

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

FORM 10-K

(Mark One)

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

For the fiscal year ended: **February 28, 2018**

or

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

For the transition period from _____ to _____

Commission file number: 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)

Registrant's telephone number, including area code: **(403) 241-8912**

Securities registered pursuant to Section 12(b) of the Act	
Title of Each Class	Name of each Exchange on which registered
<u>Nil</u>	<u>N/A</u>

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

Common Stock, par value \$0.001 per share
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes [] No [X]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

☐

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

Large accelerated filer ☐

Non-accelerated filer ☐

(Do not check if a smaller reporting company)

Accelerated filer ☒

Smaller reporting company ☐

Emerging growth company ☐

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. ☐

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

Yes ☐ No ☒

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter.

38,651,365 shares of common stock at a price of \$2.60 per share for an aggregate market value of \$100,493,549.00.

APPLICABLE ONLY TO CORPORATE REGISTRANTS

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date: **As of June 28, 2018, there were 119,171,156 shares of common stock outstanding.**

DOCUMENTS INCORPORATED BY REFERENCE

List hereunder the following documents if incorporated by reference and the Part of the Form 10-K (e.g., Part I, Part II, etc.) into which the document is incorporated: (1) any annual report to security holders; (2) any proxy or information statement; and (3) any prospectus filed pursuant to Rule 424(b) or (c) of the Securities Act of 1933. The listed documents should be clearly described for identification purposes (e.g., annual report to security holders for fiscal year ended December 24, 1980). **Not Applicable**

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PART I

ITEM 1. BUSINESS

Forward-Looking Statements

This annual report on Form 10-K 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-K 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 annual report, unless otherwise specified, all references to “common shares” refer to the common shares in our capital stock.

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

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.

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 shares of common stock decreased from 111,586,705 shares to 27,896,676 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 February 28, 2018, we have incurred \$693,503 in exploration costs to drill, complete and equip the Test Well. We also recorded \$28,352 in asset retirement obligations related to the future plugging and abandonment of the Test Well.

As at June 28, 2018, it is too early to provide stabilized production forecasts.

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.

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. As at June 28, 2018, our company and the vendor have agreed to postpone the 2018 share issuance of 1,000,000 shares to a later 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.

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 had 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 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 (later extended to the Black Dragon Payment Deadline as described below) 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 (issued on 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.

On May 28, 2018, we entered into a second amendment to purchase and sale agreement (the "Second Black Dragon Amendment"), which amended the terms of the Black Dragon PSA. The Second Black Dragon Amendment has the effect of postponing certain payments relating to the Moenkopi formation under the Black Dragon PSA until August 1, 2019, provided that, if the shares of common stock of our company are not listed on the TSX Venture Exchange on or before August 1, 2018, the payment deadline will remain December 31, 2018 (the "Black Dragon Payment Deadline").

In connection with the Second Black Dragon Amendment, we entered into a Ratification of Purchase and Sale Agreement with the vendor on May 28, 2018 but effective March 1, 2017, whereby we ratified, adopted and approved the Second 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 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 had 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 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 (later extended to the Rolling Rock Payment Deadline as described below) 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 (issued on 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.

On May 28, 2018, we entered into a third amendment to purchase and sale agreement (the “Third Rolling Rock Amendment”), which amended the terms of the Rolling Rock PSA. The Third Rolling Rock Amendment has the effect of postponing certain payments relating to the Mancos formation under the Rolling Rock PSA until August 1, 2019, provided that, if the shares of common stock of our company are not listed on the TSX Venture Exchange on or before August 1, 2018, the payment deadline will remain December 31, 2018 (the “Rolling Rock Payment Deadline”).

In connection with the Third Rolling Rock Amendment, we entered into a Ratification of Purchase and Sale Agreement with the vendor on May 28, 2018 but effective March 1, 2017, whereby we ratified, adopted and approved the Third 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 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. 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 (the “City of Gold Project”). City of Gold, LLC will be granted the Option upon satisfaction of the following:

- Subscription of 976,753 units of Asia Pacific for a purchase price of \$500,000 on or prior to March 2, 2017 (completed);
- Subscription of 976,753 units of Asia Pacific for a purchase price of \$500,000 on or prior to March 16, 2017 (completed);
- Subscription of 976,753 units of Asia Pacific for a purchase price of \$500,000 on or prior to April 28, 2017 (completed); and
- Subscription of 2,930,261 units of Asia Pacific for a purchase price of \$1,500,000 (the “Final Funding Tranche”), due within 60 days of issuance of an exploration license for the City of Gold Project by the Government of Myanmar (the “License”).

Each share purchase warrant is exercisable for a term equal to the greater of two years from the closing of the Final Funding Tranche or 18 months from the issuance of the License at an exercise price of \$0.51 for the first year and \$1.02 for the second year. Asia Pacific utilized \$500,000 of the initial three tranches towards an exploration program of the City of Gold Project. Asia Pacific is required to use all proceeds for the Final Funding Tranche towards exploration of the Project Subsidiary’s mining interests, including no less than \$500,000 towards drilling the City of Gold Project (the “Drilling Program”). Upon the closing of the Final Funding Tranche, City of Gold, LLC will have earned the Option. We anticipate that the normal course of receiving the License will take longer than 12 months. As a result, we do not anticipate commencing the Drilling Program or incurring additional expenses related to the project within the next 12 month period. We anticipate holding our interest in the City of Gold Project for the long term. If circumstances warrant, we intend to exercise the Option by transferring the City of Gold Project into a subsidiary (“Spinco”) with the aim of completing a “spin-off” transaction of its anticipated 70% interest in Spinco under the plan of arrangement provisions in accordance with applicable securities and corporate laws in order to realize a benefit for our company and/or our stockholders.

Once City of Gold, LLC has earned the Option, it will have the right to exercise the Option for a period of 120 days from completion of the Drilling Program, which City of Gold, LLC can extend for an additional 120 days if it can demonstrate that all conditions to exercise of the Option are complete other than approval from the applicable stock exchange upon which the shares of Spinco are to be listed. To exercise the Option, Asia Pacific has agreed to transfer the Project Subsidiary to Spinco for an exercise price consisting of \$7,000,000 in cash and 30% of the issued and outstanding share capital of Spinco (calculated on a fully diluted basis, excluding up to 10% in stock options, but including shares Spinco 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 Spinco, Spinco must meet the following criteria: at exercise of the Option, Spinco 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. Although we currently anticipate that the exercise of the Option will be structured as a “spin-off” transaction, we have the flexibility under the Option Agreement to structure the transaction in other ways provided the conditions to exercise are met. However, we anticipate that such a structure will result in the most efficient way to monetize our interest in the City of Gold Project at this time.

Competition

The petroleum and natural gas industry is highly competitive. Numerous independent oil and gas companies, oil and gas syndicates and major oil and gas companies actively seek out and bid for oil and gas properties as well as for the services of third party providers, such as drilling companies, upon which we rely. A substantial number of our competitors have longer operating histories and substantially greater financial and personnel resources than we do, and have demonstrated the ability to operate through industry cycles.

Some of our competitors not only explore for, produce and market petroleum and natural gas, but also carry out refining operations and market the resultant products on a worldwide basis which may provide them with additional sources of capital. Larger and better capitalized competitors may be in a position to outbid us for particular prospect rights. These competitors may also be better able to withstand sustained periods of unsuccessful drilling. Larger competitors may be able to absorb the burden of any changes in laws and regulations more easily than we can, which would adversely affect our competitive position.

Petroleum and natural gas producers also compete with other suppliers of energy and fuel to industrial, commercial and individual customers. Competitive conditions may be substantially affected by various forms of energy legislation and/or regulation considered from time to time by the governments and/or their agencies and other factors which are out of our control including, international political conditions, terrorism, overall levels of supply and demand for oil and gas, and the markets for synthetic fuels and alternative energy sources.

To better deal with the competition, we target high potential exploration properties which are too small for our largest competitors. We rely upon the technical experience of our officers and engineers to select those properties on which our exploration expertise provides a differentiating advantage.

Customers

There are no contracts obligating our company to provide a fixed quantity of oil and gas to any party.

Regulation

The exploration, production and sale of oil and gas are extensively regulated by governmental authorities. Applicable legislation is under constant review for amendment or expansion. These efforts frequently result in an increase in the regulatory burden on companies in our industry and consequently an increase in the cost of doing business and decrease in profitability. Numerous governmental departments and agencies are authorized to, and have, issued rules and regulations imposing additional burdens on the oil and gas industry that often are costly to comply with and carry substantial penalties for non-compliance. Production operations are affected by changing tax and other laws relating to the petroleum industry, constantly changing administrative regulations and possible interruptions or termination by government authorities.

Oil and gas mineral rights may be held by individuals, corporations or governments having jurisdiction over the area in which such mineral rights are located. As a general rule, parties holding such mineral rights grant licenses or leases to third parties to facilitate the exploration and development of these mineral rights. The terms of the leases and licenses are generally established to require timely development. Notwithstanding the ownership of mineral rights, the government of the jurisdiction in which mineral rights are located generally retains authority over the drilling and operation of oil and gas wells.

Each province and the federal government of Canada have legislation and regulations governing land tenure, royalties, production rates and taxes, environmental protection and other matters under their respective jurisdictions. The royalty regime is a significant factor in the profitability of oil and natural gas production. Royalties payable on production from lands other than Crown lands are determined by negotiations between the parties. Crown royalties are determined by government regulation and are generally calculated as a percentage of the value of the gross production with the royalty rate dependent in part upon prescribed reference prices, well productivity, geographical location, field discovery date and the type and quality of the petroleum product produced. From time to time, the governments of Canada and Alberta have established incentive programs such as royalty rate reductions, royalty holidays, tax credits and drilling royalty credits. These incentives are for the purpose of encouraging oil and natural gas exploration or enhanced recovery projects. These incentives generally increase cash flow.

Effective January 1, 2009, oil sands royalties in Alberta are calculated using a sliding scale for royalty rates ranging from 1% to 9% pre-payout and 25% to 40% post-payout depending on the world oil price. Project "payout" refers to the point in which we earn sufficient revenues to recover all of the allowed costs for the project plus a return allowance. The base royalty starts at 1% and increases for every dollar the world oil price, as reflected by the WTI, is priced above \$55 per barrel, to a maximum of 9% when oil is priced at \$120 per barrel or greater. The net royalty starts at 25% and increases for every dollar oil is priced above \$55 per barrel to 40% when oil is priced at \$120 or higher.

The exploration and development of oil and gas properties is subject to various United States federal, state and local governmental regulations. Our company may, from time to time, be required to obtain licenses and permits from various governmental authorities in regards to the exploration of our property interests. Matters subject to regulation include discharge permits for drilling operations, drilling and abandonment bonds, reports concerning operations, the spacing of wells, and pooling of properties and taxation. From time to time, regulatory agencies have imposed price controls and limitations on production by restricting the rate of flow of oil and gas wells below actual production capacity in order to conserve supplies of oil and gas.

Environmental Considerations

The oil and natural gas industry is subject to environmental laws and regulations pursuant to United States and Canadian local, state, provincial and federal legislation. Environmental legislation provides for restrictions and prohibitions on releases or emissions of various substances produced or utilized in association with certain oil and gas industry operations. In addition, legislation requires that well and facility sites be monitored, abandoned and reclaimed to the satisfaction of provincial authorities. A breach of such legislation may result in the imposition of fines and penalties. 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. Accordingly, we could be liable or could be required to cease production on properties if environmental damage occurs. Although we maintain insurance coverage, 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 occur that 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. We maintain commercial property and general liability insurance coverage on the properties we operate. We also maintain operators extra expense insurance which provides coverage for well control incidents specifically relating to regaining control of a well, seepage, pollution, clean-up and containment. No coverage is maintained with respect to any fine or penalty required to be paid due to a violation of the regulations set out by the federal and provincial regulatory authorities. We are committed to meeting our responsibilities to protect the environment and anticipate making increased expenditures of both a capital and expense nature as a result of the increasingly stringent laws relating to the protection of the environment.

