction or order, not subsequently reversed, suspended or vacated, of any self-regulatory organization (as defined in Section 3(a)(26) of the Exchange Act (15 U.S.C. 78c(a)(26))), any registered entity (as defined in Section 1(a)(29) of the Commodity Exchange Act (7 U.S.C. 1(a)(29))), or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member.

In calendar year 2014, Mr. Beckham served as an executive officer of Mining Oil, Inc. which filed for bankruptcy in January 2015. Four months prior to that filing, Mr. Beckham had resigned his position due to policy differences with members of the management team.

Section 16(a) Beneficial Ownership Reporting Compliance

During the fiscal year ended May 31, 2017, the Company had no class of equity securities registered pursuant to Section 12 of the Securities Exchange Act of 1934. Accordingly, no reports were required to be filed pursuant to Section 16(a) with respect to the Company's officers, directors, and beneficial holders of more than ten percent of any class of equity securities.

Code of Ethics

The Company's Code of Ethics is attached by reference as Exhibit 14.1 to this Form 10-K and can be found on the Company's web site at www.laredo-oil.com.

Item 11. Executive Compensation

Compensation Summary for Executive Officers

The following table sets forth compensation paid or accrued by the Company for the last two years ended May 31, 2017 and 2016 with regard to individuals who served as the Principal Executive Officer and for executive officers receiving compensation in excess of \$100,000 during these fiscal periods.

Name and Principal Position	Fiscal Year	Salary(\$)	Bonus(\$)	Option Awards(\$)	All Other Compensation(\$)	Total(\$)
Mark See (1) Chief Executive Officer and Chairman of the Board	2017	525,000	-	-	33,923	558,923
	2016	525,000	-	-	51,356	576,356
Bradley E. Sparks (2) Chief Financial Officer, Treasurer and Director	2017	415,000	-	-	-	415,000
	2016	415,000	-	-	-	415,000
Christopher E. Lindsey (3) General Counsel and Secretary	2017	314,310	-	-	5,737	320,047
	2016	322,075	-	-	16,061	338,136

(1) The salary amount shown in fiscal year 2017 includes \$461,954 in cash payments and \$63,046 of deferred compensation. In 2016 salary includes \$507,750 in cash payments and \$17,250 of deferred compensation. Other compensation includes untaken earned vacation days sold back to the Company in exchange for cash payments. As of May 31, 2017, Mr. See has cumulative deferred compensation of \$125,088.

(2) The amounts shown in 2017 include \$250,306 of salary paid in cash and \$164,694 of deferred compensation and in 2016 include \$267,507 of salary paid in cash and \$147,493 of deferred compensation. As of May 31, 2017, Mr. Sparks has cumulative deferred compensation of \$667,946.

(3) Other compensation for Mr. Lindsey includes untaken earned vacation days sold back to the Company for cash payments.

Named Executive Officers Compensation and Termination of Employment Provisions

Pursuant to a letter agreement dated October 16, 2009 between the Company and Mr. See, the Company agreed to pay Mr. See an annual base salary of \$240,000, and, after the Company is funded with a minimum of \$7.5 million of capital, a base salary of \$450,000 per year. The base salary has an automatic cost of living increase of 10% per year. He also is entitled to a monthly automobile allowance of \$1,000, a monthly professional allowance of \$1,000, and a monthly communication allowance of \$500. We also granted to Mr. See 12,844,269 shares of our common stock. In October 2012, the Laredo Board of Directors voted to increase Mr. See's salary to \$450,000 per year as a result of the SORC Board of Directors both authorizing commencement of UGD development on the Company's initial project with SORC and increasing the monthly management fee to fund the salary increase. When the Company receives insufficient funds under the MSA to pay the base salary, including automatic cost of living increases, the difference of his actual paid base salary rate and the contractual per year rate, calculated monthly, is treated as deferred compensation until such time as the Company has adequate operating funds to satisfy such obligation or until otherwise paid through the issuance of equity or debt securities of the Company as determined by the Compensation Committee. If Mr. See is terminated by us without "Cause" (as such term is defined in the letter agreement), we will pay severance to Mr. See equal to 100% of his then-current annualized base salary, and any bonuses earned, paid out on a pro rata basis over our regular payroll schedule over the three year period following the effective date of such termination. In addition, Mr. See will continue to receive all applicable benefits under our standard benefits plans currently available to other senior executives, for a period not to exceed 24 months following the termination of employment. Moreover, pursuant to a change in control severance agreement between us and Mr. See, if Mr. See is terminated by us within 12 months following a change in control of the Company without Cause (as such term is defined in the change in control agreement) or if Mr. See terminates his employment with us for "Good Reason" (as such term is defined in the change in control agreement), he will be entitled to receipt of 100% of bonuses earned and his annual base salary paid out on a pro rata basis over our regular payroll schedule until contract expiration. In addition, Mr. See will continue to receive all applicable benefits under our standard benefits plans currently available to other senior executives, for a period not to exceed 24 months following the termination of employment.

On October 14, 2014, the letter agreement dated October 16, 2009 between the Company and Mr. See was amended to set the salary amount at \$495,000 per year and delete the automatic cost of living increase of 10% per year. In addition, the amendment modified the terms of the severance so that if Mr. See is terminated by us without "Cause" (as such term is defined in the letter agreement), we will pay severance to Mr. See equal to 100% of his then-current annualized base salary, and any bonuses earned, paid out on a pro rata basis over our regular payroll schedule over the two-year period following the effective date of such termination, provided that if such termination occurs within 12 months after a Change of Control, such two year period shall be increased to a three year period. On March 1, 2016, the rate of cash salary compensation paid to Mr. See was reduced by 10% from \$490,000 to \$441,000 per year as part of an overall company salary reduction. Beginning January 1, 2017, the rate of annual cash salary compensation paid to Mr. See was increased by 3% from \$441,000 to \$454,230 per year. Under his contract with Laredo and as of May 31, 2017, Mr. See has \$125,088 of cumulative deferred compensation owed him which is the difference between his contract salary and the actual cash compensation he has received thereunder.

