

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

FORM 10-Q/A  
(Amendment No. 1)

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

For the quarterly period ended August 31, 2017

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No. 000-52645

**FORTEM RESOURCES INC.**

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of incorporation  
or organization)

20-4119257

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

**Suite 820, 906 12th Avenue S.W.**  
**Calgary, Alberta, Canada T2R 1K7**

(Address of principal executive offices) (Zip Code)

**(403) 241-8912**

(Registrant's telephone number, including area code)

**777 N. Rainbow Blvd., Suite 250, Las Vegas, Nevada 89107**

(Former name, former address and former fiscal year, if changed since last report)

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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer (Do not check if a smaller reporting company)	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

Yes  No

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

#### **APPLICABLE ONLY TO CORPORATE ISSUERS**

State the number of shares outstanding of each of the issuer’s classes of common stock as of the latest practicable date: **As of January 29, 2018, there were 117,872,458 shares of common stock, par value \$0.001, outstanding.**

### **Explanatory Note**

We are filing this amendment No. 1 to amend our quarterly report on Form 10-Q for the quarter ended August 31, 2017, which was originally filed with the Securities and Exchange Commission on October 17, 2017. We are filing this amendment to:

- Restate our consolidated financial statements as of and for the three months ended August 31, 2017, as a result of an error in the initial measurement of the fair value of Colony Energy, LLC, Black Dragon Energy, LLC, Rolling Rock Resources, LLC, and City of Gold, LLC (collectively, “the LLCs”) that were acquired in 2017.
- The Company had measured the above acquisitions based on the quoted market price of the shares issued to acquire the LLCs. However, we have subsequently determined that our common shares are not traded in an active market. Consequently, the Company has measured the acquisitions at the fair value of the assets acquired as that measurement was the more reliably measurable determinant of fair value.

In connection with the Original Filing, under the direction of our Chief Executive Officer and our Chief Financial Officer, our management evaluated our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act, and concluded that our disclosure controls and procedures were ineffective as of August 31, 2017. Subsequently, the Company’s management has determined that the improper design of controls with respect to the calculation of the fair value of the Company’s acquisitions was a deficiency in its internal control over financial reporting resulting from the material weakness identified at August 31, 2017.

All other information included in our quarterly report on Form 10-Q for the quarter ended August 31, 2017 has not been amended. Except for the matters described above, this amendment does not modify or update disclosures in the originally filed quarterly report on Form 10-Q, or reflect events occurring after October 17, 2017, which is the date of the filing of the originally filed quarterly report on Form 10-Q.

The certifications of the Company’s Chief Executive Officer and Chief Financial Officer are attached to this Amendment as Exhibits 31.1, 31.2, and 32.1 respectively.

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**PART I – FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**



**CONSOLIDATED FINANCIAL STATEMENTS**

**AUGUST 31, 2017**

CONSOLIDATED BALANCE SHEETS

CONSOLIDATED STATEMENTS OF OPERATIONS

CONSOLIDATED STATEMENTS OF CASH FLOWS

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**FORTEM RESOURCES INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(Expressed in US dollars - Unaudited)

	<u>August 31, 2017</u>	<u>February 28, 2017</u>
	<i>(Restated – Note 16)</i>	
	\$	\$
<b><u>ASSETS</u></b>		
<b>Current assets</b>		
Cash	145,663	459,481
Receivable	12,715	27,103
Prepaid expense and other	22,769	24,099
Loan receivable	99,135	-
	<u>280,282</u>	<u>510,683</u>
<b>Non-current assets</b>		
Deposit	35,181	33,082
Equipment	56,436	54,956
Investment	1,500,000	-
Right to the acquisition of mineral exploration project	1	-
Oil and gas properties, full cost method	1,352,459	641,494
	<u>3,224,359</u>	<u>1,240,215</u>
<b><u>LIABILITIES AND STOCKHOLDERS' DEFICIT</u></b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	610,509	337,506
Due to related parties	284,771	48,831
Note payable	19,943	18,825
Advance payable	64,058	-
Derivative financial liabilities - warrants	8,915,554	2,590,477
	<u>9,894,835</u>	<u>2,995,639</u>
<b>Due to related parties</b>	500,000	-
<b>Asset retirement obligation</b>	27,303	24,546
	<u>10,422,138</u>	<u>3,020,185</u>
<b>Stockholders' deficit</b>		
Capital stock		
Authorized:		
750,000,000 common shares, par value \$0.001 per share		
Issued and outstanding:		
115,884,698 common shares (37,537,556 at February 28, 2017)	107,775	29,428
Additional paid in capital	6,163,509	5,028,885
Share subscriptions receivable	-	(110,000)
Share subscriptions	100,000	-
Accumulated other comprehensive loss	(383,257)	(383,257)
Accumulated deficit	(13,185,806)	(6,345,026)
	<u>(7,197,779)</u>	<u>(1,779,970)</u>
	<u>3,224,359</u>	<u>1,240,215</u>

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

**FORTEM RESOURCES INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Expressed in US dollars - Unaudited)

	For the three months ended		For the six months ended	
	August 31,		August 31,	
	2017	2016	2017	2016
	<i>(Restated – Note 16)</i>		<i>(Restated – Note 16)</i>	
	\$	\$	\$	\$
<b>General and administrative expenses</b>				
Accretion	632	1,806	1,237	2,376
Consulting	19,537	11,809	37,790	37,290
Depreciation	867	863	1,696	1,722
Investor relation	300	-	13,284	-
Management fees	30,690	23,163	90,690	46,242
Office, travel and general (recovery)	28,086	2,197	136,444	(2,635)
Professional fees	194,906	22,857	253,433	38,881
<b>Loss from operations</b>	(275,018)	(62,695)	(534,574)	(123,876)
Foreign exchange gain	33,330	-	19,449	-
Gain on settlement of debt	307	-	13,599	60,232
Interest income	69	64	129	126
Interest expense	(12,603)	(134)	(14,658)	(73,966)
Gain (loss) on fair value adjustment of derivative financial liabilities	(1,629,348)	294,831	(6,325,077)	235,506
Forgiveness and adjustment of accounts payable	8	-	352	-
<b>Net income (loss)</b>	(1,883,255)	232,066	(6,840,780)	98,022
Foreign currency translation	-	(4,131)	-	(23,911)
<b>Comprehensive income (loss)</b>	(1,883,255)	227,935	(6,840,780)	74,111
<b>Basic and diluted income (loss) per share</b>	(0.02)	0.01	(0.07)	0.00
<b>Weighted average number of basic common shares outstanding</b>	115,884,698	31,082,567	95,395,280	30,852,247

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

**FORTEM RESOURCES INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Expressed in US dollars - Unaudited)**

	<b>For the six months ended</b>	
	<b>August 31,</b>	
	<b>2017</b>	<b>2016</b>
	<i>(Restated – Note 16)</i>	
	\$	\$
<b>Cash flows used in operating activities</b>		
Net income (loss)	(6,840,780)	98,022
Non-cash items		
Accretion	1,237	2,376
Depreciation	1,696	1,722
Gain on settlement of debt	(13,599)	(60,232)
Loss (gain) on fair value adjustment of derivative financial liabilities	6,325,077	(235,506)
Forgiveness and adjustment of old accounts payable	(352)	-
Interest income accrued	(129)	(126)
Interest expense	2,055	73,831
Foreign exchange	-	(31,710)
Changes in non-cash working capital items		
Receivable	14,388	(2,341)
Prepaid expenses and other	1,330	(1,851)
Accounts payable and accrued liabilities	252,367	9,971
Cash used in operating activities	<u>(256,709)</u>	<u>(145,844)</u>
<b>Cash flows used in investing activities</b>		
Investments	(1,500,000)	-
Expenditures on oil and gas properties	(682,209)	-
Loan receivable	(99,135)	-
Cash used in investing activities	<u>(2,281,344)</u>	<u>-</u>
<b>Cash flows from financing activities</b>		
Common stock issued for cash	1,354,801	-
Issuance of convertible debenture	-	200,000
Share subscriptions	100,000	-
Advances from third party	4,058	-
Net proceeds from (repaid to) related parties	705,527	(70,976)
Cash provided by financing activities	<u>2,164,386</u>	<u>129,024</u>
Effect of foreign exchange	<u>59,850</u>	<u>(3,451)</u>
Change in cash	(313,818)	(20,271)
Cash, beginning of period	459,481	22,426
Cash, end of period	<u><u>145,663</u></u>	<u><u>2,155</u></u>
<b>Non-cash transactions</b>		
Common stock issued for oil and gas properties	76,000	-
Advance payable for oil and gas properties	60,000	-

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



# FORTEM RESOURCES INC.

## CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT

(Expressed in US dollars - Unaudited)

	Common Stock		Additional Paid In Capital <i>(Restated – Note 16)</i>	Share Subscriptions Receivable	Share Subscriptions	Deficit <i>(Restated – Note 16)</i>	Accumulated	Total Stockholders' Deficit <i>(Restated – Note 16)</i>
	Number of Shares	Amount					Other Comprehensive Loss	
		\$	\$	\$	\$	\$	\$	\$
Balance, February 29, 2016	30,029,046	21,919	3,115,078	-	-	(3,620,720)	(133,280)	(617,003)
Common stock issued for cash	3,660,000	3,660	482,165	(110,000)	-	-	-	375,825
Shares for debt	2,574,812	2,575	618,853	-	-	-	-	621,428
Shares issued for convertible debt	1,073,698	1,074	771,989	-	-	-	-	773,063
Bonus units issued	200,000	200	40,800	-	-	-	-	41,000
Net loss	-	-	-	-	-	(2,724,306)	-	(2,724,306)
Foreign currency translation	-	-	-	-	-	-	(249,977)	(249,977)
Balance, February 28, 2017	37,537,556	29,428	5,028,885	(110,000)	-	(6,345,026)	(383,257)	(1,779,970)
Common stock issued for cash	2,347,142	2,347	1,242,454	110,000	-	-	-	1,354,801
Shares issued for acquisition	76,000,000	76,000	(107,830)	-	-	-	-	(31,830)
Share subscriptions	-	-	-	-	100,000	-	-	100,000
Net loss	-	-	-	-	-	(6,840,780)	-	(6,840,780)
Balance, August 31, 2017	115,884,698	107,775	6,163,509	-	100,000	(13,185,806)	(383,257)	(7,197,779)

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

**FORTEM RESOURCES INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**August 31, 2017**

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**1. NATURE AND CONTINUANCE OF OPERATIONS**

Fortem Resources Inc. (the “Company”) was incorporated in the State of Nevada on July 9, 2004. The Company focuses its business efforts on the acquisition, exploration, and development of oil and gas properties.

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. As of August 31, 2017, the Company has not achieved profitable operations, has incurred losses in developing its business, and further losses are anticipated. The Company has an accumulated deficit of \$13,185,806.

The Company’s ability to continue as a going concern is dependent upon its ability to obtain the necessary financing to meet its obligations and pay its liabilities when they come due. To date, the Company has funded operations through the issuance of capital stock and debt. Management plans to continue raising additional funds through equity or debt financings and loans from directors. There is no certainty that further funding will be available as needed. These factors raise substantial doubt about the ability of the Company to continue operating as a going concern. The ability of the Company to continue its operations as a going concern is dependent upon its ability to raise sufficient new capital to fund its operating commitments and ongoing losses and ultimately on generating profitable operations. The financial statements do not include any adjustments to be recorded to assets or liabilities that might be necessary should the Company be unable to continue as a going concern.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Presentation

The unaudited interim financial statements of the Company have been prepared in accordance with United States Generally Accepted Accounting Principles (“GAAP”) for interim financial information and the rules and regulations of the Securities and Exchange Commission (“SEC”). They do not include all information and footnotes required by GAAP for complete financial statements. However, except as disclosed herein, there have been no material changes in the information disclosed in the notes to the financial statements for the year ended February 28, 2017 included in the Company’s Annual Report on Form 10-K filed with the SEC. The interim unaudited financial statements should be read in conjunction with those financial statements included in the 10-K report. In the opinion of management, all adjustments considered necessary for fair presentation, consisting solely of normal recurring adjustments, have been made. Operating results for the six months ended August 31, 2017 are not necessarily indicative of the results that may be expected for the year ending February 28, 2018.

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Colony Energy, LLC, Black Dragon Energy, LLC, Rolling Rock Resources, LLC and City of Gold, LLC. All significant intercompany accounts and transactions between the Company and its subsidiaries have been eliminated upon consolidation.

Fair Value of Financial Instruments

The estimated fair values for financial instruments are determined based on relevant market information. These estimates involve uncertainties and cannot be determined with precision. The estimated fair value of cash, receivable, loan receivable, accounts payable and accrued liabilities, amounts due to related party, advance payable and note payable approximate their carrying value due to the short-term nature of those instruments.

ASC 820 establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. ASC 820 prioritizes the inputs into three levels that may be used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices included within Level 1 that are either directly or indirectly observable; and

Level 3 – Unobservable inputs that are supported by little or no market activity, there for requiring an entity to develop its own assumptions about the assumption that market participants would use in pricing.

The Company had certain level 3 assets and liabilities required to be recorded at fair value on a recurring basis in accordance with US GAAP as at August 31, 2017. As at August 31, 2017, the Company's Level 3 assets consist of shares and warrants of a private company and Level 3 liabilities consisted of warrants of the Company. The resulting level 3 assets and liabilities have no active market and are required to be measured at their fair value each reporting period based on information that is unobservable. As at August 31, 2017, the fair value of the level 3 assets was equal to \$1,500,000 with their fair value based on the price paid to acquire the investment.