Alberta's new climate change regulation, effective July 1, 2007, requires Alberta facilities that emit more than 100,000 tonnes of greenhouse gases a year to reduce emissions intensity by 12 per cent. Companies have four choices to meet their reductions: (1) they can make operating improvements to their operations that will result in greenhouse gas emission reductions; (2) purchase Alberta based offset credits; (3) contribute to the Climate Change and Emissions Management Fund; and (4) purchase or use emission performance credits, also called EPCs, these credits are generated by facilities that have gone beyond the 12% mandatory intensity reduction. EPCs can be banked for future use or sold to other facilities that need to meet the reduction target.

On June 18, 2009, the Canadian government passed the new Environmental Enforcement Act ("EEA"). The EEA was created to strengthen and amend nine existing Statutes that relate to the environment and to enact provisions respecting the enforcement of certain Statutes that relate to the environment. The EEA amends various enforcement, offence, penalty and sentencing provisions to deter offenders from committing offences under the EEA by setting minimum and maximum fines for serious offences. The EEA also gives enforcement officers new powers to investigate cases and grants courts new sentencing authorities that ensure penalties reflect the seriousness of the pollution and wildlife offences. The EEA also expands the authority to deal with environmental offenders by: (1) specifying aggravating factors such as causing damage to wildlife or wildlife habitat, or causing damage that is extensive, persistent or irreparable; (2) providing fine ranges that are higher for corporate offenders than for individuals; (3) doubling fine ranges for repeat offenders; (4) authorizing the suspension and cancellation of licenses, permits or other authorizations upon conviction; (5) requiring corporate offenders to report convictions to shareholders; and (6) mandating the reporting of corporate offences on a public registry.

The production, handling, storage, transportation and disposal of oil and gas, by-products thereof, and other substances and materials produced or used in connection with oil and gas operations are also subject to regulation under United States federal, state and local laws and regulations relating primarily to the protection of human health and the environment. Additionally, we may incur expenditures related to compliance with such laws, and may incur costs in connection with the remediation of any environmental contamination. The requirements imposed by such laws and regulations are frequently changed and subject to interpretation, and we are unable to predict the ultimate cost of compliance with these requirements or their effect on our operations.

Research and Development Expenditures

Other than seismic, engineering, geochemical and geophysical programs capitalized in connection with our oil and gas concessions, we have devoted no substantial efforts to research and development within the last two fiscal years.

Employees

As at June 28, 2018, we have three executive officers and no full-time employees. However, we use consultants and contractors to provide us, among other things, with executive management and accounting services, and technical engineering support.

Subsidiaries

As at June 28, 2018, we have 4 wholly owned subsidiaries, Colony Energy, LLC, Black Dragon Energy, LLC, Rolling Rock Resources, LLC, and City of Gold, LLC.

Intellectual Property

We do not own any intellectual property.

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 report in evaluating our company and its business before purchasing shares of our company's common stock. Our business, operating results and financial condition could be seriously harmed due to any of the following risks. You could lose all or part of your investment due to any of these risks.

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 \$14,650,095 as at February 28, 2018. 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 three 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, Canada, Utah or the United States 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 Related 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 1B. Unresolved Staff Comments

Not Applicable.

ITEM 2. PROPERTIES

Executive Offices and Registered Agent

Our operational office is located at Suite 820, 906 12th Avenue, S.W., Calgary, Alberta Canada T2R 1K7. Our administrative office is located at Suite 1588, 609 Granville Street, Vancouver, British Columbia, Canada V7Y 1G5.

Property

Reserves

The following table discloses our gross and net proved reserves with the totals itemized as per Canada and the United States, estimated using forecast prices and costs, by product type. "Forecast prices and costs" means future prices and costs that are generally accepted as being a reasonable outlook of the future, or fixed or currently determinable future prices or costs to which we are bound.

	Canada											
	Volumes in Imperial Units											
	Oil						Natural Gas					
CATEGORY	Light/Medium Crude		Heavy Crude		Bitumen		Solution Gas		Conventional		Total BOE	
	W.L. Co. Share		W.L. Co. Share		W.L. Co. Share		W.L. Co. Share		W.L. Co. Share		W.L. Co. Share	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
	Mstb	Mstb	Mstb	Mstb	Mstb	Mstb	MMCF	MMCF	MMCF	MMCF	Mboe	Boe
PDP	34.6	30.8									34.6	30.8
PUD												
TP	34.6	30.8									34.6	30.8
PB	103.4	93.1	26,788	23,037							26,891	23,130
P+P	138	123.9	26,788	23,037							26,926	23,161
POSS	448.1	401.5	49,119	42,242							49,567	42,644
P+P+P	586.1	525.4	75,907	65,279							76,493	65,804

	CANADA Volumes in Metric Units											
	Oil						Natural Gas					
CATEGORY	Light/Medium Crude		Heavy Crude		Bitumen		Solution Gas		Conventional		Total BOE	
	W.J. Co. Share		W.J. Co. Share		W.J. Co. Share		W.J. Co. Share		W.J. Co. Share		W.J. Co. Share	
	Gross E3m3	Net E3m3	Gross E3m3	Net E3m3	Gross E3m3	Net E3m3	Gross E6m3	Net E6m3	Gross E6m3	Net E6m3	Gross Mboe	Net Boe
PDNP	5.5	4.9									5.5	4.9
PUD												
TP	5.5	4.9									5.5	4.9
PB	16.4	14.8	4,257	3,661							4,273	3,676
P+P	21.9	19.7	4,257	3,661							4,279	3,681
POSS	71.2	63.8	7,805	6,713							7,876	6,777
P+P+P	93.1	83.5	12,062	10,374							12,155	10,458

	United States											
	Volumes in Imperial Units											
	Oil						Natural Gas					
CATEGORY	Light/Medium Crude		Heavy Crude		Tight Oil		Solution Gas		Conventional		Total BOE	
	W.J. Co. Share		W.J. Co. Share		W.J. Co. Share		W.J. Co. Share		W.J. Co. Share		W.J. Co. Share	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
	Mstb	Mstb	Mstb	Mstb	Mstb	Mstb	MMCF	MMCF	MMCF	MMCF	Mboe	Boe
PDNP					197.8	168.1					197.8	168.1
PUD					143.9	122.3					143.9	122.3
TP					341.7	290.4					341.7	290.4
PB					1,350.3	1,147.9					1,350.3	1,147.9
P+P					1,692.0	1,438.3					1,692.0	1,438.3
POSS												
P+P+P					1,692.0	1,438.3					1,692.0	1,438.3

CATEGORY	United States Volumes in Metric Units											
	Oil						Natural Gas					
	Light/Medium Crude		Heavy Crude		Tight Oil		Solution Gas		Conventional		Total BOE	
	W.J. Co. Share		W.J. Co. Share		W.J. Co. Share		W.J. Co. Share		W.J. Co. Share		W.J. Co. Share	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
	Bblm3	Bblm3	Bblm3	Bblm3	Bblm3	Bblm3	Bblm3	Bblm3	Bblm3	Bblm3	Mboe	Boe
PONP					31.1	26.7					31.1	26.7
PUD					22.9	19.4					22.9	19.4
TP					54.3	46.2					54.3	46.2
PS					214.6	182.4					214.6	182.4
P+P					268.9	228.5					268.9	228.5
POSS												
P+P+P					268.9	228.5					268.9	228.5

The following table discloses, in the aggregate, the net present value of our future net revenue attributable to the reserves categories in the previous table, estimated using forecast prices and costs, before and after deducting future income tax expenses, and calculated without discount and using discount rates of 0 percent, 5 percent, 10 percent, 15 percent and 20 percent.

CANADA	Net Present Value of Future Cash Flow				
	BEFORE TAX				
Reserve Category	0.00%	5.00%	10.00%	15.00%	20.00%
	MM\$C	MM\$C	MM\$C	MM\$C	MM\$C
Total Proved	1.6	1.3	1.1	0.9	0.8
Total Probable	818	655	530	433	358
Total Proved + Probable	818	655	530	433	358
Total Possible	1,627	1,237	954	745	589
Total Proved + Prob. + Poss.	2,445	1,892	1,484	1,179	946

UTAH – Moenkopi	Net Present Value of Future Cash Flow				
	BEFORE TAX				
Reserve Category	0.00%	5.00%	10.00%	15.00%	20.00%
	MM\$C	MM\$C	MM\$C	MM\$C	MM\$C
Total Proved	14,368	11,356	9,192	7634.6667	6469.3333
Total Probable	57,643	44,373	35,292	29,201	23,987
Total Proved + Probable	57,643	44,373	35,292	29,201	23,987
Total Possible					
Total Proved + Prob. + Poss.	57,643	44,373	35,292	29,201	23,987

The following two tables provide additional information regarding the future net revenue attributable to total proved reserves outlined in the previous table. This table discloses, in the aggregate, certain elements of our future net revenue attributable to our proved reserves and our proved plus probable reserves, estimated using forecast prices and costs, and calculated without discount.

Reserve Category	CANADA Undiscounted Company Share Cash Flow						
	Revenue	Royalties/Burdens	Op. Costs	Abandonment	Net Op. Income	Capital Costs	BT Cash Flow
	MM\$CDN	MM\$CDN	MM\$CDN	MM\$CDN	MM\$CDN	MM\$CDN	MM\$CDN
Total Proven	2.7	0.3	0.5		1.9	0.3	1.6
Total Probable	1,793.9	250.8	623.7	4,572.4	914.5	96.2	818.4
Total Proved + Prob	1,796.6	251.1	624.3	4,572.4	916.4	96.5	820.0
Total Possible	3,427.8	478.6	1,175.4	3,401.4	1,769.7	142.9	1,626.8
Total Proved + Prob. + Poss.	5,224.5	729.7	1,799.6	7,973.8	2,686.1	239.4	2,446.8

			United States				
Reserve Category	Moenkopi Utah Undiscounted Company Share Cash Flow						
	Revenue	Royalties/Burdens	Op. Costs	Abandonment	Net Op. Income	Capital Costs	BT Cash Flow
	MM\$CDN	MM\$CDN	MM\$CDN	MM\$CDN	MM\$CDN	MM\$CDN	MM\$CDN
Total Proven	27.6	4.1	6.9	0.1	16.0	1.6	14.5
Total Probable	110.7	16.5	27.3	0.5	66.1	10.7	55.5
Total Proved + Prob	138.3	20.7	34.3	0.6	82.1	12.2	69.9
Total Possible							
Total Proved + Prob. + Poss.	138.3	20.7	34.3	0.6	82.1	12.2	69.9

This table discloses, by production group, the net present value of our future net revenue attributable to our proved and our proved plus probable reserves, before deducting future income tax expenses, estimated using forecast prices and costs, and calculated using a 10 percent discount rate.

CANADA			
Reserves Category	Production Group	Product Net Revenue	Unit Value
		MM\$CDN	\$CDN/unit
Total Proved	Light Oil	2.41	78.3
	Total	2.41	78.3
Total Proved + Prob	Light Oil	4,494.7	68.7
	Total	4,494.7	67.2
Total Proved + Prob. + Poss.	Light Oil	0.0	0.0
	Total	4,494.7	69.0

Moenkopi UNITED STATES			
Reserves Category	Production Group	Product Net Revenue	Unit Value
		MM\$US	\$US/unit
Total Proved	Light Oil	23.5	80.9
	Total	23.5	80.9
Total Proved + Prob	Light Oil	117.6	81.7
	Total	117.6	81.7

When used in this report, “Bbls” means barrels of oil. We also use a number of terms when describing reserves. “Proved reserves” are the quantities of oil that, by analysis of geosciences and engineering data, can be estimated with reasonable certainty to be economically producible. We provide information on two types of proved reserves - developed and undeveloped. “Proved developed reserves” are reserves that can be expected to be recovered through existing wells with existing equipment and operating methods. “Proved undeveloped reserves” are reasonably certain reserves in drilling units immediately adjacent to the drilling unit containing a producing well as well as areas beyond one offsetting drilling unit from a producing well.

