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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-K**

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

For the fiscal year ended April 30, 2017

or

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

Commission File No. 000-49760

**Petro River Oil Corp.**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**98-0611188**  
(I.R.S. Employer  
Identification No.)

**55 5<sup>th</sup> Avenue, Suite 1702, New York, NY 10003**  
(Address of Principal Executive Offices, Zip Code)

**(469) 828-3900**  
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: **None**

Securities registered pursuant to Section 12(g) of the Act: **Common Stock, \$0.00001 par value**

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer," "large accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer       Accelerated filer       Non-accelerated filer       Smaller reporting company   
Emerging growth company

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of October 31, 2016, the aggregate market value of the registrant's common stock held by non-affiliates was \$2,906,686, based on the closing bid price of \$1.30 per share on October 31, 2016, as reported on OTC Pink Marketplace.

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at July 27, 2017
Common Stock, \$0.00001 par value per share	15,852,997 shares

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## FORWARD-LOOKING STATEMENTS

This report, including information included in future filings by us with the Securities and Exchange Commission (the “SEC”), as well as information contained in written material, press releases and oral statements issued by us or on our behalf, contain, or may contain, certain statements that are “forward-looking statements” within the meaning of federal securities laws that are subject to a number of risks and uncertainties, many of which are beyond our control. This report modifies and supersedes documents filed by us before this report. In addition, certain information that we file with the SEC in the future will automatically update and supersede information contained in this report. All statements, other than statements of historical fact, included in this report regarding our strategy, future operations, financial position, estimated revenues and losses, projected costs, prospects, plans and objectives of management are forward-looking statements. When used in this report, the words “could,” “believe,” “anticipate,” “intend,” “estimate,” “expect,” “project,” “will” and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such identifying words.

Forward-looking statements may include statements about our business strategy, reserves, technology, financial strategy, oil and natural gas realized prices, timing and amount of future production of oil and natural gas, the amount, nature and timing of capital expenditures, drilling of wells, competition and government regulations, marketing of oil and natural gas, property acquisitions, costs of developing our properties and conducting other operations, general economic conditions, uncertainty regarding our future operating results and plans, objectives, expectations and intentions contained in this report that are not historical.

All forward-looking statements speak only as of the date of this report, and, except as required by law, we do not intend to update any of these forward-looking statements to reflect changes in events or circumstances that arise after the date of this report. You should not place undue reliance on these forward-looking statements. Although we believe that our plans, intentions and expectations reflected in or suggested by the forward-looking statements we make in this report are reasonable, we can give no assurance that these plans, intentions or expectations will be achieved. We disclose important factors that could cause our actual results to differ materially from our expectations under “*Risk Factors*” and “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” and elsewhere in this report. These cautionary statements qualify all forward-looking statements attributable to us or persons acting on our behalf.

## PART I

### ITEM 1. BUSINESS

#### Business Overview

Petro River Oil Corp. (the “*Company*”) is an independent energy company focused on the exploration and development of conventional oil and gas assets with low discovery and development costs. The Company is currently focused on moving forward with drilling wells on several of its properties owned directly and indirectly through its interest in Horizon Energy Partners, LLC (“*Horizon Energy*”), as well as taking advantage of the relative depressed market in oil prices to enter highly prospective plays with Horizon Energy and other industry-leading partners. Diversification over a number of projects, each with low initial capital expenditures and strong risk reward characteristics, reduces risk and provides cross-functional exposure to a number of attractive risk adjusted opportunities.

The Company’s core holdings are in the Mid-Continent Region in Oklahoma and in Kern County, California. Following the acquisition of Horizon I Investments, LLC (“*Horizon Investments*”), the Company now has exposure to a portfolio of several domestic and international oil and gas assets consisting of highly prospective conventional plays diversified across project type, geographic location and risk profile, as well as access to a broad network of industry leaders from Horizon Investment’s 20% interest in Horizon Energy. Horizon Energy is an oil and gas exploration and development company owned and managed by former senior oil and gas executives. It has a portfolio of domestic and international assets, including two assets located in the United Kingdom, adjacent to the giant Wytch Farm oil field, the largest onshore oil field in Western Europe. Other projects include the proposed redevelopment of a large oil field in Kern County, California and the development of an additional recent discovery in Kern County. Each of the assets in the Horizon Energy portfolio is characterized by low initial capital expenditure requirements and strong risk reward characteristics.