Pursuant to a letter agreement dated October 20, 2009 between the Company and Mr. Sparks, we agreed to pay Mr. Sparks an annual base salary of \$180,000, and, after the Company is funded with a minimum of \$7.5 million of capital, a base salary of \$350,000 per year. The base salary has an automatic cost of living increase of 10% per year. He also is entitled to a monthly automobile allowance of \$1,000, a monthly professional allowance of \$1,000, and a monthly communication allowance of \$500. We also granted to Mr. Sparks 2,824,857 shares of our common stock. In April 2013 the Laredo Board of Directors voted to increase Mr. Sparks' salary to \$350,000 per year with the effect of the SORC Board of Directors authorizing commencement of UGD development on the Company's initial project with SORC. When the Company receives insufficient funds under the MSA to pay the base salary, including automatic cost of living increases, the difference of his actual paid base salary rate and the contractual per year rate, calculated monthly, is treated as deferred compensation until such time as the Company has adequate operating funds to satisfy such obligation or until otherwise paid through the issuance of equity or debt securities of the Company as determined by the Compensation Committee. If Mr. Sparks is terminated by us without "Cause" (as such term is defined in the letter agreement), we will pay severance to Mr. Sparks equal to 100% of his then-current annualized base salary, and any bonuses earned, paid out on a pro rata basis over our regular payroll schedule over the three-year period following the effective date of such termination. In addition, Mr. Sparks will continue to receive all applicable benefits under our standard benefits plans currently available to other senior executives, for a period not to exceed 24 months following the termination of employment. Moreover, pursuant to a change in control severance agreement between us and Mr. Sparks, if Mr. Sparks is terminated by us within 12 months following a change in control of the Company without Cause (as such term is defined in the change in control agreement) or if Mr. Sparks terminates his employment with us for "Good Reason" (as such term is defined in the change in control agreement), he will be entitled to receipt of 100% of bonuses earned and his annual base salary paid out on a pro rata basis over our regular payroll schedule until contract expiration. In addition, Mr. Sparks will continue to receive all applicable benefits under our standard benefits plans currently available to other senior executives, for a period not to exceed 24 months following the termination of employment.

On October 14, 2014, the letter agreement dated October 20, 2009 between the Company and Mr. Sparks was amended to set the salary amount at \$385,000 per year and delete the automatic cost of living increase of 10% per year. In addition, the amendment modified the terms of the severance so that if Mr. Sparks is terminated by us without "Cause" (as such term is defined in the letter agreement), we will pay severance to Mr. Sparks equal to 100% of his then-current annualized base salary, and any bonuses earned, paid out on a pro rata basis over our regular payroll schedule over the two year period following the effective date of such termination, provided that if such termination occurs within 12 months after a Change of Control, such two year period shall be increased to a three year period. On March 1, 2016, the rate of cash salary compensation paid to Mr. Sparks was reduced by 5% from \$239,580 to \$227,601 per year as part of an overall company salary reduction. Under his contract with Laredo and as of May 31, 2017, Mr. Sparks has \$667,946 of cumulative deferred compensation owed him which is the difference between his contract salary and the actual cash compensation he has received thereunder.

Item 11. Executive Compensation - continued

Pursuant to a letter agreement dated October 16, 2013 between the Company and Mr. Lindsey, we agreed to pay Mr. Lindsey an annual base salary of \$300,000 per year. He also is entitled to a monthly professional allowance of \$1,000. We also granted to Mr. Lindsey an option to purchase 800,000 shares of our common stock at a price of \$0.36 per share in accordance with the Laredo Oil, Inc. 2011 Equity Incentive Plan. If Mr. Lindsey is terminated by us without "Cause" (as such term is defined in the letter agreement), we will pay severance to Mr. Lindsey equal to 100% of his then-current annualized base salary, and any bonuses earned, paid out on a pro rata basis over our regular payroll schedule over the one year period following the effective date of such termination. In addition, Mr. Lindsey will continue to receive all applicable benefits under our standard benefits plans currently available to other senior executives, for a period not to exceed 24 months following the termination of employment. In January 2015, the Laredo Board of Directors increased the annual base salary of Mr. Lindsey to \$314,000 per year. Effective March 1, 2016, as part of an overall company salary reduction, the annual base salary for Mr. Lindsey was reduced 5% to \$298,300. Beginning January 1, 2017, the rate of annual cash salary compensation paid to Mr. Lindsey was increased by 3% from \$298,300 to \$307,249 per year.

Effective June 29, 2012, the Board approved the Laredo Management Retention Plan (the "Royalty Plan") that outlines the terms and conditions under which employees of the Company are eligible to participate in the Incentive Royalty to be assigned to the Royalty Plan. In accordance with the terms of the Royalty Plan, a new special purposes entity was formed on July 3, 2012 as a Delaware limited liability company (the "Plan Entity"). On October 11, 2012, the Board (i) amended the Royalty Plan to, among other things, change the name of the Royalty Plan to "Laredo Royalty Incentive Plan", (ii) appointed a Compensation Committee of the non-employee board members (the "Compensation Committee") to administer the Royalty Plan and make awards thereunder, (iii) authorized the filing of an Amendment to the Certificate of Formation of the Plan Entity to change its name to "Laredo Royalty Incentive Plan, LLC", (iv) adopted and approved an Assignment Agreement pursuant to which the Incentive Royalty was assigned to the Plan Entity in accordance with the Royalty Plan. Also on October 11, 2012, the Compensation Committee made awards of Restricted Common Units of the Plan Entity (the "Plan Units") pursuant to Award Agreements to certain of its employees. These Plan Units vest over a period of three years from grant, but are subject to accelerated vesting upon the commencement of production under the initial UGD project as provided in the award agreement. Ten thousand (10,000) Plan Units are authorized for issuance under the Royalty Plan, of which 7,000 Plan Units were issued and outstanding as of May 31, 2017.

Outstanding equity awards as of May 31, 2017:

(a) Name and Principle Position	(b) Number of Securities Underlying Unexercised Options Exercisable	(e) Option Exercise Price(\$)	(f) Option Expiration Date
Christopher E. Lindsey General Counsel and Secretary	800,000	0.36	November 22, 2023
Bradley E. Sparks CFO, Treasurer & Director	1,500,000	2.00	April 11, 2022

In February 2011, the Company approved the Laredo Oil, Inc. 2011 Equity Incentive Plan. The Equity Incentive Plan was filed with the Securities and Exchange Commission on Form S-8 on November 8, 2011 and was amended in December 2014 to increase the number of shares available for issuance thereunder to an aggregate of 15,000,000 shares.