Under SEC rules we are also permitted to provide information about probable and possible reserves. “Probable reserves” are additional reserves that are less certain to be recovered than proved reserves but which, in sum with proved reserves, are as likely as not to be recovered. “Possible reserves” are additional reserves that are less certain to be recovered than probable reserves. The various reserve categories have different risks associated with them. Proved reserves are more likely to be produced than probable reserves and probable reserves are more likely to be produced than possible reserves. Because of these risks, the different reserve categories should not be considered to be directly additive.

The term “Boe” may be misleading, particularly if used in isolation. A Boe conversion ratio of eight thousand cubic feet of natural gas to barrels of oil (8 Mcf: 1 Bbl) is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 8 Mcf :1 Bbl, utilizing a conversion ratio at 8 Mcf: 1 Bbl may be misleading as an indication of value.

It should not be assumed that the present worth of estimated future net revenue represents the fair market value of the reserves. There is no assurance that the escalating price and cost assumptions contained in the Apex 2017 Report will be attained and variances could be material. The reserve and revenue estimates set forth below are estimates only and the actual reserves and realized revenue may be greater or less than those calculated.

All reserve definitions comply with the applicable definitions of the rules of the SEC. The reserves were estimated using engineering and geological methods widely accepted in the oil and gas industry. The accuracy of the reserve estimates is dependent upon the quality of available data and upon independent geological and engineering interpretation of that data. For proved developed producing, the estimates considered to be definitive, using performance methods that utilize extrapolations of various historical data including oil and water production and pressure history. For other than proved producing, proved undeveloped reserves and probable and possible reserve estimates were made using volumetric methods.

Our policies regarding internal controls over reserve estimates require reserves to be in compliance with the SEC definitions and guidance and for reserves to be prepared under the supervision of our Chief Executive Officer. There was no conversion of undeveloped reserves to prove reserves during the fiscal year ended February 28, 2018.

2018 Price assumptions were used to determine cash flows in the non- fixed price tables.

Product	Oil	Moenkopi	Moenkopi	Oil	Godin	Compeer
Item Type	Parent	Offset	Result	Parent	Result	Result
Name	WTI	& Trans.	Oil	WCS	Oil	Oil
Unit	\$US/bbl	\$US/bbl	\$US/bbl	\$C/bbl	\$C/bbl	\$C/bbl
Jan-18	52	7	45	59.2	59.2	57.2
Jan-19	60	7	53	58.3	58.3	56.3
Jan-20	62	7	55	61.1	61.1	59.1
Jan-21	66	7	59	53.4	53.4	51.4
Jan-22	69	7	62	59.3	59.3	57.3
Jan-23	72	7	65	62.4	62.4	60.4
Jan-24	75	7	68	65.9	65.9	63.9
Jan-25	78	7	71	67.6	67.6	65.6
Jan-26	81	7	74	69.4	69.4	67.4
Jan-27	84	7	77	71.1	71.1	69.1
Jan-28	85	7	78	73.0	73.0	71.0
Jan-29	86	7	79	74.8	74.8	72.8
Jan-30	87	7	80	76.7	76.7	74.7
Jan-31	88	7	81	78.6	78.6	76.6
Jan-32	89	7	82	80.6	80.6	78.6
Jan-33	90	7	83	82.6	82.6	80.6
Jan-34	91	7	84	84.7	84.7	82.7
Jan-35	92	7	85	86.8	86.8	84.8
Jan-36	93	7	86	88.9	88.9	86.9
Jan-37	94	7	87	91.1	91.1	89.1
Jan-38	95	7	88	93.3	93.3	91.3
Jan-39	96	7	89	95.6	95.6	93.6
Jan-40	97	7	90	97.9	97.9	95.9

Proved undeveloped reserves and Probable Reserves.

Canadian Assets

As at February 28, 2018, we modified the proven reserves in the Compeer property from proven producing to proven non-producing. No other categories of reserves were modified with the Compeer Property. As of February 28, 2018, we had seven sections of probable reserves within the Godin property to be developed, and thirteen sections of possible reserves to be developed within the Godin property.

United States Assets

From the testing of the Wellington Flats 15-1811E well, it was decided that Section 18 had proven reserves in the TXS. Half of the section was deemed proven developed and the other half proven undeveloped. Surrounding Section 18 there were six sections that were deemed probable reserves in the TXS.

There were no material changes in proved undeveloped reserves that occurred during the year ended February 28, 2018, including proved undeveloped reserves converted into proved developed reserves.

We have no proved undeveloped reserves in individual fields or countries that remain undeveloped for five years or more.

One producing well was drilled Big Lake Compeer 100/04-32-033-02W4/00 in the fiscal year ending February 28, 2013. The well was shut-in for most of 2016-17 as the market price was too low to justify operations. Production for the fiscal year was zero barrels. We intend to workover the well in September of 2018.

Oil and gas production, production prices and production costs.

During the year ended February 28, 2018, we have not had any oil sales or production.

Drilling and other exploratory and development activities.

The number of net productive and dry exploratory wells drilled was one productive (but non-producing at this time) well in the Compeer area of eastern Alberta, Canada in the fiscal year ending February 28, 2018. There was no previous drilling or exploratory activities.

Present activities.

There are no current drilling activities.

Delivery commitments.

We have no oil or gas delivery commitments.

Oil and gas properties, wells, operations, and acreage.

Canadian Assets

Compeer – We have one well on 160 developed acres. We have 3,200 gross acres and 3,040 net undeveloped acres at Compeer.

Godin – We have twenty sections (~12,800 acres) of undeveloped acres at Godin with an ownership of 100%.

United States Assets

Dragon- Moenkopi – We own a 75 percent joint venture working interest and are the operator in which holds 150,178 (net acres) of land in the Uinta Basin of Utah.

Rolling Rock - We own a 50 percent interest in a joint venture containing 130,942 (65,471 net) acres of land (as of February 28, 2018). We place a value on the land of \$1,527,729.00 on our land interests at this time. We are in the process of having a valuation of hydrocarbon potential carried out. As of the effective date of the valuation of hydrocarbons was not complete. Therefore no value of hydrocarbon potential is available as of our year end for the Mancos Project.

ITEM 3. LEGAL PROCEEDINGS

Other than as disclosed below, we know of no material pending legal proceedings to which our company or our subsidiary is a party or of which any of our properties, or the properties of our subsidiary, 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 our subsidiary or has a material interest adverse to our company or our subsidiary.

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.	A Statement of Claim was filed July 23, 2013, whereby the Plaintiff is suing the Defendant for the sum of CAD\$281,267.68 representing the amount owing for oil-field services and equipment, including cementing and fishing products and services provided by the Plaintiff. 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 instalment 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 February 28, 2018.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market information

Our common stock is quoted on OTC Markets Group's OTCQB under the trading symbol "FTMR". The following chart shows the high and low bid prices as quoted by the OTCQB for each quarter for the fiscal years ended February 28, 2018 and 2017. Such prices represent quotations between dealers, without dealer markup, markdown or commissions, and may not represent actual transactions.

Quarter Ended	High	Low
February 28, 2018	\$3.25	\$1.98
November 30, 2017	\$3.00	\$2.08
August 31, 2017	\$3.00	\$1.25
May 31, 2017	\$3.25	\$0.60
February 28, 2017	\$0.77	\$0.25
November 30, 2016	\$0.45	\$0.13
August 31, 2016	\$0.20	\$0.11
May 31, 2016	\$0.22	\$0.10

On June 27, 2018, the closing price of our common stock as reported by the OTCQB was \$3.01 per share.

Transfer Agent

Our shares of common stock are issued in registered form. The transfer agent and registrar for our common stock is Island Stock Transfer, located at 15500 Roosevelt Boulevard, Suite 301, Clearwater, Florida 33760.

Holders of Common Stock

As of June 28, 2018, there were approximately 83 holders of record of our common stock. As of such date, 119,171,156 shares were issued and outstanding.

Dividends

We have never declared or paid any cash dividends or distributions on our capital stock. We currently intend to retain our future earnings, if any, to support operations and to finance expansion and therefore we do not anticipate paying any cash dividends on our common stock in the foreseeable future.

There are no restrictions in our articles of incorporation or bylaws that prevent us from declaring dividends. The Nevada Revised Statutes, however, do prohibit us from declaring dividends where, after giving effect to the distribution of the dividend:

- we would not be able to pay our debts as they become due in the usual course of business; or
- our total assets would be less than the sum of our total liabilities plus the amount that would be needed to satisfy the rights of stockholders who have preferential rights superior to those receiving the distribution.

Securities authorized for issuance under equity compensation plans.

The following table summarizes certain information regarding our equity compensation plans as at February 28, 2018:

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
(a)	(b)	(c)	
Equity compensation plans approved by security holders	Nil	N/A	Nil
Equity compensation plans not approved by security holders ⁽¹⁾	2,300,000	\$0.10	3,279,335
Total	2,300,000	\$0.10	3,279,335

⁽¹⁾ Effective April 19, 2014, our board of directors approved the 2014 Stock Option Plan, pursuant to which we may grant stock options to purchase up to 5,579,335 shares of our common stock. The purpose of the 2014 Stock Option is to retain the services of valued key employees and consultants of our company and such other persons as our board of directors select, and to encourage such persons to acquire a greater proprietary interest in our company, thereby strengthening their incentive to achieve the objectives of our stockholders, and to serve as an aid and inducement in the hiring of new employees and to provide an equity incentive to consultants and other persons selected by our board of directors.

Recent sales of unregistered securities

Except as disclosed below, since the beginning of our fiscal year ended February 28, 2018, we have not sold any equity securities that were not registered under the Securities Act of 1933 that were not previously reported in a quarterly report on Form 10-Q or in a current report on Form 8-K.

On March 14, 2018, we issued an aggregate of 1,273,698 shares of our common stock to a warrant holder upon the exercise of 1,273,698 outstanding warrants at an exercise price of \$0.40 per share for aggregate gross proceeds of \$509,479.20. We issued these shares to one U.S. person (as that term is defined in Regulation S of the Securities Act of 1933, as amended) in reliance upon Rule 506 of Regulation D of the Securities Act of 1933, as amended.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

None.

ITEM 6. SELECTED FINANCIAL DATA

Not applicable.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with our financial statements and the related notes that appear elsewhere in this annual report. The following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in the forward looking statements. Factors that could cause or contribute to such differences include those discussed below and elsewhere in this annual report on Form 10-K.

General

We are focused on the acquisition, exploration, and development of oil and gas properties in the United States and Canada. As of June 28, 2018 we did not have any revenue from commercial production.

Results of Operations

Years Ended February 28, 2018 and February 28, 2017

The following summary of our results of operations should be read in conjunction with our audited financial statements for the years ended February 28, 2018 and February 28, 2017 which are included herein:

	<u>February 28, 2018</u>	<u>February 28, 2017</u>
Revenue	\$ -	\$ -
Expenses	(1,964,443)	(493,657)
Net Loss	(8,305,069)	\$ (2,724,306)

Revenues

During the years ended February 28, 2018 and February 28, 2017, we did not generate any revenues from commercial production.

Expenses

Expenses increased significantly during the year ended February 28, 2018 to \$1,964,443 as compared to \$493,657 during the year ended February 28, 2017.

The table below details the changes in major expenditures for the year ended February 28, 2018 as compared to the corresponding year ended February 28, 2017:

Expenses	Increase / Decrease in Expenses	Explanation for Change
Consulting fees	Increase of \$957,840	Increase due to issuance of 400,000 shares at \$2.00 per share to a consultant with regards to the Colony acquisitions during the year and increased activities as the Company completed several acquisitions in fiscal 2018.
Management fees	Decrease of \$83,096	Decrease due to decrease in CEO compensation.
Office, travel and general expenses	Increase of \$266,128	Increase due to increases in insurance, general office expenses, office rent, and travel expenses as the Company completed a few acquisitions in fiscal 2018.
Professional fees	Increase of \$305,206	Increase due to more professional services used for corporate filings, accounting, and legal services related to the acquisitions.

For the year ended February 28, 2018, we recorded a loss on the fair value adjustment of derivative financial liability of \$6,325,077 (February 28, 2017 – \$1,197,268) 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 as well as the embedded conversion feature in the convertible debenture issued and subsequently settled during the year. The derivative liability is a non-cash liability as we will not be required to expend any cash.

