

# FORM 10-K

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

For the fiscal year ended: **February 29, 2020**

**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

(Exact name of registrant as specified in its charter)

**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 | Trading Symbol(s) | Name of each Exchange on which registered |
|---------------------|-------------------|-------------------------------------------|
| Nil                 | N/A               | N/A                                       |

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 ☒

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 every Interactive Data File required to be submitted 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 such files).

Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See 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 | <input type="checkbox"/> | Accelerated filer         | <input type="checkbox"/>            |
| Non-accelerated filer   | <input type="checkbox"/> | Smaller reporting company | <input checked="" type="checkbox"/> |
|                         |                          | Emerging growth company   | <input type="checkbox"/>            |

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

Indicated by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

Yes ☐ No ☒

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.

43,329,489 shares of common stock at a price of \$3.49 per share for an aggregate market value of \$151,219,917.

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 July 20, 2020, there were 122,571,156 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 Fortem Resources Inc. and its wholly-owned subsidiaries, Colony Energy, LLC, Black Dragon Energy, LLC, Rolling Rock Resources, LLC, and City of Gold, LLC, unless otherwise specified.

## **Recent Developments**

Effective at the opening on August 23, 2018, shares of our common stock were approved for trading on the TSX Venture Exchange in Canada under the symbol “FTM”. We were approved for listing as a Tier 2 Oil and Gas Reserves Issuer.

On August 23, 2018, we appointed Konstantine Vatskalis, Sandra Perry, William Via and Brett Matich as directors of the Company and Robert DaCunha resigned as a director of the Company. The Company’s board of directors was comprised of Marc Bruner, Michael Cactano, Konstantine Vatskalis, Sandra Perry, William Via and Brett Matich.

On September 26, 2018, we entered into an asset purchase agreement (the “Agreement”) with a major Canadian oil and gas company to purchase a 100% working interest in three heavy oil leases (the “Oil Leases”) covering a total of 20,719 hectares (51,200 acres) of heavy oil in north central Alberta (the “Transaction”). The rights to the Oil Leases, cover heavy oil of 12-16 API located near the top of the Viking formation to the base of the Woodbend Group.

The acquisition of the Oil Leases complements the Company’s existing land holdings of 12,800 acres directly adjacent to and to the south of the Oil Leases. Upon completion of the Transaction, we will own over 62,000 acres of which 48,000 is contiguous land containing extensive heavy oil deposits within the main producing horizon, the Wabiskaw formation, along with a secondary horizon, namely the McMurray formation.

As consideration for the Oil Leases, we agreed to pay a purchase price of CDN\$3,000,000 plus applicable GST, CDN\$200,000 of which was paid as an initial deposit upon the execution of the Agreement. The closing of the Transaction was expected to occur on November 15, 2018 with an option to extend the closing date 60 days upon payment of an additional deposit of CDN\$100,000. In November 2018, the Company exercised the option and extended the closing of the Transaction to January 14, 2019 with a payment of CDN\$100,000. The Company and the vendor subsequently entered into an extension agreement whereby the closing date of the Transaction was extended to a date on or before February 19, 2020 and a total deposit of CDN\$500,000 has been paid. During the year ended February 29, 2020, the Agreement was in default and the Company wrote off the deposit of CDN\$500,000.

On July 2, 2019, Sandra Perry resigned as a director of our Company.

On September 23, 2019, the Company entered into a non-binding term sheet with an arm’s length party (the “Farmee”), pursuant to which the parties agreed to farm-out a portion of the Rolling Rock Property, and to establish a joint venture, subject to the entry of a definitive transaction agreement. Pursuant to the term sheet, the Farmee will commit up to \$15,000,000 (the “Commitment Amount”) in up to ten tranches (each, a “Tranche”) in exchange for a 100% operating interest in certain wells located on the Rolling Rock Property (the “Operating Interest”). Upon full payout of the Commitment Amount, the Company will be entitled to a 20% interest in the income generated from the Farmee’s activities, which interest shall be increased to 25% following a 2.0x return of capital of the Farmee’s investment (the “Carry Structure”). The Operating Interest will be conveyed to the Farmee upon the execution of the Definitive Agreement for the Obligation Tranche and upon affirmative election by the Farmee to proceed with any Subsequent Tranche.

A subsidiary of the Farmee, in collaboration with the Company and Rolling Rock, is anticipated to be the operator upon formation of the joint venture in regards to the participating wells. All costs related to the wellbores subsequent to re-entry, including plugging and abandonment costs, will be borne in proportion to the carry structure at the time of commencement of wellbore operations. No additional midstream fees are to be charged by the Company, Rolling Rock, any related party or affiliate thereof to the Farmee that are in excess of, or including a margin on top of the necessary operating expenses incurred to gather, compress, process, dehydrate, treat, and/or transport gas to sale. The joint venture and all gas produced as a direct result of the Farmee, the Company and Rolling Rock’s activities will have primary service that takes precedent over any third party gas produce from the subject wells.

### ***Compeer Oil and Gas Operations***

As of February 29, 2020, we have incurred \$383,228 in exploration costs to drill, complete and equip the Test Well. We also recorded \$32,310 in asset retirement obligations related to the future plugging and abandonment of the Test Well.

As at July 20, 2020, it is too early to provide stabilized production forecasts.

### ***Colony Energy***

On April 7, 2017, we entered into and closed two Membership Interest Purchase Agreements with three vendors to acquire all the membership interests of Colony Energy, LLC (“Colony Energy”), 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 Energy, 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 (issued), second and third anniversaries of the closing date.

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

### ***Black Dragon***

On April 12 2017, we entered into and closed a Membership Interest Purchase Agreement (the “Black Dragon MPA”) with two 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.

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 12.5% 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 12.5% 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.

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.

On May 28, 2018, we 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 Moenkopi formation under the Black Dragon PSA until August 1, 2019, provided that, if the shares of common stock of our company were not listed on the TSX Venture Exchange on or before August 1, 2018, the payment deadline was to remain December 31, 2018.

On August 16, 2018, but effective as of March 1, 2017, we entered into a third amendment to purchase and sale agreement (the “Black Dragon Third Amendment”), which amended the terms of the Black Dragon PSA. The Black Dragon Third Amendment has the effect of postponing certain payments relating to the Moenkopi formation under the Black Dragon PSA until October 1, 2019.

On May 16, 2019, but effective as of March 1, 2017, we entered into a fourth amendment to purchase and sale agreement (the “Black Dragon Fourth Amendment”), which amended the terms of the Black Dragon PSA. The Black Dragon Fourth Amendment has the effect of postponing certain payments relating to the Moenkopi formation under the Black Dragon PSA until May 1, 2020.

In consideration of the various extensions provided for under the Black Dragon Fourth Amendment, the Company has agreed to issue 300,000 common shares to the vendor at a deemed price of \$1.50 per common share.

On May 22, 2020, but effective as of March 1, 2017, we entered into a fifth amendment to purchase and sale agreement (the “Black Dragon Fifth Amendment”), which amended the terms of the Black Dragon PSA. The Black Dragon Fifth Amendment has the effect of postponing certain payments relating to the Moenkopi formation under the Black Dragon PSA until August 1, 2020.

On July 18, 2020, but effective as of March 1, 2017, we entered into a sixth amendment to purchase and sale agreement (the “Black Dragon Sixth Amendment”), which amended the terms of the Black Dragon PSA. The Black Dragon Sixth Amendment has the effect of:

- postponing payment of the remaining US\$3.8 million owed under the Black Dragon PSA relating to the Moenkopi Formation until receipt of the proceeds of one or more financings by the Company, in which case the Company must pay 12.5% of the proceeds of each financing close until payment in full;
- extending the outside date of full payment of the remaining US\$3.8 million to November 1, 2020;
- extending the “Obligation Deadline” for drilling obligations to A November 1, 2020;
- requiring the Company to re-enter and perform workover operations reasonably aimed at cleaning out the bore of the Wellington Flats Well and restoring that well to production on or prior to November 1, 2020; and
- extending the deadline for bond replacement to November 1, 2020.

### *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 November 1, 2020, 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.

### ***Rolling Rock***

On April 17, 2017, we entered into and closed a Membership Interest Purchase Agreement with two 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.

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 12.5% 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 12.5% 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 12.5% 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.

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.

On May 28, 2018, we entered into a third amendment to purchase and sale agreement (the “Rolling Rock Third Amendment”), which amended the terms of the Rolling Rock PSA. The Rolling Rock Third Amendment had 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 were not listed on the TSX Venture Exchange on or before August 1, 2018, the payment deadline was to remain December 31, 2018.

On August 16, 2018, but effective as of March 1, 2017, we entered into a fourth amendment to purchase and sale agreement (the “Rolling Rock Fourth Amendment”), which amended the terms of the Rolling Rock PSA. The Rolling Rock Fourth Amendment has the effect of postponing certain payments relating to the Mancos formation under the Rolling Rock PSA until October 1, 2019.

On May 16, 2019, but effective as of March 1, 2017, we entered into a fifth amendment to purchase and sale agreement (the “Rolling Rock Fifth Amendment”), which amended the terms of the Rolling Rock PSA. The Rolling Rock Fifth Amendment has the effect of postponing certain payments relating to the Mancos formation under the Rolling Rock PSA until May 1, 2020.

In consideration of the various extensions provided for under the Rolling Rock Fifth Amendment, the Company has agreed to issue 300,000 common shares to the vendor at a deemed price of \$1.50 per common share.

On May 22, 2020, but effective as of March 1, 2017, we entered into a sixth amendment to purchase and sale agreement (the “Rolling Rock Sixth Amendment”), which amended the terms of the Rolling Rock PSA. The Rolling Rock Sixth Amendment has the effect of postponing certain payments relating to the Moenkopi formation under the Black Dragon PSA until August 1, 2020.

On July 18, 2020, but effective as of March 1, 2017, we entered into a seventh amendment to purchase and sale agreement (the “Rolling Rock Seventh Amendment”), which amended the terms of the Rolling Rock PSA. The Rolling Rock Seventh Amendment has the effect of:

- postponing payment of the remaining US\$5.3 million owed under the Rolling Rock PSA relating to the Mancos Formation until receipt of the proceeds of one or more financings by the Company, in which case the Company must pay 12.5% of the proceeds of each financing close until payment in full;

- extending payment of an additional US\$300,000 as the Workover Funds on or before November 1, 2020 (which Workover Funds are separate from and in addition to the cash consideration of US\$5.3 million);
- extending the outside date of full payment of the remaining US\$5.3 million to November 1, 2020 (the “Rolling Rock Payment Deadline”);
- extending the “Obligation Deadline” for drilling obligations to November 1, 2020; and
- extending the deadline for bond replacement to November 1, 2020.

#### *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 November 1, 2020, 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 75% 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 November 1, 2020 (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 July 1, 2019, the vendor agreed to convey to Rolling Rock an undivided 75% 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.

#### *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 July 20, 2020, 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 July 20, 2020, 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 \$107,033,456 as at February 29, 2020. 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.

*Our business could be materially and adversely affected as a result of the COVID-19 coronavirus*

Our Company faces risks related to health epidemics and other outbreaks of communicable diseases, which could significantly disrupt its operations and may materially and adversely affect its business and financial conditions. Our business could be adversely impacted by the effects of the coronavirus or other epidemics. In December 2019, a novel strain of the coronavirus emerged in China and the virus has now spread to several other countries, including Canada and the United States., and infections have been reported globally. The extent to which the coronavirus impacts our business, including its operations and the market for its securities, will depend on future developments, which are highly uncertain and cannot be predicted at this time, and include the duration, severity and scope of the outbreak and the actions taken to contain or treat the coronavirus outbreak. In particular, the continued spread of the coronavirus globally could materially and adversely impact our business including without limitation, employee health, workforce productivity, increased insurance premiums, limitations on travel, the availability of industry experts and personnel, restrictions to its drill program and/or the timing to process drill and other metallurgical testing, and other factors that will depend on future developments beyond our control, which may have a material and adverse effect on the its business, financial condition and results of operations. There can be no assurance that our personnel will not be impacted by these pandemic diseases and ultimately see its workforce productivity reduced or incur increased medical costs / insurance premiums as a result of these health risks. In addition, a significant outbreak of coronavirus could result in a widespread global health crisis that could adversely affect global economies and financial markets resulting in an economic downturn that could have an adverse effect on the demand for precious metals and our future prospects.

*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 and TSX Venture Exchange. Trading of our stock through OTCQB and TSX Venture Exchange 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**

None.

**ITEM 2. PROPERTIES**

***Executive Offices and Registered Agent***

Our operational office is located at Suite 1020, 909 11<sup>th</sup> Avenue, S.W., Calgary, Alberta Canada T2R 0E7. 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.

| CATEGORY | Oil                |      |                |         |                |      | Natural Gas    |      |                |      |            |         |
|----------|--------------------|------|----------------|---------|----------------|------|----------------|------|----------------|------|------------|---------|
|          | Light/Medium Crude |      | Heavy Crude    |         | Tight Oil      |      | Solution Gas   |      | Conventional   |      | Total BOE  |         |
|          | W.I. Co. Share     |      | W.I. Co. Share |         | W.I. Co. Share |      | W.I. Co. Share |      | W.I. Co. Share |      | W.I. 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     |                    |      |                |         |                |      |                |      |                |      |            |         |
| PUD      |                    |      |                |         |                |      |                |      |                |      |            |         |
| TP       |                    |      |                |         |                |      |                |      |                |      |            |         |
| PB       | 66.4               | 59.1 | 27208.7        | 23399.5 |                |      |                |      |                |      | 27275.1    | 23458.6 |
| P+P      | 66.4               | 59.1 | 27208.7        | 23399.5 |                |      |                |      |                |      | 27275.1    | 23458.6 |
| POSS     | 0                  | 0    | 49546.2        | 42609.8 |                |      |                |      |                |      | 49546.2    | 42609.8 |
| P+P+P    | 66.4               | 59.1 | 76754.9        | 66009.3 |                |      |                |      |                |      | 76821.3    | 66068.4 |