The execution of our business plan is dependent on obtaining necessary working capital. While no assurances can be given, in the event management is able to obtain additional working capital, we plan to acquire high-quality oil and gas properties, primarily proved producing and proved undeveloped reserves. We also intend to explore low-risk development drilling and work-over opportunities. Management is also exploring farm in and joint venture opportunities for our oil and gas assets.

#### Our Objective

Our primary objective is to enhance shareholder value by increasing our net asset value, net reserves and cash flow through development, exploitation, exploration, and acquisition of oil and gas properties.

#### Our Strategy

We intend to follow a balanced risk strategy by allocating capital expenditures to a combination of lower risk development and high potential exploration prospects. Key elements of our business strategy include the following:

*Develop and exploit our existing oil and natural gas properties* . Our principal growth strategy has been to explore, develop and exploit our acquired and leased properties to add proven reserves.

*Pursue selective acquisitions* . The Company has acquired leasehold positions that it believes contain substantial resource potential and meet its targeted returns on invested capital. Management intends to continue to pursue strategic acquisitions that meet the Company’s operational and financial targets. We seek to acquire developed and undeveloped oil and gas properties that will provide us with additional development and exploratory prospect opportunities. We may also acquire a working interest in one or more prospects from others and participate with the other working interest owners in drilling and, if warranted, completing oil or gas wells on a prospect. We may purchase producing oil or gas properties.

*Use the latest 3-D seismic technology to maximize returns* . Technical advances in imaging and modeling can lower risk and enhance productivity. The Company intends to utilize 3-D seismic and other technological advancements that benefit its exploratory and developmental drilling program.

*Limit our current exploration and acquisition activities to conventional oil plays with a projected breakeven price of \$30 per barrel or less* . We intend to focus our resources on more easily recoverable conventional reserves.

*During the current downturn, obtain price concessions from third party vendors* , specifically those involved in our drilling and completion activities and day-to-day well maintenance.

## **Plan of Operation**

The Company is currently engaged in oil and natural gas acquisition, exploration, development and production, with activities in Oklahoma and California in the United States, and Northern Ireland, Denmark and the U.K in Western Europe. We focus on developing our existing properties, while continuing to pursue acquisitions of oil and gas properties with upside potential.

The Company intends to grow its resources and production through exploration activities and development of identified potential drilling locations, and through acquisitions that meet the Company's strategic and financial objectives. Our plan includes:

*Leveraging our management experience* . The Company's executive team, along with Horizon Energy, the Company's operating partner, has extensive and proven experience in the oil and gas industry. We believe that the experience of our executive team will help reduce the time and cost associated with drilling and completing exploration and development of our conventional assets and potentially increasing recovery. Collectively, our management team and engineering professionals identify and evaluate acquisition opportunities, negotiate and close purchases and manage acquired properties.

*Leveraging our established business relationships* . Our executive team, along with Horizon Energy, has many relationships with operators and service providers in our core asset regions. We believe that leveraging our relationships will be a competitive advantage in developing our acreage and identifying acquisition targets.

*De-risking our acreage position and build a vertical drilling program* . The Company has identified a multi-year inventory of potential drilling locations that will drive reserves and production growth and provide attractive return opportunities. The Company views its Osage, Kern County and Grapevine projects as de-risked because of the significant production history in the area and well-established industry activity surrounding the acreage.