A summary of the Company's level 3 liabilities for the six months ended August 31, 2017 and year ended February 28, 2017 is as follows:

	<u>August 31, 2017</u>	<u>February 28, 2017</u>
<b>Warrants</b>		
Beginning fair value	\$ 2,590,477	\$ 150,136
Issuance	-	1,043,074
Change in fair value	6,325,077	1,397,267
Ending fair value of warrants	<u>8,915,554</u>	<u>2,590,477</u>
<b>Embedded Conversion feature</b>		
Beginning fair value	-	-
Bifurcation of embedded conversion feature	-	199,999
Change in fair value	-	(199,999)
Ending fair value of embedded conversion feature	<u>-</u>	<u>-</u>
<b>Ending fair value of Level 3 liability</b>	<b>\$ <u>8,915,554</u></b>	<b>\$ <u>2,590,477</u></b>

#### Basic and Diluted Income (Loss) per Share

Earnings or loss per share ("EPS") is computed by dividing net income (loss) available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted EPS is computed by dividing net income (loss) by the weighted-average of all potentially dilutive shares of the common stock that were outstanding during the years presented. There were 6,123,698 (February 28, 2017 - 6,123,698) potentially dilutive securities excluded from the calculation of diluted loss per share as their effect would be anti-dilutive.

The treasury stock method is used in calculating diluted EPS for potentially dilutive stock options and share purchase warrants, which assumes that any proceeds received from the exercise of in-the-money stock options and share purchase warrants, would be used to purchase common shares at the average market price for the period.

## Recent Accounting Pronouncements

In August 2014, the FASB issued ASU 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 is intended to define management's responsibility to evaluate whether there is substantial doubt about an organization's ability to continue as a going concern within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued when applicable) and to provide related footnote disclosures. The ASU provides guidance to an organization's management, with principles and definitions that are intended to reduce diversity in the timing and content of disclosures that are commonly provided by organizations today in the financial statement footnotes. The ASU is effective for annual periods ending after December 15, 2016, and interim periods within annual periods beginning after December 15, 2016, which for the Company is April 1, 2017. The adoption of this standard did not have a material impact on the Company's financial position or results of operations.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. This ASU is effective for annual periods beginning after December 15, 2018 and interim periods within fiscal years beginning after December 15, 2019. ASU No 2016-15 addresses eight specific cash flow issues with the objective of reducing the existing diversity in practice. The adoption of this standard will not have a material impact on the Company's financial position or results of operations.

Other recent accounting pronouncements issued by the FASB (including its Emerging Issues Task Force), the American Institute of Certified Public Accountants, and the SEC did not, or are not believed by management to, have a material impact on the Company's present or future financial position, results of operations or cash flows.

### **3. ACQUISITIONS**

#### **a) Acquisition of Colony Energy, LLC**

In April 2017, the Company entered into and closed two membership interest purchase agreements with three arm's length vendors to acquire all membership interests of Colony Energy, LLC ("Colony"), a Nevada limited liability company. Colony holds a 100% interest in and to certain petroleum, natural gas and general rights, including Alberta Crown Petroleum and Oil Leases, in 20 contiguous sections totaling 12,960 acres located in the Godin area of Northern Alberta ("Godin Property").

In consideration for the acquisition of Colony, the Company issued an aggregate of 21,000,000 shares of its common stock to the three vendors on the closing date (issued at a value of \$21,000) and agreed to issue an additional 3,000,000 shares (valued at \$nil), with 1,000,000 shares to be issued to one of the vendors on each of the first, second and third anniversaries of the closing date.

Colony is not considered a business for accounting purposes and accordingly the transaction is treated as an acquisition of oil and gas property and related net assets.

The assets and liabilities of Colony assumed on the acquisition are as follows:

	\$
Oil and gas properties	108,000
Accounts payable and accrued liabilities	(13,411)
Advance payable	(34,058)
Due to related parties	<u>(60,000)</u>
Net assets	<u><u>531</u></u>

The total consideration for the acquisition is as follows:

	\$
Value of shares issued	21,000
Less: net assets	<u>(531)</u>
Excess consideration paid over the net assets of Colony	<u>20,469</u>

The excess of the consideration over the net assets of Colony has been charged to additional paid in capital. The measurement of the transaction was based on the carrying value of the assets of Colony, which approximated their fair value. The Company intends to perform an assessment of the carrying value of the asset in connection with the preparation of the annual financial statements or earlier if indicators of impairment are identified.

**b) Acquisition of Black Dragon Energy, LLC**

In April 2017, the Company entered into and closed a membership interest purchase agreement with two arm's length vendors to acquire all membership interests of Black Dragon Energy, LLC ("Black Dragon"), a Nevada limited liability company. Black Dragon holds the right to acquire a 75% working interest in and to certain leases, hydrocarbons, wells, agreements, equipment, surface rights agreements and assignable permits totaling approximately 165,000 acres (258 sections) at an 80% net revenue interest, located in the Moenkopi formation of the Carbon and Emery Counties, Utah ("Black Dragon Property").

In consideration for the acquisition of Black Dragon, the Company issued an aggregate of 20,000,000 shares of its common stock to the two vendors on the closing date (issued at a value of \$20,000) and paid \$100,000 prior to the closing as a non-refundable deposit.

Black Dragon is not considered a business for accounting purposes and accordingly the transaction is treated as an acquisition of oil and gas property and related net assets.

The assets and liabilities of Black Dragon assumed on the acquisition are as follows:

	\$
Oil and gas properties	119,863
Accounts payable and accrued liabilities	<u>(26,355)</u>
Net assets	<u>93,508</u>

The total consideration for the acquisition is as follows:

	\$
Value of shares issued	20,000
Cash paid	100,000
Less: net assets	<u>(93,508)</u>
Excess consideration paid over the assets of Black Dragon	<u>26,492</u>

The consideration paid over the assets of Black Dragon has been debited to additional paid in capital. The measurement of the transaction was based on the carrying value of the assets of Black Dragon, which approximated their fair value. The Company intends to perform an assessment of the carrying value of the asset in connection with the preparation of the annual financial statements or earlier if indicators of impairment are identified.

**c) Acquisition of Rolling Rock Resources, LLC**

In April 2017, the Company entered into and closed a membership interest purchase agreement with two arm's length vendors to acquire all membership interests of Rolling Rock Resources, LLC ("Rolling Rock"), a Nevada limited liability company. Rolling Rock has the right to acquire a 50% working interest in and to certain leases, hydrocarbons, wells, agreements, equipment, surface rights agreements and assignable permits totaling approximately 101,888 acres (160 sections) at an 80% net revenue interest located in the Mancos formation in the Southern Uinta Basin, Utah ("Rolling Rock Property").

In consideration for the acquisition of Rolling Rock, the Company issued an aggregate of 20,000,000 shares of its common stock to the two vendors on the closing date (issued at a fair value of \$20,000) and paid \$100,000 prior to the closing as a non-refundable deposit.

Rolling Rock is not considered a business for accounting purposes and accordingly the transaction is treated as an acquisition of oil and gas property and related net assets.

The assets and liabilities of Rolling Rock assumed on the acquisition are as follows:

	\$
Oil and gas properties	130,397
Accounts payable and accrued liabilities	<u>(26,032)</u>
Net assets	<u><u>104,365</u></u>

The total consideration for the acquisition is as follows:

	\$
Value of shares issued	20,000
Cash paid	100,000
Less: net assets	<u>(104,365)</u>
Excess consideration paid over the assets of Rolling Rock	<u><u>15,635</u></u>

The consideration paid over the assets of Rolling Rock has been charged to additional paid in capital. The measurement of the transaction was based on the carrying value of the assets of Rolling Rock, which approximated their fair value. The Company intends to perform an assessment of the carrying value of the asset in connection with the preparation of the annual financial statements or earlier if indicators of impairment are identified.

**d) Acquisition of City of Gold, LLC**

In May 2017, the Company acquired 100% of the membership interest in City of Gold, LLC ("City of Gold"), a Nevada limited liability company, from two Nevada limited liability companies pursuant to a membership interest purchase agreement. City of Gold has an option to acquire the subsidiary of Asia Pacific Mining Ltd. ("the Asia Pacific subsidiary"), subject to the completion of a binding financing and option agreement ("the Option"). The Asia Pacific subsidiary owns the City of Gold mining project.

The membership interest purchase agreement provides for a total purchase price consisting of an aggregate of 30,000,000 common shares of its common stock (the "Purchase Shares"). 15,000,000 of the Purchase Shares were issued at closing (issued at a fair value of \$30,000,000); the remaining 15,000,000 Purchase Shares are to be issued within ten Business Days after City of Gold earns the Option.

City of Gold is not considered a business for accounting purposes and accordingly the transaction is treated as an acquisition of available for sale investments, rights to the acquisition of mineral exploration project and related net assets.

The assets and liabilities of City of Gold assumed on the acquisition are as follows:

	\$
Investments	1,500,000
Accounts payable and accrued liabilities	(13,932)
Note payable	<u>(1,516,302)</u>
Net liabilities	<u>(30,234)</u>

The total consideration for the acquisition is as follows:

	\$
Value of shares issued	15,000
Assumption of note payable	1,516,302
Assumption of accounts payable and accrued liabilities	13,932
Less: Investments	(1,500,000)
Less: Rights to the acquisition of mineral exploration property	<u>(1)</u>
Excess consideration paid over the assets of City of Gold	<u>45,233</u>

The consideration paid over the assets of City of Gold has been charged to additional paid in capital. The measurement of the transaction was based on the carrying value of the assets of City of Gold, which approximated their fair value. The Company intends to perform an assessment of the carrying value of the asset in connection with the preparation of the annual financial statements or earlier if indicators of impairment are identified.

#### 4. OIL AND GAS PROPERTIES

	Compeer	Godin	Black Dragon	Rolling Rock	Total
	\$	\$	\$	\$	\$
Balance, February 28, 2017	641,494	-	-	-	641,494
Acquisition	-	108,000	144,863	155,397	408,260
Exploration	-	13,403	92,746	158,473	264,622
Exchange difference	38,083	-	-	-	38,083
Balance, August 31, 2017	<u>679,577</u>	<u>121,403</u>	<u>237,609</u>	<u>313,870</u>	<u>1,352,459</u>
<u>Compeer Property</u>					

Effective February 21, 2012, the Company entered into a Farmout Agreement (the "Agreement") with Harvest Operations Corp. ("Farmor"). The Agreement provided for the Company's acquisition of an undivided 100% working interest ("Working Interest") in a petroleum and natural gas license covering land located in the Compeer Area in the Province of Alberta, Canada (the "Compeer Property").

To earn the Working Interest the Company was required to drill, complete, equip or abandon a test well on the Compeer Property ("Test Well"). On March 14, 2012, the Company obtained operator status and was transferred the well license relating to the Test Well.

The Company's Working Interest in the Compeer Property will be held subject to a non-convertible overriding royalty payable to the Farmor ("Farmor's Royalty"). The Farmor's Royalty on net crude oil revenues will be measured on a sliding scale from 5% to 15% over a range of production volumes from 1 to 150 barrels per day. The Farmor's Royalty on net gas and other petroleum product revenues is 15%.

The Test Well was spudded on May 27, 2012, and on September 5, 2012, the Company received an earning notice granting the Company a 100% working interest in the Compeer Property.

As of August 31, 2017, the Company has incurred \$679,577 (February 28, 2017 - \$641,494) in exploration costs to drill, complete and equip the Test Well, net of impairment charges in prior periods. The Company also has \$35,181 (CAD\$44,103) (February 28, 2017 - \$33,082 (CAD\$43,934)) in bonds held with the Alberta Energy Regulator for its oil and gas properties.

#### Godin Property

On March 31, 2017, Colony (Note 3) entered into a petroleum, natural gas and general rights conveyance agreement to acquire a 100% interest in and to certain petroleum, natural gas and general rights, including Alberta Crown Petroleum and Oil Leases, in 20 contiguous sections totaling 12,960 acres located in the Godin area of Northern Alberta.

In addition, the vendor is entitled to receive certain milestone payments from the Company in the aggregate amount up to \$210,000 as follows:

- i) \$30,000 on or before June 29, 2017;
- ii) \$30,000 on or before September 27, 2017; and
- iii) \$150,000 upon the rig release of the second well drilled by the Company in the oil and gas assets described above. This amount will be recorded when the criteria has been met.

If the Company fails to make timely payment of any of the milestone payments, the vendor sole recourse will be a claim for debt against the Company for an amount equal to the missed milestone payment. As at August 31, 2017, the vendor has not filed a claim against the Company.

#### Black Dragon Property

In March 2017 (and later amended in August 2017), Black Dragon (Note 3) entered into a purchase and sale agreement (the "Black Dragon PSA") to acquire a 75% working interest in and to certain leases, hydrocarbons, wells, agreements, equipment, surface rights agreements and assignable permits totaling approximately 165,000 acres (258 sections) at an 80% net revenue interest located in the Moenkopi formation of the Carbon and Emery Counties, Utah (the "Black Dragon Property"). In August 2017, Black Dragon entered into a second amendment to the Black Dragon PSA (the "Black Dragon Amendment"), which amended the terms of the Black Dragon PSA. Under the Black Dragon Amendment, the Company is required to pay the vendor cash consideration totaling \$3.9 million (the "Black Dragon Consideration") based upon the following schedule:

- \$100,000 as a non-refundable deposit within 10 business days of closing (paid);
- the balance of the Black Dragon Cash Consideration by payment to the vendor of an amount equal to 25% of any funds received by the Company from any equity, debt or convertible financing thereof (each, a "Financing") upon the closing of each Financing until such amount is paid. In addition: (a) the first \$1.5 million raised by the Company will be exempt from a 25% payment to the vendor if such amount is received prior to the Company's listing on a stock exchange; and (b) the full Black Dragon Cash Consideration is required to be paid in full no later than December 31, 2018 regardless of the amount of funds paid in connection with one or more Financings. This change modified the original requirement to pay US\$900,000 on or before September 1, 2017, US\$900,000 on or before March 1, 2018 and US\$800,000 on or before September 1, 2018.