Director Compensation

(a) Name	(b) Fees Earned or Paid in Cash(\$)	(c) Stock Awards(\$)	(d) Option Awards(\$)	(j) Total(\$)
Donald Beckham	50,000	-	-	50,000
Michael H. Price	50,000	-	-	50,000

The compensation for each non-employee director is as follows: quarterly cash payment of \$12,500 payable mid-quarter in arrears, 500,000 shares of restricted common stock vesting in three equal installments over three years, and all reasonable expenses associated with attendance at Board meetings. Five hundred thousand shares of the aforementioned restricted stock were granted in January 2012 to Mr. Beckham and were fully vested in January 2015. In August 2012, Mr. Price was granted 500,000 shares of restricted common stock vesting in three equal installments over three years and were fully vested in August 2015. On August 8, 2013, each non-employee director was awarded 50,000 restricted shares vesting in equal installments over three years. As of May 31, 2017, all 50,000 shares were vested for Messrs. Beckham and Price. Since they are executive officers, Messrs. See and Sparks receive no additional compensation for Board service.

On January 2, 2015, the Company granted options to purchase 1,100,000 common shares to Mr. Beckham with an exercise price of \$0.38 per share, the fair market value on the date of grant. The options vest monthly over three years and expire on January 2, 2025. As of May 31, 2017, 855,556 options had vested.

Item 12. Security Ownership of Certain Beneficial Owners and Management

The following table sets forth as of the date of the filing of this Form 10-K, the name and address and the number of shares of the Company's common stock, with a par value of \$0.0001 per share, held of record or beneficially by each person who held of record, or was known by the Company to own beneficially, more than 5% of the issued and outstanding shares of the Company's common stock, and the name and shareholdings of each executive officer, director and of all officers and directors as a group.

Name and Address of Beneficial Owner	Nature of Ownership(1)	Amount of Beneficial Ownership (1)	Percent of Class
Bedford Holdings, LLC (2) 44 Polo Drive Big Horn, WY 82833	Direct	12,829,269	23.5%
Darlington, LLC (2) P.O. Box 723 Big Horn, WY 82833	Direct	5,423,138	9.9%
Mark See (3) 110 N. Rubey Dr., Suite 120 Golden, Colorado 80403	Direct	31,096,676	57.0%
Bradley E. Sparks (4) 110 N. Rubey Dr., Suite 120 Golden, Colorado 80403	Direct	4,324,857	7.7%
Donald Beckham (5) 110 N. Rubey Dr., Suite 120 Golden, Colorado 80403	Direct	1,558,333	2.8%
Christopher E. Lindsey 110 N. Rubey Dr., Suite 120 Golden, Colorado 80403	Direct	800,000	1.4%
Michael H. Price 110 N. Rubey Dr., Suite 120 Golden, Colorado 80403	Direct	550,000	1.0%
All Directors and Officers as a Group (5 persons)	Direct	<u>38,329,866</u>	<u>66.3%</u>

- (1) All shares owned directly are owned beneficially and of record, and such shareholder has sole voting, investment and dispositive power, unless otherwise noted. Amounts of beneficial ownership include all options to purchase common stock expected to be vested 60 days after the filing date of this Form 10-K.
- (2) These shares are mutually owned by Mr. and Mrs. See, and Mr. See has a proxy from Mrs. See to vote the shares.
- (3) Includes 18,252,407 shares mutually owned by Mr. and Mrs. See, through Bedford Holdings, LLC and Darlington, LLC, as shown in the table above. These 18,252,407 shares are the only shares owned by relatives which are required to be included in the total number of shares owned by all directors and officers as a group (5 persons).
- (4) Includes fully vested options to purchase 1,500,000 shares of common stock at \$2.00 per share.
- (5) Includes vested options to purchase 1,008,333 shares of common stock at \$0.38 per share as of October 28, 2017.

Securities authorized for issuance under equity compensation plans

The following table provides information as of May 31, 2017 concerning the issuance of equity securities with respect to compensation plans under which our equity securities are authorized for issuance.

Item 12. Security Ownership of Certain Beneficial Owners and Management - continued

Equity Compensation Plan Information

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted –average exercise price of outstanding options, warrants and rights (\$) (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders (1)	7,854,000	0.63	5,520,000(2)
Equity compensation plans not approved by security holders (3)	5,374,501	0.70	N/A
Total	13,228,501	0.66	5,520,000

1) Effective November 6, 2011, the holders of a majority of the shares of Common Stock of Laredo Oil, Inc. (the “Company”) took action by written consent to approve the Company’s 2011 Equity Incentive Plan (the “Plan”). Stockholders then owning an aggregate of 31,096,676 shares, or 59.8% of the then issued and outstanding Common Stock of the Company, approved the matter. The Plan and corresponding agreements are exhibits to the Company’s Registration Statement on Form S-8 filed with the Securities and Exchange Commission on November 8, 2011. The Plan reserved 10,000,000 shares of common stock for issuance to eligible recipients. In December 2014, the holders of a majority of the shares of Common Stock of Laredo Oil, Inc. (the “Company”) took action by written consent to amend the Plan by reserving an additional 5,000,000 shares of common stock for issuance to eligible recipients. The Company filed a Registration Statement on Form S-8 with the Securities and Exchange Commission on December 19, 2014 regarding the additional shares.

2) During fiscal year 2012, we issued 500,000 restricted shares to each of our two non-employee directors for a total of one million shares. During fiscal year 2013, we issued 500,000 restricted shares to our third non-employee director. In fiscal year 2014, we issued to our non-employee directors 150,000 restricted shares of which 50,000 restricted shares were later forfeited. In total, a net 1,600,000 restricted shares have been issued to our non-employee directors under the Plan. Since restricted shares were issued to directors, they are not available for issuance under the Plan and thus reduce the number of securities remaining available in this column. In addition, we granted options to purchase 6,010,000 shares of common stock to employees and contractors during fiscal year 2012, none in fiscal year 2013, 2,990,000 in fiscal year 2014, 1,700,000 in fiscal year 2015, 925,000 in fiscal year 2016 and none in fiscal year 2017. Also during fiscal year 2014, options to purchase 600,000 shares of common stock previously granted to Mr. See and 50,000 shares of restricted stock previously granted to a former director were forfeited and subsequently granted to key contractors in the form of options to purchase shares of common stock. In April 2017, the remaining 900,000 options to purchase common stock held by Mr. See expired and were returned to the unissued option pool. In addition to the See options forfeited, 2,245,000 options to purchase shares of common stock have been forfeited by terminated employees and returned to the option pool for future grants as per the Plan. Since Plan inception, 26,000 common shares have been issued pursuant to option exercises and are not available for issuance under the Plan. The aforementioned restricted stock and options were issued under the 2011 Equity Incentive Plan, as amended (the “Amended Plan”) which has 15,000,000 shares of common stock reserved for issuance for directors, employees and contractors.