Liquidity and Capital Resources

Working Capital

	At February 28, 2018	At February 28, 2017
Current assets	\$ 319,804	\$ 510,683
Current liabilities	1,757,304	2,995,639
Working capital deficit	\$ (1,437,500)	\$ (2,484,956)

We had cash of \$176,895 and a working capital deficit of \$1,437,500 as of February 28, 2018 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 lower than fiscal 2018 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, 2018, our independent auditors included an explanatory paragraph regarding substantial doubt about our ability to continue as a going concern. Our financial statements contain additional note disclosures describing the circumstances that lead to this disclosure by our independent auditors.

Cash Flows

	12 months ended February 28, 2018	12 months ended February 28, 2017
Cash used in operating activities	\$ (548,676)	\$ (197,894)
Cash provided by financing activities	2,246,881	698,351
Cash used in investing activities	(1,980,791)	(63,402)
Change in cash	\$ (282,586)	\$ 437,055

Cash Used in Operating Activities

Our cash used in operating activities for the year ended February 28, 2018, compared to our cash used in operating activities for the year ended February 28, 2017, increased by \$350,782, primarily due to increase in non-cash items and non-cash working capital items from operations in the current year.

Cash Provided by Financing Activities

Our cash provided by financing activities for the year ended February 28, 2018, compared to our cash provided by financing activities for the year ended February 28, 2017, increased by \$1,548,530 mainly due to higher proceeds received from common stock issued for cash and proceeds due to related parties.

Cash Used in Investing Activities

Our cash used in investing activities for the year ended February 28, 2018, compared to our cash used in investing activities for the year ended February 28, 2017, increased by \$1,917,389 due to investment in Asia Pacific and expenditures on oil and gas properties as compared to minor expenditure on oil and gas properties in the prior period.

Outstanding Shares, Options, Warrants and Convertible Securities

As of June 28, 2018, we have 119,171,156 shares of common stock outstanding, 2,300,000 stock options outstanding and 1,750,000 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 audited financial statements and information for the year ended February 28, 2018, 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 revenues to date and have incurred a net loss of \$8,305,069 during the 12 month period ended February 28, 2018, and \$14,650,095 from inception (July 9, 2004) through February 28, 2018. 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.

Application of Critical Accounting Policies

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. We regularly evaluate estimates and assumptions. We base our estimates and assumptions on current facts, historical experience and various other factors we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the accrual of costs and expenses that are not readily apparent from other sources. Our actual results may differ materially and adversely from our estimates. To the extent there are material differences between the estimates and the actual results, future results of operations will be affected. The most significant estimates with regard to these financial statements relate to carrying values of oil and gas properties, the assumptions used to record asset retirement obligations and the estimated useful life of financial instruments.

Fair Value of Financial instruments

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

Foreign Currency Translation

The Company has changed its functional currency from Canadian Dollars to United States Dollars as at March 1, 2017. Management determined that the Company's functional currency had changed during the year ended February 28, 2018 based on the assessment related to significant changes of the Company's economic facts and circumstances. These significant changes included the fact that the Company's equity and debt financings as well as the majority of the Company's expenses are denominated in US dollars. The previous foreign exchange translation adjustments remain in other comprehensive income and translated amounts of non-monetary assets and liabilities as at February 28, 2017 become the accounting basis for these items in future periods.

Oil and Gas Properties

The Company utilizes the full cost method to account for its investment in oil and gas properties. Accordingly, all costs associated with acquisition, exploration and development of oil and gas reserves, including such costs as leasehold acquisition costs, interest costs relating to unproved properties, geological expenditures, tangible and intangible development costs including direct internal costs are capitalized to the full cost pool. When the Company commences production from established proven oil and gas reserves, capitalized costs, including estimated future costs to develop the reserves and estimated abandonment costs, net of salvage, will be depleted on the units-of-production method using estimates of proved reserves. Costs of unproved properties are not amortized until the proved reserves associated with the projects can be determined or until impairment occurs. If an assessment of such properties indicates that properties are impaired, the amount of impairment is added to the capitalized cost base to be amortized.

The capitalized costs included in the full cost pool are subject to a “ceiling test”, which limits such costs to the aggregate of the (i) estimated present value, using a ten percent discount rate, of the future net revenues from proved reserves, based on current economic and operating conditions, (ii) the lower of cost or estimated fair value of unproved properties included in the costs being amortized, (iii) the cost of properties not being amortized, less (iv) income tax effects related to differences between the book and tax basis of the cost of properties not being amortized and the cost or estimated fair value of unproved properties included in the costs being amortized.

Sales of proved and unproved properties are accounted for as adjustments of capitalized costs with no gain or loss recognized, unless such adjustments would significantly alter the relationship between capitalized costs and proved reserves of oil and gas, in which case the gain or loss is recognized in the statement of operations. The Company’s oil and gas properties are under development with minimal production to date. Accordingly, no amortization is being recorded.

Equipment

Equipment is recorded at cost and amortized on a straight line basis over 20 years.

Income Taxes

Income taxes are determined using the liability method. Deferred tax assets and liabilities, if any, are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes that date of enactment. In addition, a valuation allowance is established to reduce any deferred tax asset for which it is determined that it is more likely than not that some portion of the deferred tax asset will not be realized.

We account for uncertainty in income taxes by applying a two-step method. First, we evaluate whether a tax position has met a more likely than not recognition threshold, and second, it measures that tax position to determine the amount of benefit, if any, to be recognized in the financial statements. The application of this method did not have a material effect on our financial statements.

Asset Retirement Obligations

The Company records the fair value of an asset retirement obligation as a liability in the period in which it incurs an obligation associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development and/or normal use of the assets. The estimated fair value of the asset retirement obligation is based on the current cost escalated at an inflation rate and discounted at a credit adjusted risk-free rate. This liability is capitalized as part of the cost of the related asset and amortized over its useful life. The liability accretes until the Company settles the obligation.

Loss per share

We present both basic and diluted earnings (loss) per share (EPS) on the face of the statements of operations. Basic EPS is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the period. Diluted EPS gives effect to all dilutive potential common shares outstanding during the period including convertible debt, stock options, and warrants, using the treasury stock method. Diluted EPS excludes all dilutive potential shares if their effect is anti-dilutive. Diluted EPS figures are equal to those of basic EPS for each period since we have incurred losses since inception.

Recently issued accounting pronouncements

In January 2017, the FASB issued ASU No. 2017-1, “Business Combinations: Clarifying the Definition of a Business.” The pronouncement changes the definition of a business to assist entities with evaluating when a set of transferred assets and activities is a business. The pronouncement requires an entity to evaluate if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or a group of similar identifiable assets; if so, the set of transferred assets and activities is not a business. The pronouncement is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2018, with early adoption permitted. The Company adopted the provisions of ASU 2017-1 effective March 1, 2017. For the Company’s acquisitions during the year, it was concluded substantially all of the fair value of the assets acquired with each property acquisition was concentrated in a single identifiable asset and did not meet the definition of a business.

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.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not Applicable.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA



CONSOLIDATED FINANCIAL STATEMENTS

FEBRUARY 28, 2018

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

CONSOLIDATED BALANCE SHEETS

CONSOLIDATED STATEMENTS OF OPERATIONS

CONSOLIDATED STATEMENTS OF CASH FLOWS

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Report of Independent Registered Public Accounting Firm

To the shareholders and director of Fortem Resources Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Fortem Resources Inc. (the “Company”) as of February 28, 2018 and 2017 and the related consolidated statements of operations, stockholders’ equity, and cash flows for the years then ended, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of February 28, 2018 and 2017, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company’s internal control over financial reporting as of February 28, 2018, based on criteria established in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated June 28, 2018 expressed an adverse opinion on the Company’s internal control over financial reporting because of material weaknesses.

Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has not achieved profitable operations and further losses are anticipated. The Company requires additional funds to meet its obligations and the costs of its operations. These factors raise substantial doubt about the Company’s ability to continue as a going concern. Management’s plans in this regard are described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada

June 28, 2018

We have served as the Company’s auditor since 2006

An independent firm associated with
Moore Stephens International Limited
MOORE STEPHENS



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Fortem Resources Inc.

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Fortem Resources Inc. and subsidiaries (the “Company”), as of February 28, 2018, based on criteria established in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, because of the effect of the material weaknesses identified below on the achievement of the objectives of the control criteria, the Company has not maintained effective internal control over financial reporting as of February 28, 2018, based on criteria established in *Internal Control-Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (PCAOB) (United States), the consolidated financial statements as of and for the year ended February 28, 2018 of the Company and our report dated June 28, 2018, expressed an unqualified opinion on those financial statements.

Basis for Opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America (US GAAP). A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with US GAAP, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Material Weaknesses

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. The following material weaknesses have been identified and included in management's assessment: Management identified material weaknesses in the Company's overall control environment due to the aggregate effect of multiple deficiencies in internal controls, which affected five components of the internal control as defined by COSO (control environment, risk assessment, control activities, information and communication, and monitoring).

Management did not design and maintain effective controls over the following, each of which is a material weakness:

- (a) In-house accounting personnel not having knowledge of complex US GAAP that caused misinterpretation and misapplication of Accounting Standards Codification ("ASC") 805, Business Combinations regarding the fair value of assets acquired on initial recognition. Specifically, the Company did not assess whether the measurement of the fair value of assets acquired in business combinations during the year was more reliably measurable based on the fair value of the consideration given or fair of assets acquired which resulted in the re-statement of the interim financial statements for each of the first and second quarterly reporting periods.
- (b) not maintaining its tax compliance requirements for which the Company determined that the appropriate tax accounting under ASC 740, Income Taxes was not performed impacting the deferred tax asset accounts and related financial statement disclosures.
- (c) review and approval of supplier and vendor invoices and the related oversight and accuracy of recording the associated charges in the Company's books.
- (d) lack of adequate oversight related to the development and performance of internal controls. Due to the limited number of personnel in the Company, there are inherent limitations to segregation of duties amongst personnel to perform adequate oversight.

These material weaknesses were considered in determining the nature, timing, and extent of audit tests applied in our audit of the consolidated financial statements as of and for the year ended February 28, 2018, of the Company, and this report does not affect our report on such financial statements.

/s/ DMCL LLP

Chartered Professional Accountants
Vancouver, Canada
June 28, 2018

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

	<u>February 28, 2018</u>	<u>February 28, 2017</u>
<u>ASSETS</u>		
Current assets		
Cash	\$ 176,895	\$ 459,481
Receivable	9,681	27,103
Prepaid expenses	35,806	24,099
Loan receivable	97,422	-
	<u>319,804</u>	<u>510,683</u>
Non-current assets		
Deposit	43,961	33,082
Equipment	54,654	54,956
Investment in Asia Pacific Mining Ltd.	1,500,000	-
Right to the mineral exploration project	1	-
Oil and gas properties, full cost method	2,631,354	641,494
	<u>\$ 4,549,774</u>	<u>\$ 1,240,215</u>
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 731,639	\$ 337,506
Due to related parties	445,912	48,831
Related party loan payable	555,753	-
Note payable	19,942	18,825
Advance payable	4,058	-
Warrant liability	-	2,590,477
	<u>1,757,304</u>	<u>2,995,639</u>
Asset retirement obligation	<u>28,352</u>	<u>24,546</u>
	<u>1,785,656</u>	<u>3,020,185</u>
Stockholders' equity		
Capital stock		
Authorized:		
750,000,000 common shares, par value \$0.001 per share		
Issued and outstanding:		
117,872,458 common shares (37,537,556 at February 28, 2017)	117,873	29,428
Additional paid in capital	17,879,597	5,028,885
Share subscriptions receivable	(200,000)	(110,000)
Accumulated other comprehensive income	(383,257)	(383,257)
Accumulated deficit	(14,650,095)	(6,345,026)
	<u>2,764,118</u>	<u>(1,779,970)</u>
	<u>\$ 4,549,774</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)