Canada Volumes in Metric Units

| CATEGORY | Oil                |      |                |         |                |      | Natural Gas    |      |                |      |            |         |
|----------|--------------------|------|----------------|---------|----------------|------|----------------|------|----------------|------|------------|---------|
|          | Light/Medium Crude |      | Heavy Crude    |         | Tight Oil      |      | Solution Gas   |      | Conventional   |      | Total BOE  |         |
|          | W.I. Co. Share     |      | W.I. Co. Share |         | W.I. Co. Share |      | W.I. Co. Share |      | W.I. Co. Share |      | W.I. Share |         |
|          | Gross              | Net  | Gross          | Net     | Gross          | Net  | Gross          | Net  | Gross          | Net  | Gross      | Net     |
|          | E3m3               | E3m3 | E3m3           | E3m3    | E3m3           | E3m3 | E6m3           | E6m3 | E6m3           | E6m3 | Mboe       | Boe     |
|          |                    |      |                |         |                |      |                |      |                |      |            |         |
| PDNP     |                    |      |                |         |                |      |                |      |                |      |            |         |
| PUD      |                    |      |                |         |                |      |                |      |                |      |            |         |
| TP       |                    |      |                |         |                |      |                |      |                |      |            |         |
| PB       | 10.6               | 9.4  | 4325.7         | 3720.1  |                |      |                |      |                |      | 4336       | 3729.5  |
| P+P      | 10.6               | 9.4  | 4325.7         | 3720.1  |                |      |                |      |                |      | 4336       | 3729.5  |
| POSS     | 0                  | 0    | 7877.0         | 6774.20 |                |      |                |      |                |      | 7877       | 6774.2  |
| P+P+P    | 10.6               | 9.4  | 12202.7        | 10494.3 |                |      |                |      |                |      | 12213.3    | 10503.7 |

| United States Volumes in Imperial Units |                    |      |                |      |                |         |                |      |                |      |            |         |
|-----------------------------------------|--------------------|------|----------------|------|----------------|---------|----------------|------|----------------|------|------------|---------|
| CATEGORY                                | Oil                |      |                |      |                |         | Natural Gas    |      |                |      | Total BOE  |         |
|                                         | Light/Medium Crude |      | Heavy Crude    |      | Tight Oil      |         | Solution Gas   |      | Conventional   |      |            |         |
|                                         | W.I. Co. Share     |      | W.I. Co. Share |      | W.I. Co. Share |         | W.I. Co. Share |      | W.I. Co. Share |      | W.I. 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                                     |                    |      |                |      | 189.0          | 160.6   |                |      |                |      | 189.0      | 160.6   |
| TP                                      |                    |      |                |      | 386.8          | 328.7   |                |      |                |      | 386.8      | 328.7   |
| PB                                      |                    |      |                |      | 1350.2         | 1147.7  |                |      |                |      | 1350.2     | 1147.7  |
| P+P                                     |                    |      |                |      | 1737.0         | 1476.4  |                |      |                |      | 1737.0     | 1476.4  |
| POSS                                    |                    |      |                |      | 25943.9        | 22052.4 |                |      |                |      | 25943.9    | 22052.4 |
| P+P+P                                   |                    |      |                |      | 27680.9        | 23528.8 |                |      |                |      | 27680.9    | 23528.8 |

| United States Volumes in Metric Units |                    |      |                |      |                |        |                |      |                |      |            |        |        |
|---------------------------------------|--------------------|------|----------------|------|----------------|--------|----------------|------|----------------|------|------------|--------|--------|
| CATEGORY                              | Oil                |      |                |      |                |        | Natural Gas    |      |                |      | Total BOE  |        |        |
|                                       | Light/Medium Crude |      | Heavy Crude    |      | Tight Oil      |        | Solution Gas   |      | Conventional   |      |            |        |        |
|                                       | W.I. Co. Share     |      | W.I. Co. Share |      | W.I. Co. Share |        | W.I. Co. Share |      | W.I. Co. Share |      | W.I. Share |        |        |
|                                       | Gross              | Net  | Gross          | Net  | Gross          | Net    | Gross          | Net  | Gross          | Net  | Gross      | Net    |        |
|                                       | E3m3               | E3m3 | E3m3           | E3m3 | E3m3           | E3m3   | E6m3           | E6m3 | E6m3           | E6m3 | Mboe       | Boe    |        |
|                                       | PDNP               |      |                |      |                | 31.4   | 26.7           |      |                |      |            | 31.4   | 26.7   |
| PUD                                   |                    |      |                |      |                | 30.0   | 25.5           |      |                |      |            | 30.0   | 25.5   |
| TP                                    |                    |      |                |      |                | 61.4   | 52.2           |      |                |      |            | 61.4   | 52.2   |
| PB                                    |                    |      |                |      |                | 214.7  | 182.4          |      |                |      |            | 214.7  | 182.4  |
| P+P                                   |                    |      |                |      |                | 276.1  | 234.6          |      |                |      |            | 276.1  | 234.6  |
| POSS                                  |                    |      |                |      |                | 4124.6 | 3505.9         |      |                |      |            | 4124.6 | 3505.9 |
| P+P+P                                 |                    |      |                |      |                | 4400.7 | 3740.5         |      |                |      |            | 4400.7 | 3740.5 |

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 |        |        |        |        |
|------------------------------|---------------------------------------|--------|--------|--------|--------|
| Reserve Category             | BEFORE TAX                            |        |        |        |        |
|                              | 0.00%                                 | 5.00%  | 10.00% | 15.00% | 20.00% |
|                              | MM\$C                                 | MM\$C  | MM\$C  | MM\$C  | MM\$C  |
| Total Proved                 | 0                                     | 0      | 0      | 0      | 0      |
| Total Probable               | 694.8                                 | 542.6  | 429.4  | 343.9  | 248.4  |
| Total Proved + Probable      | 694.8                                 | 542.6  | 429.4  | 343.9  | 278.4  |
| Total Possible               | 1335.0                                | 931.1  | 662.5  | 480.1  | 353.5  |
| Total Proved + Prob. + Poss. | 2029.8                                | 1473.7 | 1091.9 | 824.0  | 631.9  |

| Reserve Category             | Net Present Value of Future Cash Flow |       |        |        |        |
|------------------------------|---------------------------------------|-------|--------|--------|--------|
|                              | BEFORE TAX                            |       |        |        |        |
|                              | 0.00%                                 | 5.00% | 10.00% | 15.00% | 20.00% |
|                              | MMSC                                  | MMSC  | MMSC   | MMSC   | MMSC   |
| Total Proved                 | 8.6                                   | 6.6   | 5.3    | 4.3    | 3.5    |
| Total Probable               | 30.2                                  | 22.9  | 17.9   | 14.4   | 11.7   |
| Total Proved + Probable      | 38.8                                  | 29.5  | 23.2   | 18.7   | 15.2   |
| Total Possible               | 588.1                                 | 431.7 | 326.8  | 253.9  | 201.2  |
| Total Proved + Prob. + Poss. | 626.9                                 | 461.2 | 350.0  | 272.6  | 216.4  |

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.

Effective: March 1, 2020

| Reserve<br>Category          | CANADA Undiscounted Company Share Cash Flow |         |           |             |                 |               |              |
|------------------------------|---------------------------------------------|---------|-----------|-------------|-----------------|---------------|--------------|
|                              | Royalties/                                  |         | Op. Costs | Abandonment | Net. Op. Income | Capital Costs | BT Cash Flow |
|                              | Revenue                                     | Burdens |           |             |                 |               |              |
|                              | MM\$CDN                                     | MM\$CDN | MM\$CDN   | MM\$CDN     | MM\$CDN         | MM\$CDN       | MM\$CDN      |
| Total Proven                 | 0                                           | 0       | 0         | 0           | 0               | 0             | 0            |
| Total Probable               | 1469.4                                      | 205.6   | 458.2     | 2.6         | 803.0           | 108.1         | 694.8        |
| Total Proved + Probable      | 1469.4                                      | 205.6   | 458.2     | 2.6         | 803.0           | 108.1         | 694.8        |
| Total Possible               | 2679.4                                      | 375.1   | 831.5     | 4.6         | 1468.1          | 133.2         | 1335.0       |
| Total Proved + Prob. + Poss. | 4148.8                                      | 580.7   | 1289.7    | 7.2         | 2271.1          | 241.3         | 2029.8       |

| Reserve<br>Category          | Moenkopi Utah Undiscounted Company Share Cash Flow |         |           |             |                 |               |              |
|------------------------------|----------------------------------------------------|---------|-----------|-------------|-----------------|---------------|--------------|
|                              | Royalties/                                         |         | Op. Costs | Abandonment | Net. Op. Income | Capital Costs | BT Cash Flow |
|                              | Revenue                                            | Burdens |           |             |                 |               |              |
|                              | MM\$CDN                                            | MM\$CDN | MM\$CDN   | MM\$CDN     | MM\$CDN         | MM\$CDN       | MM\$CDN      |
| Total Proven                 | 18.6                                               | 2.8     | 5.1       | .3          | 10.4            | 1.8           | 8.6          |
| Total Probable               | 64.9                                               | 9.7     | 17.8      | .3          | 37.4            | 7.2           | 30.2         |
| Total Proved + Probable      | 83.5                                               | 12.5    | 22.9      | .6          | 47.8            | 9.0           | 38.8         |
| Total Possible               | 1249.1                                             | 177.3   | 337.0     | 4.8         | 718.9           | 131.1         | 588.1        |
| Total Proved + Prob. + Poss. | 1332.6                                             | 189.8   | 359.9     | 5.4         | 766.7           | 140.1         | 626.9        |

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.

Effective: March 1, 2020

CANADA

| Reserve<br>Category          | Production<br>Group | Product Net Revenue<br>MM\$CDN | Unit Value<br>\$CDN/unit |
|------------------------------|---------------------|--------------------------------|--------------------------|
| Total Proved                 | Light Oil           | 0                              | 0                        |
|                              | Heavy Oil           | 0                              | 0                        |
|                              | Total               | 0                              | 0                        |
| Total Proved + Prob.         | Light Oil           | 1.4                            | 21.08                    |
|                              | Heavy Oil           | 1335.0                         | 26.97                    |
|                              | Total               | 1336.4                         |                          |
| Total Proved + Prob. + Poss. | Light Oil           | 1.4                            | 21.08                    |
|                              | Heavy Oil           | 2028.4                         | 26.45                    |
|                              | Total               | 2029.8                         |                          |

Moenkopi UNITED STATES

| Reserves Category    | Production Group | Product Net Revenue<br>MMSUS | Unit Value<br>\$US/unit |
|----------------------|------------------|------------------------------|-------------------------|
| Total Proved         | Light Oil        | 8.6                          | 22.28                   |
|                      | Total            | 8.6                          | 22.28                   |
| Total Proved + Prob. | Light Oil        | 38.8                         | 22.34                   |
|                      | Total            | 38.8                         | 22.34                   |

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 29, 2020.

2020 Price assumptions were used to determine cash flows in the non- fixed price tables.

| Product<br>Item Type<br>Name<br>Unit | Oil<br>Parent<br>WTI<br>US\$/BBL | Moenkopi<br>Offset<br>& Trans.<br>\$/US/BBL | Moenkopi<br>Result<br>Oil<br>US\$/BBL | Oil<br>Parent<br>WCS<br>CDN\$/BBL | Godin<br>Result<br>Oil<br>CDN\$/BBL | Compeer<br>Result<br>Oil<br>CDN\$/BBL |
|--------------------------------------|----------------------------------|---------------------------------------------|---------------------------------------|-----------------------------------|-------------------------------------|---------------------------------------|
| Jan – 20                             | \$ 30.00                         | 7                                           | \$ 23.00                              | \$ 20.00                          | \$ 20.00                            | \$ 40.00                              |
| Jan – 21                             | \$ 40.00                         | 7                                           | \$ 33.00                              | \$ 35.00                          | \$ 35.00                            | \$ 53.33                              |
| Jan – 22                             | \$ 50.00                         | 7                                           | \$ 43.00                              | \$ 45.00                          | \$ 45.00                            | \$ 66.67                              |
| Jan – 23                             | \$ 52.50                         | 7                                           | \$ 42.50                              | \$ 50.00                          | \$ 50.00                            | \$ 70.00                              |
| Jan – 24                             | \$ 55.00                         | 7                                           | \$ 48.00                              | \$ 55.00                          | \$ 55.00                            | \$ 73.33                              |
| Jan – 25                             | \$ 57.50                         | 7                                           | \$ 50.50                              | \$ 57.00                          | \$ 57.00                            | \$ 76.67                              |
| Jan – 26                             | \$ 58.50                         | 7                                           | \$ 51.50                              | \$ 58.00                          | \$ 58.00                            | \$ 78.00                              |
| Jan – 27                             | \$ 60.00                         | 7                                           | \$ 53.00                              | \$ 59.00                          | \$ 59.00                            | \$ 80.00                              |
| Jan – 28                             | \$ 61.00                         | 7                                           | \$ 54.00                              | \$ 61.00                          | \$ 61.00                            | \$ 81.33                              |
| Jan – 29                             | \$ 62.00                         | 7                                           | \$ 55.00                              | \$ 62.00                          | \$ 62.00                            | \$ 82.67                              |
| Jan – 30                             | \$ 63.00                         | 7                                           | \$ 56.00                              | \$ 63.00                          | \$ 63.00                            | \$ 84.00                              |
| Jan – 31                             | \$ 64.00                         | 7                                           | \$ 57.00                              | \$ 64.00                          | \$ 64.00                            | \$ 85.33                              |
| Jan – 30                             | \$ 65.00                         | 7                                           | \$ 58.00                              | \$ 65.00                          | \$ 65.00                            | \$ 86.68                              |

**Proved undeveloped reserves and Probable Reserves.**

***Canadian Assets***

***Compeer***

As of March 1, 2020, we have modified the proven reserves in the Compeer property from proven non-producing to probable. No other categories of reserves were modified with the Compeer Property. One producing well was drilled, namely 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 2019-20 as the market price was too low to justify operations. Production for the fiscal year was zero barrels. Fortem will workover the well in September of 2020.

***Godin***

As of March 1, 2020, we have 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. The Godin Property is a heavy oil asset subject to WCS (Western Canadian Select pricing).

***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. The remaining land has been grouped within Contingent Resource categories for the TXS, the Sinbad and the Torrey A & B formations.

There were no material changes in proved undeveloped reserves that occurred during the year ended February 29, 2020, 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.

**Oil and gas production, production prices and production costs.**

During the year ended February 29, 2020, 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 ended February 29, 2020. 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 2,378 gross acres and 2,260 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

Black 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 Unita Basin of Utah.

Rolling Rock - We own a 75 percent interest in a joint venture containing 130,942 (65,471 net) acres of land (as of February 29, 2020). We place a value on the land of \$1,527,729 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:

| <u>Court/Registry</u>             | <u>Date Instituted</u> | <u>Principal Parties</u>                                                                                                      | <u>Description of Claim</u>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|-----------------------------------|------------------------|-------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Court of Queen’s Bench of Alberta | July 23, 2013          | <b>Plaintiff:</b> Baker Hughes Canada Company;<br><b>Defendant:</b> Fortem Resources Inc., also known as Big Lake Energy Ltd. | <p>A Statement of Claim was filed July 23, 2013, whereby the Plaintiff is suing the Defendant for the sum of CAD\$281,267.68 representing the amount owing for oil-field services and equipment, including cementing and fishing products and services provided by the Plaintiff.</p> <p>In December 2015, the Company reached a settlement agreement for a total of \$149,784 (CAD\$200,000) in eight equal monthly installments of \$18,723 (CAD\$25,000) starting February 1, 2016. Upon receipt of the final installment, the vendor agreed to discontinue the claim and provide a release to the Company. The Company only made one 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 CAD\$256,267 as at February 29, 2020.</p> |

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”. Effective at the opening on August 23, 2018, shares of our common stock have been approved for trading on the TSX Venture Exchange in Canada under the symbol “FTM.”