3) Associated with the Alleghany transaction, and as payment for arranging the transaction between the Company and SORC, Laredo agreed to issue Sunrise Securities Corporation warrants equal to 10% of the total issued and outstanding fully diluted number of shares of common stock of the Company. In September 2011, Laredo issued warrants to purchase 5,374,501 shares of common stock at an exercise price of \$0.70 per share to two Sunrise Securities Corporation members to satisfy the finders’ fee obligation associated with the Alleghany transaction. The warrants will expire June 14, 2021.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Transactions with Management and Others

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. Subsequent to May 31, 2015, Mr. Beckham was paid an additional amount of approximately \$62,000 as consideration for such services during fiscal year 2016. This consulting arrangement terminated on July 24, 2015.

Director Independence.

Mr. Price is an “independent” director based on the definition of independence in the listing standards of NASDAQ Marketplace Rule 4200(a)(15).

Item 14. Principal Accounting Fees and Services

(1) Audit Fees

The aggregate fees billed by the independent accountants for each of the last two fiscal years for professional services for the audit of the Company's annual financial statements and the review of financial statements included in the Company's Form 10-Q and services that are normally provided by the accountants in connection with statutory and regulatory filings or engagements for those fiscal years were \$73,610 for the fiscal year ended May 31, 2017 and \$70,248 for the fiscal year ended May 31, 2016.

(2) Audit-Related Fees

The aggregate fees billed in each of the last two fiscal years for assurance and related services by the principal accountants that are reasonably related to the performance of the audit or review of the Company's financial statements and are not reported under paragraph (1) above was \$0.

(3) Tax Fees

The aggregate fees billed in each of the last two fiscal years ending May 31, 2017 and 2016 for professional services rendered by the principal accountants for tax compliance, tax advice, and tax planning was \$5,750 and \$5,325, respectively.

(4) All Other Fees

During the last two fiscal years ending May 31, 2017 and 2016, respectively there were \$0 fees charged by the principal accountants other than those disclosed in (1) and (2) above.

(5) Audit Committee's Pre-approval Policies and Procedures

The Audit Committee pre-approves the engagement with the independent auditor. It meets four times annually and reviews financial statements with the independent auditor. Additionally, the Audit Committee meets in executive session with the independent auditor at the conclusion of those meetings.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) (1) **Financial Statements.** See Index to Financial Statements on page F-1.

(a) (2) **Financial Statement Schedules**

The following financial statement schedules are included as part of this report:

None.

(a) (3) **Exhibits**

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

- 3.1 Certificate of Incorporation, included as Exhibit 3.1 in our Form S-1 filed August 25, 2008, File No. 333-153168 and incorporated herein by reference.
- 3.2 Certificate of Amendment of Certificate of Incorporation, included as Exhibit 10.1 to our Form 8-K filed October 22, 2009 and incorporated herein by reference.
- 3.3 Bylaws, included as Exhibit 3.2 in our S-1 filed August 25, 2008, File No. 333-153168 and incorporated herein by reference.
- 10.1 Letter Agreement dated October 16, 2009 between the Company and Mark See, CEO, regarding CEO compensation package, included as Exhibit 10.1 to our Form 10-K filed September 14, 2010 and incorporated herein by reference.
- 10.2 Letter Agreement dated October 20, 2009 between the Company and Bradley E. Sparks regarding CFO compensation package, included as Exhibit 10.2 to our Form 10-K filed September 14, 2010 and incorporated herein by reference.
- 10.3 Letter Agreement dated October 16, 2013 between the Company and Christopher E. Lindsey, General Counsel and Secretary, regarding compensation, included as Exhibit 10.3 to our Form 10-K filed August 29, 2014 and incorporated herein by reference.

Item 15. Exhibits, Financial Statement Schedules - continued

- 10.4 Purchase Agreement, included as Exhibit 10.1 to our Form 8-K filed June 9, 2010 and incorporated herein by reference.
- 10.5 Amended and Restated Form of Warrant to Purchase Stock of Laredo Oil, Inc. (amending Form of Warrant to Purchase Stock of Laredo Oil, Inc. included as Exhibit 10.2 in our Current Report on Form 8-K filed June 9, 2010), included as Exhibit 10.1 to our Form 10-Q filed October 17, 2011 and incorporated herein by reference.
- 10.6 Form of Subordinated Convertible Promissory Note, included as Exhibit 10.3 to our Form 8-K filed June 9, 2010 and incorporated herein by reference.
- 10.7 Securities Purchase Agreement, dated as of July 26, 2010, among the Company and each Purchaser identified on the signature pages thereto, included as Exhibit 10.1 to our Form 8-K filed July 28, 2010 and incorporated herein by reference.
- 10.8 Amended and Restated Form of Common Stock Purchase Warrant (amending Form of Common Stock Purchase Warrant included as Exhibit 10.7 in our Current Report on Form 8-K filed June 20, 2011), included as Exhibit 10.2 to our Form 10-Q dated October 17, 2011 and incorporated herein by reference.
- 10.9 Loan Agreement dated November 22, 2010 between Laredo Oil, Inc. and Alleghany Capital Corporation, included as Exhibit 10.1 to our Form 8-K filed November 24, 2010 and incorporated herein by reference.
- 10.10 Form of Amended and Restated Senior Promissory Note accompanying Loan Agreement dated November 22, 2010 between Laredo Oil, Inc. and Alleghany Capital Corporation (amending the Form of Senior Promissory Note included as Exhibit 10.2 in our Current Report on Form 8-K filed November 24, 2010), included as Exhibit 10.1 to our Form 8-K filed November 18, 2011 and incorporated herein by reference.
- 10.11 Loan Agreement dated April 6, 2011 between Laredo Oil, Inc. and Alleghany Capital Corporation, included as Exhibit 10.1 to our Form 8-K filed April 8, 2011 and incorporated herein by reference.
- 10.12 Form of Amended and Restated Senior Promissory Note accompanying Loan Agreement dated April 6, 2011 between Laredo Oil, Inc. and Alleghany Capital Corporation (amending the Form of Senior Promissory Note included as Exhibit 10.2 in our Current Report on Form 8-K filed April 12, 2011), included as Exhibit 10.2 to our Form 8-K filed November 18, 2011 and incorporated herein by reference.
- 10.13 Laredo Oil, Inc. 2011 Equity Incentive Plan, included as Exhibit 4.1 to our Form S-8 filed on November 8, 2011 and incorporated by reference herein.
- 10.14 Form of Laredo Oil, Inc. 2011 Equity Incentive Plan Stock Option Award Certificate, included as Exhibit 4.2 to our Form S-8 filed on November 8, 2011 and incorporated by reference herein.
- 10.15 Form of Laredo Oil, Inc. 2011 Equity Incentive Plan Restricted Stock Award Certificate, included as Exhibit 4.3 to our Form S-8 filed on November 8, 2011 and incorporated by reference herein.
- 10.16 Amended and Restated Laredo Management Retention Plan dated as of October 11, 2012, included as Exhibit 10.1 to our Form 10-Q filed on October 15, 2012 and incorporated by reference herein.