In addition to revising the Black Dragon Cash Consideration as set out above, the Company has agreed to: (a) issue 250,000 common shares of the Company to the vendor on or prior to September 1, 2017 (issued subsequently); and (b) pay the vendor an additional \$25,000 every sixty days commencing September 1, 2017 (paid) until such time as the Black Dragon Cash Consideration is paid in full.

As an added incentive for early payment of the Black Dragon Cash Consideration, such sum will be reduced by \$100,000 for each calendar month it is paid in full prior to December 31, 2018 for a maximum discount of 12 months or \$1.2 million.

Within 10 business days after the later of the Company paying the Black Cash Consideration in full or the Company meeting in full its carry obligation, the vendor will convey to the Company an undivided 75% of the Vendor's right, title and interest in and to the assets, at an 80% Net Revenue Interest in the assets.

#### *Carry Obligation*

As per the terms of the Black Dragon PSA, and in addition to the Black Dragon Cash Consideration, the Company is required to pay all costs and expenses incurred on the assets with respect to any and all exploration, development and production during the carry period. The "Carry Period" continues until the later of either (i) the date that the Company pays the full Black Dragon Cash Consideration set out above or (ii) the date that the Company pays all costs and expenses for the drilling, logging, testing and completion two new wells, each well with a horizontal leg extending at least 2,000' in the target zone within the Moenkopi formation (the "Two Obligation Wells"). The Company is required to drill to completion or cause to be drilled to completion (or plugging and abandonment) the Two Obligation Wells on or before February 28, 2019, failing which, the Company's right to earn any assignment in and to the assets will terminate immediately. For each vertical well drilled to 200' below the top of the Kaibab formation through completion (or plugging or abandonment) within a Federal Unit, the obligation deadline will be amended to the later of (i) the current obligation deadline or (ii) 6 months from the date the rig that drilled such vertical well to total depth has been removed from the wellsite.

#### Rolling Rock Property

In March 2017, Rolling Rock (Note 3) entered into a purchase and sale agreement (the "Rolling Rock PSA") to acquire a 50% working interest in and to certain leases, hydrocarbons, wells, agreements, equipment, surface rights agreements and assignable permits totaling approximately 101,888 acres (160 sections) at an 80% net revenue interest located in the Mancos formation in the Southern Uinta Basin, Utah (the "Rolling Rock Property"). In August 2017, Rolling Rock entered into a second amendment to the Rolling Rock PSA (the "Rolling Rock Amendment"), which amended the terms of the Rolling Rock PSA. Under the Rolling Rock Amendment, the Company is required to pay the vendor cash consideration totaling \$3.6 million (the "Rolling Rock Cash Consideration") based upon the following schedule:

- \$100,000 as a non-refundable deposit within 10 business days of closing (paid);
- the balance of the Rolling Rock Cash Consideration by cash payment to the vendor of an amount equal to 25% of any funds received by the Company from any Financing upon the closing of each Financing until such amount is paid. In addition: (a) the first \$1.5 million raised by the Company will be exempt from a 25% payment to the vendor if such amount is received prior to the Company's listing on a stock exchange; and (b) the full Rolling Rock Cash Consideration is required to be paid in full no later than December 31, 2018 regardless of the amount of funds paid in connection with one or more Financings. This change modified the original requirement to pay US\$1.3 million on or before September 1, 2017, \$500,000 on or before March 1, 2018 and \$500,000 on or before September 1, 2018; and
- after payment of the Rolling Rock Cash Consideration, an additional payment of \$300,000 (the "Workover Funds") to the vendor which is payable by an amount equal to 25% of any funds received by the Company from any Financing until the Workover Funds are paid in full.

In addition to revising the Rolling Rock Cash Consideration as set out above, Rolling Rock has agreed to: (a) cause the Company to issue 250,000 common shares of the Company to the vendor on or prior to September 1, 2017 (issued subsequently); and (b) pay the vendor an additional \$25,000 every sixty days commencing September 1, 2017 (paid) until such time as the Rolling Rock Cash Consideration and the Workover Funds are paid in full.

As an added incentive for early payment of the Rolling Rock Cash Consideration, such sum will be reduced by \$100,000 for each calendar month it is paid in full prior to December 31, 2018 for a maximum discount of 12 months or \$1.2 million.

Within 10 business days after the later of the Company paying the Rolling Rock Cash Consideration in full or the Company meeting in full its carry obligation, the vendor agrees to convey to the Company an undivided 50% of the vendor's right, title and interest in and to the Leases, or a 80% net revenue interest in the Leases. Notwithstanding this transfer, within 10 business days after the later of payment of \$300,000 on or before September 1, 2017 (which amount is in addition to the deposit and included in the Rolling Rock Cash Consideration set out above) and the replacement of the vendor's bonds on or before September 1, 2017, the vendor agrees to convey to the Company an undivided 50% of the vendor's right, title and interest in and to the Cisco Dome leases and related assets. However, if the Company fails to timely meet any of its obligations under the Rolling Rock PSA, after having taken assignment of the Cisco Dome leases and assets, then, if the vendor elects in its sole discretion, the Company is required to reassign the Cisco Dome leases and assets to the vendor without any additional encumbrances.

#### *Carry Obligation*

As per the terms of the Rolling Rock PSA, and in addition to the Rolling Rock Cash Consideration, the Company is required to pay all costs and expenses incurred on the Leases with respect to any and all exploration, development and production during the carry period. The "Carry Period" continues until the later of either (i) the date that the Company pays the full Rolling Rock Cash Consideration set out above or (ii) the date that the Company pays all costs and expenses for the drilling, logging, testing and completion of three new wells in each of the three Federal Units, each well with a horizontal leg extending at least 1,000' in the target zone within the Mancos formation (the "Three Obligation Wells"). The Company is required to drill to completion or cause to be drilled to completion (or plugging and abandonment) the Three Obligation Wells on or before February 28, 2019, failing which, the Company's right to earn any assignment in and to the Leases will terminate immediately. For each vertical well drilled to the top of the Dakota formation through completion (or plugging or abandonment) within a Federal Unit, the obligation deadline will be amended to the later of (i) the current obligation deadline or (ii) 6 months from the date the rig that drilled such vertical well to total depth has been removed from the wellsite.

The obligation well in the Grand Mancos Unit will be a vertical well drilled to a depth sufficient to test the Granite Walsh formation within such Federal Unit. For this well, completion (or plugging and abandonment) is expected to take place no later than 2 months after the rig that drilled to total depth has been removed from the wellsite and for a period of 6 months after completion of this obligation well (or plugging and abandonment), and the Company will have the exclusive option to purchase an additional 25% of the vendor's right, title and interest in and to the leases with respect to the Granite Walsh formation within the boundary of the Grand Mancos Unit for an additional payment of \$10 million.

#### **5. INVESTMENT IN ASIA PACIFIC MINING LTD.**

In April 2017, a binding financing and option agreement (the "Agreement") (Note 3 (d)) was assigned to the Company where the Company subscribed a total of 2,930,259 units in the capital of Asia Pacific Mining Limited ("Asia Pacific") at a total cost of \$1,500,000, which represents approximately 7.5% of the issued and outstanding shares of Asia Pacific immediately after the financing. Asia Pacific is a private company registered in Hong Kong. Each unit consisted of one common share and one share purchase warrant which will entitle the holder of each warrant to acquire an additional share of Asia Pacific at an exercise price of \$0.5119 per share during the term equal to the greater of two years from the closing of additional financing of Asia Pacific according to the terms of the Agreement or 18 months from the receipts of all necessary permits to carry out the exploration program.

## 6. RIGHTS TO THE ACQUISITION OF MINERAL EXPLORATION PROJECT

In connection to the acquisition of City of Gold, LLC, the Company owns the right to an option agreement. Under the option agreement, the vendors have agreed to grant to City of Gold the option (the "Option") to purchase 100% of the ownership interest in a wholly owned subsidiary of Asia Pacific (the "Project Subsidiary") which, in turn, owns 100% of the rights to the City of Gold mineral exploration project located in Myanmar which covers an area of approximately 465 square kilometers in close proximity to hydropower, water, and infrastructure to accommodate exploration and development of the property. The Company can exercise the Option if Asia Pacific completes an additional financing of \$1.5 million within 60 days upon the issuance of an exploration license for the City of Gold Project.

Once it has exercise the Option, the Company may, at its discretion, to require Asia Pacific to transfer the Project Subsidiary to another Canadian publicly listed company to be selected by the Company ("Acquisition Co")(if the Project Subsidiary is not transferred to another Canadian publicly list company, Acquisition Co means the Company) for an exercise price consisting of \$7,000,000 in cash and thirty percent of the issued and outstanding share capital of Acquisition Co (calculated on a fully diluted basis, excluding up to 10% in stock options, but including shares Acquisition Co may have issued in order to raise the exercise price of \$7,000,000 and an additional \$5,000,000 in working capital). Half of the cash portion of the exercise price must be paid upon exercise of the Option; the balance is to be paid on the first anniversary of the exercise and is to be evidenced by a one-year secured term note. Although the Company has the right to select Acquisition Co., it must select a Canadian publicly listed company that meets certain criteria – at exercise of the Option, Acquisition Co must have less than US\$100,000 in liabilities and US\$5,000,000 or more in working capital and Asia Pacific will have the right to nominate 30% of its directors.

## 7. EQUIPMENT

	<b>August 31, 2017</b>		
	<u>Cost</u>	<u>Accumulated Depreciation</u>	
Oil and gas equipment	<u>\$ 71,284</u>	<u>\$ 14,848</u>	<u>\$ 56,436</u>
	<b>February 28, 2017</b>		
	<u>Cost</u>	<u>Accumulated Depreciation</u>	
Oil and gas equipment	<u>\$ 67,289</u>	<u>\$ 12,333</u>	<u>\$ 54,956</u>

## 8. ACCOUNTS PAYABLE

During the six months ended August 31, 2017, the Company paid \$5,693 (CAD\$7,500) in cash to settle \$19,292 (CAD\$25,415) of balance owing to a vendor of the Company. As a result, the Company recorded a gain on settlement of debt of \$13,599.

## 9. NOTE PAYABLE

As at August 31, 2017, the Company had \$19,943 (CAD\$25,000) (February 28, 2017 - \$18,825 (CAD\$25,000)) in short term note obligations. The note payable is unsecured, non-interest bearing and payable upon demand.

## 10. ADVANCE PAYABLE

As at August 31, 2017, the Company had \$64,058 (February 28, 2017 - \$nil) due to two unrelated parties. The balance of \$60,000 was related to the acquisition of the Godin property (Note 4) and the remaining balance was

related to expenses paid by an unrelated party. The note payable is unsecured, non-interest bearing and payable upon demand.

## 11. ASSET RETIREMENT OBLIGATION

The Company's asset retirement obligation consists of reclamation and closure costs associated with the Test Well in the Compeer Property. The asset retirement obligation was estimated based on the Company's understanding of its requirements to reclaim currently disturbed areas. Significant reclamation and closure activities include land rehabilitation, water, removal of building and well facilities and tailings reclamation.

The undiscounted estimate of this liability was \$39,885 (CAD\$50,000) (February 28, 2017 - \$37,650 (CAD\$50,000)) reflecting payments commencing in 2024. This estimate was adjusted for an inflation rate of 2.00% and then discounted at a rate of 10.00% for a net present value of \$27,303 (CAD\$34,227) (February 28, 2017 - \$24,546 (CAD\$32,597)) as at August 31, 2017.

## 12. DERIVATIVE FINANCIAL LIABILITIES - WARRANTS

Balance, February 29, 2016	\$	150,136
Warrants issued		1,043,074
Fair value adjustment		<u>1,397,267</u>
Balance, February 28, 2017		2,590,477
Fair value adjustment		<u>6,325,077</u>
Balance, August 31, 2017	\$	<u><u>8,915,554</u></u>

The derivative liability consists of the fair value of share purchase warrants that were issued in unit private placements that have an exercise price in a currency other than the functional currency of the Company.

At August 31, 2017, the fair value of the warrants was determined using the Black-Scholes Option Pricing Model using the following weighted average market assumptions:

	<u>August 31, 2017</u>	<u>February 28, 2017</u>
Volatility	168%	265%
Risk-free interest rate	1.27%	1.22%
Expected life	1.48 years	1.99 years
Dividend yield	nil	nil

## 13. SHARE CAPITAL

### Six months ended August 31, 2017:

In April 2017, the Company issued 21,000,000 shares with a value of \$21,000 in connection to the acquisition of Colony (Note 3a).

In April 2017, the Company issued 20,000,000 shares with a value of \$20,000 in connection to the acquisition of Black Dragon (Note 3b).

In April 2017, the Company issued 20,000,000 shares with a value of \$20,000 in connection to the acquisition of Rolling Rock (Note 3c).

In May 2017, the Company issued 15,000,000 shares with a value of \$20,000 in connection to the acquisition of City of Gold (Note 3d).

During the six month ended August 31, 2017, the Company issued 2,347,142 common shares for total gross proceeds of \$1,305,000 pursuant to private placements. The Company paid a total of \$60,200 in finder's fees in connection with the private placements of equity financings. As at August 31, 2017, the Company received \$100,000 of share subscriptions related to the shares issued subsequently (Note 15).

**Year ended February 28, 2017:**

In March 2016, the Company issued 500,000 units at a price of \$0.10 per unit for a total of \$50,000. Each unit consists of one common share of the Company and one common share purchase warrant, with each warrant being exercisable into one additional share at an exercise price of \$0.40 for a period of three years. The proceeds for this issuance were received in the year ended February 29, 2016 and on the issuance of these units, the Company allocated \$500 to share capital and \$49,500 to the warrant liability.