	For the year ended February 28,	
	2018	2017
General and administrative expenses		
Accretion of asset retirement obligation	\$ 2,534	\$ 2,264
Consulting	1,028,432	70,592
Depreciation	3,478	3,409
Investor relations	24,369	-
Management fees	150,690	233,786
Office, travel and general	317,501	51,373
Professional fees	437,439	132,233
Loss from operations	(1,964,443)	(493,657)
Accretion of debt discount	-	(199,999)
Foreign exchange gain	10,815	271,294
Gain on settlement of debt	13,599	79,239
Other income	721	251
Interest expense	(40,684)	(16,871)
Financing fee	-	(73,621)
Loss on settlement of convertible debt	-	(1,309,022)
Loss on fair value adjustment of derivative financial liabilities	(6,325,077)	(1,197,268)
Gain on write-off of accounts payable	-	215,348
	(6,340,626)	(2,230,649)
Net loss	(8,305,069)	(2,724,306)
Foreign currency translation	-	(249,977)
Comprehensive loss	\$ (8,305,069)	\$ (2,974,283)
Basic and diluted loss per share	\$ (0.08)	\$ (0.09)
Weighted average number of basic common shares outstanding	105,978,163	30,518,087

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

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

	For the year ended February 28,	
	2018	2017
Cash flows used in operating activities		
Net loss	\$ (8,305,069)	\$ (2,724,306)
Non-cash items		
Accretion	2,534	202,263
Depreciation	3,478	3,409
Gain on settlement of debt	(13,599)	(79,239)
Loss on fair value adjustment of derivative financial liabilities	6,325,077	1,197,268
Gain on write-off of accounts payable	-	(215,348)
Loss on settlement of convertible debt	-	1,309,022
Interest income accrued	(369)	(251)
Accrued interest expense	39,451	-
Accrued management fees	150,000	233,786
Shares issued for services	800,000	73,621
Unrealized foreign exchange	40,472	(228,307)
Changes in non-cash working capital items		
Receivable	17,422	(23,824)
Prepaid expenses and other	(11,707)	(16,290)
Accounts payable and accrued liabilities	403,634	70,302
Cash used in operating activities	<u>(548,676)</u>	<u>(197,894)</u>
Cash flows used in investing activities		
Deposit on oil and gas properties	(10,510)	-
Investment in Asia Pacific Mining Ltd.	(1,000,000)	-
Equipment	(3,176)	-
Expenditures on oil and gas properties	(869,683)	(63,402)
Loan receivable	(97,422)	-
Cash used in investing activities	<u>(1,980,791)</u>	<u>(63,402)</u>
Cash flows from financing activities		
Issuance of share capital, net of issuance costs	2,089,800	599,275
Advance payable	(30,000)	-
Issuance of convertible debenture	-	200,000
Net proceeds from (repaid to) related parties	187,081	(100,924)
Cash provided by financing activities	<u>2,246,881</u>	<u>698,351</u>
Change in cash	(282,586)	437,055
Cash, beginning of year	459,481	22,426
Cash, end of year	<u>\$ 176,895</u>	<u>\$ 459,481</u>
Non-cash transactions		
Shares issued for oil and gas properties	968,171	-
Shares issued for debt settlement	75,632	-

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

FORTEM RESOURCES INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Expressed in US dollars)

	<u>Common Stock</u>		Additional Paid In Capital	Share Subscriptions Receivable	Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Number of Shares	Amount					
Balance, February 29, 2016	30,029,046	\$ 21,919	\$ 3,115,078	\$ -	\$ (3,620,720)	\$ (133,280)	\$ (617,003)
Common stock issued for cash, net of share issue costs	3,660,000	3,660	482,165	(110,000)	-	-	375,825
Shares for debt settlement	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 for the year	-	-	-	-	(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, net of share issue costs	2,597,142	2,598	1,697,202	110,000	-	-	1,809,800
Shares issued for acquisitions	76,500,000	76,500	891,671	-	-	-	968,171
Shares issued for consulting services	400,000	400	799,600	-	-	-	800,000
Shares issued for debt settlement	37,760	38	75,594	-	-	-	75,632
Warrants exercised	800,000	800	479,200	(200,000)	-	-	280,000
Net loss for the year	-	-	-	-	(8,305,069)	-	(8,305,069)
Reallocation of derivative liability to equity upon the change in functional currency and reallocation of share capital balance	-	8,109	8,907,445	-	-	-	8,915,554
Balance, February 28, 2018	117,872,458	\$ 117,873	\$ 17,879,597	\$ (200,000)	\$ (14,650,095)	\$ (383,257)	\$ 2,764,118

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

FORTEM RESOURCES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
February 28, 2018

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 February 28, 2018, 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 \$14,650,095.

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

These consolidated financial statements and related notes are presented in accordance with accounting principles generally accepted in the United States (“US GAAP”), and are expressed in United States dollars. The Company has not produced material revenues from its principal business to date.

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.

Foreign Currency Translation

The Company has changed its functional currency from Canadian Dollars to United States Dollars as at March 1, 2017. Management determined that the Company’s functional currency had changed during the year ended February 28, 2018 based on the assessment related to significant changes of the Company’s economic facts and circumstances. These significant changes included the fact that the Company’s equity and debt financings as well as the majority of the Company’s expenses are denominated in US dollars. The previous foreign exchange translation adjustments remain in other comprehensive income and translated amounts of non-monetary assets and liabilities as at February 28, 2017 become the accounting basis for these items in future periods.

Foreign denominated monetary assets and liabilities are translated to their United States dollar equivalents using foreign exchange rates which prevailed at the balance sheet date. Revenue and expenses are translated at average rates of exchange during the period. Related translation adjustments are reported as a separate component of stockholders’ equity (deficiency), whereas gains or losses resulting from foreign currency transactions are included in the results of operations.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company regularly evaluates estimates and assumptions. The Company bases its estimates and assumptions on current facts, historical experience and various other factors it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the accrual of costs and expenses that are not readily apparent from other sources. The actual results experienced by the Company may differ materially and adversely from the Company's estimates. To the extent there are material differences between the estimates and the actual results, future results of operations will be affected. The most significant estimates with regard to these financial statements relate to carrying values of oil and gas properties, the assumptions used to record asset retirement obligations, the assumptions used to determine the fair value of derivative financial liabilities, and the estimated useful life of equipment.

Oil and Gas Properties

The Company utilizes the full cost method to account for its investment in oil and gas properties. Accordingly, all costs associated with acquisition, exploration and development of oil and gas reserves, including such costs as leasehold acquisition costs, interest costs relating to unproved properties, geological expenditures, tangible and intangible development costs including direct internal costs are capitalized to the full cost pool on a country-by-country basis. When the Company commences production from established proven oil and gas reserves, capitalized costs, including estimated future costs to develop the reserves and estimated abandonment costs, net of salvage, will be depleted on the units-of-production method using estimates of proved reserves. Costs of unproved properties are not amortized until the proved reserves associated with the projects can be determined or until impairment occurs. If an assessment of such properties indicates that properties are impaired, the amount of impairment is added to the capitalized cost base to be amortized.

The capitalized costs included in the full cost pool are subject to a "ceiling test", which limits such costs to the aggregate of the (i) estimated present value, using a ten percent discount rate, of the future net revenues from proved reserves, based on current economic and operating conditions, (ii) the lower of cost or estimated fair value of unproven properties included in the costs being amortized, (iii) the cost of properties not being amortized, less (iv) income tax effects related to differences between the book and tax basis of the cost of properties not being amortized and the cost or estimated fair value of unproved properties included in the costs being amortized.

Sales of proved and unproved properties are accounted for as adjustments of capitalized costs with no gain or loss recognized, unless such adjustments would significantly alter the relationship between capitalized costs and proved reserves of oil and gas, in which case the gain or loss is recognized in the statement of operations. The Company's oil and gas properties are under development with minimal production to date. Accordingly, no amortization is being recorded.

Equipment

Equipment is recorded at cost and amortized on a straight line basis over 20 years.

Asset Retirement Obligations

The Company records the fair value of an asset retirement obligation as a liability in the period in which it incurs an obligation associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development and/or normal use of the assets. The estimated fair value of the asset retirement obligation is based on the current cost escalated at an inflation rate and discounted at a credit adjusted risk-free rate. This liability is capitalized as part of the cost of the related asset and amortized over its useful life. The liability accretes until the Company settles the obligation.

Environmental Expenditures

Oil and gas activities are subject to extensive federal and state environmental laws and regulations. These laws, which are constantly changing, regulate the discharge of materials into the environment and may require the Company to remove or mitigate the environmental effects of the disposal or release of petroleum or chemical substances at various sites.

Environmental expenditures are expensed or capitalized depending on their future economic benefit. Expenditures that relate to an existing condition caused by past operations and that have no future economic benefits are expensed. Expenditures that have future economic benefits are capitalized. Liabilities for expenditures of a non-capital nature are recorded when an environmental assessment and/or remediation is probable, and the costs can be reasonably estimated.

Impairment of Long-Term Assets

The Company assesses its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Oil and gas interests accounted for under the full cost method are subject to a ceiling test, described above, and are excluded from this requirement.

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 parties, 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 required to be recorded at fair value on a recurring basis in accordance with US GAAP as at February 28, 2018. As at February 28, 2018, the Company's Level 3 assets consist of shares and warrants of a private company. The resulting level 3 assets 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 February 28, 2018, 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 year ended February 28, 2018 and February 28, 2017 is as follows:

	February 28, 2018	February 28, 2017
Warrants		
Fair value, beginning of the year	\$ 2,590,477	\$ 150,136
Issuance	-	1,043,074
Change in fair value	6,325,077	1,397,267
Reallocation of derivative liability to equity upon the change in functional currency	(8,915,554)	-
Ending fair value of warrants	-	2,590,477
Embedded conversion feature		
Beginning fair value	-	-
Bifurcation of embedded conversion feature	-	199,999
Change in fair value	-	(199,999)
Ending fair value of embedded conversion feature	-	-
Fair value, end of the year	\$ -	\$ 2,590,477

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 5,323,698 (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 January 2017, the FASB issued ASU No. 2017-1, "Business Combinations: Clarifying the Definition of a Business." The pronouncement changes the definition of a business to assist entities with evaluating when a set of transferred assets and activities is a business. The pronouncement requires an entity to evaluate if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or a group of similar identifiable assets; if so, the set of transferred assets and activities is not a business. The pronouncement is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2018, with early adoption permitted. The Company adopted the provisions of ASU 2017-1 effective March 1, 2017. For the Company's acquisitions during the year, it was concluded substantially all of the fair value of the assets acquired with each property acquisition was concentrated in a single identifiable asset and did not meet the definition of a business.

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 (recorded at their par value of \$21,000) and agreed to issue an additional 3,000,000 shares, 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. Subsequent to the year end, the Company and the vendor have agreed to postpone the 2018 share issuance of 1,000,000 shares to a later 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>531</u>

The total consideration for the acquisition is as follows:

	\$
Par 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.

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 (recorded at their par 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 liabilities	<u>93,508</u>

The total consideration for the acquisition is as follows:

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

The consideration paid over the net assets of Black Dragon has been charged 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.

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 (recorded at their par 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>104,365</u>

The total consideration for the acquisition is as follows:

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

The consideration paid over the net 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.

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 in Myanmar.

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 (recorded at their par value of \$15,000); 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:

	\$
Par value of shares issued	15,000
Net liabilities assumed	<u>30,234</u>
Excess consideration paid over the net assets of City of Gold	<u>45,233</u>

The consideration paid over the net 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.

4. OIL AND GAS PROPERTIES

	Compeer	Godin	Black Dragon	Rolling Rock	Total
	\$	\$	\$	\$	\$
Balance, February 28, 2017	641,494	-	-	-	641,494
Acquisition	-	108,000	719,863	730,397	1,558,260
Exploration	13,926	38,165	107,384	234,042	393,517
Exchange difference	38,083	-	-	-	38,083
Balance, February 28, 2018	693,503	146,165	827,247	964,439	2,631,354

Compeer Property

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 February 28, 2018, the Company has incurred \$693,503 (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 \$43,961 (2017 - \$33,082) in bonds held with the Alberta Energy Regulator for its oil and gas properties.