Item 15. Exhibits, Financial Statement Schedules - continued

10.17 Certificate of Formation of Laredo/SORC Incentive Plan Royalty, LLC., included as Exhibit 10.16 to our Form 10-K filed on August 29, 2012 and incorporated by reference herein.

10.18 Amendment to Certificate of Formation of Laredo/SORC Incentive Plan Royalty, LLC, included as Exhibit 10.2 to our Form 10-Q filed on October 15, 2012 and incorporated by reference herein.

10.19 Limited Liability Company Agreement of Laredo Royalty Incentive Plan, LLC, dated as of October 11, 2012, included as Exhibit 10.3 to our Form 10-Q filed on October 15, 2012 and incorporated by reference herein.

10.20 Form of Restricted Common Unit Agreement for Laredo Royalty Incentive Plan, LLC. , included as Exhibit 10.4 to our Form 10-Q filed on October 15, 2012 and incorporated by reference herein.

14.1 Code of Ethics for Employees and Directors, included as Exhibit 14.1 to our Form 10-K filed September 14, 2010 and incorporated herein by reference

[31.1 Certification by Chief Executive Officer pursuant to Rule 13a-14\(a\).](#)

[31.2 Certification by Chief Financial Officer pursuant to Rule 13a-14\(a\).](#)

[32.1 Certification by Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)

[32.2 Certification by Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

LAREDO OIL, INC.
(the "Registrant")

Date: August 29, 2017

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

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Date: August 29, 2017

By: /s/ MARK SEE
Mark See
Chief Executive Officer and Chairman of the Board
(Principal Executive Officer)

Date: August 29, 2017

By: /s/ BRADLEY E. SPARKS
Bradley E. Sparks
Chief Financial Officer, Treasurer and Director
(Principal Financial and Accounting Officer)

Date: August 29, 2017

By: /s/ DONALD BECKHAM
Donald Beckham
Director

Date: August 29, 2017

By: /s/ MICHAEL H. PRICE
Michael H. Price
Director

INDEX TO FINANCIAL STATEMENTS

	<u>Page</u>
Report of Independent Registered Public Accounting Firm	F-2
Balance Sheets as of May 31, 2017 and 2016	F-3
Statements of Operations for the Years Ended May 31, 2017 and 2016	F-4
Statement of Stockholders' Deficit for the Years Ended May 31, 2017 and 2016	F-5
Statements of Cash Flows for the Years Ended May 31, 2017 and 2016	F-6
Notes to the Financial Statements	F-7



REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
of Laredo Oil, Inc.

We have audited the accompanying balance sheets of Laredo Oil, Inc. (the Company) as of May 31, 2017 and 2016, and the related statements of operations, stockholders' deficit, and cash flows for each of the years then ended. The Company's management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Laredo Oil, Inc. as of May 31, 2017 and 2016, and the results of its operations and its cash flows for each of the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has incurred losses since inception and is dependent upon one customer for its revenue. These factors raise substantial doubt that the Company will be able to continue as a going concern. Management's plans in regard to these matters are also discussed in Note 2 to the financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Weaver and Tidwell, L.L.P.
WEAVER AND TIDWELL, L.L.P.

Austin, Texas
August 29, 2017

**AN INDEPENDENT
MEMBER OF BAKER TILLY
INTERNATIONAL**

WEAVER AND TIDWELL LLP
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
WWW.WEAVERLLP.COM

AUSTIN
1601 SO. MoPAC EXPRESSWAY,
SUITE D250, AUSTIN, TX 78746
P: (512) 609 1900 F: (512) 609 1911

Laredo Oil, Inc.
Balance Sheets

	<u>May 31,</u> <u>2017</u>	<u>May 31,</u> <u>2016</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 330,684	\$ 393,937
Prepaid expenses and other current assets	<u>47,195</u>	<u>46,293</u>
Total Current Assets	377,879	440,230
TOTAL ASSETS	<u>\$ 377,879</u>	<u>\$ 440,230</u>
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current Liabilities		
Accounts payable	\$ 38,219	\$ 33,363
Accrued payroll liabilities	1,671,651	1,057,280
Accrued liabilities – related party	20,128	170,079
Accrued interest	159,339	129,632
Deferred management fee revenue	45,833	45,833
Notes payable	<u>350,000</u>	<u>350,000</u>
Total Current Liabilities	2,285,170	1,786,187
TOTAL LIABILITIES	<u>2,285,170</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 and 54,514,765 issued and outstanding, respectively	5,451	5,451
Additional paid in capital	8,591,327	8,188,199
Accumulated deficit	<u>(10,504,069)</u>	<u>(9,539,607)</u>
Total Stockholders' Deficit	(1,907,291)	(1,345,957)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	<u>\$ 377,879</u>	<u>\$ 440,230</u>

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

Laredo Oil, Inc.
Statements of Operations

	<u>Year Ended May 31, 2017</u>	<u>Year Ended May 31, 2016</u>
Management fee revenue	\$ 9,823,386	\$ 10,896,736
Direct costs	<u>10,101,432</u>	<u>10,624,321</u>
Gross profit (loss)	(278,046)	272,415
General, selling and administrative expenses	369,466	494,715
Consulting and professional services	<u>286,568</u>	<u>385,339</u>
Total Operating Expense	656,034	880,054
Operating loss	(934,080)	(607,639)
Non-operating income (expense)		
(Loss) Gain on revaluation of warrant liability	-	(24,424)
Interest expense	<u>(30,382)</u>	<u>(28,085)</u>
Net loss	<u>\$ (964,462)</u>	<u>\$ (660,148)</u>
Net loss per share, basic and diluted	<u>\$ (0.02)</u>	<u>\$ (0.01)</u>
Weighted average number of basic and diluted common shares outstanding	<u>54,514,765</u>	<u>54,454,050</u>

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

Laredo Oil, Inc.
Statement of Stockholders' Deficit
For the Years Ended May 31, 2017 and 2016