In May 2016, the Company issued 353,521 common shares with a fair price of \$0.10 per share for a total of \$35,352 to settle accounts payable of \$95,584 (CAD\$123,733). As a result, the Company recorded a gain on settlement of debt of \$60,232.

In May 2016, the Company issued 200,000 units with a fair price of \$0.21 per share in regards to the secured convertible debenture. Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant is exercisable to purchase one common share at a price of \$0.40 per share for a period of two years. The warrants were determined to be derivatives. At issuance date, the fair value of the common shares and warrants was \$73,621 with \$41,000 allocated to share capital and \$32,621 allocated to warrant liability.

In September 2016, the Company issued 250,000 units at a price of \$0.10 per unit for gross proceeds of \$25,000. Each unit consists of one common share of the Company and one common share purchase warrant, with each warrant being exercisable into one additional share at an exercise price of \$0.40 for a period of three years. Upon the issuance of these units, the Company allocated \$250 to share capital and \$24,750 to the warrant liability.

In November 2016, the Company issued 400,000 common shares at a price of \$0.25 per share for gross proceeds of \$100,000.

In January 2017, the Company issued 1,680,000 common shares with a fair price of \$0.25 per share for a total of \$420,000 to settle amounts due to a related party payable of \$420,000.

In January 2017, the Company issued 182,832 common shares with a fair price of \$0.25 per share for a total of \$45,708 to settle accrued liabilities of \$76,100. As a result, the Company recorded a gain on settlement of debt of \$30,392.

In January 2017, the Company issued 121,888 common shares with a fair price of \$0.25 per share for a total of \$30,472 to settle amounts due to a related party of \$30,472.

In January 2017, the Company issued 236,571 common shares with a fair price of \$0.38 per share for a total of \$89,897 to settle accounts payable of \$59,143. As a result, the Company recorded a loss on settlement of debt of \$30,754.

In January 2017, the Company issued 400,000 shares at a price of \$0.25 per share for gross proceeds of \$100,000.

In February 2017, the Company issued 1,310,000 shares at a price of \$0.25 per share for gross proceeds of \$327,500.

In February 2017, the Company issued 800,000 units at a price of \$0.25 per unit for gross proceeds of \$200,000. Each unit consists of one common share of the Company and one common share purchase warrant, with each warrant being exercisable into one additional share at an exercise price of \$0.60 for a period of two years. Upon the issuance of these units, the Company allocated \$800 to share capital and \$199,200 to the warrant liability.

In February 2017, the Company issued 1,073,698 units with a fair price of \$1,509,022 in connection with the conversion of the convertible debenture (Note 8). Each unit consists of one common share of the Company and one common share purchase warrant, with each warrant being exercisable into one additional share at an exercise price of \$0.40 for a period of two years. Upon the issuance of these units, the Company allocated \$773,063 to share capital and \$735,959 to the warrant liability.

The Company paid a total of \$43,225 in finder's fees in connection with the private placements of equity financings during the year ended February 28, 2017.

### Warrants

Below is a summary of the common share purchase warrant transactions:

	<u>Number of Warrants</u>	<u>Weighted Average Exercise Price per Warrant</u>
		\$
Outstanding at February 29, 2016	1,080,000	0.40
Issued	2,823,698	0.46
Expired	(80,000)	1.50
Number of warrants at February 28, 2017 and August 31, 2017	<u>3,823,698</u>	0.44

A summary of the common share purchase warrants outstanding and exercisable at August 31, 2017 is as follows:

<u>Exercise Price</u>	<u>Number Outstanding</u>	<u>Expiry Date</u>
\$		
0.40	200,000	May 17, 2018
0.40	1,000,000	March 8, 2019
0.40	500,000	March 9, 2019
0.60	800,000	February 10, 2019
0.40	1,073,698	February 10, 2019
0.40	<u>250,000</u>	September 22, 2019
	<u>3,823,698</u>	

The weighted average exercise price is \$0.44 and weighted average life of the warrants is 1.48 years.

### Stock Options

The Company's Stock Option Plan allows a maximum 5,579,335 shares to be reserved for issuance under the plan. Options granted under the plan may not have a term exceeding 10 years and vesting provisions are at the discretion of the Board of Directors.

A summary of the stock options outstanding and exercisable at August 31, 2017 is as follows:

<u>Exercise Price</u>	<u>Number Outstanding and Exercisable</u>	<u>Expiry Date</u>	<u>Aggregate Intrinsic Value</u>
\$			\$
0.10	2,300,000	November 3, 2020	5,750,000

As at August 31, 2017, the remaining contractual life of the stock options outstanding was 3.18 years.

The aggregate intrinsic value in the proceeding table represents the total intrinsic value, based on the Company's closing stock price of \$2.60 per share as of August 31, 2017.

#### 14. RELATED PARTY TRANSACTIONS

Due to related parties consist of the following:

	<u>August 31, 2017</u>	<u>February 28, 2017</u>
	\$	\$
Due to directors and officers of the Company	253,812	48,831

As at August 31, 2017, the Company had \$500,000 (February 28, 2017 - \$nil) in long term note obligations owing to a company with a common director. The note payable is unsecured, with an interest of 10% per annum and due on or before January 18, 2019. As at August 31, 2017, the Company has an accrued interest of \$30,959.

#### 15. SUBSEQUENT EVENT

In September 2017, the Company issued 250,000 shares at a price of \$2.00 per share for gross proceeds of \$500,000 (Note 13).

#### 16. CORRECTION OF AN ERROR IN PREVIOUSLY ISSUED FINANCIAL STATEMENTS

The Company's previously issued financial statements have been restated to reflect the correction of an error in the initial measurement for the fair value of the acquisitions of Colony Energy, LLC, Black Dragon Energy, LLC, Rolling Rock Resources, LLC, and City of Gold, LLC that were acquired in 2017. This restatement was announced in the Company's current report on Form 8-K filed on January 23, 2018.

The Company had measured the above acquisitions based on the quoted market price of the shares issued to acquire the LLCs. The Company has determined that its common shares issued are not traded in an active market. However, the LLC's had concurrently acquired the assets from third parties on an arm's length basis and therefore the amount initially recorded by the LLC's provided a more reliable determinant of fair value. Therefore, the Company has revised its accounting to record the transaction based on the fair value of the assets acquired rather than the fair value of the shares issued.

The correction of the error is presented in the Company's consolidated financial statements for the period ended August 31, 2017 as follows:

##### Consolidated Balance Sheet

	<b>As at August 31, 2017</b>		
	<b>As reported</b>	<b>Adjustment</b>	<b>As restated</b>
Rights to the acquisition of mineral exploration property	39,530,234	(39,530,233)	1
Oil and gas properties, full cost method	186,035,779	(184,683,320)	1,352,459
Deferred tax liabilities	(73,349,071)	73,349,071	-
Additional paid in capital	(150,995,339)	144,831,830	(6,163,509)
Accumulated deficit	13,153,154	32,652	13,185,806

##### Consolidated statements of operations

	<b>Three months ended August 31, 2017</b>		
	<b>As reported</b>	<b>Adjustment</b>	<b>As restated</b>
Professional fees	162,254	32,652	194,906
Net loss for the period	1,850,603	32,652	1,883,255
Comprehensive loss for the period	1,850,603	32,652	1,883,255
Basic and diluted loss per share	(0.02)	-	(0.02)



<b>Consolidated statements of operations</b>	<b>Six months ended August 31, 2017</b>		
	<b>As reported</b>	<b>Adjustment</b>	<b>As restated</b>
Professional fees	220,781	32,652	253,433
Net loss for the period	6,808,128	32,652	6,840,780
Comprehensive loss for the period	6,808,128	32,652	6,840,780
Basic and diluted loss per share	(0.07)	-	(0.07)
 <b>Consolidated statements of cash flows</b>	 <b>Six months ended August 31, 2017</b>		
	<b>As reported</b>	<b>Adjustment</b>	<b>As restated</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Net loss for the period	6,808,128	32,652	6,840,780
Expenditures on oil and gas properties	714,861	(32,652)	682,209
Non-cash transactions			
Common stock issued for oil and gas properties	144,800,000	144,724,000	76,000
Obligation to issue shares for oil and gas properties	6,000,000	6,000,000	-

## **Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations**

### **Forward Looking Statements**

This quarterly report on Form 10-Q contains forward-looking statements. Forward-looking statements are projections in respect of future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as “may”, “should”, “expects”, “plans”, “anticipates”, “believes”, “estimates”, “predicts”, “potential” or “continue” or the negative of these terms or other comparable terminology. Forward-looking statements made in this Form 10-Q include statements about:

- our beliefs regarding the future of our competitors;
- our future capital expenditures;
- our future exploration programs and results; and
- our expectation that we will be able to raise capital when we need it.

Assumptions in respect of forward-looking statements have been made regarding, among other things:

- volatility in market prices for oil and natural gas;
- volatility in exchange rates;
- liabilities inherent in oil and natural gas operations;
- changes or fluctuations in production levels;
- unexpected adverse weather conditions;
- stock market volatility and market valuation of our common shares;
- uncertainties associated with estimating oil and natural gas reserves;
- competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel;
- incorrect assessments of the value of exploration and development programs;
- geological, technical, drilling, production and processing problems;
- changes in legislation, including changes in tax laws, royalty rates and incentive programs relating to the oil and natural gas industry; and
- our ability to raise capital.

These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including the risks in the section entitled “Risk Factors” and the risks set out below, any of which may cause our or our industry’s actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. These risks include, by way of example and not in limitation:

- we may be unable to raise sufficient funds to execute our business plan;
- we have a limited operating history;
- we are dependent on a small management team;
- we may be unable to manage any growth;
- market conditions or operation impediments may hinder our access to natural gas and oil markets or delay our production;
- risks inherent in the oil and gas industry;
- competition for, among other things, capital and skilled personnel; and
- other factors discussed under the section entitled “Risk Factors”,

any of which may cause our or our industry’s actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements.

While these forward-looking statements and any assumptions upon which they are based are made in good faith and reflect our current judgment regarding the direction of our business, actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumptions or other future performance suggested herein. Except as required by applicable law, including the securities laws of the United States and Canada, we do not intend to update any of the forward-looking statements to conform these statements to actual results.

Our financial statements are stated in United States Dollars (US\$) unless otherwise stated and are prepared in accordance with United States Generally Accepted Accounting Principles.

In this quarterly report, unless otherwise specified, all references to “common shares” refer to the common shares in our capital stock.

As used in this quarterly report on Form 10-Q, the terms “we”, “us” “our” and “Fortem” mean our company, Fortem Resources Inc.

## **Restatement**

This “Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations” gives effect to the restatement of our consolidated financial statements for the period ending August 31, 2017. See Note 16 “Correction Of An Error In Previously Issued Financial Statements” to the Company’s consolidated financial statements included in this quarterly report on Form 10-Q/A.

## **Corporate Overview**

Our company was incorporated under the laws of Nevada on July 9, 2004.

During October 2007 we amended our articles of incorporation to increase the number of our authorized common shares from 75,000,000 to 750,000,000 and to forward stock split our common stock on a 10-for-1 basis. The stock split was based on market conditions and upon a determination by our Board of Directors that the stock split was in our best interests and in the best interests of our shareholders.

On February 28, 2012, we adopted the assumed name of Big Lake Energy Ltd. for use in the Province of Alberta, Canada. On June 5, 2013, we adopted the assumed name of Big Lake Energy Ltd. for use in the Province of British Columbia, Canada.

Effective March 17, 2014, we conducted a one-for-four reverse stock split of our issued and outstanding common stock. As a result, the number of the issued and outstanding common shares decreased from 111,586,705 shares to 27,896,684 shares. Our authorized capital of 750,000,000 shares of common stock with a par value of \$0.001 was unchanged.

Effective March 30, 2017, we completed a merger with our wholly-owned subsidiary, Fortem Resources Inc., a Nevada corporation, which was incorporated solely to effect a change in our name. As a result, we have changed our name from “Strongbow Resources Inc.” to “Fortem Resources Inc.”.

## **Our Current Business**

### *Compeer Oil and Gas Operations*

As of August 31, 2017, we have incurred \$679,577 in exploration costs to drill, complete and equip the Test Well. We also recorded \$27,303 in asset retirement obligations related to the future plugging and abandonment of the Test Well.

As at October 16, 2017, it is too early to provide stabilized production forecasts.

### *Colony Energy*

On April 7, 2017, we entered into and closed two Membership Interest Purchase Agreements with three arm’s length vendors to acquire all the membership interests of Colony Energy, LLC, a Nevada limited liability company. Colony Energy holds a 100% interest in and to certain petroleum, natural gas and general rights, including Alberta Crown Petroleum and Oil Leases, in 20 contiguous sections totaling 12,960 acres located in the Godin area of Northern Alberta.

The Company intends to develop the Godin Project in three phases beginning with a four well vertical, followed by a four section pad development of 10 wells per pad/per section. Phase 3 is intended to be the full development of 20 sections.

In consideration for the acquisition of Colony, we issued an aggregate of 21,000,000 shares of our common stock to the three vendors on the closing date and agreed to issue an additional 3,000,000 shares on a post-closing basis with 1,000,000 shares to be issued to one of the vendors on the first, second and third anniversaries of the closing date.

Colony Energy is a party to a Petroleum, Natural Gas and General Rights Conveyance dated as of March 31, 2017 with an arm’s length vendor and the principal shareholder thereof, pursuant to which the vendor is entitled to receive certain milestone payments from Colony Energy in the aggregate amount of up to \$210,000 as partial consideration for the original purchase of the oil and gas assets described above. Pursuant to a Milestone Payment Addendum dated April 7, 2017, we agreed that if Colony Energy fails to make timely payment of any milestone payment and does not remedy such failure within 30 days after receipt of written notice from the vendor, the vendor may elect to: (i) have Colony Energy re-convey the purchased assets to the vendor; or (ii) receive 250,000 shares of our common stock, with such re-conveyance or issuance of shares to be in full and final satisfaction of all obligations to make any further milestone payment.