*Partnership with Horizon Energy* . Following the acquisition of Horizon Investments, the Company has an indirect interest, through Horizon Investment's 20% ownership in Horizon Energy, in a portfolio of several domestic and international oil and gas assets consisting of highly prospective conventional plays diversified across project type, geographic location and risk profile, as well as access to a broad network of industry leaders.

Horizon Energy is an oil and gas exploration and development company owned and managed by former senior oil and gas executives. It has a portfolio of domestic and international assets, including two assets located in the United Kingdom, adjacent to the giant Wytch Farm oil field, the largest onshore oil field in Western Europe. Other projects include the proposed redevelopment of a large oil field in Kern County, California and the development of an additional recent discovery in Kern County. Each of the assets in the Horizon Energy portfolio is characterized by low initial capital expenditure requirements and strong risk reward characteristics.

## **Competitive Strengths**

*Financial flexibility* . Our capital structure and high degree of operational control continues to provide us with significant financial flexibility. We have no corporate debt in our capital structure, enabling us to make capital decisions with no restrictions imposed by debt covenants, lender oversight and/or mandatory repayment schedules. Additionally, in concert with our partner, Horizon Energy, we control the majority of our anticipated future net drilling locations, including the timing and selection of drilling locations as well as completion schedules. This allows us to modify our capital spending program depending on financial resources, leasehold requirements and market conditions.

*Management experience* . Our key management team possesses an average of over thirty years of experience in oil and gas exploration and production in multiple resource plays, including exploration and production in the Company's core regions of Osage, Oklahoma, Kern County, California, and the North Sea.

*Cost-efficient operators* . In the past, our management team has shown an ability to drill wells in a cost-efficient way and to successfully integrate acquired assets without incurring significant increases in overhead.

## History

The Company was originally incorporated under the Company Act (British Columbia) on February 8, 2000 under the name Brockton Capital Corp. We then changed our name to MegaWest Energy Corp. effective February 27, 2010, before changing it to Gravis Oil Corp. on June 20, 2011. On September 11, 2012, we re-organized under the laws of the State of Delaware as a corporation organized under the Delaware General Corporation Law. Prior to September 11, 2012, and at April 30, 2012, we were organized under the laws of Alberta, Canada.

Petro River Oil LLC ("Petro"), an indirect subsidiary of the Company and wholly owned subsidiary of MegaWest Energy Kansas Corp., was incorporated under the laws of the State of Delaware on March 3, 2011 ("MegaWest"). Through proceeds received from the issuance of various promissory notes, on February 1, 2012, Petro purchased various interests in oil and gas leases, wells, records, data and related personal property located along the play in the state of Kansas ("Mississippi Assets"). Effective December 23, 2015, Petro divested the Mississippi Assets. In connection with the divestiture, the assignee and purchaser of the Mississippi Assets agreed to pay outstanding liabilities, including unpaid taxes, and assume certain responsibilities to plug any abandoned wells. No cash consideration was paid for the interests.

*Share Exchange* . On April 23, 2013, the Company executed and consummated a securities purchase agreement by and among the Company, Petro, and certain investors in Petro (the "Investors"), namely, the holders of outstanding secured promissory notes of Petro (the "Notes"), and those holding membership interests in Petro (the "Membership Interests"), and, together with the Notes, the "Acquired Securities") sold by Petro (the "Share Exchange"). In the Share Exchange, the Investors exchanged their Acquired Securities for 591,021,011 newly issued shares of the Company's common stock (2,955,105 shares of common stock based on the December 2015 reverse stock split – see "Reverse Stock Split" below). Upon completion of the Share Exchange, Petro became a wholly owned subsidiary of the Company.

As a result of the Share Exchange, the Company acquired 100% of the membership units of Petro and consequently, control of Petro's business and operations. Under generally accepted accounting principles in the United States ("U.S. GAAP"), because Petro's former members and note holders held 80% of the issued and outstanding shares of the Company as a result of the Share Exchange, Petro was deemed the accounting acquirer while the Company remains the legal acquirer. Petro adopted the fiscal year of the Company. Prior to the Share Exchange, all historical financial statements presented are those of Petro. The equity of the Company is the historical equity of Petro, restated to reflect the number of shares issued by the Company in the transaction.