	Common Stock		Preferred Stock		Additional Paid In Capital	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount			
Balance at May 31, 2015	53,998,569	\$ 5,400	-	-	\$ 7,320,378	\$ (8,879,459)	\$ (1,553,681)
Exercise of warrants	516,196	51	-	-	(51)	-	-
Reclassification of warrant liability	-	-	-	-	276,414	-	276,414
Vested restricted stock	-	-	-	-	11,944	-	11,944
Share based compensation	-	-	-	-	579,514	-	579,514
Net Loss	-	-	-	-	-	(660,148)	(660,148)
Balance at May 31, 2016	54,514,765	\$ 5,451	-	-	\$ 8,188,199	\$ (9,539,607)	\$ (1,345,957)
Vested restricted stock	-	-	-	-	1,389	-	1,389
Share based compensation	-	-	-	-	401,739	-	401,739
Net Loss	-	-	-	-	-	(964,462)	(964,462)
Balance at May 31, 2017	<u>54,514,765</u>	<u>\$ 5,451</u>	<u>-</u>	<u>-</u>	<u>\$ 8,591,327</u>	<u>\$ (10,504,069)</u>	<u>\$ (1,907,291)</u>

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

Laredo Oil, Inc.
Statements of Cash Flows

	<u>Year Ended May 31, 2017</u>	<u>Year Ended May 31, 2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (964,462)	\$ (660,148)
Adjustments to Reconcile Net Loss to Net Cash Provided by (Used in) Operating Activities:		
Stock issued for services	1,389	11,944
Share based compensation	401,739	579,514
Loss (Gain) on revaluation of warrant liability	-	24,424
Decrease (Increase) in prepaid expenses and other current assets	(902)	109,629
Increase in accounts payable and accrued liabilities	<u>498,983</u>	<u>242,739</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(63,253)	308,102
CASH FLOWS FROM INVESTING ACTIVITIES	-	-
CASH FLOWS FROM FINANCING ACTIVITIES	-	-
Net (decrease) increase in cash and cash equivalents	(63,253)	308,102
Cash and cash equivalents at beginning of period	<u>393,937</u>	<u>85,835,</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 330,684</u>	<u>\$ 393,937</u>

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

NOTE 1 - ORGANIZATION AND DESCRIPTION OF BUSINESS

The accompanying financial statements have been prepared by management of Laredo Oil, Inc. ("the Company"). In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows as of and for the years ended May 31, 2017 and 2016 presented have been made.

The Company was incorporated under the laws of the State of Delaware on March 31, 2008 under the name of "Laredo Mining, Inc." with authorized common stock of 90,000,000 shares at \$0.0001 par value and authorized preferred stock of 10,000,000 shares at \$0.0001 par value. On October 21, 2009 the name was changed to "Laredo Oil, Inc."

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 ("EOR") methods for its sole customer, Stranded Oil Resources Corporation ("SORC"), an indirect, wholly owned subsidiary of Alleghany Corporation ("Alleghany").

From its inception through October 2009, the Company was primarily engaged in acquisition and exploration efforts for mineral properties. After a change in control in October 2009, the Company shifted its focus to locating mature oil fields with the intention of acquiring those oil fields and recovering stranded oil using enhanced oil recovery methods. The Company was unable to raise the capital required to purchase any suitable oil fields.

On June 14, 2011, the Company entered into 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 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 May 31, 2017. 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 May 31, 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.

Basic and Diluted Loss per Share

The Company's basic and diluted earnings per share (EPS) amounts have been computed based on the weighted-average number of shares of common stock outstanding for the period. As the Company realized a net loss for the years ended May 31, 2017 and 2016, no potentially dilutive securities were included in the calculation of diluted loss per share as their impact would have been anti-dilutive.

NOTE 2 – GOING CONCERN

These financial statements have been prepared on a going concern basis. The Company has incurred losses since inception, has a net loss of \$964,462 for the year ended May 31, 2017, and is dependent on 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.

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 Management Services Agreement. 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 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

USE OF ESTIMATES

Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

REVENUE RECOGNITION

Revenue is recognized from services when it is realized or realizable and earned. Management fee revenue is considered realized and earned when persuasive evidence of an arrangement exists, the service has been performed, the sales price is fixed and determinable, no significant unfulfilled obligation exists, and collection is reasonably assured.

CASH AND CASH EQUIVALENTS

All highly liquid investments with a maturity of three months or less are considered to be cash equivalents. There were no cash equivalents as of May 31, 2017 and 2016. At times, the Company maintains cash balances deposited at its financial institution that exceed FDIC insured limits.

PREPAID EXPENSES AND OTHER CURRENT ASSETS

The Company financed directors' and officers' insurance and is amortizing the expense over the 12 month contract life.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's financial instruments as defined by Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 825-10-50, *Financial Instruments*, include cash, trade accounts receivable, accounts payable, accrued liabilities, warrant liabilities and notes payable. All instruments, with the exception of the warrant liabilities which are measured at fair value, are accounted for on a historical cost basis, which, due to the short maturity of these financial instruments, approximates fair value at May 31, 2017.

Based on the borrowing rates currently available to the Company for loans with similar terms and average maturities, the fair value of notes payable approximate their carrying value.

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 unobservable inputs that are both significant to the fair value measurement and unobservable. Valuation under level 3 generally involves a significant degree of judgment from management.

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

The Company 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 fiscal year ended May 31, 2016. The Company measured the fair value of the warrant liabilities using the Black Scholes method. Inputs used to determine fair value under this method include the Company's stock price volatility and expected remaining life as disclosed in Note 6. As of May 31, 2017 and 2016, there are no remaining assets measured at fair value on a recurring basis.

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. As of May 31, 2017, the Company had a severance accrual of approximately \$269,000 included in accrued payroll liabilities. There were no similar accruals as of May 31, 2016. During the year ended May 31, 2017, the Company recorded direct costs for termination benefit expense totaling approximately \$291,000.

SHARE BASED EXPENSES

FASB ASC 718, *Compensation - Stock Compensation* prescribes accounting and reporting standards for all stock-based payment awards to employees, including employee stock options, restricted stock, employee stock purchase plans and stock appreciation rights. Stock-based payment awards may be classified as either equity or liabilities. The Company should determine if a present obligation to settle the share-based payment transaction in cash or other assets exists. A present obligation to settle in cash or other assets exists if: (a) the option to settle by issuing equity instruments lacks commercial substance or (b) the present obligation is implied because of an entity's past practices or stated policies. If a present obligation exists, the transaction should be recognized as a liability; otherwise, the transaction should be recognized as equity.