## *Black Dragon*

On April 12, 2017, we entered into and closed a Membership Interest Purchase Agreement (the “Black Dragon MPA”) with two arm’s length vendors to acquire all membership interest of Black Dragon Energy, LLC (“Black Dragon”), a Nevada limited liability company. Black Dragon has the right to acquire a 75% working interest in and to certain leases, hydrocarbons, wells, agreements, equipment, surface rights agreements and assignable permits totaling approximately 165,000 acres (258 sections) at an 80% net revenue interest located in the Moenkopi formation of the Carbon and Emery Counties, Utah (“Black Dragon Property”).

In consideration for the acquisition of Black Dragon, we issued an aggregate of 20,000,000 shares of our common stock to the two vendors on the closing date and paid \$100,000 prior to the closing as a non-refundable deposit.

Black Dragon’s sole asset consists of the rights and obligations arising from a Purchase and Sale Agreement dated effective March 1, 2017 (the “Black Dragon PSA”) between an arm’s length vendor and Black Dragon. Pursuant to the terms of the Black Dragon MPA, the parties may rescind the transactions, including the issuance of common shares thereunder, upon mutual agreement in the event that Black Dragon elects to terminate the Black Dragon PSA on or before April 17, 2017 due to the assertion by Black Dragon of one or more title defects as determined in accordance with the Black Dragon PSA. In the event that Black Dragon elects such termination and the parties have made certain closing deliveries under the Black Dragon MPA, such closing deliverables will be returned to the providing party and the closing under the Black Dragon MPA will be deemed not to have occurred (except for the payment of \$100,000 which was paid prior to closing on a nonrefundable basis).

On August 17, 2017, we entered into a first amendment to purchase and sale agreement (the “Black Dragon Amendment”), which amended the terms of the Black Dragon PSA. The Black Dragon Amendment has the effect of postponing certain payments relating to the Moenkopi Formation under the Black Dragon PSA until December 31, 2018 while providing for the flexibility of earlier payments in the discretion of our Company. In consideration for the postponement of such payments, we have agreed to certain additional interim payments and stock consideration as set forth below.

Under the Black Dragon Amendment, we have agreed to pay the vendor cash consideration totaling \$3.9 million (the “Black Dragon Cash Consideration”) rather than the original US\$2.7 million based upon the following revised payment schedule:

- \$100,000 as a non-refundable deposit within 5 business days of closing (completed and unchanged); and
- the balance of the Black Dragon Cash Consideration by payment to the vendor of an amount equal to 25% of any funds received by our Company from any equity, debt or convertible financing thereof (each, a “Financing”) upon the closing of each Financing until such amount is paid. Notwithstanding the foregoing: (a) the first US\$1.5 million raised by our Company will be exempt from a 25% payment to the vendor if such amount is received prior to our listing on a stock exchange; and (b) the full Black Dragon Cash Consideration is required to be paid in full no later than December 31, 2018 regardless of the amount of funds paid in connection with one or more Financings. This change modified the original requirement to pay \$900,000 on or before September 1, 2017, \$900,000 on or before March 1, 2018 and \$800,000 on or before September 1, 2018.

In addition to revising the Black Dragon Cash Consideration as set out above, we have agreed to: (a) issue 250,000 common shares of the Company to the vendor on or prior to September 1, 2017; and (b) pay the vendor an additional \$25,000 every sixty days commencing September 1, 2017 until such time as the Black Dragon Cash Consideration is paid in full.

As an added incentive for early payment of the Black Dragon Cash Consideration, such sum will be reduced by \$100,000 for each calendar month it is paid in full prior to December 31, 2018 for a maximum discount of 12 months or \$1.2 million.

In connection with the Black Dragon Amendment, we entered into a Ratification of Purchase and Sale Agreement with the vendor on August 17, 2017 but effective March 1, 2017, whereby we ratified, adopted and approved the Black Dragon Amendment and further guaranteed all the obligations of our company.

#### *Carry Obligation*

Under the Black Dragon PSA, and in addition to the cash consideration, Black Dragon has agreed to pay all costs and expenses incurred on the assets with respect to any and all exploration, development and production during the carry period. The “Carry Period” continues until the later of either (i) the date that Black Dragon pays the full cash consideration set out above or (ii) the date that Black Dragon pays all costs and expenses for the drilling, logging, testing and completion two new wells, each well with a horizontal leg extending at least 2,000’ in the target zone within the Moenkopi formation (the “Two Obligation Wells”). Black Dragon is required to drill to completion or cause to be drilled to completion (or plugging and abandonment) the Two Obligation Wells on or before February 28, 2019, failing which, Black Dragon’s right to earn any assignment in and to the assets will terminate immediately. For each vertical well drilled to 200 feet below the top of the Kaibab formation through completion (or plugging or abandonment) within a Federal Unit, the obligation deadline will be amended to the later of (i) the current obligation deadline or (ii) 6 months from the date the rig that drilled such vertical well to total depth has been removed from the wellsite.

Within 10 business days after the later of Black Dragon paying the cash consideration in full or Black Dragon meeting in full its carry obligation, the vendor will convey to Black Dragon an undivided 75% of the Vendor’s right, title and interest in and to the assets, at an 80% Net Revenue Interest in the assets as further described in the Black Dragon PSA.

On or before September 1, 2017, Black Dragon is required to pay the vendor \$102,000 for rental, minimum royalty, option payments and shut-in royalty payments due on the leases through December 31, 2018.

On August 24, 2017, our company indirectly acquired a 75% interest in additional oil and gas leases in the Moenkopi formation covering a total of 3,852.41 acres. The leases were also acquired at the SITLA auction (the “State of Utah School and Institutional Trust Lands Administration”) and are in the region covered by an Area of Mutual Interest defined under the Black Dragon PSA, which incorporates a form of joint operating agreement that will govern the joint ownership of the newly acquired leases.

#### *Rolling Rock*

On April 17, 2017, we entered into and closed a Membership Interest Purchase Agreement with two arm’s length vendors to acquire 100% membership interest of Rolling Rock Resources, LLC (“Rolling Rock”), a Nevada limited liability company. Rolling Rock has the right to acquire a 50% working interest in and to certain leases, hydrocarbons, wells, agreements, equipment, surface rights agreements and assignable permits totaling approximately 101,888 acres (160 sections) at an 80% net revenue interest located in the Mancos formation in the Southern Uinta Basin, Utah (“Rolling Rock Property”).

In consideration for the acquisition of Rolling Rock, we issued an aggregate of 20,000,000 shares of our common stock to the two vendors on the closing date and paid \$100,000 prior to the closing as a non-refundable deposit.

Rolling Rock’s sole asset consists of the rights and obligations arising from a Purchase and Sale Agreement dated effective March 1, 2017, as amended (together, the “Rolling Rock PSA”), between an arm’s length vendor and Rolling Rock. Upon the satisfaction of the payments and obligations by Rolling Rock as set out below, the vendor has agreed to convey certain leases and related assets (the “Leases”) to Rolling Rock. The Leases include certain leases, hydrocarbons, wells, agreements, equipment, surface rights agreements and assignable permits all as further set out in the Rolling Rock PSA.

On August 17, 2017, we entered into a second amendment to purchase and sale agreement (the “Rolling Rock Amendment”), which amended the terms of the Rolling Rock PSA.

The Rolling Rock Amendment has the effect of postponing certain payments relating to the Mancos formation under the Rolling Rock PSA until December 31, 2018 while providing for the flexibility of earlier payments in the discretion of our Company. In consideration for the postponement of such payments, Rolling Rock has agreed to certain additional interim payments and stock consideration as set forth below.

Under the Rolling Rock Amendment, Rolling Rock has agreed to pay the vendor cash consideration totaling \$3.6 million (the “Rolling Rock Cash Consideration”) rather than the original \$2.4 million based upon the following revised payment schedule:

- \$100,000 as a non-refundable deposit within 5 business days of closing (completed and unchanged);
- the balance of the Rolling Rock Cash Consideration by payment to the vendor of an amount equal to 25% of any funds received by our Company from any Financing upon the closing of each Financing until such amount is paid. Notwithstanding the foregoing: (a) the first \$1.5 million raised by our Company will be exempt from a 25% payment to the vendor if such amount is received prior to our listing on a stock exchange; and (b) the full Rolling Rock Cash Consideration is required to be paid in full no later than December 31, 2018 regardless of the amount of funds paid in connection with one or more Financings. This change modified the original requirement to pay \$1.3 million on or before September 1, 2017, \$500,000 on or before March 1, 2018 and \$500,000 on or before September 1, 2018; and
- after payment of the Rolling Rock Cash Consideration, an additional payment of \$300,000 (the “Workover Funds”) to the vendor which is payable by an amount equal to 25% of any funds received by our company from any Financing until the Workover Funds are paid in full.

In addition to revising the Rolling Rock Cash Consideration as set out above, we have agreed to: (a) issue 250,000 common shares of the Company to the vendor on or prior to September 1, 2017; and (b) pay the vendor an additional \$25,000 every sixty days commencing September 1, 2017 until such time as the Rolling Rock Cash Consideration and the Workover Funds are paid in full.

As an added incentive for early payment of the Rolling Rock Cash Consideration, such sum will be reduced by \$100,000 for each calendar month it is paid in full prior to December 31, 2018 for a maximum discount of 12 months or \$1.2 million.

In connection with the Rolling Rock Amendment, we entered into a Ratification of Purchase and Sale Agreement with the vendor on August 17, 2017 but effective March 1, 2017, whereby we ratified, adopted and approved the Rolling Rock Amendment and further guaranteed all the obligations of our company.

#### *Carry Obligation*

Under the Rolling Rock PSA, and in addition to the cash consideration, Rolling Rock has agreed to pay all costs and expenses incurred on the Leases with respect to any and all exploration, development and production during the carry period. The “Carry Period” continues until the later of either (i) the date that Rolling Rock pays the full cash consideration set out above or (ii) the date that Rolling Rock pays all costs and expenses for the drilling, logging, testing and completion of three new wells in each of the three Federal Units, each well with a horizontal leg extending at least 1,000’ in the target zone within the Mancos formation (the “Three Obligation Wells”). Rolling Rock is required to drill to completion or cause to be drilled to completion (or plugging and abandonment) the Three Obligation Wells on or before February 28, 2019, failing which, Rolling Rock’s right to earn any assignment in and to the Leases will terminate immediately. For each vertical well drilled to the top of the Dakota formation through completion (or plugging or abandonment) within a Federal Unit, the obligation deadline will be amended to the later of (i) the current obligation deadline or (ii) 6 months from the date the rig that drilled such vertical well to total depth has been removed from the wellsite.

The obligation well in the Grand Mancos Unit will be a vertical well drilled to a depth sufficient to test the Granite Walsh formation within such Federal Unit. For this well, completion (or plugging and abandonment) is expected to take place no later than 2 months after the rig that drilled to total depth has been removed from the wellsite and for a period of 6 months after completion of this obligation well (or plugging and abandonment), and Rolling Rock will have the exclusive option to purchase an additional 25% of the vendor's right, title and interest in and to the leases with respect to the Granite Walsh formation within the boundary of the Grand Mancos Unit for an additional payment of \$10 million.

Within 10 business days after the later of Rolling Rock paying the cash consideration in full or Rolling Rock meeting in full its carry obligation, the vendor agreed to convey to Rolling Rock an undivided 50% of the vendor's right, title and interest in and to the Leases, or a 80% net revenue interest in the Leases as further described in the Rolling Rock PSA. Notwithstanding this transfer, within 10 business days after the later of payment of \$300,000 on or before September 1, 2017 (which amount is in addition to the deposit and included in the cash consideration set out above) and the replacement of the vendor's bonds on or before September 1, 2017, the vendor agreed to convey to Rolling Rock an undivided 50% of the vendor's right, title and interest in and to the Cisco Dome leases and related assets as further set out in the Rolling Rock PSA. However, if Rolling Rock fails to timely meet any of its obligations under the Rolling Rock PSA, after having taken assignment of the Cisco Dome leases and assets, then, if the vendor elects in its sole discretion, Rolling Rock is required to reassign the Cisco Dome leases and assets to the vendor without any additional encumbrances.

On or before September 1, 2017, Rolling Rock is required to pay the vendor \$65,000 for rental, minimum royalty, option payments and shut-in royalty payments due on the leases through December 31, 2018.

On August 24, 2017, our company indirectly acquired an undivided 75% interest in additional oil and gas leases in the Mancos formation covering a total of 2,313.09 acres. The leases were acquired at a SITLA auction. Pursuant to the Rolling Rock PSA, the parties have agreed to enter into a joint operating agreement covering the new leases, which are outside the AMI (Area of Mutual Interest) of their original joint venture lease holdings.

Based on a separate transaction, our company and the vendor have acquired an additional 5,174 acres in the Mancos formation and hold a 50/50 partnership, which is part of the AMI and its original agreement.

#### *City of Gold*

On May 17, 2017, we acquired 100% of the membership interest in City of Gold, LLC, a Nevada limited liability company, from two Nevada limited liability companies pursuant to a Membership Interest Purchase Agreement dated as of May 17, 2017. The Membership Interest Purchase Agreement provides for a total purchase price consisting of an aggregate of 30,000,000 common shares in the capital of our company at a deemed price of \$2.00 per. 15,000,000 of these shares were issued at closing (7,500,000 to each transferor); the other 15,000,000 shares are to be issued within ten Business Days after City of Gold, LLC earns the Option (as defined below).