*Acquisition of Interest in Bandolier Energy LLC* . On May 30, 2014, the Company entered into a Subscription Agreement pursuant to which the Company was issued a 50% interest in Bandolier Energy, LLC ("Bandolier") in exchange for a capital contribution of \$5.0 million (the "Bandolier Acquisition"). In connection with the Bandolier Acquisition, the Company had the right to appoint a majority of the board of managers of Bandolier. The Company's Executive Chairman was a manager of, and owned a 20% membership interest in, Pearsonia West Investment Group, LLC ("Pearsonia West"), a special purpose vehicle formed for the purpose of investing in Bandolier with the Company and Ranger Station, LLC ("Ranger Station"). Concurrent with the Bandolier Acquisition, Pearsonia West was issued a 44% interest in Bandolier for cash consideration of \$4.4 million, and Ranger Station was issued a 6% interest in Bandolier for cash consideration of \$600,000. In connection with Pearsonia West's investment in Bandolier, the Company and Pearsonia West entered into an agreement, dated May 30, 2014, granting the members of Pearsonia West an option, exercisable at any time prior to May 30, 2017, to exchange their pro rata share of the Bandolier membership interests for shares of the Company's common stock, at a price of \$0.08 per share, subject to adjustment (the "Option"). The Option, if fully exercised, would result in the Company issuing 55,000,000 shares of its common stock (275,000 shares of common stock at a price of \$16 per share based on the December 2015 reverse stock split – see "Reverse Stock Split" below), or 6% to the members of Pearsonia West.

Until the execution of the Contribution Agreement, described below, the Company had operational control along with a 50% ownership interest in Bandolier. As a result, the Company consolidated Bandolier. The remaining 50% non-controlling interest represented the equity investment from Pearsonia West and Ranger Station. The Company allocated the proportionate share of the net operating income/loss to both the Company and the non-controlling interest.

Subsequent to the initial capitalization of Bandolier, Bandolier acquired, for \$8,712,893 less a \$407,161 claw back, all of the issued and outstanding equity of Spyglass Energy Group, LLC (“*Spyglass*”), the owner of oil and gas leases, leaseholds, lands, and options and concessions thereto located in Osage County, Oklahoma. Spyglass controlled a significant contiguous oil and gas acreage position in Northeastern Oklahoma, consisting of approximately 106,000 acres, with substantial original oil in place, stacked reservoirs, as well as exploratory and development opportunities that could be accessed through both horizontal and vertical drilling. Significant infrastructure was already in place including 32 square miles of 3-D seismic, 3 phase power, a dedicated sub-station as well as multiple oil producing horizontal wells.

The Company recorded the purchase of Spyglass by Bandolier using the acquisition method of accounting as specified in *ASC 805 “Business Combinations.”* This method of accounting requires the acquirer to (i) record purchase consideration issued to sellers in a business combination at fair value on the date control is obtained, (ii) determine the fair value of any non-controlling interest, and (iii) allocate the purchase consideration to all tangible and intangible assets acquired and liabilities assumed based on their acquisition date fair values. Further, the Company commenced reporting the results of Spyglass on a consolidated basis with those of the Company effective upon the date of the acquisition.

*MegaWest Transaction.* On October 15, 2015, the Company entered into a contribution agreement (the “*Contribution Agreement*”) with MegaWest and Fortis Property Group, LLC, a Delaware limited liability company (“*Fortis*”), pursuant to which the Company and Fortis each agreed to contribute certain assets to MegaWest in exchange for shares of MegaWest common stock (“*MegaWest Shares*”) (the “*MegaWest Transaction*”).