Set forth below are the range of high and low bid quotations for our common stock from the OTCQB and high and low closing prices for our common stock from the TSX Venture Exchange for the periods indicated. The market quotations reflect inter-dealer prices, without retail mark-up, mark-down or commissions and may not necessarily represent actual transactions:

| Quarter Ended     | OTCQB<br>(U.S. dollars) |         | TSX Venture<br>Exchange*<br>(Canadian dollars) |         |
|-------------------|-------------------------|---------|------------------------------------------------|---------|
|                   | High                    | Low     | High                                           | Low     |
| February 29, 2020 | \$ 1.25                 | \$ 0.85 | \$ 2.10                                        | \$ 2.10 |
| November 30, 2019 | \$ 1.58                 | \$ 0.99 | \$ 2.10                                        | \$ 2.10 |
| August 31, 2019   | \$ 1.68                 | \$ 1.27 | \$ 2.48                                        | \$ 2.10 |
| May 31, 2019      | \$ 2.24                 | \$ 1.54 | \$ 1.50                                        | \$ 2.75 |
| February 28, 2019 | \$ 2.55                 | \$ 2.01 | \$ 3.30                                        | \$ 2.75 |
| November 30, 2018 | \$ 3.95                 | \$ 1.84 | \$ 5.50                                        | \$ 2.89 |
| August 31, 2018   | \$ 3.49                 | \$ 2.22 | \$ 4.15                                        | \$ 3.90 |
| May 31, 2018      | \$ 3.75                 | \$ 2.01 | N/A                                            | N/A     |

On July 16, 2019, the Company’s common shares ceased trading on the TSX Venture Exchange pursuant to a cease trade order (“CTO”) issued by the Alberta Securities Commission (“ASC”).

#### *Transfer Agent*

Our shares of common stock are issued in registered form. The transfer agent and registrar for our common stock is Transshare Corporation, located at 2849 Executive Suite 200, Clearwater, Florida 33762. The co-transfer agent for our common stock is TSX Trust Company, located at 650 West Georgia Street, Suite 2700, Vancouver, British Columbia V6B 4N9, Canada.

#### *Holders of Common Stock*

As of July 20, 2020, there were approximately 75 holders of record of our common stock. As of such date, 122,571,156 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 29, 2020:

| Plan category                                                             | Number of securities to be issued upon exercise of outstanding options, warrants and rights<br>(a) | Weighted-average exercise price of outstanding options, warrants and rights<br>(b) | Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))<br>(c) |
|---------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------|
| Equity compensation plans approved by security holders                    | Nil                                                                                                | N/A                                                                                | Nil                                                                                                                                                |
| Equity compensation plans not approved by security holders <sup>(1)</sup> | 2,000,000                                                                                          | \$ 0.10                                                                            | 7,777,115                                                                                                                                          |
| <b>Total</b>                                                              | <b>2,000,000</b>                                                                                   | <b>\$ 0.10</b>                                                                     | <b>7,777,115</b>                                                                                                                                   |

<sup>(1)</sup> Effective August 23, 2018, our board of directors approved the 2018 Stock Option Plan, pursuant to which we may grant stock options to purchase up to 9,777,115 shares of our common stock. The purpose of the 2018 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*

Since the beginning of our fiscal year ended February 29, 2020, 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.

*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 February 29, 2020 we did not have any revenue from commercial production.

**Results of Operations**

**Years Ended February 29, 2020 and February 28, 2019**

The following summary of our results of operations should be read in conjunction with our audited financial statements for the years ended February 29, 2020 and February 28, 2019 which are included herein:

|          | <b>February 29, 2020</b> | <b>February 28, 2019</b> |
|----------|--------------------------|--------------------------|
| Revenue  | \$ -                     | \$ -                     |
| Expenses | (1,380,589)              | (1,377,152)              |
| Net Loss | \$ (67,961,387)          | \$ (1,549,470)           |

**Revenues**

During the years ended February 29, 2020 and February 28, 2019, we did not generate any revenues from commercial production.

**Expenses**

Expenses increased slightly during the year ended February 29, 2020 to \$1,380,589 as compared to \$1,377,152 during the year ended February 28, 2019.

The table below details the changes in major expenditures for the year ended February 29, 2020 as compared to the corresponding year ended February 28, 2019:

| <b>Expenses</b>                     | <b>Increase / Decrease in Expenses</b> | <b>Explanation for Change</b>                                                                                                            |
|-------------------------------------|----------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------|
| Consulting fees                     | Decrease of \$239,293                  | Decrease in the current period as consulting fees related to the oil and gas properties in Canada and US are capitalized in fiscal 2020. |
| Management fees                     | Decrease of \$85,000                   | Decreased due to lower management fees paid to the CEO.                                                                                  |
| Office, travel and general expenses | Increase of \$50,771                   | Increased due to more corporate activities, higher insurance costs, marketing, and travel expenses for site visits and marketing.        |
| Professional fees                   | Increase of \$273,501                  | Increased in the current year as more professional services were used for corporate filings, accounting, and professional services.      |

For the year ended February 29, 2020, we recorded an full cost pool ceiling test write down as a result of the impairment and transfer of \$66,278,600 of unevaluated costs to the full cost amortization base as a result of the decline in oil prices, along with a \$64,475,824 accelerated depreciation charge related to impaired unevaluated properties. In addition, the Company wrote off the investment of \$1,500,000 in Asia Pacific.

## Liquidity and Capital Resources

### Working Capital

|                         | At February 29,<br>2020 | At February 28,<br>2019 |
|-------------------------|-------------------------|-------------------------|
| Current assets          | \$ 100,853              | \$ 129,661              |
| Current liabilities     | 3,321,545               | 1,290,159               |
| Working capital deficit | \$ (3,220,692)          | \$ (1,160,498)          |

We had cash of \$13,022 and a working capital deficit of \$3,220,692 as of February 29, 2020 compared to cash of \$35,171 and a working capital deficit of \$1,160,498 as of February 28, 2019.

Due to the slowdown of the world economy as a result of the COVID-19 pandemic, we intend to decrease the level of operations. As a result, we estimate our general and administrative expense will be lower in fiscal 2021.

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 29, 2020, 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

|                                       | Year<br>ended<br>February 29,<br>2020 | Year<br>ended<br>February 28,<br>2019 |
|---------------------------------------|---------------------------------------|---------------------------------------|
| Cash used in operating activities     | \$ (841,308)                          | \$ (1,241,180)                        |
| Cash provided by financing activities | 1,343,912                             | 1,993,737                             |
| Cash used in investing activities     | (524,753)                             | (894,281)                             |
| Change in cash                        | \$ (22,149)                           | \$ (141,724)                          |

#### Cash Used in Operating Activities

Our cash used in operating activities for the year ended February 29, 2020, compared to our cash used in operating activities for the year ended February 28, 2019, decreased by \$399,872, primarily due to decreased used of cash in general and administrative expenses from operations in the current year.

### Cash Provided by Financing Activities

Our cash provided by financing activities for the year ended February 29, 2020, compared to our cash provided by financing activities for the year ended February 28, 2019, decreased by \$649,825 mainly due to the CTO that prohibited us to issue shares for cash.

### Cash Used in Investing Activities

Our cash used in investing activities for the year ended February 29, 2020, compared to our cash used in investing activities for the year ended February 28, 2019, decreased by \$369,528 due to a decrease in expenditures on oil and gas properties.

### **Outstanding Shares, Options, Warrants and Convertible Securities**

As of July 20, 2020, we have 122,571,156 shares of common stock outstanding, 2,000,000 stock options outstanding and no 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 29, 2020 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 \$67,961,387 during the year ended February 29, 2020, and \$107,033,456 from inception (July 9, 2004) through February 29, 2020. 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 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 and investments, the assumptions used to record asset retirement obligations, the assumptions used to determine the fair value of derivative financial assets and liabilities, and valuation of share-based payments.

The process of estimating carrying value of oil and gas properties and unproven properties is complex, requiring significant decisions in the evaluation of all available geological, geophysical, engineering, and economic data. The data for a given property may also change substantially over time as a result of numerous factors including, but not limited to, additional development activity, evolving production history, and continual reassessment of the viability of production under varying economic conditions. As a result, material revisions to existing reserve estimates may occur from time to time. Although every reasonable effort is made to ensure that the Company's reserve estimates represent the most accurate assessments possible, subjective decisions, and available data for our various fields make these estimates generally less precise than other estimates included in financial statement disclosures. Where impairment indicators are present, the Company uses the probable reserves to prepare a value estimate using a discounted cash flow ("DCF") model over the estimated production life and discount rates commensurate with estimated risks associated with those cash flows.

### *Foreign Currency Translation*

The Company's functional currency is the United States Dollar. The Company's equity and debt financings as well as the majority of the Company's expenses and acquisitions are denominated in US dollars.

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.

### *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 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.

### *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.

### *Equipment*

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

### *Deferred Income Taxes*

The Company recognizes deferred tax assets and liabilities for both the expected impact of differences between the financial statement amount and the tax basis of assets and liabilities and for the expected future tax benefit to be derived from tax losses and tax credit carryforwards. The Company records a valuation allowance against deferred tax assets when it is considered more likely than not that all or a portion of our deferred tax assets will not be realized. In making this determination, the Company is required to give significant weight to evidence that can be objectively verified. It is generally difficult to conclude that a valuation allowance is not needed when there is significant negative evidence, such as cumulative losses in recent years. Forecasts of future taxable income are considered to be less objective than past results.

In addition to considering forecasts of future taxable income, the Company is also required to evaluate and quantify other possible sources of taxable income in order to assess the realization of the Company's deferred tax assets, namely the reversal of existing deferred tax liabilities, the carry back of losses and credits as allowed under current tax law, and the implementation of tax planning strategies. Evaluating and quantifying these amounts involves significant judgments. Each source of income must be evaluated based on all positive and negative evidence; this evaluation involves assumptions about future activity. Certain taxable temporary differences that are not expected to reverse during the carry forward periods permitted by tax law cannot be considered as a source of future taxable income that may be available to realize the benefit of deferred tax assets.

#### *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 where proved reserve assets are subject to a ceiling test and unproved reserve assets are reviewed for impairment indicators and, where such indicators are present, prepares a DCF to determine value, as described above, are excluded from this requirement.

#### *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.

#### *Share-Based Payments*

The Company follows the fair value recognition provisions in ASC 718, *Stock Compensation* ("ASC 718") and the provisions of ASC 505 ("ASC 505") for stock-based transactions with non-employees. Stock based compensation expense recognized during the year includes compensation expense for all share-based payments based on a grant date fair value estimated in accordance with the provisions in the FASB guidance for stock compensation. The grant date is the date at which an employer and employee reach a mutual understanding of the key terms and conditions of a share based payment award.

#### *Derivative Financial Instruments*

The Company evaluates the financial instruments such as convertible notes to determine if such instruments are derivatives or contain features that qualify as embedded derivatives. For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value and is then revalued at each reporting date, with changes in the fair value reported in the statements of operations. The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is evaluated at the end of each reporting period.

#### *Recently issued accounting pronouncements*

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement* (Topic 820): *Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*. This update changes the fair value measurement disclosure requirements. It summarizes the key provisions including the new, eliminated, and modified disclosure requirements. This update is effective for us beginning in the first quarter of fiscal year 2021. Early adoption is permitted. The Company is currently evaluating the timing of adoption and impact of this new standard on the Company's consolidated financial statements and related disclosures.

Other recent accounting pronouncements issued by the Financial Accounting Standards Board ("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  
FOR THE YEAR ENDED FEBRUARY 29, 2020

|                                                                         |    |
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Directors of  
Fortem Resources Inc.

***Opinion on the Consolidated Financial Statements***

We have audited the accompanying consolidated balance sheets of Fortem Resources Inc. (the “Company”), as of February 29, 2020 and February 28, 2019, and the related consolidated statements of operations, changes in stockholders’ equity, and cash flows for the years ended February 29, 2020 and February 28, 2019, and the related notes (collectively referred to as the “financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Fortem Resources Inc. as of February 29, 2020 and February 28, 2019, and the results of its operations and its cash flows for the years ended February 29, 2020 and February 28, 2019, in conformity with accounting principles generally accepted in the United States of America.

***Going Concern***

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company has suffered recurring losses from operations and has a net capital deficiency that raise substantial doubt about its ability to continue as a going concern. Management’s plans in regard to these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

***Basis for Opinion***

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“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 consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatements 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 consolidated 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 consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

We have served as the Company’s auditor since 2018.

**“DAVIDSON & COMPANY LLP”**

Vancouver, Canada

Chartered Professional Accountants

July 20, 2020



1200 - 609 Granville Street, P.O. Box 10372, Pacific Centre, Vancouver, B.C., Canada V7Y 1G6  
Telephone (604) 687-0947 Davidson-co.com

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

|                                                                         | <b>February 29, 2020</b> | <b>February 28, 2019</b>  |
|-------------------------------------------------------------------------|--------------------------|---------------------------|
|                                                                         | <b>\$</b>                | <b>\$</b>                 |
| <b><u>ASSETS</u></b>                                                    |                          |                           |
| <b>Current assets</b>                                                   |                          |                           |
| Cash                                                                    | 13,022                   | 35,171                    |
| Receivables                                                             | 18,925                   | 12,221                    |
| Prepaid expenses and deposit (Note 7)                                   | 20,514                   | 69,753                    |
| Due from related parties (Note 7)                                       | 48,392                   | 12,516                    |
| <b>Total current assets</b>                                             | <b>100,853</b>           | <b>129,661</b>            |
| <b>Deposit (Note 5)</b>                                                 | <b>43,517</b>            | <b>43,498</b>             |
| <b>Equipment (Note 4)</b>                                               | <b>47,526</b>            | <b>51,090</b>             |
| <b>Investment in Asia Pacific Mining Ltd. (Note 3)</b>                  | <b>-</b>                 | <b>1,500,000</b>          |
| <b>Deferred acquisition costs (Note 13)</b>                             | <b>-</b>                 | <b>229,994</b>            |
| <b>Right to the acquisition of mineral exploration project (Note 3)</b> | <b>1</b>                 | <b>1</b>                  |
| <b>Oil and gas properties, full cost method (Note 5)</b>                | <b>76,935,275</b>        | <b>140,881,572</b>        |
| <b>Total assets</b>                                                     | <b><u>77,127,172</u></b> | <b><u>142,835,816</u></b> |
| <b><u>LIABILITIES AND STOCKHOLDERS' EQUITY</u></b>                      |                          |                           |
| <b>Current liabilities</b>                                              |                          |                           |
| Accounts payable and accrued liabilities (Note 6)                       | 1,684,901                | 1,172,602                 |
| Due to related parties (Note 7)                                         | 113,094                  | 40,354                    |
| Related party loan payable (Note 7)                                     | 57,261                   | 57,261                    |
| Notes payable (Note 8)                                                  | 1,466,289                | 19,942                    |
| <b>Total current liabilities</b>                                        | <b>3,321,545</b>         | <b>1,290,159</b>          |
| <b>Long term notes payable (Note 9)</b>                                 | <b>532,319</b>           | <b>500,000</b>            |
| <b>Asset retirement obligation (Note 10)</b>                            | <b>32,310</b>            | <b>29,272</b>             |
| <b>Deferred tax liability (Notes 5 and 17)</b>                          | <b>16,215,677</b>        | <b>16,215,677</b>         |
| <b>Total liabilities</b>                                                | <b><u>20,101,851</u></b> | <b><u>18,035,108</u></b>  |
| <b>Stockholders' equity</b>                                             |                          |                           |
| Share capital (Note 11)                                                 |                          |                           |
| Authorized:                                                             |                          |                           |
| 750,000,000 common shares, par value \$0.001 per share                  |                          |                           |
| Issued and outstanding:                                                 |                          |                           |
| 122,571,156 common shares (122,071,156 at February 28, 2019)            | 122,570                  | 122,070                   |
| Additional paid in capital                                              | 160,719,464              | 160,533,964               |
| Obligation to issue shares (Note 5)                                     | 3,600,000                | 3,600,000                 |
| Accumulated other comprehensive loss                                    | (383,257)                | (383,257)                 |
| Accumulated deficit                                                     | (107,033,456)            | (39,072,069)              |
| <b>Total stockholders' equity</b>                                       | <b><u>57,025,321</u></b> | <b><u>124,800,708</u></b> |
| <b>Total stockholders' equity and liabilities</b>                       | <b><u>77,127,172</u></b> | <b><u>142,835,816</u></b> |