City of Gold, LLC's sole asset consists of 2,930,259 common shares and 2,930,259 share purchase warrants in the capital of Asia Pacific Mining Limited ("Asia Pacific") and its rights under a binding financing and option agreement (the "Option Agreement") with Asia Pacific and an individual named Nyi Nyi Lwin. City of Gold, LLC's only liabilities consist of three demand notes for an aggregate of \$1,500,000.

Under the Option Agreement, Asia Pacific and Nyi Nyi Lwin have agreed to grant to City of Gold, LLC the option (the "Option") to purchase 100% of the ownership interest in a wholly-owned subsidiary of Asia Pacific (the "Project Subsidiary") which, in turn, owns 100% of the rights to the City of Gold mineral exploration project located in Myanmar which covers an area of approximately 465 square kilometers in close proximity to hydropower, water, and infrastructure to accommodate exploration and development of the property. City of Gold, LLC can earn the Option upon issuance of an exploration license for the City of Gold Project, subject to a financing condition.



Once it has earned the Option, City of Gold, LLC will have the option to require Asia Pacific to transfer the Project Subsidiary to a Canadian publicly listed company to be selected by City of Gold, LLC (“Acquisition Co”) for an exercise price consisting of \$7,000,000 in cash and 30% of the issued and outstanding share capital of Acquisition Co (calculated on a fully diluted basis, excluding up to 10% in stock options, but including shares Acquisition Co may have issued in order to raise the exercise price of \$7,000,000 and an additional \$5,000,000 in working capital). Half of the cash portion of the exercise price must be paid upon exercise of the Option; the balance is to be paid on the first anniversary of the exercise and is to be evidenced by a one-year secured term note. Although City of Gold, LLC has the right to select Acquisition Co., it must select a Canadian publicly listed company that meets certain criteria: at exercise of the Option, Acquisition Co must have less than \$100,000 in liabilities and \$5,000,000 or more in working capital and Asia Pacific will have the right to nominate 30% of its directors.

*Future Development Costs for Compeer*

During fiscal 2018/19, we plan to focus on the exploration and drilling of the Farmout Lands, identify and complete additional asset acquisition(s), and pursue joint venture agreements with third parties to explore for oil and gas in Canada and the United States. We plan to drill 32 additional wells (including 16 Potential reserve category wells) at approximately \$800,000 per well from September 2017 to January 2019. Early estimates indicate the costs to perform the work outlined in our business plan would range from \$37 million to \$40 million.

**Results of Operations**

The following summary of our results of operations should be read in conjunction with our unaudited financial statements for the three and six month periods ended August 31, 2017 and 2016 which are included herein:

	For the three months ended		For the six months ended	
	August 31, 2017	August 31, 2016	August 31, 2017	August 31, 2016
Oil and gas sales	\$ -	\$ -	\$ -	\$ -
Expenses	\$ 275,018	\$ 62,695	\$ 534,574	\$ 123,876
Net income (loss)	\$ (1,883,255)	\$ 232,066	\$ (6,840,780)	\$ 98,022

*Revenues*

During the six month period ended August 31, 2017, we did not generate any revenue (August 31, 2016 - \$nil).

*Expenses*

Expenses increased during the three month period ended August 31, 2017 to \$275,018 as compared to \$62,695 during the three month period ended August 31, 2016.

The table below details the changes in major expenditures for the three months ended August 31, 2017 as compared to the corresponding three months ended August 31, 2016:

Expenses	Increase / Decrease in Expenses	Explanation for Change
Management fees	Increase of \$7,527	Increase due to increase in CEO compensation.
Office, travel and general expenses	Increase of \$25,899	Increase due to more corporate activities and foreign exchange loss.
Professional fees	Increase of \$172,049	Increase due to more professional services used for corporate filings, accounting, and professional services for the acquisitions.

For the three months ended August 31, 2017, we recorded a loss on the fair value adjustment of derivative financial liability of \$1,627,348 (August 31, 2016 – gain: \$294,831). The derivative liability consists of the fair value of share purchase warrants that were issued in unit private placements that have an exercise price in a currency other than the functional currency of our company. The derivative liability is a non-cash liability as we will not be required to expend any cash.

Expenses increased during the six month period ended August 31, 2017 to \$534,574 as compared to \$123,876 during the six month period ended August 31, 2016.

The table below details the changes in major expenditures for the six months ended August 31, 2017 as compared to the corresponding six months ended August 31, 2016:

<b>Expenses</b>	<b>Increase / Decrease in Expenses</b>	<b>Explanation for Change</b>
Management fees	Increase of \$44,448	Increase due to increase in CEO compensation.
Office, travel and general expenses	Increase of \$139,079	Increase due to more corporate activities.
Professional fees	Increase of \$214,552	Increase due to more professional services used for corporate filings, accounting, and professional services for the acquisitions.

For the six months ended August 31, 2017, we recorded a loss on the fair value adjustment of derivative financial liability of \$6,325,077 (August 31, 2016 – gain: \$235,506). The derivative liability consists of the fair value of share purchase warrants that were issued in unit private placements that have an exercise price in a currency other than the functional currency of our company. The derivative liability is a non-cash liability as we will not be required to expend any cash.

## **Liquidity and Capital Resources**

### *Working Capital*

	<b>August 31, 2017</b>	<b>February 28, 2017</b>
Current Assets	\$ 280,282	\$ 510,683
Current Liabilities	\$ 9,894,835	\$ 2,995,639
Working Capital (Deficiency)	\$ (9,614,553)	\$ (2,484,956)

We had cash of \$145,663 and a working capital deficit of \$9,614,553 as of August 31, 2017 compared to cash of \$459,481 and working capital deficit of \$2,484,956 as of February 28, 2017.

We anticipate general and administrative expense, excluding impairment of oil and gas property, if any, will be higher than fiscal 2017 during the upcoming fiscal year. In connection with oil and gas operations and the new acquisitions mentioned above, we intend to increase number of executive officers. As a result, we estimate our general and administrative expense will be higher in fiscal 2018.

Our company's cash will not be sufficient to meet our working capital requirements for the next twelve month period. Our company plans to raise the capital required to satisfy our immediate short-term needs and additional capital required to meet our estimated funding requirements for the next twelve months primarily through the issuance of our equity securities. There is no assurance that our company will be able to obtain further funds required for our continued working capital requirements. The ability of our company to meet our financial liabilities and commitments is primarily dependent upon the continued financial support of our directors and shareholders, the continued issuance of equity to new shareholders, and our ability to achieve and maintain profitable operations.

There is substantial doubt about our ability to continue as a going concern as the continuation of our business is dependent upon obtaining further long-term financing, successful exploration of our property interests, the identification of reserves sufficient enough to warrant development, successful development of our property interests and, finally, achieving a profitable level of operations. The issuance of additional equity securities by us could result in a significant dilution in the equity interests of our current stockholders. Obtaining commercial loans, assuming those loans would be available, will increase our liabilities and future cash commitments.

Due to the uncertainty of our ability to meet our current operating and capital expenses, in their report on our audited financial statements for the year ended February 28, 2017, our independent auditors included an explanatory paragraph regarding substantial doubt about our ability to continue as a going concern. Our statements contain additional note disclosures describing the circumstances that lead to this disclosure by our independent auditors.

#### *Cash Flows*

	<b>Six months ended August 31, 2017</b>	<b>Six months ended August 31, 2016</b>
Net Cash Used in Operating Activities	\$ (256,709)	\$ (145,844)
Net Cash Used in Investing Activities	\$ (2,281,344)	\$ -
Net Cash Provided by Financing Activities	\$ 2,164,385	\$ 129,024
Net change in Cash	\$ (313,818)	\$ (20,271)

#### Cash Used in Operating Activities

Our cash used in operating activities for the six months ended August 31, 2017, compared to our cash used in operating activities for the six months ended August 31, 2016, increased by \$110,865, primarily due to increase in operating expenses and net loss in the current period.

#### Cash Used in Investing Activities

Our cash used in investing activities for the six months ended August 31, 2017, compared to our cash used in investing activities for the six months ended August 31, 2016, increased by \$2,281,344 due to investment in Asia Pacific and expenditures on oil and gas properties as compared to no expenditure in the prior period.

#### Cash Provided by Financing Activities

Our cash provided by financing activities for the six months ended August 31, 2017, compared to our cash provided by financing activities for the six months ended August 31, 2016, increased by \$2,035,362 due to the issuance of 2,347,142 common shares for net proceeds of \$1,354,801, and net proceeds from related parties of \$705,526 whereby in the comparative period, there were proceeds repaid to related parties of \$70,976.

#### Contractual Obligations

Our future contractual obligations as of August 31, 2017 consisted of the following:

<b>Contractual Obligations</b>	<b>Payments due by period</b>				
	<b>Total</b>	<b>Less than 1 Year</b>	<b>1-3 Years</b>	<b>3-5 Years</b>	<b>More than 5 Years</b>
Note payable	\$ 19,943	\$ 19,943	—	—	—
Advance payable	\$ 64,058	\$ 64,058	—	—	—
Due to related party	\$ 500,000	—	\$ 500,000	—	—

#### **Outstanding Shares, Options, Warrants**

As of October 16, 2017, we had 116,634,698 shares of common stock, 2,300,000 stock options and 3,823,698 warrants outstanding.

### **Off-Balance Sheet Arrangements**

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to our stockholders.

### **Going Concern**

Our interim financial statements and information for the period ended August 31, 2017, have been prepared by our management on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. We have generated no significant revenues to date and have incurred a net loss of \$6,840,780 during the six month period ended August 31, 2017, and an accumulated deficit of \$13,185,806 from inception. These factors raise substantial doubt about the ability of the Company to continue operating as a going concern. We cannot provide any assurance that we will ultimately achieve profitable operations or become cash flow positive, or raise additional funds through the sale of debt and/or equity.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

Not Applicable.

### **Item 4. Controls and Procedures**

#### **Disclosure Controls and Procedures**

We maintain “disclosure controls and procedures”, as that term is defined in Rule 13a-15(e), promulgated by the Securities and Exchange Commission pursuant to the *Securities Exchange Act of 1934*, as amended. Disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed in our company’s reports filed under the *Securities Exchange Act of 1934* is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and our principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

As required by paragraph (b) of Rules 13a-15 under the *Securities Exchange Act of 1934*, our management, with the participation of our principal executive officer and our principal financial officer, evaluated our company’s disclosure controls and procedures as of the end of the period covered by this quarterly report on Form 10-Q. Based on this evaluation, our management concluded that as of the end of the period covered by this quarterly report on Form 10-Q our disclosure controls and procedures were not effective.

#### **Changes in internal control over financial reporting**

There were no changes in our internal control over financial reporting during the fiscal quarter ended August 31, 2017 that have materially affected, or are reasonably likely to materially affect our internal control over financial reporting.

## PART II - OTHER INFORMATION

### Item 1. Legal Proceedings

Other than as disclosed below, we know of no material pending legal proceedings to which our company is a party or of which any of our properties is the subject. In addition, we do not know of any such proceedings contemplated by any governmental authorities.

We know of no material proceedings in which any of our directors, officers or affiliates, or any registered or beneficial stockholder is a party adverse to our company or has a material interest adverse to our company.

We were subject to the following claims:

Court/Registry	Date Instituted	Principal Parties	Description of Claim
Court of Queen's Bench of Alberta	July 23, 2013	Plaintiff: Baker Hughes Canada Company; Defendant: Fortem Resources Inc., also known as Big Lake Energy Ltd.	<p>A Statement of Claim was filed July 23, 2013, whereby the Plaintiff is suing the Defendant for the sum of CAD\$281,267 representing the amount owing for oil-field services and equipment, including cementing and fishing products and services provided by the Plaintiff.</p> <p>In December 2015, the Company reached a settlement agreement for a total of \$149,784 (CAD\$200,000) in eight equal monthly installments of \$18,723 (CAD\$25,000) starting February 1, 2016. Upon receipt of the final installment, the vendor agreed to discontinue the claim and provide a release to the Company. The Company only made one installment payment of CAD\$25,000 applied against the original claim and the settlement agreement was defaulted. As a result, there was a balance owing of \$256,267 as at August 31, 2017.</p>
Provincial Court of Alberta (Civil)	January 22, 2016	Plaintiff: Geologic Systems Ltd.  Defendant: Fortem Resources Inc.	<p>A Civil Claim was filed on January 22, 2016, whereby the Plaintiff is suing the Defendant for the sum of CAD\$25,514 (plus interest) representing the amount owing for software data and licensing fees pursuant to a license agreement entered into on February 12, 2015. In March 2017, the Company paid CAD\$7,500 in cash to settle the balance owing and a full release of the claim.</p>

## **Item 1A. Risk Factors**

An investment in our common stock involves a number of very significant risks. You should carefully consider the following risks and uncertainties in addition to other information in this quarterly report in evaluating our company and our business before purchasing shares of our common stock. Our business, operating results and financial condition could be seriously harmed as a result of the occurrence of any of the following risks. You could lose all or part of your investment due to any of these risks. You should invest in our common stock only if you can afford to lose your entire investment.

### **Risks Related to Our Company**

*We have a history of losses and this trend may continue and may negatively impact our ability to achieve our business objectives.*

We have experienced net losses since inception, and expect to continue to incur substantial losses for the foreseeable future. Our accumulated deficit was \$13,185,806 as at August 31, 2017. We may not be able to generate significant revenues in the future. As a result, our management expects our business to continue to experience negative cash flow for the foreseeable future and cannot predict when, if ever, our business might become profitable. We will need to raise additional funds, and such funds may not be available on commercially acceptable terms, if at all. If we are unable to raise funds on acceptable terms, we may not be able to execute our business plan, take advantage of future opportunities, or respond to competitive pressures or unanticipated requirements. This may seriously harm our business, financial condition and results of operations.