The Company accounts for stock-based compensation issued to non-employees and consultants in accordance with the provisions of FASB ASC 505-50, *Equity - Based Payments to Non-Employees*. Measurement of share-based payment transactions with non-employees shall be based on the fair value of whichever is more reliably measurable: (a) the goods or services received; or (b) the equity instruments issued. The fair value of the share-based payment transaction should be determined at the earlier of performance commitment date or performance completion date.

INCOME TAXES

The Company accounts for income taxes by the asset and liability method in accordance with FASB ASC 740, *Income Taxes*. Under this method, current income taxes are recognized for the estimated income taxes payable for the current year. Deferred income tax assets and liabilities are recognized in the current year for temporary differences between the tax and accounting bases of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes that are likely to be realized. In addition, a valuation allowance is established to reduce any deferred tax asset for which it is determined that it is more likely than not that some portion of the deferred tax asset will not be realized.

In addition, the Company utilizes the two-step approach to recognizing and measuring uncertain tax positions taken or expected to be taken in a tax return. The first step is to determine if the weight of available evidence indicates that it is more likely than not that the tax position will be sustained in an audit, including resolution of any related appeals or litigation processes. The second step is to measure the tax benefit as the largest amount that is more than 50% likely to be realized upon ultimate settlement. The Company recognizes interest and penalties accrued on unrecognized tax benefits within general and administrative expense. To the extent that accrued interest and penalties do not ultimately become payable, amounts accrued will be reduced and reflected as a reduction in general and administrative expenses in the period that such determination is made.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In June 2014, the FASB issued ASU 2014-12, "Compensation - Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could be Achieved after the Requisite Service Period." This ASU provides more explicit guidance for treating share-based payment awards that require a specific performance target that affects vesting and that could be achieved after the requisite service period as a performance condition. The new guidance is effective for annual and interim reporting periods beginning after December 15, 2015. As a result of the adoption, there is no material impact on the results of operations, cash flows or financial position.

In August 2014, the FASB issued ASU No. 2014-15, "Presentation of Financial Statements - Going Concern (Subtopic 205-40) - Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern", which requires management to evaluate, at each annual and interim reporting period, whether there are conditions or events that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date the financial statements are issued and provide related disclosures. ASU 2014-15 is effective for annual periods ending after December 15, 2016 and interim periods thereafter. Early application is permitted. The adoption of ASU 2014-15 did not have a material effect on the Company's results of operations, cash flows or financial position.

In January 2015, the FASB issued ASU No. 2015-01, "Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items ." This ASU eliminates from U.S. GAAP the concept of extraordinary items and the need for an entity to separately classify, present, and disclose extraordinary events and transactions, while retaining certain presentation and disclosure guidance for items that are unusual in nature or occur infrequently. The pronouncement is effective for annual reporting periods beginning after December 15, 2015, including interim periods within that reporting period and may be applied retrospectively, with early application permitted. The Company does not expect the adoption of this guidance to have a material impact on the results of operations, cash flows or financial position.

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)", which requires the recognition of lease assets and lease liabilities on the balance sheet for those leases classified as operating leases under previous GAAP. The amended guidance also requires additional quantitative and qualitative disclosures regarding the amount, timing and uncertainty of cash flows arising from leases in order to provide additional information about the nature of an organization's leasing activities. This standard will be effective for the Company beginning in the first quarter of fiscal year 2020, with early adoption permitted. This standard will be adopted using a modified retrospective approach. The Company is currently evaluating the impact this standard will have on its financial statements.

In March 2016, the FASB issued ASU No. 2016-09, "Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting", that changes several aspects of accounting for share-based payment transactions. The amended guidance requires all excess tax benefits and tax deficiencies to be recognized in the income statement rather than additional paid-in capital. In addition, such excess tax benefits or tax deficiencies will no longer be classified on the Statement of Cash Flows as a financing activity, with prospective application required. Additionally, the guidance clarifies the classification of employee taxes paid when an employer withholds shares for tax-withholding purposes on the Statement of Cash Flows as a financing activity, with retrospective application required. The new guidance also provides an accounting policy election to account for forfeitures as they occur, with a modified retrospective application required. This standard will be effective for the Company beginning in the first quarter of fiscal year 2018, with early adoption permitted.

In the first quarter of fiscal 2018, the Company will recognize forfeitures of share-based awards as they occur in the period of forfeiture rather than estimating the number of awards expected to be forfeited at the grant date and subsequently adjusting the estimate when awards are actually forfeited. The Company does not expect that the change in accounting policy will result in an adjustment to retained earnings as of June 1, 2017. The Company will determine the method of adoption for the remaining provisions during the first quarter of fiscal 2018.

Management does not believe that any other recently issued, but not yet effective accounting standards, if currently adopted, would have a material effect on the accompanying financial statements.

NOTE 4 - LOSS PER SHARE

Basic and diluted earnings per share is computed by dividing net loss available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted loss per share gives effect to all dilutive potential common shares outstanding during the period. Dilutive loss per share excludes all potential common shares if their effect is anti-dilutive. As of May 31, 2017 and 2016, warrants to purchase 5,374,501 and 6,349,501 shares of common stock, respectively and options to purchase 7,854,000 and 10,074,000 shares of common stock, respectively, were not included in the computation of diluted net loss per share because they were anti-dilutive.

NOTE 4 - LOSS PER SHARE - *continued*

	For the Year Ended May 31,	
	2017	2016
Numerator - net loss attributable to common stockholders	\$ (964,462)	\$ (660,148)
Denominator - weighted average number of common shares outstanding	<u>54,514,765</u>	<u>54,454,050</u>
Basic and diluted loss per common share	<u>\$ (0.02)</u>	<u>\$ (0.01)</u>

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 are considered related parties under FASB ASC 850. All management fee revenue reported by the Company for the years ended May 31, 2017 and 2016 is generated from charges to SORC. The Company also recorded an approximate \$28,000 and \$31,000 receivable from SORC as of May 31, 2017 and 2016, respectively, for employee expense reports presented in prepaid expenses and other current assets on the balance sheet and \$20,000 and \$170,000 payable to SORC for payroll liabilities as of May 31, 2017 and 2016, respectively, covered by SORC pursuant to the management services agreements. All outstanding notes payable and related accrued interest at May 31, 2017 and 2016, respectively, are held by Alleghany. 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 year ended May 31, 2016, respectively, Mr. Beckham was paid approximately \$62,000 by SORC as consideration for such services. No amounts were paid during the year ended May 31, 2017. This consulting arrangement terminated on July 24, 2015.