**Nature and Continuance of Operations (Note 1), Subsequent Events (Note 18)**

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 29, 2020   | February 28, 2019  |
|                                                                               | \$                  | \$                 |
| <b>General and administrative expenses</b>                                    |                     |                    |
| Accretion of asset retirement obligation (Note 10)                            | 2,975               | 2,736              |
| Consulting                                                                    | 61,894              | 301,187            |
| Depreciation (Note 4)                                                         | 3,564               | 3,564              |
| Investor relations                                                            | 41,180              | 37,961             |
| Management fees                                                               | 215,000             | 300,000            |
| Office, travel and general                                                    | 464,235             | 413,464            |
| Professional fees                                                             | 591,741             | 318,240            |
|                                                                               |                     |                    |
| <b>Loss from operations</b>                                                   | <b>(1,380,589)</b>  | <b>(1,377,152)</b> |
|                                                                               |                     |                    |
| Foreign exchange gain (loss)                                                  | 38,236              | (5,187)            |
| Gain on settlement of debt (Note 6)                                           | 27,227              | 4,058              |
| Interest income                                                               | 876                 | 17,761             |
| Interest expense                                                              | (291,419)           | (83,690)           |
| Loss on write off of loan receivable (Note 12)                                | -                   | (105,260)          |
| Loss on write off of investment (Note 3)                                      | (1,500,000)         | -                  |
| Loss on write off of deferred acquisition costs (Note 13)                     | (379,894)           | -                  |
| Loss on write down of oil and gas properties (Note 5)                         | (64,475,824)        | -                  |
|                                                                               | <b>(66,580,798)</b> | <b>(172,318)</b>   |
|                                                                               |                     |                    |
| <b>Loss and comprehensive loss for the year</b>                               | <b>(67,961,387)</b> | <b>(1,549,470)</b> |
|                                                                               |                     |                    |
| <b>Basic and diluted loss per share</b>                                       | <b>(0.55)</b>       | <b>(0.01)</b>      |
|                                                                               |                     |                    |
| <b>Weighted average number of basic and diluted common shares outstanding</b> | <b>122,562,959</b>  | <b>120,566,476</b> |

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 29, 2020  | February 28, 2019  |
|                                                         | \$                 | \$                 |
| <b>Cash flows used in operating activities</b>          |                    |                    |
| Loss for the year                                       | (67,961,387)       | (1,549,470)        |
| Non-cash items                                          |                    |                    |
| Accretion of asset retirement obligation                | 2,975              | 2,736              |
| Depreciation                                            | 3,564              | 3,564              |
| Gain on settlement of debt                              | (27,227)           | (4,058)            |
| Loss on write off of deferred acquisition costs         | 379,894            | -                  |
| Loss on write off of investment                         | 1,500,000          | -                  |
| Loss on write off of loan receivable                    | -                  | 105,260            |
| Loss on write down of oil and gas properties            | 64,475,824         | -                  |
| Accrued management fees and expenses                    | 230,538            | -                  |
| Interest income accrued                                 | 876                | (16,268)           |
| Interest expense                                        | 291,419            | 1,508              |
| Unrealized foreign exchange                             | (832)              | 7,077              |
| Changes in non-cash working capital items               |                    |                    |
| Receivables                                             | (6,704)            | (2,540)            |
| Prepaid expenses and deposit                            | 49,239             | (33,947)           |
| Accounts payable and accrued liabilities                | 220,513            | 244,958            |
| Cash used in operating activities                       | <u>(841,308)</u>   | <u>(1,241,180)</u> |
| <b>Cash flows used in investing activities</b>          |                    |                    |
| Expenditures on oil and gas properties                  | (374,853)          | (664,287)          |
| Deferred acquisition costs                              | (149,900)          | (229,994)          |
| Cash used in investing activities                       | <u>(524,753)</u>   | <u>(894,281)</u>   |
| <b>Cash flows from financing activities</b>             |                    |                    |
| Issuance of share capital, net of issuance costs        | -                  | 1,242,332          |
| Proceeds from warrants exercised, net of issuance costs | 186,000            | 909,479            |
| Proceeds from options exercised                         | -                  | 30,000             |
| Share subscription receivable                           | -                  | 200,000            |
| Notes payable                                           | 1,351,587          | 500,000            |
| Net proceeds from (repaid to) related parties           | (193,675)          | (888,074)          |
| Cash provided by financing activities                   | <u>1,343,912</u>   | <u>1,993,737</u>   |
| Change in cash                                          | (22,149)           | (141,724)          |
| Cash, beginning of year                                 | 35,171             | 176,895            |
| Cash, end of year                                       | <u>13,022</u>      | <u>35,171</u>      |
| <b>Non-cash transactions</b>                            |                    |                    |
| Oil and gas properties expenditures in accounts payable | 1,096,875          | 288,067            |
| Common stock issued for oil and gas properties          | -                  | 1,800,000          |

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

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

|                                                | Share Capital       |         | Additional<br>Paid In<br>Capital | Obligation<br>To Issue<br>Shares | Deficit       | Accumulated<br>Other<br>Comprehensive<br>Loss | Total<br>Stockholders'<br>Equity |
|------------------------------------------------|---------------------|---------|----------------------------------|----------------------------------|---------------|-----------------------------------------------|----------------------------------|
|                                                | Number<br>of Shares | Amount  |                                  |                                  |               |                                               |                                  |
|                                                |                     | \$      | \$                               | \$                               | \$            | \$                                            | \$                               |
| Balance, February 28, 2018                     | 117,872,458         | 117,873 | 156,556,350                      | 5,400,000                        | (37,522,599)  | (383,257)                                     | 123,968,367                      |
| Common stock issued for cash                   | 625,000             | 625     | 1,241,707                        | -                                | -             | -                                             | 1,242,332                        |
| Common stock issued for oil and gas properties | 1,000,000           | 1,000   | 1,799,000                        | (1,800,000)                      | -             | -                                             | -                                |
| Options exercised                              | 300,000             | 300     | 29,700                           | -                                | -             | -                                             | 30,000                           |
| Warrants exercised                             | 2,273,698           | 2,272   | 907,207                          | -                                | -             | -                                             | 1,109,479                        |
| Loss for the year                              | -                   | -       | -                                | -                                | (1,549,470)   | -                                             | (1,549,470)                      |
| Balance, February 28, 2019                     | 122,071,156         | 122,070 | 160,533,964                      | 3,600,000                        | (39,072,069)  | (383,257)                                     | 124,800,708                      |
| Warrants exercised                             | 500,000             | 500     | 199,500                          | -                                | -             | -                                             | 200,000                          |
| Share issue costs                              | -                   | -       | (14,000)                         | -                                | -             | -                                             | (14,000)                         |
| Loss for the year                              | -                   | -       | -                                | -                                | (67,961,387)  | -                                             | (67,961,387)                     |
| Balance, February 29, 2020                     | 122,571,156         | 122,570 | 160,719,464                      | 3,600,000                        | (107,033,456) | (383,257)                                     | 57,025,321                       |

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

**FORTEM RESOURCES INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended February 29, 2020**  
**(Expressed in US dollars)**

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**1. NATURE AND CONTINUANCE OF OPERATIONS**

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

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. As of February 29, 2020, 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 \$107,033,456.

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 consolidated 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.

On July 16, 2019, the Company’s common shares ceased trading on the TSX Venture Exchange pursuant to a cease trade order (“CTO”) issued by the Alberta Securities Commission (“ASC”).

The Company’s operations, financings, and assets have been negatively impacted by the CTO, falling oil prices and demand, the COVID-19 pandemic (Note 18) among other items.

**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, (“Colony”) Black Dragon Energy, LLC, (“Black Dragon”) Rolling Rock Resources, LLC (“Rolling Rock”) and City of Gold, LLC (“City of Gold”). All significant intercompany accounts and transactions between the Company and its subsidiaries have been eliminated upon consolidation.

Foreign Currency Translation

The Company’s functional currency is the United States Dollar. The Company’s equity and debt financings as well as the majority of the Company’s expenses and acquisitions are denominated in US dollars.

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.

**FORTEM RESOURCES INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended February 29, 2020**  
**(Expressed in US dollars)**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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 and rights to acquisition, the assumptions used to record asset retirement obligations, the assumptions used to determine the fair value of derivative financial assets and liabilities, and valuation of share-based payments.

The process of estimating carrying value of oil and gas properties and unproven properties is complex, requiring significant decisions in the evaluation of all available geological, geophysical, engineering, and economic data. The data for a given property may also change substantially over time as a result of numerous factors including, but not limited to, additional development activity, evolving production history, and continual reassessment of the viability of production under varying economic conditions. As a result, material revisions to existing reserve estimates may occur from time to time. Although every reasonable effort is made to ensure that the Company's reserve estimates represent the most accurate assessments possible, subjective decisions, and available data for our various fields make these estimates generally less precise than other estimates included in financial statement disclosures. Where impairment indicators are present, the Company uses the probable reserves to prepare a value estimate using a discounted cash flow ("DCF") model over the estimated production life and discount rates commensurate with estimated risks associated with those cash flows.

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.

**FORTEM RESOURCES INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended February 29, 2020**  
**(Expressed in US dollars)**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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.

Deferred Acquisition Costs

Deferred acquisition costs relate to costs capitalized on a pending transaction. Upon successful completion of the transaction, these costs will be transferred as part of the transaction, otherwise they will be written off to profit or loss.

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 where proved reserve assets are subject to a ceiling test and unproved reserve assets are reviewed for impairment indicators and, where such indicators are present, prepares a DCF to determine value.

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 2,000,000 (2019 – 2,750,000) 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.

Share-Based Payments

The Company follows the fair value recognition provisions in ASC 718, *Stock Compensation* ("ASC 718") and the provisions of ASC 505 ("ASC 505") for stock-based transactions with non-employees. Stock based compensation expense recognized during the year includes compensation expense for all share-based payments based on a grant date fair value estimated in accordance with the provisions in the FASB guidance for stock compensation. The grant date is the date at which an employer and employee reach a mutual understanding of the key terms and conditions of a share based payment award.

Deferred Income Taxes

The Company recognizes deferred tax assets and liabilities for both the expected impact of differences between the financial statement amount and the tax basis of assets and liabilities and for the expected future tax benefit to be derived from tax losses and tax credit carryforwards. The Company records a valuation allowance against deferred tax assets when it is considered more likely than not that all or a portion of our deferred tax assets will not be realized. In making this determination, the Company is required to give significant weight to evidence that can be objectively verified. It is generally difficult to conclude that a valuation allowance is not needed when there is significant negative evidence, such as cumulative losses in recent years. Forecasts of future taxable income are considered to be less objective than past results.

**FORTEM RESOURCES INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended February 29, 2020**  
**(Expressed in US dollars)**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Deferred Income Taxes (continued)

In addition to considering forecasts of future taxable income, the Company is also required to evaluate and quantify other possible sources of taxable income in order to assess the realization of the Company's deferred tax assets, namely the reversal of existing deferred tax liabilities, the carry back of losses and credits as allowed under current tax law, and the implementation of tax planning strategies. Evaluating and quantifying these amounts involves significant judgments. Each source of income must be evaluated based on all positive and negative evidence; this evaluation involves assumptions about future activity. Certain taxable temporary differences that are not expected to reverse during the carry forward periods permitted by tax law cannot be considered as a source of future taxable income that may be available to realize the benefit of deferred tax assets.

Derivative Financial Instruments

The Company evaluates the financial instruments such as convertible notes to determine if such instruments are derivatives or contain features that qualify as embedded derivatives. For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value and is then revalued at each reporting date, with changes in the fair value reported in the statements of operations. The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is evaluated at the end of each reporting period.

Recent Accounting Pronouncements

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement* (Topic 820): *Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*. This update changes the fair value measurement disclosure requirements. It summarizes the key provisions including the new, eliminated, and modified disclosure requirements. This update is effective for the Company beginning in the first quarter of fiscal year 2021. Early adoption is permitted. The Company is currently evaluating the timing of adoption and impact of this new standard on the Company's consolidated financial statements and related disclosures.

Other recent accounting pronouncements issued by the Financial Accounting Standards Board ("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. INVESTMENT AND RIGHTS IN ASIA PACIFIC MINING LTD.**

Investment

In April 2017, a binding financing and option agreement (the "Agreement") was assigned to the Company where the Company subscribed for 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 and the principal activities of Asia Pacific are exploration and mining in Myanmar and investment holding. 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. During the year ended February 29, 2020, the Company recorded a write off of \$1,500,000 for the investment in Asia Pacific.

Rights

The Company owns the right to an option agreement (the "Option") to purchase 100% of the ownership interest in a wholly owned subsidiary of Asia Pacific which, in turn, owns 100% of the rights to the City of Gold mineral exploration project located in Myanmar.

The Company will be granted the Option upon the Company completing a 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 rights to the Option is valued at \$1.

**FORTEM RESOURCES INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended February 29, 2020**  
**(Expressed in US dollars)**

**3. INVESTMENT AND RIGHTS IN ASIA PACIFIC MINING LTD. (continued)**

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 listed 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 \$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.