Upon execution of the Contribution Agreement, (i) the Company transferred its 50% membership interest in Bandolier (the “*Bandolier Interest*”), and cancelled all of its ownership interest in the then issued and outstanding MegaWest Shares, which prior to the MegaWest Transaction represented 100% ownership of MegaWest; and (ii) Fortis transferred certain indirect interests held in 30 condominium units and the rights to any profits and proceeds therefrom. Immediately thereafter, MegaWest issued to the Company 58,510 MegaWest Shares, representing a 58.51% equity interest in MegaWest, as consideration for the assignment of the Bandolier Interest, and issued to Fortis 41,490 MegaWest Shares, representing a 41.49% equity interest in MegaWest, as consideration for the assets assigned to MegaWest by Fortis. The account receivable and the Company’s interest in real estate reflected on the Company’s balance sheet are assets held by MegaWest, and are controlled by MegaWest’s board of directors, consisting of two members appointed by Fortis, and one by the Company. The relative composition of the board of directors of MegaWest shall continue as long as Fortis has an equity interest in MegaWest.

Proceeds from the amounts receivable from Fortis will not be available until such time as the Company has completed its evaluation of the Bandolier prospects, at which time the Redetermination will be performed. Subject to the terms and conditions of the Contribution Agreement, the Contribution Agreement provided for a redetermination of the fair market value of the Bandolier Interest at any time following the six month anniversary after the execution thereof (the “*Redetermination*”), Upon a Redetermination, which has not occurred as of July 28, 2017, but is anticipated prior to December 31, 2017, in the event there is a shortfall from the valuation ascribed to the Bandolier Interest at the time of the Redetermination, as compared to the value ascribed to the Bandolier Interest in the Contribution Agreement, the Company will be required to provide Fortis with a cash payment in an amount equal to the shortfall. If the Company is unable to deliver to Fortis the cash payment required after the Redetermination, if any, the board of directors of MegaWest shall have the right to exercise certain remedies against the Company, including a right to foreclose on the Company’s entire equity in MegaWest, which equity interest has been pledged to Fortis under the terms of the Contribution Agreement. In the event of foreclosure, the Bandolier Interest would revert back to the Company, and the Company would record a loss for the amount of the notes receivable, interest in real estate rights, accounts receivable – related party, and any accrued interest.

*Acquisition of Horizon Investments.* On December 1, 2015, the Company entered into a conditional purchase agreement with Horizon Investments (as amended, the “*Purchase Agreement*”), pursuant to which the Company acquired, on May 3, 2016, (i) a 20% membership interest in Horizon Energy; (ii) certain promissory notes issued by Horizon Investments to the Company in the aggregate principal amount of \$1.6 million (the “*Horizon Notes*”); (iii) approximately \$690,000 held in escrow pending closing under the Purchase Agreement (the “*Closing Proceeds*”); and (iv) certain bank, investment and other accounts maintained by Horizon Investments, in an amount which, together with the principal amount of the Horizon Note and the Closing Proceeds, totaled not less than \$5.0 million (collectively, the “*Purchased Assets*”). The consideration for the Purchased Assets was 11,564,249 shares of the Company’s common stock, \$0.00001 par value (“*Common Stock*”), which shares were issued to Horizon Investments at closing.



## Recent Developments

*\$2.0 Million Secured Note Financing*. On June 13, 2017, the Company entered into a Securities Purchase Agreement (“*Purchase Agreement*”) with Petro Exploration Funding, LLC (“*Funding Corp.*”), pursuant to which the Company issued to Funding Corp. a senior secured promissory note to finance the Company’s working capital requirements (the “*Note Financing*”), in the principal amount of \$2.0 million (“*Secured Note*”). As additional consideration for the Note Financing, the Company issued to Funding Corp. (i) a warrant to purchase 840,336 shares of the Company’s Common Stock (“*Warrant*”), and (ii) an overriding royalty interest equal to 2% in all production from the Company’s interest in the Company’s concessions located in Osage County, Oklahoma, currently held by Spyglass, pursuant to an Assignment of Overriding Royalty Interests (the “*Assignment*”).