*We have a limited operating history, which may hinder our ability to successfully meet our objectives.*

We have a limited operating history upon which to base an evaluation of our current business and future prospects. We do not have an established history of operating producing properties or locating and developing properties that have oil and gas reserves. As a result, the revenue and income potential of our business is unproven. In addition, because of our limited operating history, we have limited insight into trends that may emerge and affect our business. Errors may be made in predicting and reacting to relevant business trends and we will be subject to the risks, uncertainties and difficulties frequently encountered by early-stage companies in evolving markets. We may not be able to successfully address any or all of these risks and uncertainties. Failure to adequately do so could cause our business, results of operations and financial condition to suffer.

*Our operations and proposed exploration activities will require significant capital expenditures for which we may not have sufficient funding and if we do obtain additional financing, our existing shareholders may suffer substantial dilution.*

We intend to make capital expenditures far in excess of our existing capital resources to develop, acquire and explore oil and gas properties. We intend to rely on funds from operations and external sources of financing to meet our capital requirements to continue acquiring, exploring and developing oil and gas properties and to otherwise implement our business plan. We plan to obtain additional funding through the debt and equity markets, but we can offer no assurance that we will be able to obtain additional funding when it is required or that it will be available to us on commercially acceptable terms, if at all. In addition, any additional equity financing may involve substantial dilution to our then existing shareholders.

*The successful implementation of our business plan is subject to risks inherent in the oil and gas business, which if not adequately managed, could result in additional losses.*

Our oil and gas operations are subject to the economic risks typically associated with exploration and development activities, including the necessity of making significant expenditures to locate and acquire properties and to drill exploratory wells. In addition, the availability of drilling rigs and the cost and timing of drilling, completing and, if warranted, operating wells is often uncertain. In conducting exploration and development activities, the presence of unanticipated pressure or irregularities in formations, miscalculations or accidents may cause our exploration, development and, if warranted, production activities to be unsuccessful. This could result in a total loss of our investment in a particular well. If exploration efforts are unsuccessful in establishing proved reserves and exploration activities cease, the amounts accumulated as unproved costs will be charged against earnings as impairments.

In addition, market conditions or the unavailability of satisfactory oil and gas transportation arrangements may hinder our access to oil and gas markets and delay our production. The availability of a ready market for our prospective oil and gas production depends on a number of factors, including the demand for and supply of oil and gas and the proximity of reserves to pipelines and other facilities. Our ability to market such production depends in substantial part on the availability and capacity of gathering systems, pipelines and processing facilities, in most cases owned and operated by third parties. Our failure to obtain such services on acceptable terms could materially harm our business. We may be required to shut in wells for lack of a market or a significant reduction in the price of oil or gas or because of inadequacy or unavailability of pipelines or gathering system capacity. If that occurs, we would be unable to realize revenue from those wells until arrangements are made to deliver such production to market.

*Our future performance is dependent upon our ability to identify, acquire and develop oil and gas properties, the failure of which could result in under use of capital and losses.*

Our future performance depends upon our ability to identify, acquire and develop additional oil and gas reserves that are economically recoverable. Our success will depend upon our ability to acquire working and revenue interests in properties upon which oil and gas reserves are ultimately discovered in commercial quantities, and our ability to develop prospects that contain proven oil and gas reserves to the point of production. Without successful acquisition and exploration activities, we will not be able to develop additional oil and gas reserves or generate revenues. We cannot provide you with any assurance that we will be able to identify and acquire additional oil and gas reserves on acceptable terms, or that oil and gas deposits will be discovered in sufficient quantities to enable us to recover our exploration and development costs or sustain our business.

The successful acquisition and development of oil and gas properties requires an assessment of recoverable reserves, future oil and gas prices and operating costs, potential environmental and other liabilities, and other factors. Such assessments are necessarily inexact and their accuracy inherently uncertain. In addition, no assurance can be given that our exploration and development activities will result in the discovery of additional reserves. Our operations may be curtailed, delayed or cancelled as a result of lack of adequate capital and other factors, such as lack of availability of rigs and other equipment, title problems, weather, compliance with governmental regulations or price controls, mechanical difficulties, or unusual or unexpected formations, pressures and or work interruptions. In addition, the costs of exploitation and development may materially exceed our initial estimates.

*We have a very small management team and the loss of any member of our team may prevent us from implementing our business plan in a timely manner.*

We have two executive officers and a limited number of additional consultants upon whom our success largely depends. We do not maintain key person life insurance policies on our executive officers or consultants, the loss of which could seriously harm our business, financial condition and results of operations. In such an event, we may not be able to recruit personnel to replace our executive officers or consultants in a timely manner, or at all, on acceptable terms.

*Future growth could strain our personnel and infrastructure resources, and if we are unable to implement appropriate controls and procedures to manage our growth, we may not be able to successfully implement our business plan.*

We may experience rapid growth in our operations, which will place a significant strain on our management, administrative, operational and financial infrastructure. Our future success will depend in part upon the ability of our management to manage growth effectively. This may require us to hire and train additional personnel to manage our expanding operations. In addition, we must continue to improve our operational, financial and management controls and our reporting systems and procedures. If we fail to successfully manage our growth, we may be unable to execute upon our business plan.

*Market conditions or operation impediments may hinder our access to natural gas and oil markets or delay our production.*

The marketability of production from our properties depends in part upon the availability, proximity and capacity of pipelines, natural gas gathering systems and processing facilities. This dependence is heightened where this infrastructure is less developed. Therefore, if drilling results are positive in certain areas of our oil and gas properties, a new gathering system would need to be built to handle the potential volume of gas produced. We might be required to shut in wells, at least temporarily, for lack of a market or because of the inadequacy or unavailability of transportation facilities. If that were to occur, we would be unable to realize revenue from those wells until arrangements were made to deliver production to market.

Our ability to produce and market natural gas and oil is affected and also may be harmed by:

- the lack of pipeline transmission facilities or carrying capacity;
- government regulation of natural gas and oil production;
- government transportation, tax and energy policies;
- changes in supply and demand; and
- general economic conditions.

*We might incur additional debt in order to fund our exploration and development activities, which would continue to reduce our financial flexibility and could have a material adverse effect on our business, financial condition or results of operations.*

If we incur indebtedness, the ability to meet our debt obligations and reduce our level of indebtedness depends on future performance. General economic conditions, oil and gas prices and financial, business and other factors affect our operations and future performance. Many of these factors are beyond our control. We cannot assure you that we will be able to generate sufficient cash flow to pay the interest on our current or future debt or that future working capital, borrowings or equity financing will be available to pay or refinance such debt. Factors that will affect our ability to raise cash through an offering of our capital stock or a refinancing of our debt include financial market conditions, the value of our assets and performance at the time we need capital. We cannot assure you that we will have sufficient funds to make such payments. If we do not have sufficient funds and are otherwise unable to negotiate renewals of our borrowings or arrange new financing, we might have to sell significant assets. Any such sale could have a material adverse effect on our business and financial results.



*Our properties and/or future properties might not produce, and we might not be able to determine reserve potential, identify liabilities associated with the properties or obtain protection from sellers against them, which could cause us to incur losses.*

Although we have reviewed and evaluated our properties in a manner consistent with industry practices, such review and evaluation might not necessarily reveal all existing or potential problems. This is also true for any future acquisitions made by us. Inspections may not always be performed on every well, and environmental problems, such as groundwater contamination, are not necessarily observable even when an inspection is undertaken. Even when problems are identified, a seller may be unwilling or unable to provide effective contractual protection against all or part of those problems, and we may assume environmental and other risks and liabilities in connection with the acquired properties.

*If we or our operators fail to maintain adequate insurance, our business could be materially and adversely affected.*

Our operations are subject to risks inherent in the oil and gas industry, such as blowouts, cratering, explosions, uncontrollable flows of oil, gas or well fluids, fires, pollution, earthquakes and other environmental risks. These risks could result in substantial losses due to injury and loss of life, severe damage to and destruction of property and equipment, pollution and other environmental damage, and suspension of operations. We could be liable for environmental damages caused by previous property owners. As a result, substantial liabilities to third parties or governmental entities may be incurred, the payment of which could have a material adverse effect on our financial condition and results of operations.

Any prospective drilling contractor or operator which we hire will be required to maintain insurance of various types to cover our operations with policy limits and retention liability customary in the industry. We also have acquired our own insurance coverage for such prospects. The occurrence of a significant adverse event on such prospects that is not fully covered by insurance could result in the loss of all or part of our investment in a particular prospect which could have a material adverse effect on our financial condition and results of operations.

*The oil and gas industry is highly competitive, and we may not have sufficient resources to compete effectively.*

The oil and gas industry is highly competitive. We compete with oil and natural gas companies and other individual producers and operators, many of which have longer operating histories and substantially greater financial and other resources than we do, as well as companies in other industries supplying energy, fuel and other needs to consumers. Our larger competitors, by reason of their size and relative financial strength, can more easily access capital markets than we can and may enjoy a competitive advantage in the recruitment of qualified personnel. They may be able to absorb the burden of any changes in laws and regulation in the jurisdictions in which we do business and handle longer periods of reduced prices for oil and gas more easily than we can. Our competitors may be able to pay more for oil and gas leases and properties and may be able to define, evaluate, bid for and purchase a greater number of leases and properties than we can. Further, these companies may enjoy technological advantages and may be able to implement new technologies more rapidly than we can. Our ability to acquire additional properties in the future will depend upon our ability to conduct efficient operations, evaluate and select suitable properties, implement advanced technologies and consummate transactions in a highly competitive environment.

*Complying with environmental and other government regulations could be costly and could negatively impact our production.*

Our business is governed by numerous laws and regulations at various levels of government. These laws and regulations govern the operation and maintenance of our facilities, the discharge of materials into the environment and other environmental protection issues. Such laws and regulations may, among other potential consequences, require that we acquire permits before commencing drilling and restrict the substances that can be released into the environment with drilling and production activities.

Under these laws and regulations, we could be liable for personal injury, clean-up costs and other environmental and property damages, as well as administrative, civil and criminal penalties. Prior to commencement of drilling operations, we may secure limited insurance coverage for sudden and accidental environmental damages as well as environmental damage that occurs over time. However, we do not believe that insurance coverage for the full potential liability of environmental damages is available at a reasonable cost. Accordingly, we could be liable, or could be required to cease production on properties, if environmental damage occurs.

The costs of complying with environmental laws and regulations in the future may harm our business. Furthermore, future changes in environmental laws and regulations could result in stricter standards and enforcement, larger fines and liability, and increased capital expenditures and operating costs, any of which could have a material adverse effect on our financial condition or results of operations.

*Shortages of rigs, equipment, supplies and personnel could delay or otherwise adversely affect our cost of operations or our ability to operate according to our business plans.*

If drilling activity increases in Alberta or Canada generally, a shortage of drilling and completion rigs, field equipment and qualified personnel could develop. The demand for and wage rates of qualified drilling rig crews generally rise in response to the increasing number of active rigs in service and could increase sharply in the event of a shortage. Shortages of drilling and completion rigs, field equipment or qualified personnel could delay, restrict or curtail our exploration and development operations, which could in turn harm our operating results.

*We will be required to replace, maintain or expand our reserves in order to prevent our reserves and production from declining, which would adversely affect cash flows and income.*

In general, production from natural gas and oil properties declines over time as reserves are depleted, with the rate of decline depending on reservoir characteristics. If we are not successful in our exploration and development activities, our proved reserves will decline as reserves are produced. Our future natural gas and oil production is highly dependent upon our ability to economically find, develop or acquire reserves in commercial quantities.

To the extent cash flow from operations is reduced, either by a decrease in prevailing prices for natural gas and oil, or an increase in exploration and development costs, and external sources of capital become limited or unavailable, our ability to make the necessary capital investment to maintain or expand our asset base of natural gas and oil reserves would be impaired. Even with sufficient available capital, our future exploration and development activities may not result in additional proved reserves, and we might not be able to drill productive wells at acceptable costs.

*The oil and gas exploration and production industry historically is a cyclical industry and market fluctuations in the prices of oil and gas could adversely affect our business.*

Prices for oil and gas tend to fluctuate significantly in response to factors beyond our control. These factors include:

- weather conditions;
- economic conditions, including demand for petroleum-based products;
- actions by OPEC, the Organization of Petroleum Exporting Countries;
- political instability in the Middle East and other major oil and gas producing regions;
- governmental regulations, both domestic and foreign;
- domestic and foreign tax policy;
- the pace adopted by foreign governments for the exploration, development, and production of their national reserves;
- the price of foreign imports of oil and gas;
- the cost of exploring for, producing and delivering oil and gas;

- the discovery rate of new oil and gas reserves;
- the rate of decline of existing and new oil and gas reserves;
- available pipeline and other oil and gas transportation capacity;
- the ability of oil and gas companies to raise capital;
- the overall supply and demand for oil and gas; and
- the availability of alternate fuel sources.

Changes in commodity prices may significantly affect our capital resources, liquidity and expected operating results. Price changes will directly affect revenues and can indirectly impact expected production by changing the amount of funds available to reinvest in exploration and development activities. Reductions in oil and gas prices not only reduce revenues and profits, but could also reduce the quantities of reserves that are commercially recoverable. Significant declines in prices could result in non-cash charges to earnings due to impairment.

Changes in commodity prices may also significantly affect our ability to estimate the value of producing properties for acquisition and divestiture and often cause disruption in the market for oil and gas producing properties, as buyers and sellers have difficulty agreeing on the value of the properties. Price volatility also makes it difficult to budget for and project the return on acquisitions and the exploration and development of projects. We expect that commodity prices will continue to fluctuate significantly in the future.