**4. EQUIPMENT**

|                                                   | Oil and gas<br>equipment |
|---------------------------------------------------|--------------------------|
|                                                   | \$                       |
| <b>Cost:</b>                                      |                          |
| At February 28, 2018, 2019, and February 29, 2020 | 71,284                   |
| <b>Depreciation:</b>                              |                          |
| At February 28, 2018                              | 16,630                   |
| Charge for the year                               | 3,564                    |
| At February 28, 2019                              | 20,194                   |
| Charge for the year                               | 3,564                    |
| At February 29, 2020                              | 23,758                   |
| <b>Net book value:</b>                            |                          |
| At February 28, 2019                              | 51,090                   |
| At February 29, 2020                              | 47,526                   |

**5. OIL AND GAS PROPERTIES, FULL COST METHOD**

|                            | Canada    |            | US           |              |              |
|----------------------------|-----------|------------|--------------|--------------|--------------|
|                            | Compeer   | Godin      | Black Dragon | Rolling Rock | Total        |
|                            | \$        | \$         | \$           | \$           | \$           |
| Balance, February 28, 2018 | 693,503   | 60,293,697 | 38,969,690   | 40,094,389   | 140,051,279  |
| Acquisition                | -         | -          | 150,000      | 150,000      | 300,000      |
| Exploration                | 26,557    | 79,314     | 140,654      | 283,768      | 530,293      |
| Balance, February 28, 2019 | 720,060   | 60,373,011 | 39,260,344   | 40,528,157   | 140,881,572  |
| Acquisition                | -         | -          | 50,000       | 50,000       | 100,000      |
| Exploration                | 13,272    | 104,791    | 125,626      | 185,838      | 429,527      |
| Write down                 | (350,104) | -          | (23,361,726) | (40,763,994) | (64,475,824) |
| Balance, February 29, 2020 | 383,228   | 60,477,802 | 16,074,244   | 1            | 76,935,275   |

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**5. OIL AND GAS PROPERTIES, FULL COST METHOD (continued)**

Compeer Property

The Compeer Property is located in Alberta, Canada. The Company has \$43,517 (2019 - \$43,498) in bonds held with the Alberta Energy Regulator for its oil and gas properties. During the year ended February 29, 2020, the Compeer Property had impairment indicators. The Company wrote down \$350,104 (2019 - \$nil) based on a DCF using probable reserves estimated over 12 years and a discount rate of 17%.

Godin Property

In April, 2017, the Company entered into and closed 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 the Godin area of Northern Alberta.

Pursuant to the agreement, the Company is required to pay \$150,000 upon the rig release of a 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, and does not remedy such failure within 30 days of receipt of written notice from the vendor, the vendor may elect either of the following:

- a. Re-convey the assets to one of the project vendors; or
- b. Receive 250,000 common shares of the Company (subject to the availability of a registration exemption).

As at February 29, 2020, the Company is obligated to issue 2,000,000 common shares valued at \$3,600,000 to one of the vendors which holds rights in the Godin property. These shares are to be issued on each of the second and third anniversaries of the closing date. 1,000,000 shares due on each of the second and third anniversary cannot currently be issued due to the CTO issued to the Company (Note 1). The Company has not received a notice of default from the vendor. Included in the capitalized value of the property is a deferred tax liability of \$16,215,677.

During the year ended February 29, 2020, the Company prepared a DCF using probable reserves estimated over 8 years and a discount rate of 17%. As the estimated value exceeded the carrying value, no write down was recorded.

Black Dragon Property

In April 2017, the Company entered into and closed a purchase and sale agreement (the "Black Dragon PSA"), subsequently amended, to acquire a 75% working interest in and to certain leases, hydrocarbons, wells, agreements, equipment, surface rights agreements and assignable permits 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, May 2019, May 2020 and July 2020, the Company 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 \$3,900,000 (the "Black Dragon 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 Black Dragon Cash Consideration by payment to the vendor of an amount equal to 12.5% 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 \$1,500,000 raised by the Company will be exempt from a 12.5% 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 November 1, 2020 regardless of the amount of funds paid in connection with one or more Financings.

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 \$625,000); and (b) pay the vendor an additional \$25,000 every sixty days commencing September 1, 2017 (\$300,000 incurred) until such time as the Black Dragon Cash Consideration is paid in full. Furthermore, as part of the May 2019 amendment, the Company is required to issue 300,000 shares of the Company to the vendor.

**5. OIL AND GAS PROPERTIES, FULL COST METHOD (continued)**

Black Dragon Property (continued)

The Company has received an extension on the bi-monthly \$25,000 payment to November 1, 2020 and the Company is currently in negotiations to amend the terms of the acquisition.

Within 10 business days after the later of the Company paying the Black Dragon 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 feet 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 November 1, 2020, 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 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

During the year ended February 29, 2020, the Company performed a ceiling test on its proven reserves estimated over 18 years using a discount rate of 10% and, due to impairment indicators, prepared a DCF using probable reserves estimated over 18 years and a discount rate of 17%. As a result, the Company recorded a write down of \$23,361,726 (2019 - \$nil) on the properties.

Rolling Rock Property

In April 2017, the Company entered into and closed a purchase and sale agreement (the "Rolling Rock PSA"), subsequently amended, to acquire a 75% working interest in and to certain leases, hydrocarbons, wells, agreements, equipment, surface rights agreements and assignable permits at an 80% net revenue interest located in the Mancos formation in the Southern Uinta Basin, Utah (the "Rolling Rock Property"). In August 2017, May 2019, May 2020 and July 2020, the Company 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 \$5,400,000 (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 12.5% 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 \$1,500,000 raised by the Company will be exempt from a 12.5% 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 November 1, 2020 regardless of the amount of funds paid in connection with one or more Financings; 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 12.5% of any funds received by the Company from any Financing until the Workover Funds are paid in full.

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**5. OIL AND GAS PROPERTIES, FULL COST METHOD (continued)**

Rolling Rock Property (continued)

In addition to revising the Rolling Rock Cash Consideration as set out above, the Company 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 \$625,000); and (b) pay the vendor an additional \$25,000 every sixty days commencing September 1, 2017 (\$300,000 incurred) until such time as the Rolling Rock Cash Consideration and the Workover Funds are paid in full. Furthermore, as part of the May 2019 amendment, the Company is required to issue 300,000 shares of the Company to the vendor.

The Company has received an extension on the bi-monthly \$25,000 payment to November 1, 2020 and the Company is currently in negotiations to amend the terms of the acquisition.

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 75% 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 November 1, 2020 (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 (completed), the vendor agrees to convey to the Company an undivided 25% 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 feet 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 November 1, 2020, 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 \$10,000,000.

During the year ended February 29, 2020, the Company recorded a write down of \$40,763,994 (2019 - \$nil) due to impairment indicators being present.

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**6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

|                     | <b><u>February 29, 2020</u></b> | <b><u>February 28, 2019</u></b> |
|---------------------|---------------------------------|---------------------------------|
|                     | <b>\$</b>                       | <b>\$</b>                       |
| Accounts payable    | 1,563,102                       | 1,093,328                       |
| Accrued liabilities | 121,799                         | 79,274                          |
|                     | <b><u>1,684,901</u></b>         | <b><u>1,172,602</u></b>         |

During the year ended February 29, 2020, the Company entered into a settlement and release agreement to settle certain balances owing to a vendor of the Company. As a result, the Company recorded a gain on settlement of debt of \$27,227 (2019 - \$4,058).

**7. RELATED PARTY TRANSACTIONS**

Due to/from related parties consist of the following:

|                                              | <b><u>February 29, 2020</u></b> | <b><u>February 28, 2019</u></b> |
|----------------------------------------------|---------------------------------|---------------------------------|
|                                              | <b>\$</b>                       | <b>\$</b>                       |
| Due from a company controlled by a director  | 48,392                          | 12,516                          |
| Due to directors and officers of the Company | 113,094                         | 40,354                          |

As at February 29, 2020, the Company made prepayments of \$nil (2019 - \$30,000) to an officer and director of the Company for future management fees, pursuant to a consulting agreement, which is included in prepaid expenses.

As at February 29, 2020, the Company has an accrued interest balance of \$57,261 (2019 - \$57,261) in note obligations owing to a company with a common director.

During the year ended February 29, 2020, the Company assumed the settled debts owing of approximately \$7,600 by a company controlled by an officer and director of the Company as part of the settlement and release agreement (Note 6).

Amounts due to/from related parties are unsecured with no specific terms of repayment.

**8. NOTES PAYABLE**

As at February 29, 2020, the Company had \$1,466,289 (2019 - \$19,942) in short term notes obligations due to various third parties. A note payable of \$19,942 is unsecured, non-interest bearing and payable upon demand. The remaining balance of the notes payable are unsecured, bearing interest of 10% per annum and due from August to January 2021.

**9. LONG TERM NOTES PAYABLE**

As at February 29, 2020, the Company had \$532,319 (2019 - \$500,000) in long term notes obligations due to various third parties. The notes payable are unsecured, bearing interest of 10% per annum and due from May to July 2021.

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**10. ASSET RETIREMENT OBLIGATION**

The Company’s asset retirement obligation relates to 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 \$37,235 (2019 - \$37,970) 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 \$32,310 (2019 - \$29,272) as at February 29, 2020.

|                             |         |
|-----------------------------|---------|
|                             | \$      |
| Balance, February 28, 2018  | 28,352  |
| Foreign exchange adjustment | (1,816) |
| Accretion expense           | 2,736   |
| Balance, February 28, 2019  | 29,272  |
| Foreign exchange adjustment | 63      |
| Accretion expense           | 2,975   |
| Balance, February 29, 2020  | 32,310  |

**11. SHARE CAPITAL**

The Company issued common shares as follows:

**Year ended February 29, 2020**

In March 2019, the Company issued 500,000 shares in relation to the exercise of 500,000 warrants for total proceeds of \$200,000.

The Company paid a total of \$14,000 in finder’s fees in connection with the equity financing.

**Year ended February 28, 2019**

In March 2018, the Company issued 1,273,698 shares in relation to the exercise of 1,273,698 warrants for total proceeds of \$509,479.

In July 2018, the Company issued 1,000,000 shares in relation to the exercise of 1,000,000 warrants for total proceeds of \$400,000.

In October 2018, the Company issued 1,000,000 shares recorded at a value of \$1,800,000 in connection to obligation to issue shares in connection to the acquisition of Colony.

In November 2018, the Company issued 300,000 shares in relation to the exercise of 300,000 options for total proceeds of \$30,000.

During the year ended February 28, 2019, the Company issued 625,000 common shares for total gross proceeds of \$1,250,000 pursuant to a private placement less share issuance costs of \$7,668.

**Escrow shares**

As at February 29, 2020, the Company has 18,103,500 shares held in escrow.

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**11. SHARE CAPITAL (continued)**

**Warrants**

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

|                                  | <b>Number of<br/>Warrants</b> | <b>Weighted Average<br/>Exercise Price per<br/>Warrant</b> |
|----------------------------------|-------------------------------|------------------------------------------------------------|
|                                  |                               | \$                                                         |
| Outstanding at February 28, 2018 | 3,023,698                     | 0.40                                                       |
| Exercised                        | (2,273,698)                   | 0.40                                                       |
| Outstanding at February 28, 2019 | 750,000                       | 0.40                                                       |
| Exercised                        | (500,000)                     | 0.40                                                       |
| Expired                          | (250,000)                     | 0.40                                                       |
| Outstanding at February 29, 2020 | -                             | -                                                          |

As at February 29, 2020, there was no warrant outstanding.

**Stock Options**

The Company’s Stock Option Plan allows a maximum 9,777,115 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.

Below is a summary of the share option transactions:

|                                                        | <b>Number of<br/>Outstanding and<br/>Exercisable<br/>Options</b> | <b>Weighted Average<br/>Exercise Price per<br/>Options</b> |
|--------------------------------------------------------|------------------------------------------------------------------|------------------------------------------------------------|
|                                                        |                                                                  | \$                                                         |
| Outstanding at February 28, 2018                       | 2,300,000                                                        | 0.10                                                       |
| Exercised                                              | (300,000)                                                        | 0.10                                                       |
| Outstanding at February 28, 2019 and February 29, 2020 | 2,000,000                                                        | 0.10                                                       |

A summary of the stock options outstanding and exercisable at February 29, 2020 is as follows:

| <b>Exercise<br/>Price</b> | <b>Number<br/>Outstanding and<br/>Exercisable</b> | <b>Expiry Date</b> | <b>Aggregate<br/>Intrinsic Value</b> |
|---------------------------|---------------------------------------------------|--------------------|--------------------------------------|
| \$                        |                                                   |                    |                                      |
| \$ 0.10                   | 2,000,000                                         | November 3, 2020   | 1,520,000                            |

As at February 29, 2020, the remaining contractual life of the stock options outstanding was 0.68 years.

The aggregate intrinsic value in the preceding table represents the total intrinsic value, based on the Company’s closing OTC stock price of \$0.86 per share as of February 29, 2020.

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**12. LOAN RECEIVABLE**

During the year ended February 28, 2018, the Company advanced unsecured loans of \$99,135 (AUD\$125,000) to a company related by virtue of a common director and significant shareholder. The loans bore interest at 10% per annum. During the year ended February 28, 2019, the Company accrued interest of \$16,522 (2018 - \$nil). As at February 28, 2019, the Company wrote off the loan receivable and the accrued interest of \$88,738 and \$16,522, respectively, as the Company determined that the loan was not collectible and recorded a loss on write off of loan receivable of \$105,260.

**13. PROPOSED TRANSACTION**

In September 2018, the Company entered into an asset purchase agreement (the “Agreement”) with a major Canadian oil and gas company to purchase a 100% working interest in three oil leases in north central Alberta, Canada (the “Transaction”).

As consideration for the oil leases, the Company agreed to pay a purchase price of C\$3,000,000 plus applicable taxes, \$152,306 (C\$200,000) of which was paid as an initial deposit upon the execution of the Agreement. The Company and the vendor subsequently entered into an extension agreement whereby the closing date of the Transaction was extended to a date on or before February 19, 2020 and a total deposit of \$379,894 (C\$500,000) (2019 - \$229,994) was paid. If the CTO was not removed by January 27, 2020, the Agreement would be considered to be in default. Further, if the CTO was removed before January 27, 2020, the Company would be required to pay C\$200,000 within 15 days of the removal. In January 2020, the Agreement was in default and the Company recorded a write off of deferred acquisition costs of \$379,894.

**14. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENT**

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, receivables, deposit, due from related parties, investment in Asia Pacific Mining Ltd, accounts payable and accrued liabilities, due to related parties, related party loan payable and notes 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, therefor requiring an entity to develop its own assumptions about the assumption that market participants would use in pricing.

**15. SEGMENTED INFORMATION**

The Company has one operating segment, being the acquisition and exploration of oil and gas properties. Geographic information is as follows:

|                                          | <b>As at February 29, 2020</b> |                   |                   |
|------------------------------------------|--------------------------------|-------------------|-------------------|
|                                          | <b>Canada</b>                  | <b>US</b>         | <b>Total</b>      |
|                                          | <b>\$</b>                      | <b>\$</b>         | <b>\$</b>         |
| Deposit                                  | 43,517                         | -                 | 43,517            |
| Equipment                                | 47,526                         | -                 | 47,526            |
| Oil and gas properties, full cost method | 60,861,030                     | 16,074,245        | 76,935,275        |
|                                          | <b>60,952,073</b>              | <b>16,074,245</b> | <b>77,026,318</b> |

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**15. SEGMENTED INFORMATION (continued)**

|                                          | <b>As at February 28, 2019</b> |                   |                    |
|------------------------------------------|--------------------------------|-------------------|--------------------|
|                                          | <b>Canada</b>                  | <b>US</b>         | <b>Total</b>       |
|                                          | <b>\$</b>                      | <b>\$</b>         | <b>\$</b>          |
| Deposit                                  | 43,498                         | -                 | 43,498             |
| Property and equipment                   | 51,090                         | -                 | 51,090             |
| Oil and gas properties, full cost method | 61,093,071                     | 79,788,501        | 140,881,572        |
|                                          | <b>61,187,659</b>              | <b>79,788,501</b> | <b>140,976,160</b> |

**16. CONTINGENCIES**

In April 2019, a complaint was filed against the Company for intentional interference with contractual relationship, wrongful interference with prospective economic advantage, inducement of breach of contract and aiding and abetting breach of fiduciary duty by the Company through the wrongful actions of its director and chief executive officer and its director and chief operating officer. The Company's counsel has applied to the Court seeking dismissal of the Action, which application is pending. Management believes the likelihood of an unfavorable judgment against the Company is low; as such, no amounts have been recorded as at February 29, 2020.