Godin Property

On March 31, 2017, Colony (Note 3a) 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 (settled with the issuance of shares);
- ii) \$30,000 on or before September 27, 2017 (settled with the issuance of shares); 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. In November 2017, the Company issued 30,000 shares at a value of \$60,000 to settle the milestone payments of \$60,000.

Black Dragon Property

In March 2017 (and later amended in August 2017), Black Dragon (Note 3b) 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 an 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 at a value of \$500,000); and (b) pay the vendor an additional \$25,000 every sixty days commencing September 1, 2017 (\$100,000 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 of 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 3c) 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 an 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 at a value of \$500,000); and (b) pay the vendor an additional \$25,000 every sixty days commencing September 1, 2017 (\$100,000 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 3d) 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.

City of Gold, LLC will be granted the Option upon satisfaction of the following:

- Subscription of 976,753 units of Asia Pacific for a purchase price of \$500,000 on or prior to March 2, 2017 (completed);
- Subscription of 976,753 units of Asia Pacific for a purchase price of \$500,000 on or prior to March 16, 2017 (completed);
- Subscription of 976,753 units of Asia Pacific for a purchase price of \$500,000 on or prior to April 28, 2017 (completed); and
- Subscription of 2,930,261 units of Asia Pacific for a purchase price of \$1,500,000 (the “Final Funding Tranche”), due within 60 days of issuance of an exploration license for the City of Gold Project by the Government of Myanmar.

Upon the closing of the Final Funding Tranche, City of Gold, LLC will have earned the Option. Due to political and social instability in Myanmar

Once it has exercised the Option, the Company may, at its discretion, 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

	February 28, 2018		
	Cost	Accumulated Depreciation	Net Book Value
	\$	\$	\$
Oil and gas equipment	71,284	16,630	54,654

	February 28, 2017		
	Cost	Accumulated Depreciation	Net Book Value
	\$	\$	\$
Oil and gas equipment	67,289	12,333	54,956

8. ACCOUNTS PAYABLE

During the year ended February 28, 2018, the Company paid \$5,693 in cash to settle \$19,292 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 February 28, 2018, the Company had \$19,942 (2017 - \$18,825) in short term note obligations. The note payable is unsecured, non-interest bearing and payable upon demand.

10. ADVANCE PAYABLE

As at February 28, 2018, the Company had \$4,058 (2017 - \$nil) due to an unrelated party. The balance was related to expenses paid by an unrelated party. The advance payable is unsecured, non-interest bearing and payable upon demand. During the year end February 28, 2018, the Company issued 30,000 shares at a value of \$60,000 to settle an advance payable of \$60,000, related to the acquisition of the Godin property (Note 4).

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 \$39,035 (2017 - \$37,650) 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 \$28,352 (2017 - \$24,546) as at February 28, 2018.

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	6,325,077
Reallocation of derivative liability to equity upon the change in functional currency	<u>(8,915,554)</u>
Balance, February 28, 2018	<u>\$ -</u>

13. SHARE CAPITAL

Year ended February 28, 2018:

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

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

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

In May 2017, the Company issued 15,000,000 shares recorded at their par value of \$15,000 in connection to the acquisition of City of Gold (Note 3d).

In September 2017, the Company issued 250,000 shares with a fair value of \$500,000 in connection to the Black Dragon property (Note 4).

In September 2017, the Company issued 250,000 shares with a fair value of \$500,000 in connection to the Rolling Rock property (Note 4).

In November 2017, the Company issued 30,000 shares with a fair value of \$60,000 to settle an advance payable of \$60,000 in connection to the Godin property (Note 4).

In December 2017, the Company issued 400,000 shares with a fair value of \$800,000 for consulting services. In addition, the Company issued 7,760 shares with a fair value of \$15,632 to settle accounts payable of \$15,632.

In December 2017, the Company issued 800,000 shares in relation to the exercise of 800,000 warrants for total proceeds of \$480,000. As at February 28, 2018, \$200,000 are recorded as share subscriptions receivable.

During the year ended February 28, 2018, the Company issued 2,597,142 common shares for total gross proceeds of \$1,805,000 pursuant to private placements. The Company paid a total of \$105,200 in finder's fees in connection with the private placements of equity financings.

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. 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. 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:

	Number of Warrants	Weighted Average Exercise Price per Warrant
		\$
Outstanding at February 29, 2016	1,080,000	0.40
Issued	2,823,698	0.46
Expired	(80,000)	1.50
Outstanding at February 28, 2017	3,823,698	0.44
Exercised	(800,000)	0.60
Outstanding at February 28, 2018	3,023,698	0.40

A summary of the common share purchase warrants outstanding and exercisable at February 28, 2018 is as follows:

Exercise Price	Number Outstanding	Expiry Date
\$		
0.40	200,000	May 17, 2018
0.40	1,000,000	March 8, 2019
0.40	500,000	March 9, 2019
0.40	1,073,698	February 10, 2019
0.40	250,000	September 22, 2019
	3,023,698	

The weighted average exercise price is \$0.40 and weighted average life of the warrants is 0.99 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 February 28, 2018 is as follows:

Exercise Price	Number Outstanding and Exercisable	Expiry Date	Aggregate Intrinsic Value
\$			\$
0.10	2,300,000	November 3, 2020	6,969,000

As at February 28, 2018, the remaining contractual life of the stock options outstanding was 2.68 years.

The aggregate intrinsic value in the proceeding table represents the total intrinsic value, based on the Company's closing stock price of \$3.13 per share as of February 28, 2018.

14. RELATED PARTY TRANSACTIONS

Due to related parties consist of the following:

	February 28, 2018	February 28, 2017
	\$	\$
Due to directors and officers of the Company	445,912	48,831

As at February 28, 2018, the Company had \$500,000 (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 February 28, 2018, the Company has an accrued interest of \$55,753. Subsequent to February 28, 2018, the Company repaid the principal balance of \$500,000 owed on this note.

15. INCOME TAXES

On December 22, 2017, the Tax Cuts and Jobs Act (2017 Tax Act) was enacted. The 2017 Tax Act includes a number of changes to existing U.S. tax laws that impact the Company, most notably a reduction of the U.S. corporate tax rate from 34% to 21%, for tax years beginning after December 31, 2017. The 2017 Tax Act also provides for the implementation of a territorial tax system, a one-time transition tax on certain foreign earnings, the acceleration of depreciation for certain assets placed into service after September 27, 2017 and other prospective changes beginning in 2018, including repeal of the domestic manufacturing deduction, acceleration of tax revenue recognition, capitalization of research and development expenditures, additional limitations on executive compensation and limitations on the deductibility of interest. Pursuant to the SEC Staff Accounting Bulletin No. 118, Income Tax Accounting Implications of the Tax Cuts and Jobs Act, the Company has not finalized its accounting for the income tax effects of the 2017 Tax Act. This includes a provisional amount related to the re-measurement of deferred tax assets based on the rates at which they are expected to reverse in the future, which is generally 21% plus the applicable state tax rate, with a corresponding change to the valuation allowance as of December 31, 2017. The impact of the 2017 Tax Act may differ from this estimate during the ensuing fiscal year due to, among other things, further refinement of the Company's calculation, changes in interpretations and assumptions the Company has made, additional guidance that may be issued and actions the Company may take as a result of the 2017 Tax Act.

Significant components of the Company's deferred tax assets are as follows:

	February 28, 2018	February 28, 2017
	\$	\$
Loss before income taxes	(8,305,069)	(2,724,306)
Statutory tax rate	21%	35%
Expected recovery of income taxes computed at statutory rates	(1,744,000)	(954,000)
Permanent differences	1,325,000	680,000
Effect of foreign exchange	145,000	4,000
Impact of change of enacted statutory tax rate	593,000	-
Change in valuation allowance	(319,000)	270,000
Provision for income taxes	-	-

The significant components of deferred income tax assets at February 28, 2018 and February 28, 2017 are as follows:

	February 28, 2018	February 28, 2017
	\$	\$
Deferred income tax assets:		
Operating loss carry forward	1,309,000	1,483,000
Oil and gas properties	197,000	342,000
Less: valuation allowance	(1,506,000)	(1,825,000)
Deferred income tax assets, net	-	-

At February 28, 2018, the Company had accumulated non-capital loss carry-forwards of approximately \$6,231,000 that carry forward indefinitely to offset future taxable income.

The potential future tax benefits of these expenses and losses carried-forward have not been reflected in these financial statements due to the uncertainty regarding their ultimate realization.

Tax attributes are subject to review, and potential adjustment by tax authorities.

16. SUBSEQUENT EVENTS

a) Subsequent to February 28, 2018, the Company:

- i.) Issued 1,273,698 common shares upon exercise of 1,273,698 warrants of the Company for total proceeds of \$509,479.
- ii.) Issued 25,000 common shares for gross proceeds of \$50,000 pursuant to a private placement.

b) On May 28, 2018, but effective as of March 1, 2017, the Company entered into a second amendment to purchase and sale agreement (the “Black Dragon Second Amendment”), which amended the terms of the Black Dragon PSA. The Black Dragon Second Amendment has the effect of postponing certain payments relating to the Black Dragon Property under the Black Dragon PSA until August 1, 2019, provided that, if the shares of common stock of the Company are not listed on the TSX Venture Exchange on or before August 1, 2018, the payment deadline will remain December 31, 2018.

On May 28, 2018, but effective as of March 1, 2017, the Company entered into a third amendment to purchase and sale agreement (the “Rolling Rock Third Amendment”), which amended the terms of Rolling Rock PSA. The Rolling Rock Third Amendment has the effect of postponing certain payments relating to the Rolling Rock Property under the Rolling Rock PSA until August 1, 2019, provided that, if the shares of common stock of our company are not listed on the TSX Venture Exchange on or before August 1, 2018, the payment deadline will remain December 31, 2018.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. 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 principal accounting officer 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 principal financial officer, evaluated our company’s disclosure controls and procedures as of the end of the period covered by this annual report on Form 10-K. Based on this evaluation, our management concluded that as of the end of the period covered by this annual report on Form 10-K, our disclosure controls and procedures were not effective, because of a material weakness in our internal control over financial reporting, as discussed below.

Internal control over financial reporting

Management’s annual report on internal control over financial reporting

Our management, including our principal executive officer and principal financial officer, is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934).

Our management, with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of our internal control over financial reporting as of February 28, 2018. Our management’s evaluation of our internal control over financial reporting was based on the framework in Internal Control—Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, our management concluded that our internal control over financial reporting was not effective as of February 28, 2018. The ineffectiveness of our internal control over financial reporting was due to the existence of a material weakness.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. Our management identified the following material weakness:

- (a) Our in-house accounting personnel does not have knowledge of complex US GAAP which caused misinterpretation and misapplication of Accounting Standards Codification (“ASC”) 805, Business Combinations regarding the fair value of assets acquired on initial recognition. Specifically, we did not assess whether the measurement of the fair value of assets acquired in business combinations during the year was more reliably measurable based on the fair value of the consideration given or fair of assets acquired which resulted in the re-statement of the interim financial statements for each of the first and second quarterly reporting periods.
- (b) We are not up to date with our tax compliance requirements for which we determined that the appropriate tax accounting under ASC 740, Income Taxes was not performed impacting the deferred tax asset accounts and related financial statement disclosures.

- (c) We do not have adequate review and approval of supplier and vendor invoices and the related oversight and accuracy of recording the associated charges in our books.
- (d) We lack of adequate oversight related to the development and performance of internal controls. Due to the limited number of personnel in the company, there are inherent limitations to segregation of duties amongst personnel to perform adequate oversight.

To address this material weakness, management performed additional analyses and other procedures to ensure that the financial statements included herein fairly present, in all material respects, our financial position, results of operations and cash flows for the periods presented. Accordingly, we believe that the financial statements included in this report fairly present, in all material respects, our financial condition, results of operations and cash flows for the periods presented

Remediation

In response to the material weakness discussed above, we intend to: (1) increase our accounting personnel when funds are available which will also permit better segregation of duties, (2) appoint one or more additional outside directors who will also be appointed to our audit committee; (3) prepare and implement sufficient written procedures pertaining to accounting; (4) implement a process for review and approve supplier and vendor invoices and develop procedures to monitor the related oversight and accuracy of recording the associated charges in our books; and (5) engage a third party to assist with evaluating all sources of information used in controls, developing and implementing a comprehensive control framework for this information and training on the related control execution and evidencing.