NOTE 6 - STOCKHOLDERS' DEFICIT

Share Based Compensation

Effective November 6, 2011, the holders of a majority of the shares of common stock approved the Plan to reserve 10,000,000 shares of common stock for issuance to eligible recipients. Effective December 2014, an additional 5,000,000 shares of common stock were reserved for issuance to eligible recipients under the Plan. Shares under the plan can be issued in the form of options, restricted stock, and other forms of equity securities. The Company's board of directors has the discretion to set the amount and vesting period of award grants. As of May 31, 2017, 5,520,000 shares remain available for issuance under the Plan.

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:

	Year Ended	
	May 31, 2017	May 31, 2016
Share-based compensation:		
General, selling and administrative expenses	\$ 312,521	\$ 426,825
Consulting and professional services	90,607	164,633
	<u>403,128</u>	<u>591,458</u>
Share-based compensation by type of award:		
Stock options	401,739	579,514
Restricted stock	1,389	11,944
	<u>\$ 403,128</u>	<u>\$ 591,458</u>

Stock Options

On August 17, 2015, the Company granted options for the purchase of 925,000 shares of common stock with an exercise price of \$0.405 per share, the fair market value on the date of the grant. 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.

For the years ended May 31, 2017 and May 31, 2016, respectively, \$401,739 (for 1,128,475 vested shares) and \$579,514 (for 1,378,752 vested shares) was recognized as expense related to the stock options. As of May 31, 2017, \$264,845 of expense was not recognized for 653,476 unvested shares with a weighted average vesting period of 0.8 years. As of May 31, 2016, \$761,285 of expense was not recognized for 1,978,859 unvested shares with a weighted average vesting period of 0.8 years.

The following table summarizes information about options granted during the years ended May 31, 2017 and 2016:

	Number of Shares	Weighted Average Exercise Price
Balance, May 31, 2015	10,074,000	\$ 0.69
Options granted and assumed	925,000	0.405
Options expired	-	-
Options cancelled, forfeited	(490,000)	(0.27)
Options exercised	<u>-</u>	<u>-</u>
Balance, May 31, 2016	10,509,000	\$ 0.68
Options granted and assumed	-	-
Options expired	(900,000)	(2.00)
Options cancelled, forfeited	(1,755,000)	(0.25)
Options exercised	<u>-</u>	<u>-</u>
Balance, May 31, 2017	7,854,000	\$ 0.63

All stock options are exercisable upon vesting.

As of May 31, 2017 and 2016, 7,854,000 and 10,509,000 options have been granted at a weighted average exercise price of \$0.63 and \$0.68, respectively.

Restricted Stock

During fiscal years ending May 31, 2017 and 2016, no restricted stock has been granted. The Company granted 1.6 million shares of restricted stock during fiscal year 2014. As of May 31, 2017, all of the granted shares have vested. The Company recognized \$1,389 and \$11,944 in expense for the years ended May 31, 2017 and 2016, respectively.

Warrants

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 May 31, 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.

No warrants have been granted or cancelled during the years ended May 31, 2017 and 2016 as follows:

	Number of Shares	Weighted Average Exercise Price
Balance, May 31, 2015	6,349,501	\$ 0.63
Warrants granted and assumed	—	—
Warrants expired	—	—
Warrants cancelled, forfeited	—	—
Warrants exercised	975,000	—
Balance, May 31, 2016	5,374,501	\$ 0.70
Warrants granted and assumed	—	—
Warrants expired	—	—
Warrants cancelled, forfeited	—	—
Warrants exercised	—	—
Balance, May 31, 2017	5,374,501	\$ 0.70

All warrants are exercisable as of May 31, 2017.

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 during the first quarter of fiscal year 2016. Accordingly, the warrant liability is no longer measured at fair value as of May 31, 2016. The fair value of the warrants was determined during the three months ending August 31, 2015 using the Black-Scholes option pricing model based on the following weighted average assumptions:

<u>August 31, 2015</u>	
Risk-free interest rates	0.02%
Expected Term	0.4 years
Expected volatility	163.1%
Dividend yield	0%

NOTE 7 – NOTES PAYABLE

During the fiscal year ended May 31, 2011, the Company entered into two Loan Agreements with Alleghany for a combined available borrowing limit of \$350,000. The notes accrue interest on the outstanding principal of \$350,000 at the rate of 6% per annum. As of May 31, 2017, accrued interest totaling \$159,339 is recorded in current liabilities. 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, 2017 and are classified as short term notes payable as of May 31, 2017. 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.

NOTE 8 - PROVISION FOR INCOME TAXES

We did not provide any current or deferred U.S. federal income tax provision or benefit for any of the periods presented because we have experienced operating losses since inception. Per the authoritative literature when it is more likely than not that a tax asset cannot be realized through future income the Company must allow for this future tax benefit. We provided a full valuation allowance on the net deferred tax asset, consisting of net operating loss carryforwards, because management has determined that it is more likely than not that we will not earn income sufficient to realize the deferred tax assets during the carryforward period.

The Company has not taken any tax positions that, if challenged, would have a material effect on the financial statements for the twelve-months ended May 31, 2017 and 2016. The Company's tax returns for the fiscal years ended May 31 of 2010 to 2016 remain subject to examination by the tax authorities.

The components of the Company's deferred tax asset as of May 31, 2017 and 2016 are as follows:

	2017	2016
Net operating loss	\$ 458,557	\$ 426,055
Other	968,581	681,830
Valuation allowance	(1,427,138)	(1,107,885)
Net deferred tax asset	<u>\$ -</u>	<u>\$ -</u>

A reconciliation of income taxes computed at the statutory rate to the income tax amount recorded is as follows:

	2017	2016
Tax at statutory rate (34%)	\$ 327,917	\$ 224,450
Effect of non-deductible permanent differences	(59,647)	(119,835)
Other	50,983	(57,826)
(Increase) in valuation allowance	(319,253)	(46,789)
Net deferred tax asset	<u>\$ -</u>	<u>\$ -</u>

The net federal operating loss carry forward will expire between 2028 and 2036. This carry forward may be limited upon the consummation of a business combination under IRC Section 381.

NOTE 9 – OFFICE LEASES

No office leases currently extend beyond one year. Rent expense amounted to \$1,539 and \$16,336 for the years ending May 31, 2017 and 2016, respectively.

**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 annual report on Form 10-K for the year ended May 31, 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: August 29, 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 annual report on Form 10-K for the year ended May 31, 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: August 29, 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 Annual Report of Laredo Oil, Inc. on Form 10-K for the year ended May 31, 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: August 29, 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 Annual Report of Laredo Oil, Inc. on Form 10-K for the year ended May 31, 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: August 29, 2017