**17. INCOME TAXES**

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

|                                                               | <b>February 29, 2020</b> | <b>February 28, 2019</b> |
|---------------------------------------------------------------|--------------------------|--------------------------|
|                                                               | <b>\$</b>                | <b>\$</b>                |
| Loss before income taxes                                      | (67,961,387)             | (1,549,470)              |
| Statutory tax rate                                            | 21%                      | 21%                      |
| Expected recovery of income taxes computed at statutory rates | (14,272,000)             | (325,000)                |
| Change in statutory rates and other                           | 219,000                  | 21,000                   |
| Change in valuation allowance                                 | 14,053,000               | 304,000                  |
| Deferred income tax                                           | -                        | -                        |

The significant components of deferred income tax assets at February 29, 2020 and February 28, 2019 are as follows:

|                                        | <b>February 29, 2020</b> | <b>February 28, 2019</b> |
|----------------------------------------|--------------------------|--------------------------|
|                                        | <b>\$</b>                | <b>\$</b>                |
| <b>Deferred income tax assets:</b>     |                          |                          |
| Operating loss carry forward           | 1,782,000                | 1,438,000                |
| Oil and gas properties                 | 13,724,000               | 197,000                  |
| Investment                             | 158,000                  | -                        |
| Other                                  | 24,000                   | -                        |
| Less: valuation allowance              | (15,688,000)             | (1,635,000)              |
| <b>Deferred income tax assets, net</b> | <b>-</b>                 | <b>-</b>                 |
| <b>Deferred income tax liability:</b>  |                          |                          |
| Oil and gas properties                 | 16,215,677               | 16,215,677               |
| <b>Deferred income tax liability</b>   | <b>16,215,677</b>        | <b>16,215,677</b>        |

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**17. INCOME TAXES (continued)**

At February 29, 2020, the Company had accumulated non-capital loss carry-forwards of approximately \$8,859,000 that carry forward as below to offset future taxable income:

| Year | \$               | Expiry dates |
|------|------------------|--------------|
| 2020 | 2,013,000        | 2040         |
| 2019 | 1,448,000        | 2039         |
| 2018 | 1,161,000        | 2038         |
| 2017 | 784,000          | 2037         |
| 2016 | 440,000          | 2036         |
| 2015 | 439,000          | 2035         |
| 2014 | 385,000          | 2034         |
| 2013 | 1,201,000        | 2033         |
| 2012 | 294,000          | 2032         |
| 2011 | 281,000          | 2031         |
| 2010 | 125,000          | 2030         |
| 2009 | 187,000          | 2029         |
| 2008 | 70,000           | 2028         |
| 2007 | 28,000           | 2027         |
| 2006 | 1,000            | 2026         |
| 2005 | 2,000            | 2025         |
|      | <b>8,859,000</b> |              |

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.

**18. SUBSEQUENT EVENTS**

- a) In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, has adversely affected workforces, customers, economies, and financial markets globally, leading to an economic downturn. It has also disrupted the normal operations of many businesses, including ours. This outbreak could decrease spending, adversely affect and harm our business and results of operations. It is not possible for us to predict the duration or magnitude of the adverse results of the outbreak and its effects on our business or results of operations at this time.
- b) In April 2020, the Company received a loan of \$70,000 from a third party. The loan was unsecured, with an interest rate of 10% per annum and payable in 20 months.

## 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-15I, 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 financial 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 29, 2020. 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 29, 2020. 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) 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.
- (b) review and approval of supplier and vendor invoices and the related oversight and accuracy of recording the associated charges in the Company’s books.
- (c) 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) prepare and implement sufficient written procedures pertaining to accounting; (3) 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 (4) 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.

### *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 29, 2020 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  | 70  | July 18, 2018                   |
| Michael Caetano       | Chief Operating Officer, Secretary, Treasurer and Director | 46  | July 30, 2013                   |
| Robert DaCunha        | Chief Financial Officer                                    | 44  | November 30, 2013               |
| Konstantine Vatskalis | Director                                                   | 63  | August 23, 2018                 |
| William Via           | Director                                                   | 68  | August 23, 2018                 |
| Brett Matich          | Director                                                   | 59  | August 23, 2018                 |

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 knowledge of our company’s current operations and 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***

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. On August 23, 2018, Mr. DaCunha resigned as a director of our company.

***Konstantine Vatskalis, Director***

Mr. Vatskalis joined our board of directors on August 23, 2018. Mr. Vatskalis was elected to the Legislative Assembly of the Northern Territory, Australia from 2001 to 2014, representing the seat of Casuarina and served as a minister in a variety of portfolios from 2001 to August 2012 (including Lands and planning, Multicultural Affairs, Environment, Tourism, Power and Water, Primary Industries and Fisheries, Mines and Energy, Health and Child Protection). His major contribution to the mining, oil and gas sector was the development of the Japan – China Investment Attraction Strategy which resulted in a significant increase in investment in the mining and gas sectors in the Northern Territory by these countries. The updating of the mining legislation, instigated by Mr. Vatskalis, resulted in the opening of new areas in the Northern Territory, Australia for mining and oil and gas exploration which has resulted in a significant interest by international mining, oil and gas companies for exploration in the Northern Territory, Australia. Mr. Vatskalis retired from the Legislative Assembly of the Northern Territory, Australia in September 2014. After a six month break, Mr. Vatskalis has been employed as the Regional Manager of the Northern Territory, Australia with Leukaemia Foundation since April 2015. In 2017, Mr. Vatskalis stood for election in Darwin, Northern Territory, Australia (the capital city of the Northern Territory) and he was elected as the Lord Mayor of Darwin, for a term ending in 2021. Mr. Vatskalis holds a B.App.Sc (Environmental Health), Western Australian Institute of Technology, Perth, WA, a Grad. Dip in Environmental Science from Murdoch University, Perth, WA, a Grad. Certificate in Public Sector Management from Flinders University, South Australia and he has also completed the Company Directors Course from the Australian Institute of Company Directors.

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

***William Via, Director***

Mr. Via joined our board of directors on August 23, 2018. Mr. Via is a senior executive with 30 years of experience in the oil and gas industry in domestic and international locations, managing both exploration and development groups. Since 2007, Mr. Via has provided independent upstream consulting services including evaluation of producing and non-producing properties, exploration acreage, and business / commercial opportunities. Mr. Via holds a Master's Degree in Geoscience from University of Tennessee and Bachelors of Science in Geology from Purdue University. Mr. Via has been appointed as a member of our audit committee.

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

### ***Brett Matich, Director***

Mr. Matich joined our board of directors on August 23, 2018. From October 2010, Mr. Matich has served as the Chief Executive Officer of Mardu Investments Ltd. From January 2018, Mr. Matich has served as the Chief Executive Officer and President and director of Max Resource Corp., a company listed on the TSX Venture Exchange. From November 2010 to April 2016, Mr. Matich served as Chief Executive Officer and President of Enforcer Gold Corporation (formerly Natan Resources Ltd.), a company listed on the TSX Venture Exchange. From March 2013 to July 2016, Mr. Matich served as Chief Executive Officer and President of Moovly Media Inc. (formerly Pantheon Ventures Ltd.), a company listed on the TSX Venture Exchange. From January 2011 to July 2016, Mr. Matich served as the Chief Executive Officer and President of ML Gold Corp (formerly Cap-Ex Iron Ore Ltd. and Cap-Ex Ventures Ltd.), a company listed on the TSX Venture Exchange. From June 2013 to August 2014, Mr. Matich served as Managing Director of Vortex Pipers Ltd., a company listed on the Australian Securities Exchange.

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

### ***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.

### ***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.

#### ***Delinquent Section 16(a) Reports***

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 29, 2020, all filing requirements applicable to our officers, directors and greater than ten percent beneficial owners were complied with.

#### ***Code of Ethics***

On December 10, 2018, our board of directors adopted a code of ethics and business conduct for directors, senior officers and employees of our company. We adopted the code of ethics and business conduct for the purpose of promoting:

- honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest;
- full, fair, accurate, timely and understandable disclosure in all reports and documents that we file with, or submits to, the Securities and Exchange Commission and in other public communications made by our company;
- compliance with applicable governmental laws, rules and regulations;
- the protection of our assets, including corporate opportunities and confidential information;
- fair dealing practices;
- the prompt internal reporting of violations of the code of ethics and business conduct; and
- accountability for adherence to the code of ethics and business conduct.

#### ***Audit Committee***

We have an audit committee consisting of Brett Match, William Via and Konstantine Vatskalis. Our audit committee assists our board of directors in fulfilling its financial oversight responsibilities by reviewing the financial reports and other financial information provided by our company to regulatory authorities and shareholders, our systems of internal controls regarding finance and accounting and our auditing, accounting and financial reporting processes.

#### ***Audit Committee Financial Expert***

Our board of directors has determined that it does not have a member of its board of directors or audit committee that qualifies as an “audit committee financial expert” as defined in Item 407(d)(5)(ii) of Regulation S-K.

We believe that the members of our audit committee are collectively capable of analyzing and evaluating our consolidated financial statements and understanding internal controls and procedures for financial reporting. In addition, we believe that retaining an independent director who would qualify as an “audit committee financial expert” would be overly costly and burdensome and is not warranted in our circumstances given the early stages of our development and the fact that we have not generated any material revenues to date.

### ***Nomination of Directors***

On December 10, 2018, our board of directors adopted the board director nomination process. Our board of directors has determined that it is in our best interests to have director nominees recommended for the board's selection by a majority of our independent directors in a vote in which only independent directors participate and to have the full board participate in the consideration of the board of directors nominees.

In general, when our board of directors determines that expansion of the board or replacement of a director is necessary or appropriate, our independent directors will be responsible for identifying one or more candidates to fill such directorship, investigating each candidate, evaluating his/her suitability for service on our board of directors and recommending for selection suitable candidates for nomination to our board of directors. Our independent directors may engage outside search firms to identify suitable candidates.

Stockholders desiring to suggest a candidate for consideration must do so in accordance with our bylaws and applicable securities laws, and should send a letter to our Chief Operating Officer at our principal office located at 906 12th Avenue SW, Suite 820, Calgary, AB, T2R 1K7, Canada. Candidates recommended by our stockholders will be considered in the same manner as other candidates.

### ***Compensation Committee***

Our board of directors has a compensation committee comprised of Konstantine Vatskalis and William Via. Our compensation committee has the following authority and responsibilities:

- to review and approve annually the corporate goals and objectives applicable to the compensation of the chief executive officer ("CEO"), evaluate at least annually the CEO's performance in light of those goals and objectives, and determine and approve the CEO's compensation level based on this evaluation;
- to review and make recommendations to the board regarding the compensation of all other executive officers;
- to review and make recommendations to the board regarding incentive compensation plans and equity-based plans, and where appropriate or required, recommend for approval of such plans by the stockholders of our company;
- to review and discuss with management our compensation discussion and analysis ("CD&A") and the related executive compensation information, recommend that the CD&A and related executive compensation information be included in our annual report on Form 10-K and proxy statement, and produce the compensation committee report on executive officer compensation required to be included in our proxy statement or annual report on Form 10-K;
- to review and make recommendations to the board regarding any employment agreements and any severance arrangements or plans, including any benefits to be provided in connection with a change in control, for the CEO and other executive officers, which includes the ability to adopt, amend and terminate such agreements, arrangements or plans;
- to determine stock ownership guidelines for the CEO and other executive officers and monitor compliance with such guidelines;
- to review and make recommendations to the board regarding all employee benefit plans for our company, which includes the ability to adopt, amend and terminate such plans;
- to review our incentive compensation arrangements to determine whether they encourage excessive risk-taking, to review and discuss at least annually the relationship between risk management policies and practices and compensation, and to evaluate compensation policies and practices that could mitigate any such risk;

- to review and recommend to the board for approval the frequency with which our company will conduct say on pay votes, taking into account the results of the most recent stockholder advisory vote on frequency of say on pay votes required by Section 14A of the Securities Exchange Act of 1934, and review and approve the proposals regarding the say on pay vote and the frequency of the say on pay vote to be included in our proxy statement; and
- to review all director compensation and benefits for service on the board and any committees of the board at least once a year and to recommend any changes to the board as necessary.

**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 29, 2020;
- (b) each of our two most highly compensated executive officers who were serving as executive officers at the end of the year ended February 29, 2020 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 29, 2020 and February 28, 2019, are set out in the following summary compensation table:

| SUMMARY COMPENSATION TABLE                                                                                                                           |                |                        |               |                         |                          |                                                                  |                                                              |                                           |               |
|------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|------------------------|---------------|-------------------------|--------------------------|------------------------------------------------------------------|--------------------------------------------------------------|-------------------------------------------|---------------|
| Name<br>and Principal<br>Position                                                                                                                    | Fiscal<br>Year | Salary<br>(\$)         | Bonus<br>(\$) | Stock<br>Awards<br>(\$) | Option<br>Awards<br>(\$) | Non-<br>Equity<br>Incentive<br>Plan<br>Compensa-<br>tion<br>(\$) | Nonqualified<br>Deferred<br>Compensation<br>Earnings<br>(\$) | All<br>Other<br>Compensa-<br>tion<br>(\$) | Total<br>(\$) |
| Marc A. Bruner <sup>(1)</sup><br><i>Chief Executive Officer, Chairman and President</i>                                                              | 2020           | 95,000 <sup>(4)</sup>  | Nil           | Nil                     | Nil                      | Nil                                                              | Nil                                                          | Nil                                       | 95,000        |
|                                                                                                                                                      | 2019           | 180,000 <sup>(4)</sup> | Nil           | Nil                     | Nil                      | Nil                                                              | Nil                                                          | Nil                                       | 180,000       |
| Robert DaCunha <sup>(2)</sup><br><i>Chief Financial Officer</i>                                                                                      | 2020           | Nil                    | Nil           | Nil                     | Nil                      | Nil                                                              | Nil                                                          | Nil                                       | Nil           |
|                                                                                                                                                      | 2019           | Nil                    | Nil           | Nil                     | Nil                      | Nil                                                              | Nil                                                          | Nil                                       | Nil           |
| Michael Caetano <sup>(3)</sup><br><i>Chief Operating Officer, Secretary, Treasurer and Director and Former President and Chief Executive Officer</i> | 2020           | 120,000 <sup>(5)</sup> | Nil           | Nil                     | Nil                      | Nil                                                              | Nil                                                          | Nil                                       | 120,000       |
|                                                                                                                                                      | 2019           | 120,000 <sup>(5)</sup> | Nil           | Nil                     | Nil                      | Nil                                                              | Nil                                                          | Nil                                       | 120,000       |

- (1) Mr. Marc A. Bruner was appointed as our President, Chief Executive Officer, Chairman and a director on July 18, 2017.
- (2) Mr. Robert DaCunha was appointed as our Chief Financial Officer and a director on November 30, 2013. Mr. DaCunha resigned as a director on August 23, 2018.
- (3) 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.
- (4) Mr. Bruner 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 paid.
- (5) 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 29, 2020:

| 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 or units of stock that have not vested (\$) | Equity incentive awards: Number of shares, units or other rights that have not vested (#) | Market or payout value of unearned shares, units or other rights that have not vested (\$) |     |
| Marc A. Bruner  | Nil                                                                 | Nil                                                                   | Nil                                                                                   | Nil                        | Nil                    | Nil                                                         | Nil                                                                | Nil                                                                                       | Nil                                                                                        | Nil |
| Robert DaCunha  | Nil                                                                 | Nil                                                                   | Nil                                                                                   | Nil                        | Nil                    | Nil                                                         | Nil                                                                | Nil                                                                                       | Nil                                                                                        | Nil |
| Michael Caetano | 2,000,000                                                           | Nil                                                                   | Nil                                                                                   | 0.10                       | 11/3/2020              | Nil                                                         | Nil                                                                | Nil                                                                                       | Nil                                                                                        | Nil |

Compensation of Directors

Our directors, who were not named executive officers, did not receive any compensation for the year ended February 29, 2020.