*Our ability to produce oil and gas from our properties may be adversely affected by a number of factors outside of our control which may result in a material adverse effect on our business, financial condition or results of operations.*

The business of exploring for and producing oil and gas involves a substantial risk of investment loss. Drilling oil and gas wells involves the risk that the wells may be unproductive or that, although productive, the wells may not produce oil or gas in economic quantities. Other hazards, such as unusual or unexpected geological formations, pressures, fires, blowouts, loss of circulation of drilling fluids or other conditions may substantially delay or prevent completion of any well. Adverse weather conditions can also hinder drilling operations. A productive well may become uneconomic if water or other deleterious substances are encountered that impair or prevent the production of oil or gas from the well. In addition, production from any well may be unmarketable if it is impregnated with water or other deleterious substances. There can be no assurance that oil and gas will be produced from the properties in which we have interests. In addition, the marketability of oil and gas that may be acquired or discovered may be influenced by numerous factors beyond our control. These factors include the proximity and capacity of oil and gas, gathering systems, pipelines and processing equipment, market fluctuations in oil and gas prices, taxes, royalties, land tenure, allowable production and environmental protection. We cannot predict how these factors may affect our business.

*We may be unable to retain our leases and working interests in our leases, which would result in significant financial losses to our company.*

Our properties are held under oil and gas leases. If we fail to meet the specific requirements of each lease, such lease may terminate or expire. We cannot assure you that any of the obligations required to maintain each lease will be met. The termination or expiration of our leases may harm our business. Our property interests will terminate unless we fulfill certain obligations under the terms of our leases and other agreements related to such properties. If we are unable to satisfy these conditions on a timely basis, we may lose our rights in these properties. The termination of our interests in these properties may harm our business. In addition, we will need significant funds to meet capital requirements for the exploration activities that we intend to conduct on our properties.

*Our Godin project is complex undertakings and may not be completed at our estimated cost or at all.*

We, through our wholly owned subsidiary Colony Energy, LLC, holds a 100% interest in and to certain petroleum, natural gas and general rights, including Alberta Crown Petroleum and Oil Leases, in 20 contiguous sections totaling 12,960 acres located in the Godin area of Northern Alberta. The Godin project is complex, subject to extensive governmental regulation and will require significant additional financing. There can be no assurance that the necessary governmental approvals will be granted or that such financing could be obtained on commercially reasonable terms or at all, or that if one or more of these projects are completed that they will be successful or that we realize a return on our investment.

### **Risks Relating to Our Common Stock**

*A decline in the price of our common stock could affect our ability to raise further working capital and adversely impact our ability to continue operations.*

A prolonged decline in the price of our common stock could result in a reduction in the liquidity of our common stock and a reduction in our ability to raise capital. Because a significant portion of our operations have been and will be financed through the sale of equity securities, a decline in the price of our common stock could be especially detrimental to our liquidity and our operations. Such reductions may force us to reallocate funds from other planned uses and may have a significant negative effect on our business plan and operations, including our ability to develop new properties and continue our current operations. If our stock price declines, we can offer no assurance that we will be able to raise additional capital or generate funds from operations sufficient to meet our obligations. If we are unable to raise sufficient capital in the future, we may not be able to have the resources to continue our normal operations.

The market price for our common stock may also be affected by our ability to meet or exceed expectations of analysts or investors. Any failure to meet these expectations, even if minor, may have a material adverse effect on the market price of our common stock.

*If we issue additional shares in the future, it will result in the dilution of our existing shareholders.*

Our articles of incorporation, as amended, authorize the issuance of up to 750,000,000 shares of common stock with a par value of \$0.001. Our board of directors may choose to issue some or all of such shares to acquire one or more businesses or to provide additional financing in the future. The issuance of any such shares will result in a reduction of the book value and market price of the outstanding shares of our common stock. If we issue any such additional shares, such issuance will cause a reduction in the proportionate ownership and voting power of all current shareholders. Further, such issuance may result in a change of control of our corporation.

*Trading of our stock may be restricted by the Securities Exchange Commission's penny stock regulations, which may limit a stockholder's ability to buy and sell our stock.*

The Securities and Exchange Commission has adopted regulations which generally define "penny stock" to be any equity security that has a market price (as defined) less than \$5.00 per share or an exercise price of less than \$5.00 per share, subject to certain exceptions. Our securities are covered by the penny stock rules, which impose additional sales practice requirements on broker-dealers who sell to persons other than established customers and "accredited investors". The term "accredited investor" refers generally to institutions with assets in excess of \$5,000,000 or individuals with a net worth in excess of \$1,000,000 or annual income exceeding \$200,000 or \$300,000 jointly with their spouse. The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document in a form prepared by the Securities and Exchange Commission, which provides information about penny stocks and the nature and level of risks in the penny stock market. The broker-dealer also must provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker-dealer and its salesperson in the transaction and monthly account statements showing the market value of each penny stock held in the customer's account.

The bid and offer quotations, and the broker-dealer and salesperson compensation information, must be given to the customer orally or in writing prior to effecting the transaction and must be given to the customer in writing before or with the customer's confirmation. In addition, the penny stock rules require that prior to a transaction in a penny stock not otherwise exempt from these 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 agreement to the transaction. These disclosure requirements may have the effect of reducing the level of trading activity in the secondary market for the stock that is subject to these penny stock rules. Consequently, these penny stock rules may affect the ability of broker-dealers to trade our securities. We believe that the penny stock rules discourage investor interest in and limit the marketability of our common stock.

*The Financial Industry Regulatory Authority, or FINRA, has adopted sales practice requirements which may also limit a stockholder's ability to buy and sell our stock.*

In addition to the "penny stock" rules described above, FINRA has adopted rules that require that in recommending an investment to a customer, a broker-dealer must have reasonable grounds for believing that the investment is suitable for that customer. Prior to recommending speculative low priced securities to their non-institutional customers, broker-dealers must make reasonable efforts to obtain information about the customer's financial status, tax status, investment objectives and other information. Under interpretations of these rules, FINRA believes that there is a high probability that speculative low priced securities will not be suitable for at least some customers. FINRA requirements make it more difficult for broker-dealers to recommend that their customers buy our common stock, which may limit your ability to buy and sell our stock and have an adverse effect on the market for our shares.

*Our common stock is illiquid and the price of our common stock may be negatively impacted by factors which are unrelated to our operations.*

Our common stock currently trades on a limited basis on OTCQB operated by the OTC Markets Group. Trading of our stock through OTCQB is frequently thin and highly volatile. There is no assurance that a sufficient market will develop in our stock, in which case it could be difficult for shareholders to sell their stock. The market price of our common stock could fluctuate substantially due to a variety of factors, including market perception of our ability to achieve our planned growth, quarterly operating results of our competitors, trading volume in our common stock, changes in general conditions in the economy and the financial markets or other developments affecting our competitors or us. In addition, the stock market is subject to extreme price and volume fluctuations. This volatility has had a significant effect on the market price of securities issued by many companies for reasons unrelated to their operating performance and could have the same effect on our common stock.

## **Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

Since the beginning of the three month period ended August 31, 2017, we have not sold any equity securities that were not registered under the *Securities Act of 1933* that were not previously reported in an annual report on Form 10-K, in a quarterly report on Form 10-Q or in a current report on Form 8-K.

## **Item 3. Defaults Upon Senior Securities**

None.

## **Item 4. Mine Safety Disclosures**

Not applicable.

## **Item 5. Other Information**

None.

## ITEM 6. EXHIBITS

No.	Description
3.1	Articles of Incorporation (incorporated by reference from our registration statement on Form SB-2 filed on December 1, 2006)
3.2	Corporate Bylaws (incorporated by reference from our registration statement on Form SB-2 filed on December 1, 2006)
3.3	Certificate of Change (incorporated by reference from our current report on Form 8-K filed on October 22, 2007)
3.4	Certificate of Amendment (incorporated by reference from our current report on Form 8-K filed on February 15, 2008)
3.5	Articles of Merger dated effective March 30, 2017 (incorporated by reference from our current report on Form 8-K filed on March 30, 2017)
10.1	Farmout Agreement, Compeer Area with Harvest Operations Corp. effective February 21, 2012 (incorporated by reference from our annual report on Form 10-K filed on May 29, 2012)
10.2	Debt Settlement Agreement dated October 16, 2014, amongst the Company, Professional Trading S.A. and Stockbridge Resources Corp. (incorporated by reference from our current report on Form 8-K filed on October 20, 2014)
10.3	Employment Agreement dated April 23, 2015 with Kent Edney (incorporated by reference from our current report on Form 8-K filed on May 5, 2015)
10.4	Stock Option Agreement dated November 3, 2015 with Michael Caetano (incorporated by reference from our current report on Form 8-K filed on November 6, 2015)
10.5	Stock Option Agreement dated November 3, 2015 with Robert DaCunha (incorporated by reference from our current report on Form 8-K filed on November 6, 2015)
10.6	Stock Option Agreement dated November 3, 2015 with Robert Madzej (incorporated by reference from our current report on Form 8-K filed on November 6, 2015)
10.7	Debt Settlement Agreement dated April 11, 2016 with Apex Energy Consultants Inc. (incorporated by reference from our current report on Form 8-K filed on May 19, 2016)
10.8	Debt Settlement Agreement dated April 11, 2016 with Chamonix Canada Inc. (incorporated by reference from our current report on Form 8-K filed on May 19, 2016)
10.9	Debt Settlement Agreement dated January 13, 2017 with Precision Asset Consulting Executives Inc. (incorporated by reference from our current report on Form 8-K filed on February 3, 2017)
10.10	Debt Settlement Agreement dated January 13, 2017 with Seahawk Capital Corp. (incorporated by reference from our current report on Form 8-K filed on February 3, 2017)
10.11	Debt Settlement Agreement dated January 13, 2017 with CNK Enterprises Inc. (incorporated by reference from our current report on Form 8-K filed on February 3, 2017)
10.12	Debt Settlement Agreement dated January 30, 2017 with 2232985 Ontario Inc. (incorporated by reference from our current report on Form 8-K filed on February 3, 2017)
10.13	Membership Interest Purchase Agreement dated April 7, 2017 with Blue Phoenix Energy, LLC and Pacific Petroleum, LLC (incorporated by reference from our current report on Form 8-K filed on April 12, 2017)
10.14	Membership Interest Purchase Agreement dated April 7, 2017 with Grassy Butte Energy LLC (incorporated by reference from our current report on Form 8-K filed on April 12, 2017)
10.15	Milestone Payment Addendum dated April 7, 2016 with Grassy Butte Energy, Ltd. and Grassy Butte, LLC (incorporated by reference from our current report on Form 8-K filed on April 12, 2017)

10.16	Membership Interest Purchase Agreement dated April 12, 2017 with Blue Phoenix Energy, LLC and Pacific Petroleum, LLC (incorporated by reference from our quarterly report on Form 10-Q filed on October 17, 2017)
10.17	Membership Interest Purchase Agreement dated April 17, 2017 with MAB Resources Holdings LLC and JM Magna Holdings LLC (incorporated by reference from our current report on Form 8-K filed on April 21, 2017)
10.18	Membership Interest Purchase Agreement dated May 17, 2017 with MAB Resources Holdings LLC and JM Magna Holdings LLC (incorporated by reference from our current report on Form 8-K filed on May 24, 2017)
10.19	First Amendment to Purchase and Sale Agreement dated August 17, 2017, 2017 but effective as of March 1, 2017 between Black Dragon Energy, LLC and WEM Dragon, LLC (incorporated by reference from our current report on Form 8-K filed on August 23, 2017)
10.20	Ratification of Purchase and Sale dated August 17, 2017 but effective as of March 1, 2017 between Fortem Resources Inc. and WEM Dragon, LLC (incorporated by reference from our current report on Form 8-K filed on August 23, 2017)
10.21	Second Amendment to Purchase and Sale Agreement dated August 17, 2017, 2017 but effective as of March 1, 2017 between Rolling Rock Resources, LLC and Rockies Standard Oil Company, LLC (incorporated by reference from our current report on Form 8-K filed on August 23, 2017)
10.22	Ratification of Purchase and Sale dated August 17, 2017 but effective as of March 1, 2017 between Fortem Resources Inc. and Rockies Standard Oil Company, LLC (incorporated by reference from our current report on Form 8-K filed on August 23, 2017)
10.23	Agreement Re: April 2017 SITLA Auction dated April 18, 2017 between Rolling Rock Resources, LLC and Rockies Standard Oil Company LLC (incorporated by reference from our current report on Form 8-K filed on August 24, 2017)
31.1*	Certification of Marc A. Bruner Pursuant to Section 302 of the Sarbanes-Oxley Act Of 2002
31.2*	Certification of Robert DaCunha Pursuant to Section 302 of the Sarbanes-Oxley Act Of 2002
32.1*	Certification of Marc A. Bruner Pursuant to Section 906 of the Sarbanes-Oxley Act Of 2002
32.2*	Certification of Robert DaCunha Pursuant to Section 906 of the Sarbanes-Oxley Act Of 2002
99.1	Audit Committee Charter (incorporated by reference from our annual report on Form 10-K/A filed on May 31, 2017)
101.INS*	XBRL INSTANCE DOCUMENT
101.SCH*	XBRL TAXONOMY EXTENSION SCHEMA
101.CAL*	XBRL TAXONOMY EXTENSION CALCULATION LINKBASE
101.DEF*	XBRL TAXONOMY EXTENSION DEFINITION LINKBASE
101.LAB*	XBRL TAXONOMY EXTENSION LABEL LINKBASE
101.PRE*	XBRL TAXONOMY EXTENSION PRESENTATION LINKBASE

\* Filed herewith.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

### FORTEM RESOURCES INC.

By /s/ Marc A. Bruner  
Marc A. Bruner  
Chief Executive Officer  
President, Chairman and Director  
(Principal Executive Officer)

Date: January 29, 2018

By /s/ Robert Da Cunha  
Robert Da Cunha  
Chief Financial Officer  
Director  
(Principal Financial Officer and Principal Accounting Officer)

Date: January 29, 2018