We will continue to monitor and evaluate the effectiveness of our internal controls and procedures over financial reporting on an ongoing basis and are committed to taking further action and implementing additional improvements as necessary and as funds allow.

Limitations on Effectiveness of Controls

Our principal executive officer and principal financial officer do not expect that our disclosure controls or our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additional controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Dale Matheson Carr-Hilton LaBonte, LLP, an independent registered public accounting firm, has provided an attestation report on our internal control over financial reporting as of February 28, 2018, which is included herein.

Changes in internal control over financial reporting

There were no changes in our internal control over financial reporting during the fourth quarter of our fiscal year ended February 28, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Directors and Executive Officers

Name	Position Held with our Company	Age	Date First Elected or Appointed
Marc A. Bruner	Chief Executive Officer, President, Chairman and Director	68	July 18, 2018
Michael Caetano	Chief Operating Officer, Secretary, Treasurer and Director	44	July 30, 2013
Robert DaCunha	Chief Financial Officer and Director	42	November 30, 2013

Business Experience

The following is a brief account of the education and business experience of directors and executive officers during at least the past five years, indicating their principal occupation during the period, and the name and principal business of the organization by which they were employed:

Marc A. Bruner, Chief Executive Officer, Chairman, President and Director

Marc A. Bruner joined our board of directors and became our chairman, president and chief executive officer on July 18, 2017. Mr. Bruner has over 30 years of extensive oil and gas knowledge and experience. He founded and held directorships with numerous oil and gas companies.

Mr. Bruner was previously the Chairman and CEO of Falcon Oil & Gas Ltd. and served as Ultra Petroleum Corp.'s founding Chairman where he was involved in developing the Pinedale Anticline in Wyoming. While serving these companies, Mr. Bruner oversaw negotiations and contracts with global oil and gas companies including Halliburton, Exxon Mobil, Questar Gas and Hess Corporation.

Mr. Bruner established Ultra Petroleum in 1996 to develop the unconventional oil and gas project in Wyoming known as the Pinedale Anticline. During his tenure as Chairman of the Board, Mr. Bruner conceived and negotiated 37 different contracts that formed the core value and principal asset base of Ultra Petroleum.

Mr. Bruner founded Pennaco Energy Inc. to explore and develop coal bed methane properties in the Powder River Basin of Wyoming and Montana in 1997. In March 2000, the company was sold to Marathon Oil.

After founding Falcon Oil & Gas in 2005, Mr. Bruner served as the company's President and Chief Executive Officer until 2010. In 2011, Mr. Bruner established Australian-based Paltar Petroleum. The unconventional oil and gas exploration and development company is focused on exploiting its assets in the Beetaloo Basin undeveloped shale deposits in Northern Australia.

We believe Mr. Bruner is qualified to serve on our board of directors because of his business experience as described above.

Michael Caetano, Chief Operating Officer, Secretary and Treasurer and Director

Michael Caetano joined our board of directors and became our president, chief executive officer, secretary and treasurer on July 30, 2013. Mr. Caetano resigned as our president and chief executive officer and became our chief operating officer on July 18, 2017. He has over 20 years of successful business development and leadership in a wide variety and range of businesses. Along with his business experience he specializes in capital funding, mergers and acquisitions. Mr. Caetano possesses a combination of high energy, entrepreneurial spirit and innate curiosity which will serve Fortem well in its goal of emerging into a successful junior oil and gas exploration and production company.

We believe Mr. Caetano is qualified to serve on our board of directors because of his knowledge of our company's history and current operations and his prior and current board experience, in addition to his education and business experience in business development.

Robert DaCunha, Chief Financial Officer and Director

Robert DaCunha, BA, joined our board of directors and became our chief financial officer on November 30, 2013. Mr. DaCunha earned his Bachelor of Arts degree from the University of Toronto. He has over 10 years of broad finance experience with financial institutions as well as private and public companies. He has been appointed onto the board of directors of several companies and has strong understanding of compliance and audit requirements. Mr. DaCunha is proficient in financial analysis and concentrates on the details pertaining to running a successful organization.

We believe Mr. DaCunha is qualified to serve on our board of directors because of his knowledge of our company's history and current operations and his prior and current board experience, in addition to his education and business experience in finance and accounting.

Family Relationships

There are no family relationships between any director or executive officer.

Involvement in Certain Legal Proceedings

Except as disclosed below, our directors and executive officers have not been involved in any of the following events during the past ten years:

1. any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
2. any conviction in a criminal proceeding or being subject to a pending criminal proceeding (excluding traffic violations and other minor offenses);
3. being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities;
4. being found by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended, or vacated;
5. being the subject of, or a party to, any federal or state judicial or administrative order, judgment, decree, or finding, not subsequently reversed, suspended or vacated, relating to an alleged violation of: (i) any federal or state securities or commodities law or regulation; or (ii) any law or regulation respecting financial institutions or insurance companies including, but not limited to, a temporary or permanent injunction, order of disgorgement or restitution, civil money penalty or temporary or permanent cease-and-desist order, or removal or prohibition order; or (iii) any law or regulation prohibiting mail or wire fraud or fraud in connection with any business entity; or
6. being the subject of, or a party to, any sanction or order, not subsequently reversed, suspended or vacated, of any self-regulatory organization (as defined in Section 3(a)(26) of the Securities Exchange Act of 1934), any registered entity (as defined in Section 1(a)(29) of the Commodity Exchange Act), or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member.

Marc A. Bruner was an insider of Horses Downunder Pty Ltd, an Australian company, by virtue of his 100% indirect ownership of Horses Downunder Pty Limited. On March 26, 2016, Horses Downunder Pty Limited went into liquidation in Australia due to failure to pay contested payables of AUD\$50,000. Horses Downunder Pty Limited was deregistered by the Australian Securities and Investments Commission on August 26, 2017 and has therefore officially ceased to exist on the records of the Australian Securities and Investments Commission.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires our executive officers and directors, and persons who own more than 10% of our common stock, to file reports regarding ownership of, and transactions in, our securities with the Securities and Exchange Commission and to provide us with copies of those filings. Based solely on our review of the copies of such forms received by us, or written representations from certain reporting persons, we believe that during fiscal year ended February 28, 2018, all filing requirements applicable to our officers, directors and greater than ten percent beneficial owners were complied with, with the exception of the following:

Name	Number of Late Reports	Number of Transactions Not Reported on a Timely Basis	Failure to File Required Forms
Angela Mainardi	2	2	Nil
Marc Bruner	4	4	Nil
Jamie Melo	1	1	Nil

Code of Ethics

We have not adopted a code of ethics because our board of directors believes that our small size does not merit the expense of preparing, adopting and administering a code of ethics. Our board of directors intends to adopt a code of ethics when circumstances warrant.

Corporate Governance

Term of Office

Our directors hold office until the next annual meeting of stockholders and until their successors have been elected and qualified or until their death, resignation or removal. Our board of directors appoints our executive officers, and our executive officers serve at the pleasure of our board of directors.

Committees of the Board

Our board of directors held no formal meetings during the year ended February 28, 2018. All proceedings of our board of directors were conducted by resolutions consented to in writing by all the directors and filed with the minutes of the proceedings of the directors. Such resolutions consented to in writing by the directors entitled to vote on that resolution at a meeting of the directors are, according to the corporate laws of the State of Nevada and our By-laws, as valid and effective as if they had been passed at a meeting of our directors duly called and held.

We currently do not have nominating or compensation committees or committees performing similar functions nor do we have a written nominating or compensation committee charter. Our board of directors does not believe that it is necessary to have such committees because it believes that the functions of such committees can be adequately performed by our Board of Directors.

We do not have any defined policy or procedure requirements for shareholders to submit recommendations or nominations for directors. We do not currently have any specific or minimum criteria for the election of nominees to our board of directors and we do not have any specific process or procedure for evaluating such nominees. Our board of directors assesses all candidates, whether submitted by management or shareholders, and makes recommendations for election or appointment.

A shareholder who wishes to communicate with our board of directors may do so by directing a written request to the address appearing on the first page of this annual report.

AUDIT COMMITTEE DISCLOSURE

Under Canadian National Instrument 52-110 – Audit Committees (“NI 52-110”) reporting issuers are required to provide disclosure with respect to its Audit Committee including the text of the Audit Committee’s Charter, composition of the Committee, and the fees paid to the external auditor. We provide the following disclosure with respect to our board of directors, which acts as our Audit Committee:

Audit Committee Charter

Our audit committee charter is filed as Exhibit 99.1 to this annual report on Form 10-K.

Composition of Audit Committee

The members of our Audit Committee are:

Member	Independent ⁽¹⁾	Financially Literate ⁽²⁾
Michael Caetano	No	Yes
Robert DaCunha	No	Yes
Marc A. Bruner	No	Yes

⁽¹⁾ A member of an audit committee is independent if the member has no direct or indirect material relationship with our company, which could, in the view of the Board, reasonably interfere with the exercise of a member’s independent judgment.

⁽²⁾ An individual is financially literate if he has the ability to read and understand a set of financial statements that present a breadth of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by our financial statements.

Audit Committee and Audit Committee Financial Expert

Our board of directors has determined that while we have a board member (Robert DaCunha) that qualifies as an “audit committee financial expert” as defined in Item 407(d)(5)(ii) of Regulation S-K, we do not have a board member that qualifies as “independent” as the term is used by NASDAQ Marketplace Rule 5605(a)(2).

Audit Committee Oversight

At no time since the commencement of our most recently completed financial year was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by our board of directors.

Reliance on Certain Exemptions

Since the commencement of our most recently completed financial year, we have not relied on the exemptions contained in section 2.4, 6.1.1(4), 6.1.1(5), or 6.1.1(6) or Part 8 of National Instrument 52-110. Section 2.4 (De Minimis Non-audit Services) provides an exemption from the requirement that the Audit Committee must pre-approve all non-audit services to be provided by the auditor, where the total amount of fees related to the non-audit services are not expected to exceed 5% of the total fees payable to the auditor in the fiscal year in which the non-audit services were provided. Sections 6.1.1(4) (Circumstance Affecting the Business or Operations of the Venture Issuer), 6.1.1(5) (Events Outside Control of Member) and 6.1.1(6) (Death, Incapacity or Resignation) provide exemptions from the requirement that a majority of the members of the Audit Committee must not be executive officers, employees or control persons of our company or of an affiliate of our company. Part 8 (Exemptions) permits a company to apply to a securities regulatory authority or regulator for an exemption from the requirements of National Instrument 52-110 in whole or in part.

Pre-Approval Policies and Procedures

The Audit Committee is authorized by the Board to review the performance of our external auditors and approve in advance provision of services other than auditing and to consider the independence of the external auditors, including a review of the range of services provided in the context of all consulting services bought by us.

Exemption

We are relying on the exemption provided by section 6.1 of NI 52-110 which provides that we, as a venture issuer, are not required to comply with Part 3 (*Composition of the Audit Committee*) and Part 5 (*Reporting Obligations*) of NI 52-110.

CORPORATE GOVERNANCE

General

The Board of Directors (the “**Board**”) of our company believes that good corporate governance improves corporate performance and benefits all shareholders. Canadian National Policy 58-201 *Corporate Governance Guidelines* provides non-prescriptive guidelines on corporate governance practices for reporting issuers such as the Company. In addition, Canadian National Instrument 58-101 *Disclosure of Corporate Governance Practices* prescribes certain disclosure by our company of its corporate governance practices. This disclosure is presented below.

Board of Directors

The Board is comprised of Marc. A Bruner, Michael Caetano and Robert DaCunha. None of the Company’s directors are independent as each director is also an officer of the Company.

Directorships

None of our directors are or have been directors of other reporting issuers or equivalent.

Orientation and Continuing Education

New Board members receive an orientation package which includes reports on operations and results, and any public disclosure filings by our company, as may be applicable. The Board does not take any steps to provide continuing education for directors.