The Secured Note accrues interest at a rate of 10% per annum, and matures on June 30, 2020. To secure the repayment of all amounts due under the terms of the Secured Note, the Company entered into a Security Agreement, pursuant to which the Company granted to Funding Corp. a security interest in all assets of the Company. The first interest payment will be due on June 1, 2018 and each six-month anniversary thereafter until the outstanding principal balance of the Secured Note is paid in full.

The Warrant is exercisable immediately upon issuance, for an exercise price per share equal to \$2.38 per share, and shall terminate, if not previously exercised, five years from the date of issuance.

Scot Cohen, a member of the Company’s Board of Directors and a substantial stockholder of the Company, owns or controls 31.25% of Funding Corp.

*Kern County Drilling Program Results*. On July 18, 2017, the Company announced a new oil field discovery in its Sunset Boulevard prospect in Kern County, California upon successfully drilling the Cattani-Rennie 47X-15 exploration well (“*CR 47X*”). The CR 47X was drilled to a depth of approximately 8,500 feet and confirmed at least two commercially successful pay zones. The discovery is currently being evaluated but initial results indicate significant reserve potential. Following completion and production tests, the Company will announce development plans. Several additional prospect wells are now being planned to be drilled in Kern County.

The Company owns a 19.25% interest in the Kern County field based on a 13.75% direct working interest and 5.5% indirect working interest through its 20% equity investment in Horizon Energy. Historically, since its 1933 discovery, this field has produced over 100 million barrels of oil and equivalents from six distinct reservoirs. The Company’s 3-D survey constitutes the first modern seismic data (including both 2-D and 3-D) acquired over this geologically complex field.

*Osage County Drilling Program Results*. On May 8, 2017, the Company announced a new oil field discovery in its 106,500-acre concession in Osage County, Oklahoma upon successfully drilling the Chat 2-11 exploration well. The Chat 2-11 was drilled to a depth of 2,800 feet into the Mississippian Chat. Initial results indicated up to 20 feet of oil productive formation. Following flow and fracking tests, the Company plans to confirm IP rates.

On May 30, 2017, the Company announced a second new oil field discovery in its 106,500-acre concession in Osage County, Oklahoma upon successfully drilling the Red Fork 1-3 exploration well. The Red Fork 1-3 was drilled to a depth of 2,800 feet into the Mississippian Chat. Initial results indicated up to 30 feet of oil productive formation. Following flow and fracking tests, the Company plans to confirm IP rates. These structures were identified utilizing 3D seismic technology, indicating a potential of up to 2.5 million barrels of oil.

The Company’s Osage County drilling program is the result of a Joint Exploration and Development Agreement (the “*Exploration Agreement*”), dated August 19, 2016, between Spyglass, a wholly owned subsidiary of Bandolier, Phoenix 2016, LLC (“*Phoenix*”) and Mackey Consulting & Leasing, LLC (“*Mackey*”). Pursuant to the Exploration Agreement, Phoenix and Mackey operates and provides certain services, including obtaining permits and providing technical services, at cost, in connection with a Phase I Development Program as agreed to by the parties (the “*Phase I Program*”). Phoenix and Mackey shall earn a 25% working interest on all wells drilled in the Phase I Program. Following success and completion of the Phase I Program, Phoenix and Mackey shall earn a 25% working interest in the Osage County, Oklahoma Concession held by Spyglass. Under the Exploration Agreement, Bandolier has agreed commit up to \$2.1 million towards costs of the Phase I Program, at its sole discretion.

*Reverse Stock Split.* At its Annual Meeting held on September 20, 2016, the Company's shareholders approved a resolution to authorize the Company's Board of Directors, in its sole and absolute discretion, to amend the Company's Certificate of Incorporation to implement a reverse stock split of our Common Stock, at a ratio of not less than 1-for-2, and not greater than 1-for-10 ("Reverse Split"), within one year from the date of the Annual Meeting, with the exact ratio to be determined by the Board of Directors. The Board of Directors has not determined the ratio, and does not currently intend to execute the Reverse Split until such time as the Company lists its shares of Common Stock on the NASDAQ Stock Market.