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 of beneficial owner                                                  | Amount and nature of beneficial ownership |                  | Percent of class <sup>(1)</sup> |
|----------------|---------------------------------------------------------------------------|-------------------------------------------|------------------|---------------------------------|
| Common Stock   | Marc A. Bruner 1155 Blake Street, Suite 1002<br>Denver, CO 80202          | 37,500,000 <sup>(2)</sup>                 | Indirect         | 30.59%                          |
| Common Stock   | Michael Caetano                                                           | 4,430,000 <sup>(3)</sup>                  | Direct/ Indirect | 3.56%                           |
| Common Stock   | Robert DaCunha                                                            | 303,333                                   | Direct           | *                               |
| Common Stock   | Konstantine Vatskalis                                                     | Nil                                       |                  | *                               |
| Common Stock   | William Via                                                               | Nil                                       |                  | *                               |
| Common Stock   | Brett Matich                                                              | Nil                                       |                  | *                               |
|                | Directors & Executive Officers as a group (7 persons)                     | 42,233,333                                |                  | 33.90%                          |
| Common Stock   | Jaime Melo<br>153 Sierra Court<br>Maple, ON L6A 2L8, Canada               | 17,500,000 <sup>(4)</sup>                 | Indirect         | 14.28%                          |
| Common Stock   | Angela Mainardi<br>1503 Commercial Drive<br>Vancouver, BC V5L 3Y1, Canada | 17,500,000 <sup>(5)</sup>                 | Indirect         | 14.28%                          |

\* Less than 1%.

- <sup>(1)</sup> Percentage of ownership is based on 122,571,156 common shares issued and outstanding as of July 20, 2020. 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.
- <sup>(2)</sup> 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.
- <sup>(3)</sup> 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.
- <sup>(4)</sup> 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.
- <sup>(5)</sup> Consists of 17,500,000 common shares owned by Pacific Petroleum LLC. Angela Mainardi exercises investment power over common shares owned by Pacific Petroleum LLC.

## **Changes in Control**

We are unaware of any contract or other arrangement the operation of which may at a subsequent date result in a change in 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, 2017, 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 29, 2020, the Company:

- Incurred or accrued a total of \$120,000 (February 28, 2019 - \$120,000) in management fees to Michael Caetano, a director and officer of the Company.
- Incurred or accrued a total of \$95,000 (February 28, 2019 - \$180,000) in management fees to Marc Bruner, a director and officer of the Company.

### **Director Independence**

We currently act with five directors consisting of Marc A. Bruner, Michael Caetano, Konstantine Vatskalis, William Via, and Brett Matich. Our common stock is quoted on the OTCQB operated by the OTC Markets Group, which does not impose any director independence requirements. Our common stock is also listed on the TSX Venture Exchange which imposes director independent requirements. Under NASDAQ rule 5605(a)(2), a director is not independent if he or she is also an executive officer or employee of the corporation or was, at any time during the past three years, employed by the corporation. Using this definition of independent director, we have three independent directors, Konstantine Vatskalis, William Via, and Brett Matich.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Audit Fees

On September 21, 2018, we dismissed Dale Matheson Carr-Hilton LaBonte LLP (“DMCL”) as our company’s independent registered public accounting firm. On September 21, 2018, we appointed Davidson as our company’s independent registered public accounting firm.

The following table sets forth the fees billed to our company for the years ended February 29, 2020 and February 28, 2019 for professional services rendered by Davidson and DMCL:

| Fees               | Davidson   | Davidson  | DMCL      |
|--------------------|------------|-----------|-----------|
|                    | 2020       | 2019      | 2019      |
| Audit Fees         | \$ 173,290 | \$ 15,620 | \$ 55,526 |
| Audit Related Fees | 58,683     | -         | -         |
| Tax Fees           | -          | -         | -         |
| Other Fees         | -          | -         | -         |
| Total Fees         | \$ 231,973 | \$ 15,620 | \$ 55,526 |

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 audit committee pre-approves all services provided by our independent registered public accountants. All of the above services and fees were reviewed and approved by our board of directors (prior to the establishment of our audit committee) or our audit committee (subsequent to the establishment of our audit committee) before the respective services were rendered.

Our board of directors (prior to the establishment of our audit committee) or our audit committee (subsequent to the establishment of our audit committee) has considered the nature and amount of fees billed by our independent registered public accountants and believes that the provision of services for activities unrelated to the audit is compatible with maintaining the independence of our independent registered public accountants.

## PART IV

### ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

Exhibits required by Item 601 of Regulation S-K:

| No.   | Description                                                                                                                                                                                                                                |
|-------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 3.1   | <a href="#">Articles of Incorporation (incorporated by reference from our registration statement on Form SB-2 filed on December 1, 2006)</a>                                                                                               |
| 3.2   | <a href="#">Corporate Bylaws (incorporated by reference from our registration statement on Form SB-2 filed on December 1, 2006)</a>                                                                                                        |
| 3.3   | <a href="#">Certificate of Change (incorporated by reference from our current report on Form 8-K filed on October 22, 2007)</a>                                                                                                            |
| 3.4   | <a href="#">Certificate of Amendment (incorporated by reference from our current report on Form 8-K filed on February 15, 2008)</a>                                                                                                        |
| 3.5   | <a href="#">Articles of Merger dated effective March 30, 2017 (incorporated by reference from our current report on Form 8-K filed on March 30, 2017)</a>                                                                                  |
| 3.6   | <a href="#">Amended and Restated Bylaws (incorporated by reference from our current report on Form 8-K filed on January 7, 2019)</a>                                                                                                       |
| 10.1  | <a href="#">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)</a>                                            |
| 10.2  | <a href="#">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)</a> |
| 10.3  | <a href="#">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)</a>                                                                             |
| 10.4  | <a href="#">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)</a>                                                               |
| 10.5  | <a href="#">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)</a>                                                                |
| 10.6  | <a href="#">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)</a>                                                                 |
| 10.7  | <a href="#">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)</a>                                                     |
| 10.8  | <a href="#">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)</a>                                                             |
| 10.9  | <a href="#">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)</a>                                 |
| 10.10 | <a href="#">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)</a>                                                      |
| 10.11 | <a href="#">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)</a>                                                       |
| 10.12 | <a href="#">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)</a>                                                       |

- 10.13 [Membership Interest Purchase Agreement dated April 7, 2017 with Blue Phoenix Energy, LLC and Pacific Petroleum, LLC \(incorporated by reference from our current report on Form 8-K filed on April 12, 2017\)](#)
- 10.14 [Membership Interest Purchase Agreement dated April 7, 2017 with Grassy Butte Energy LLC \(incorporated by reference from our current report on Form 8-K filed on April 12, 2017\)](#)
- 10.15 [Milestone Payment Addendum dated April 7, 2016 with Grassy Butte Energy, Ltd. and Grassy Butte, LLC \(incorporated by reference from our current report on Form 8-K filed on April 12, 2017\)](#)
- 10.16 [Membership Interest Purchase Agreement dated April 12, 2017 with Blue Phoenix Energy, LLC and Pacific Petroleum, LLC \(incorporated by reference from our quarterly report on Form 10-Q filed on October 17, 2017\)](#)
- 10.17 [Membership Interest Purchase Agreement dated April 17, 2017 with MAB Resources Holdings LLC and JM Magna Holdings LLC \(incorporated by reference from our current report on Form 8-K filed on April 21, 2017\)](#)
- 10.18 [Membership Interest Purchase Agreement dated May 17, 2017 with MAB Resources Holdings LLC and JM Magna Holdings LLC \(incorporated by reference from our current report on Form 8-K filed on May 24, 2017\)](#)
- 10.19 [First Amendment to Purchase and Sale Agreement dated August 17, 2017, 2017 but effective as of March 1, 2017 between Black Dragon Energy, LLC and WEM Dragon, LLC \(incorporated by reference from our current report on Form 8-K filed on August 23, 2017\)](#)
- 10.20 [Ratification of Purchase and Sale dated August 17, 2017 but effective as of March 1, 2017 between Fortem Resources Inc. and WEM Dragon, LLC \(incorporated by reference from our current report on Form 8-K filed on August 23, 2017\)](#)
- 10.21 [Second Amendment to Purchase and Sale Agreement dated August 17, 2017, 2017 but effective as of March 1, 2017 between Rolling Rock Resources, LLC and Rockies Standard Oil Company, LLC \(incorporated by reference from our current report on Form 8-K filed on August 23, 2017\)](#)
- 10.22 [Ratification of Purchase and Sale dated August 17, 2017 but effective as of March 1, 2017 between Fortem Resources Inc. and Rockies Standard Oil Company, LLC \(incorporated by reference from our current report on Form 8-K filed on August 23, 2017\)](#)
- 10.23 [Agreement Re: April 2017 SITLA Auction dated April 18, 2017 between Rolling Rock Resources, LLC and Rockies Standard Oil Company LLC \(incorporated by reference from our current report on Form 8-K filed on August 24, 2017\)](#)
- 10.24 [Debt Conversion Agreement dated November 2, 2017 with Grassy Butte Energy Ltd. \(incorporated by reference from our current report on Form 8-K filed on November 9, 2017\)](#)
- 10.25 [Debt Conversion Agreement dated December 19, 2017 with LPD Ltd. \(incorporated by reference from our current report on Form 8-K filed on December 22, 2017\)](#)
- 10.26 [Second Amendment to Purchase and Sale Agreement dated effective as of March 1, 2017 between Black Dragon Energy, LLC and WEM Dragon, LLC \(incorporated by reference from our current report on Form 8-K filed on June 15, 2018\)](#)
- 10.27 [Ratification of Purchase and Sale dated effective as of March 1, 2017 between Fortem Resources Inc. and WEM Dragon, LLC \(incorporated by reference from our current report on Form 8-K filed on June 15, 2018\)](#)
- 10.28 [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 \(incorporated by reference from our current report on Form 8-K filed on June 15, 2018\)](#)
- 10.29 [Ratification of Purchase and Sale Agreement dated March 1, 2017 between Rockies Standard Oil Company, LLC and the Company \(incorporated by reference from our current report on Form 8-K filed on June 15, 2018\)](#)
- 10.30 [Third Amendment to Purchase and Sale Agreement dated effective as of March 1, 2017 between Black Dragon Energy, LLC and WEM Dragon, LLC \(incorporated by reference from our current report on Form 8-K filed on August 17, 2018\)](#)
- 10.31 [Ratification of Purchase and Sale dated effective as of March 1, 2017 between Fortem Resources Inc. and WEM Dragon, LLC \(incorporated by reference from our current report on Form 8-K filed on August 17, 2018\)](#)
- 10.32 [Fourth Amendment to Purchase and Sale Agreement dated effective as of March 1, 2017 between Rolling Rock Resources, LLC and Rockies Standard Oil Company, LLC \(incorporated by reference from our current report on Form 8-K filed on August 17, 2018\)](#)

|       |                                                                                                                                                                                                                                                                           |
|-------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 10.33 | <a href="#"><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 August 17, 2018)</u></a>                                 |
| 10.34 | <a href="#"><u>2018 Stock Option Plan (incorporated by reference from our current report on Form 8-K filed on August 24, 2018)</u></a>                                                                                                                                    |
| 10.35 | <a href="#"><u>Asset Sale Agreement (incorporated by reference from our current report on Form 8-K filed on October 2, 2018)</u></a>                                                                                                                                      |
| 10.36 | <a href="#"><u>Extension Letter Agreement (incorporated by reference from our current report on Form 8-K filed on December 17, 2018)</u></a>                                                                                                                              |
| 10.37 | <a href="#"><u>Broadcast Advertising with USA Radio (incorporated by reference from our current report on Form 8-K filed on February 8, 2019)</u></a>                                                                                                                     |
| 10.38 | <a href="#"><u>Investor Relations Agreement (incorporated by reference from our current report on Form 8-K filed on March 15, 2019)</u></a>                                                                                                                               |
| 10.39 | <a href="#"><u>Fourth 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 May 29, 2019)</u></a>                     |
| 10.40 | <a href="#"><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 May 29, 2019)</u></a>                                      |
| 10.41 | <a href="#"><u>Fifth 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 May 29, 2019)</u></a> |
| 10.42 | <a href="#"><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 May 29, 2019)</u></a>                                    |
| 10.43 | <a href="#"><u>Social Media Services Contract dated April 18, 2019 with Oilprice.com (incorporated by reference from our current report on Form 8-K filed on May 31, 2019)</u></a>                                                                                        |
| 10.44 | <a href="#"><u>Extension Letter Agreement dated March 13, 2019 (incorporated by reference from our current report on Form 8-K filed on May 31, 2019)</u></a>                                                                                                              |
| 10.45 | <a href="#"><u>Consulting Agreement with Atlanta Capital Partners, LLC dated June 13, 2019 (incorporated by reference from our current report on Form 8-K filed on June 17, 2019)</u></a>                                                                                 |
| 10.46 | <a href="#"><u>Statement of Work &amp; Contract dated June 13, 2019 with AMW Public Relations Inc. (incorporated by reference from our current report on Form 8-K filed on June 17, 2019)</u></a>                                                                         |
| 10.47 | <a href="#"><u>Extension Letter Agreement (incorporated by reference from our current report on Form 8-K filed on September 25, 2019)</u></a>                                                                                                                             |
| 10.48 | <a href="#"><u>Non-Binding Preliminary Indication of Interest dated September 18, 2019 (incorporated by reference from our current report on Form 8-K filed on September 25, 2019)</u></a>                                                                                |
| 10.49 | <a href="#"><u>Fifth 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 May 27, 2020)</u></a>                      |
| 10.50 | <a href="#"><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 May 27, 2020)</u></a>                                      |
| 10.51 | <a href="#"><u>Sixth 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 May 27, 2020)</u></a> |
| 10.52 | <a href="#"><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 May 27, 2020)</u></a>                                    |
| 14.1  | <a href="#"><u>Code of Ethics and Business Conduct</u></a>                                                                                                                                                                                                                |
| 16.1  | <a href="#"><u>Letter from Dale Matheson Carr-Hilton LaBonte LLP dated September 21, 2018 (incorporated by reference from our current report on Form 8-K filed on September 24, 2018)</u></a>                                                                             |