Ethical Business Conduct

The Board has found that the fiduciary duties placed on individual directors by our governing corporate legislation and the common law and the restrictions placed by applicable corporate legislation on an individual director’s participation in decisions of the Board in which the director has an interest have been sufficient to ensure that the Board operates in the best interests of our company.

Nomination of Directors

Our directors are responsible for identifying individuals qualified to become new directors and recommending to the Board new director nominees.

Compensation

The Board is responsible for determining compensation for the directors of our company to ensure it reflects the responsibilities and risks of being a director of a public company.

Other Board Committees

The Board has no committees other than the Audit Committee.

Assessments

The Board has no formal policy to monitor the effectiveness of the directors, the Board and its committees.

ITEM 11. EXECUTIVE COMPENSATION

Summary Compensation

The particulars of compensation paid to the following persons:

- (a) all individuals serving as our principal executive officer during the year ended February 28, 2018;
- (b) each of our two most highly compensated executive officers who were serving as executive officers at the end of the year ended February 28, 2018 who had total compensation exceeding \$100,000; and
- (c) up to two additional individuals for whom disclosure would have been provided under (b) but for the fact that the individual was not serving as our executive officer at the end of the most recently completed financial year,

who we will collectively refer to as the named executive officers, for our years ended February 28, 2018 and February 28, 2017, are set out in the following summary compensation table:

SUMMARY COMPENSATION TABLE									
Name and Principal Position	Fiscal Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
Michael Caetano ⁽¹⁾ <i>Chief Operating Officer, Secretary, Treasurer and Director and Former President and Chief Executive Officer</i>	2018	150,690 ⁽⁴⁾	Nil	Nil	Nil	Nil	Nil	Nil	150,690
	2017	233,786 ⁽⁴⁾	Nil	Nil	Nil	Nil	Nil	Nil	233,786
Robert DaCunha ⁽²⁾ <i>Chief Financial Officer and Director</i>	2018	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2017	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Marc A. Bruner ⁽³⁾ <i>Chief Executive Officer, Chairman and President</i>	2018	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2017	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

⁽¹⁾ Mr. Michael Caetano was appointed as our President, Chief Executive Officer, Secretary, Treasurer and a director on July 30, 2013. Mr. Caetano resigned as our President and Chief Executive Officer on July 18, 2017 and Mr. Caetano was appointed as our Chief Operating Officer on July 18, 2017.

⁽²⁾ Mr. Robert DaCunha was appointed as our Chief Financial Officer and a director on November 30, 2013.

⁽³⁾ Mr. Marc A. Bruner was appointed as our President, Chief Executive Officer, Chairman and a director on July 18, 2017.

⁽⁴⁾ Mr. Caetano was compensated in the form of management fees paid to an entity under his control, for services rendered in the normal course of operations. These fees were accrued.

Compensation Discussion and Analysis

We have not entered into any agreements or understandings with our executive officers.

Long-Term Incentive Plans, Retirement or Similar Benefit Plans

There are no arrangements or plans in which we provide pension, retirement or similar benefits for directors or executive officers. We do not have any material bonus or profit sharing plans pursuant to which cash or non-cash compensation is or may be paid to our directors or executive officers, except that stock options may be granted at the discretion of our board of directors from time to time. We have no plans or arrangements in respect of remuneration received or that may be received by our executive officers to compensate such officers in the event of termination of employment (as a result of resignation, retirement, change of control) or a change of responsibilities following a change of control.

Outstanding Equity Awards at Fiscal Year-End

The following table sets forth for each named executive officer certain information concerning the outstanding equity awards as of February 28, 2018:

Name	Option awards					Stock awards			
	Number of securities underlying unexercised options (#) exercisable	Number of securities underlying unexercised options (#) unexercisable	Equity incentive plan awards: Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Number of shares or units of stock that have not vested (#)	Market value of shares of units of stock that have not vested (\$)	Equity incentive plan awards: Number of unearned shares, units or other rights that have not vested (#)	Equity incentive plan awards: Market or payout value of unearned shares, units or other rights that have not vested (\$)
Michael Caetano	2,000,000	Nil	Nil	0.10	11/3/2020	Nil	Nil	Nil	Nil
Robert DaCunha	300,000	Nil	Nil	0.10	11/3/2020	Nil	Nil	Nil	Nil
Marc A. Bruner	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Compensation of Directors

We have no directors who were not named executive officers for the year ended February 28, 2018.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

In the following table, we have determined the number and percentage of shares beneficially owned in accordance with Rule 13d-3 of the Securities Exchange Act of 1934 based on information provided to us by beneficial owner of more than 5% of our common stock, named executive officers and directors, and this information does not necessarily indicate beneficial ownership for any other purpose. In determining the number of shares of our common stock beneficially owned by a person and the percentage ownership of that person, we include any shares as to which the person has sole or shared voting power or investment power, as well as any shares subject to warrants or options held by that person that are currently exercisable or exercisable within 60 days.

Title of class	Name and address of beneficial owner	Amount and nature of beneficial ownership	Percent of class⁽¹⁾
Common Stock	Marc A. Bruner 1155 Blake Street, Suite 1002 Denver, CO 80202	37,500,000 ⁽²⁾ Indirect	31.47%
Common Stock	Michael Caetano 3569 Twinmaple Drive Mississauga, ON, L4Y 3P9	4,430,000 ⁽³⁾ Direct/ Indirect	3.66%
Common Stock	Robert DaCunha 68 Armstrong Avenue Toronto, ON M6H 1V8	303,333 ⁽⁴⁾ Direct	*
	Directors & Executive Officers as a group (3 persons)	42,233,333	34.77%
Common Stock	Jaime Melo 153 Sierra Court Maple, ON L6A 2L8, Canada	17,500,000 ⁽⁵⁾ Indirect	14.68%
Common Stock	Angela Mainardi 1503 Commercial Drive Vancouver, BC V5L 3Y1, Canada	20,000,000 ⁽⁶⁾ Indirect	16.78%

* Less than 1%.

⁽¹⁾ Percentage of ownership is based on 119,171,156 common shares issued and outstanding as of June 28, 2018. Except as otherwise indicated, we believe that the beneficial owners of the common stock listed above, based on information furnished by such owners, have sole investment and voting power with respect to such shares, subject to community property laws where applicable.

⁽²⁾ Consists of 17,500,000 common shares owned by MAB Resources Holdings LLC and 20,000,000 common shares owned by Blue Phoenix Energy, LLC. Marc A. Bruner owns and controls MAB Resources Holdings LLC and Blue Phoenix Energy, LLC.

⁽³⁾ Includes stock options which allow the holder to purchase 2,000,000 additional shares. Includes 1,680,000 shares owned by Precision Asset Consulting Executives Inc., of which Michael Caetano beneficially owns and controls all securities.

⁽⁴⁾ Includes stock options which allow the holder to purchase 300,000 shares of our common stock.

⁽⁵⁾ Consists of 17,500,000 shares of our common stock owned by JM Magna Holdings LLC LLC. Jamie Melo exercises investment power over common shares owned by JM Magna Holdings LLC LLC.

⁽⁶⁾ Consists of 20,000,000 common shares owned by Pacific Petroleum LLC. Angela Mainardi exercises investment power over common shares owned by Pacific Petroleum LLC.

Changes in Control

To the knowledge of management and other than as discussed below, there are no present arrangements or pledges of securities of which may result in a change in the control of our company.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Transactions with related persons

Except as disclosed below, since March 1, 2016, there have been no transactions, or currently proposed transactions, in which we were or are to be a participant and the amount involved exceeds the lesser of \$120,000 or one percent of the average of our total assets at year end for the last two completed fiscal years, and in which any of the following persons had or will have a direct or indirect material interest:

- (i) Any director or executive officer of our company;
- (ii) Any person who beneficially owns, directly or indirectly, shares carrying more than 5% of the voting rights attached to our outstanding shares of common stock;
- (iii) Any of our promoters and control persons; and
- (iv) Any member of the immediate family (including spouse, parents, children, siblings and in-laws) of any of the foregoing persons.

During the year ended February 28, 2018, the Company:

- Incurred or accrued a total of \$150,690 (February 28, 2017 - \$233,786) in management fees to Michael Caetano, a director and officer of the Company.

Director Independence

Our common stock is quoted on the OTCQB, which does not impose any director independence requirements. Under NASDAQ Marketplace Rule 5605(a)(2), a director is not considered to be independent if he is also an executive officer or employee of the company. Because Marc A. Bruner, Michael Caetano and Robert DaCunha serve in executive capacities, we determined that we have no “independent directors” as that term is defined by NASDAQ Marketplace Rule 5605(a)(2).

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Audit Fees

The following table sets forth the fees billed to our company for the years ended February 28, 2018 and February 28, 2017 for professional services rendered by Dale Matheson Carr-Hilton LaBonte, LLP, Chartered Professional Accountants:

Fees	2018		2017	
Audit Fees	\$	73,300	\$	29,639
Audit Related Fees		-		-
Tax Fees		-		-
Other Fees		-		-
Total Fees	\$	73,300	\$	29,639

The category of “Audit-related fees” includes fees related to the performance of the audit or review of our financial statements and services rendered in connection with regulatory filings with the SEC. “Tax fees” include fees incurred in the review and preparation of our annual income tax filings.

Pre-Approval Policies and Procedures

Our entire Board of Directors, which acts as our audit committee, pre-approves all services provided by our independent auditors. All of the above services and fees were reviewed and approved by our board of directors before the respective services were rendered.

Our Board of Directors has considered the nature and amount of fees billed by Dale Matheson Carr-Hilton LaBonte, LLP and believe that the provision of services for activities unrelated to the audit is compatible with maintaining their respective independence.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

Exhibits required by Item 601 of Regulation S-K:

No.	Description
3.1	<u>Articles of Incorporation (incorporated by reference from our registration statement on Form SB-2 filed on December 1, 2006)</u>
3.2	<u>Corporate Bylaws (incorporated by reference from our registration statement on Form SB-2 filed on December 1, 2006)</u>
3.3	<u>Certificate of Change (incorporated by reference from our current report on Form 8-K filed on October 22, 2007)</u>
3.4	<u>Certificate of Amendment (incorporated by reference from our current report on Form 8-K filed on February 15, 2008)</u>
3.5	<u>Articles of Merger dated effective March 30, 2017 (incorporated by reference from our current report on Form 8-K filed on March 30, 2017)</u>
10.1	<u>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)</u>
10.2	<u>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)</u>
10.3	<u>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)</u>
10.4	<u>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)</u>
10.5	<u>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)</u>
10.6	<u>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)</u>
10.7	<u>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)</u>
10.8	<u>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)</u>
10.9	<u>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)</u>
10.10	<u>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)</u>
10.11	<u>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)</u>
10.12	<u>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)</u>

10.13	<u>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)</u>
10.14	<u>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)</u>
10.15	<u>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)</u>
10.16	<u>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)</u>
10.17	<u>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)</u>
10.18	<u>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)</u>
10.19	<u>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)</u>
10.20	<u>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)</u>
10.21	<u>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)</u>
10.22	<u>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)</u>
10.23	<u>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)</u>
10.24	<u>Debt Conversion Agreement dated November 2, 2017 with Grassy Butte Energy Ltd. (incorporated by reference from our current report on Form 8-K filed on November 9, 2017)</u>
10.25	<u>Debt Conversion Agreement dated December 19, 2017 with LPD Ltd. (incorporated by reference from our current report on Form 8-K filed on December 22, 2017)</u>
10.26	<u>Second Amendment to Purchase and Sale Agreement dated 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 June 15, 2018)</u>
10.27	<u>Ratification of Purchase and Sale dated 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 June 15, 2018)</u>
10.28	<u>Third Amendment to Purchase and Sale Agreement dated 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 June 15, 2018)</u>
10.29	<u>Ratification of Purchase and Sale Agreement dated March 1, 2017 between Rockies Standard Oil Company, LLC and the Company (incorporated by reference from our current report on Form 8-K filed on June 15, 2018)</u>

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
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.

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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: June 28, 2018

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

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

Date: June 28, 2018

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

Date: June 28, 2018