## **Competition**

We operate in a highly competitive environment. We compete with major and independent oil and natural gas companies, many of whom have financial and other resources substantially in excess of those available to us. These competitors may be better positioned to take advantage of industry opportunities and to withstand changes affecting the industry, such as fluctuations in oil and natural gas prices and production, the availability of alternative energy sources and the application of government regulation.

## **Compliance with Government Regulation**

The availability of a ready market for future oil and gas production from possible U.S. assets depends upon numerous factors beyond our control. These factors may include, amongst others, regulation of oil and natural gas production, regulations governing environmental quality and pollution control, and the effects of regulation on the amount of oil and natural gas available for sale, the availability of adequate pipeline and other transportation and processing facilities and the marketing of competitive fuels. These regulations generally are intended to prevent waste of oil and natural gas and control contamination of the environment.

We expect that our sales of crude oil and other hydrocarbon liquids from our future U.S.-based production will not be regulated and will be made at market prices. However, the price we would receive from the sale of these products may be affected by the cost of transporting the products to market via pipeline.

## **Environmental Regulations**

Our U.S. assets are subject to numerous laws and regulations governing the discharge of materials into the environment or otherwise relating to environmental protection. These laws and regulations may require the acquisition of a permit before drilling commences, restrict the types, quantities and concentration of various substances that can be released into the environment in connection with drilling and production activities, limit or prohibit drilling activities on certain lands within wilderness, wetlands and other protected areas, require remedial measures to mitigate pollution from former operations, such as pit closure and plugging abandoned wells, and impose substantial liabilities for pollution resulting from production and drilling operations. Public interest in the protection of the environment has increased dramatically in recent years. The worldwide trend of more expansive and stricter environmental legislation and regulations applied to the oil and natural gas industry could continue, resulting in increased costs of doing business and consequently affecting profitability. To the extent laws are enacted or other governmental action is taken that restricts drilling or imposes more stringent and costly waste handling, disposal and cleanup requirements, our business and prospects could be adversely affected.

## **Operating Hazards and Insurance**

The oil and natural gas business involves a variety of operating hazards and risks such as well blowouts, craterings, pipe failures, casing collapse, explosions, uncontrollable flows of oil, natural gas or well fluids, fires, formations with abnormal pressures, pipeline ruptures or spills, pollution, releases of toxic gas and other environmental hazards and risks. These hazards and risks could result in substantial losses to us from, among other things, injury or loss of life, severe damage to or destruction of property, natural resources and equipment, pollution or other environmental damage, clean-up responsibilities, regulatory investigation and penalties and suspension of operations.

In accordance with customary industry practices, we expect to maintain insurance against some, but not all, of such risks and losses. There can be no assurance that any insurance we obtain would be adequate to cover any losses or liabilities. We cannot predict the continued availability of insurance or the availability of insurance at premium levels that justify its purchase. The occurrence of a significant event not fully insured or indemnified against could materially and adversely affect our financial condition and operations.

Pollution and environmental risks generally are not fully insurable. The occurrence of an event not fully covered by insurance could have a material adverse effect on our future financial condition. If we were unable to obtain adequate insurance, we could be forced to participate in all of our activities on a non-operated basis, which would limit our ability to control the risks associated with oil and natural gas operations.

### **Research and Development**

Previously, we did not have any research and development policies in place. We formed Petro Spring, LLC, a wholly owned subsidiary, on December 12, 2013, to begin to focus on technology solutions related to the oil and gas industry. During the year ended April 30, 2015, we purchased the Havelide and Coalthane Assets. We are currently trying to determine a monetization strategy for these assets.

### **Employees**

At April 30, 2017, we employed four full-time employees and no part-time employees. We also retained several consultants to provide both operational, investor relations and marketing support.

### **Geographical Area of the Company's Business**

The principal market that we compete in is the North American and Western Europe. The Company is currently contemplating expansion into additional international energy markets.