21.1 Subsidiaries of Fortem Resources Inc.

Colony Energy, LLC, a Nevada limited liability company  
Black Dragon Energy, LLC, a Nevada limited liability company  
Rolling Rock Resources, LLC, a Nevada limited liability company  
City of Gold, LLC, a Nevada limited liability company

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](#)

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: July 21, 2020

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: July 21, 2020

By /s/ Robert DaCunha  
Robert DaCunha  
Chief Financial Officer  
(Principal Financial Officer and Principal Accounting Officer)

Date: July 21, 2020

By /s/ Michael Caetano  
Michael Caetano  
Chief Operating Officer, Secretary, Treasurer and Director

Date: July 21, 2020

By /s/ Konstantine Vatskalis  
Konstantine Vatskalis  
Director

Date: July 21, 2020

By /s/ William Via  
William Via  
Director

Date: July 21, 2020

By /s/ Brett Matich  
Brett Matich  
Director

Date: July 21, 2020

**FORTEM RESOURCES INC.**  
(the “**Company**”)  
  
**CODE OF ETHICS AND BUSINESS CONDUCT**  
**FOR DIRECTORS, SENIOR OFFICERS AND EMPLOYEES OF THE COMPANY**  
(the “**Code**”)

This Code applies to the Chief Executive Officer, President, Chief Financial Officer, Principal Executive Officer, Principal Financial Officer, Principal Accounting Officer, Controller, any Presidents of business units/divisions, any Vice-Presidents, any Executive Vice-Presidents, and persons performing similar functions (collectively, the “**Senior Officers**”) along with all directors and employees within the Company and its subsidiaries (the Senior Officers, directors and employees are hereinafter collectively referred to as the “**Covered Persons**”). This Code covers a wide range of business practices and procedures. It does not cover every issue that may arise, but it sets out basic principles to guide all Covered Persons of the Company. All Covered Persons should conduct themselves accordingly and seek to avoid the appearance of improper behaviour in any way relating to the Company.

Any Covered Person who has any questions about the Code should consult with the Chief Executive Officer, the President, the Company’s board of directors (the “**Board**”) or the Company’s audit committee (the “**Audit Committee**”).

The Company has adopted the Code for the purpose of promoting:

- honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest;
- full, fair, accurate, timely and understandable disclosure in all reports and documents that the Company files with, or submits to, the Securities and Exchange Commission (“**SEC**”) and in other public communications made by the Company;
- compliance with applicable governmental laws, rules and regulations;
- the protection of Company assets, including corporate opportunities and confidential information;
- fair dealing practices;
- the prompt internal reporting of violations of the Code; and
- accountability for adherence to the Code.

All Covered Persons are required to be familiar with the Code, comply with its provisions and report any suspected violations as described below.

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## HONEST AND ETHICAL CONDUCT

The Company's policy is to promote high standards of integrity by conducting its affairs honestly and ethically.

Each Covered Person must act with integrity and observe the highest ethical standards of business conduct in his or her dealings with the Company's customers, suppliers, partners, service providers, competitors, employees and anyone else with whom he or she has contact in the course of performing his or her job.

A conflict of interest occurs when an individual's private interest (or the interest of a member of his or her family) interferes, or even appears to interfere, with the interests of the Company as a whole. A conflict of interest can arise when a Covered Person (or a member of his or her family) takes actions or has interests that may make it difficult to perform his or her work for the Company objectively and effectively. Conflicts of interest also arise when a Covered Person (or a member of his or her family) receives improper personal benefits as a result of his or her position in the Company.

Loans by the Company to, or guarantees by the Company of obligations of, a Covered Person or their family members are of special concern and could constitute improper personal benefits to the recipients of such loans or guarantees, depending on the facts and circumstances. Loans by the Company to, or guarantees by the Company of obligations of, any Senior Officer or their family members are expressly prohibited.

Whether or not a conflict of interest exists or will exist can be unclear. Conflicts of interest should be avoided.

Specifically, each Covered Person must:

- act with integrity, including being honest and candid while still maintaining the confidentiality of information when required or consistent with the Company's policies;
  - avoid violations of the Code, including actual or apparent conflicts of interest with the Company in personal and professional relationships;
  - disclose to the Board or the Audit Committee any material transaction or relationship that could reasonably be expected to give rise to a breach of the Code, including actual or apparent conflicts of interest with the Company;
  - obtain approval from the Board or Audit Committee before making any decisions or taking any action that could reasonably be expected to involve a conflict of interest or the appearance of a conflict of interest;
  - observe both the form and spirit of laws and governmental rules and regulations, accounting standards and Company policies;
-

- maintain a high standard of accuracy and completeness in the Company’s financial records;
- ensure full, fair, timely, accurate and understandable disclosure in the Company’s periodic reports;
- report any violations of the Code to the Board or Audit Committee;
- proactively promote ethical behaviour among peers in his or her work environment; and
- maintain the skills appropriate and necessary for the performance of his or her duties.

#### **DISCLOSURE OF COMPANY INFORMATION**

As a result of the Company’s status as a public company, it is required to file periodic and other reports with the SEC. The Company takes its public disclosure responsibility seriously to ensure that these reports furnish the marketplace with full, fair, accurate, timely and understandable disclosure regarding the financial and business condition of the Company. All disclosures contained in reports and documents filed with or submitted to the SEC, or other government agencies, on behalf of the Company or contained in other public communications made by the Company must comply with all applicable securities laws and SEC rules and must be complete and correct in all material respects and understandable to the intended recipient.

The Senior Officers, in relation to his or her area of responsibility, must be committed to providing timely, consistent and accurate information, in compliance with all legal and regulatory requirements. It is imperative that this disclosure be accomplished consistently during both good times and bad and that all parties in the marketplace have equal or similar access to this information.

All of the Company’s books, records, accounts and financial statements must be maintained in reasonable detail, must appropriately reflect the Company’s transactions, and must conform both to applicable legal requirements and to the Company’s system of internal controls. Unrecorded or “off the book” funds, assets or liabilities should not be maintained unless permitted by applicable law or regulation. The Senior Officers involved in the preparation of the Company’s financial statements must prepare those statements in accordance with generally accepted accounting principles, consistently applied, and any other applicable accounting standards and rules so that the financial statements materially, fairly and completely reflect the business transactions and financial statements and related condition of the Company. Further, it is important that financial statements and related disclosures be free of material errors. All Covered Persons must cooperate fully with the Company’s accounting and internal audit personnel as well as the Company’s independent public accountants and legal counsel.

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Specifically, each Senior Officer must:

- be familiar and comply with the disclosure requirements generally applicable to the Company and the Company's disclosure controls and procedures and its internal control over financial reporting;
- take all necessary steps to ensure that all filings with the SEC and all other public communications about the financial and business condition of the Company provide full, fair, accurate, timely and understandable disclosure;
- not knowingly misrepresent, or cause others to misrepresent, facts about the Company to others, including the Company's independent auditors, governmental regulators, self-regulating organizations and other governmental officials;
- to the extent that he or she participates in the creation of the Company's books and records, promote the accuracy, fairness and timeliness of those records; and
- in relation to his or her area of responsibility, properly review and critically analyse proposed disclosure for accuracy and completeness.

#### **PROTECTION AND PROPER USE OF COMPANY ASSETS**

All Covered Persons should protect the Company's assets and ensure their efficient use. Theft, carelessness and waste have a direct impact on the Company's profitability and are prohibited.

All assets of the Company should be used only for legitimate business purposes. Any suspected incident of fraud or theft should be reported for investigation immediately. The obligation to protect Company assets includes the Company's proprietary information. Proprietary information includes intellectual property such as trade secrets, patents, trademarks, and copyrights, as well as business and marketing plans, engineering and manufacturing ideas, designs, databases, records and any non-public financial data or reports. Unauthorized use or distribution of this information is prohibited and could also be illegal and result in civil or criminal penalties.

All Covered Persons owe a duty to the Company to advance its interests when the opportunity arises. Covered Persons are prohibited from taking for themselves personally (or for the benefit of friends or family members) opportunities that are discovered through the use of Company assets, property, information or position. Covered Persons may not use Company assets, property, information or position for personal gain (including gain of friends or family members). In addition, no Covered Person may compete with the Company.

#### **CONFIDENTIAL INFORMATION**

Covered Persons must maintain the confidentiality of confidential information entrusted to them by the Company of its customers, suppliers, joint venture partners, or others with whom the Company is considering a business or other transaction except when disclosure is authorized by a Senior Officer or required or mandated by laws or regulations. Confidential information includes all non-public information that might be useful or helpful to competitors or harmful to the Company or its customers or suppliers, if disclosed. It also includes information that suppliers, customers and other parties have entrusted to the Company. The obligation to preserve confidential information continues even after employment ends.

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Records containing personal data about employees or private information about customers and their employees are confidential. They are to be carefully safeguarded, kept current, relevant and accurate. They should be disclosed only to authorized personnel or as required by law.

All inquiries regarding the Company from non-employees, such as financial analysts and journalists, should be directed to the Board or the Audit Committee. The Company's policy is to cooperate with every reasonable request of government investigators for information. At the same time, the Company is entitled to all the safeguards provided by law for the benefit of persons under investigation or accused of wrongdoing, including legal representation. If a representative of any government or government agency seeks an interview or requests access to data or documents for the purposes of an investigation, the Covered Person should refer the representative to the Board or the Audit Committee. Covered Person also should preserve all materials, including documents and e-mails that might relate to any pending or reasonably possible investigation.

## **FAIR DEALING**

Each Covered Person must deal fairly with the Company's customers, suppliers, partners, service providers, competitors, employees and anyone else with whom he or she has contact in the course of performing his or her job. No Covered Person may take unfair advantage of anyone through manipulation, concealment, abuse or privileged information, misrepresentation of facts or any other unfair dealing practice.

## **COMPLIANCE WITH LAWS**

The Covered Persons must respect, obey and comply with all applicable foreign, federal, state and local laws, rules and regulations applicable to the business and operations of the Company.

Covered Persons who have access to, or knowledge of, material nonpublic information from or about the Company are prohibited from buying, selling or otherwise trading in the Company's stock or other securities. "Material nonpublic" information includes any information, positive or negative, that has not yet been made available or disclosed to the public and that might be of significance to an investor, as part of the total mix of information, in deciding whether to buy or sell stock or other securities.

Covered Persons also are prohibited from giving "tips" on material nonpublic information, that is directly or indirectly disclosing such information to any other person, including family members, other relatives and friends, so that they may trade in the Company's stock or other securities.

Furthermore, if, during the course of a Covered Person's service with the Company, he or she acquires material nonpublic information about another company, such as one of the Company's customers or suppliers, or the Covered Person learns that the Company is planning a major transaction with another company (such as an acquisition), the Covered Person is restricted from trading in the securities of the other company.

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## **REPORTING ACTUAL AND POTENTIAL VIOLATIONS OF THE CODE AND ACCOUNTABILITY FOR COMPLIANCE WITH THE CODE**

The Company, through the Board or the Audit Committee, is responsible for applying this Code to specific situations in which questions may arise and has the authority to interpret this Code in any particular situation. This Code is not intended to provide a comprehensive guideline for Covered Persons in relation to their business activities with the Company. Any Covered Person may seek clarification on the application of this Code from the Board or the Audit Committee.

Each Covered Person must:

- notify the Company of any existing or potential violation of this Code, and failure to do so is itself a breach of the Code; and
- not retaliate, directly or indirectly, or encourage others to do so, against any other Covered Person for reports, made in good faith, of any misconduct or violations of the Code solely because that Covered Person raised a legitimate ethical issue.

The Board or the Audit Committee will take all action it considers appropriate to investigate any breach of the Code reported to it. All Covered Persons are required to cooperate fully with any such investigations and to provide truthful and accurate information. If the Board or the Audit Committee determines that a breach has occurred, it will take or authorize disciplinary or preventative action as it deems appropriate, after consultation with the Company's counsel if warranted, up to and including termination of employment. Where appropriate, the Company will not limit itself to disciplinary action but may pursue legal action against the offending Covered Person involved. In some cases, the Company may have a legal or ethical obligation to call violations to the attention of appropriate enforcement authorities.

Compliance with the Code may be monitored by audits performed by the Board, Audit Committee, the Company's counsel and/or by the Company's outside auditors. All Covered Persons are required to cooperate fully with any such audits and to provide truthful and accurate information.

Any waiver of this Code for any Covered Person may be made only by the Board or the Audit Committee and will be promptly disclosed to stockholders and others, as required by applicable law. The Company must disclose changes to and waivers of the Code in accordance with applicable law.

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**ACKNOWLEDGMENT OF RECEIPT AND REVIEW**

To be signed and returned to the Chief Financial Officer.

I, \_\_\_\_\_, acknowledge that I have received and read a copy of Fortem Resources Inc.’s Code of Ethics and Business Conduct. I understand the contents of the Code and I agree to comply with the policies and procedures set out in the Code.

I understand that I should approach the Chief Financial Officer if I have any questions about the Code generally or any questions about reporting a suspected conflict of interest or other violation of the Code.

\_\_\_\_\_  
[NAME]

\_\_\_\_\_  
[PRINTED NAME]

\_\_\_\_\_  
[DATE]

\_\_\_\_\_

**CERTIFICATION PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Marc A. Bruner, certify that:

1. I have reviewed this annual report on Form 10-K of Fortem Resources Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

July 21, 2020

*/s/ Marc A. Bruner*

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

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**CERTIFICATION PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Robert Da Cunha, certify that:

1. I have reviewed this annual report on Form 10-K of Fortem Resources Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

July 21, 2020

/s/ Robert Da Cunha

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

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CERTIFICATION PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned, Marc A. Bruner, hereby certifies, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) the annual report on Form 10-K of Fortem Resources Inc. for the year ended February 29, 2020 (the “**Report**”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Fortem Resources Inc.

Dated: July 21, 2020

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

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CERTIFICATION PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned, Robert Da Cunha, hereby certifies, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) the annual report on Form 10-K of Fortem Resources Inc. for the year ended February 29, 2020 (the “**Report**”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Fortem Resources Inc.

Dated: July 21, 2020

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

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