## **ITEM 1A. RISK FACTORS**

You should carefully consider the following risk factors, in addition to the other information set forth in this Report, in connection with any investment decision regarding shares of our Common Stock. Each of these risk factors could adversely affect our business, operating results and financial condition, as well as adversely affect the value of an investment in our Common Stock. Some information in this Report may contain "forward-looking" statements that discuss future expectations of our financial condition and results of operation. The risk factors noted in this section and other factors could cause our actual results to differ materially from those contained in any forward-looking statements.

### **Risks Relating to Our Business**

***Our results of operations as well as the carrying value of our oil and gas properties are substantially dependent upon the prices of oil and natural gas, which are currently depressed. In the event lower prices for oil and natural gas continue for a prolonged period of time our results of operations could be adversely affected, and our ability to continue our planned development and acquisition activities could be substantially curtailed.***

Currently, our costs to maintain our unproved properties include non-producing leasehold, geological and geophysical costs associated with leasehold or drilling interests and in process exploration drilling costs. In the future, our results of operations and the ceiling on the carrying value of our oil and gas properties will be dependent on the estimated present value of proved reserves, which depends on the prevailing prices for oil and gas, which are currently depressed. Various factors beyond our control affect prices of oil and natural gas, including political and economic conditions; worldwide and domestic supplies of and demand for oil and gas; weather conditions; the ability of the members of the Organization of Petroleum Exporting Countries ("OPEC") to agree on and maintain price and production controls; political instability or armed conflict in oil-producing regions; the price of foreign imports; the level of consumer demand; the price and availability of alternative fuels; and changes in existing federal and state regulations. In the event oil and gas prices do not rise from current levels, our operations and financial condition could be materially and adversely affected, and the level of development and exploration expenditures could be substantially curtailed.

These conditions could ultimately result in a reduction in the carrying value of our oil and gas properties. A continued decline in prices for oil and gas would also likely cause a reduction in the amount of any reserves and, in turn, in the amount that we might be able to borrow to fund development and acquisition activities.

***We recently acquired certain assets unrelated to our traditional oil and gas properties. The acquired technologies are in development stage, have not been proven, and require additional capital to develop. We may not be able to successfully raise sufficient capital or otherwise successfully develop these technology assets.***

We recently purchased certain assets to produce gasoline-like liquid and high-purity hydrogen from natural gas, at low temperature and at low pressure, as well as to reduce the methane from coal mines and other wells. The purchased assets, while consistent with the Company's business objective of acquiring leading edge technologies, are in the development stage, and require additional capital or a strategic partner in order to fully develop. We are currently developing a strategy to monetize these assets through potential licensing, commercialization or an outright sale. While management currently intends to seek financing or a development partner in order to fully develop the purchased assets, no assurances can be given that the Company will be able to successfully raise sufficient capital to develop the assets, or otherwise find a strategic or development partner to develop the same. In addition, the purchased assets are in the development stage and are unproven, and no assurances can be given that we will be able to commercialize the assets.

***We have a limited operating history and if we are not successful in continuing to grow our business, then we may have to scale back or even cease our ongoing business operations.***

We have received a limited amount of revenues from operations and have limited assets. To date, we have acquired interests in oil and gas properties, but have only recently announced oil field discoveries with the potential to generate commercial revenues, although there can be no assurance that we will ever operate profitably. We have a limited operating history. Our success is significantly dependent on a successful acquisition, drilling, completion and production program. Our operations will be subject to all the risks inherent in the establishment of a developing enterprise and the uncertainties arising from the absence of a significant operating history. We may be unable to locate recoverable reserves or operate on a profitable basis. We are in the exploration stage and potential investors should be aware of the difficulties normally encountered by enterprises in the exploration stage. If our business plan is not successful, and we are not able to operate profitably, investors may lose some or all of their investment.

***Because we are small and have a limited amount of capital, we may have to limit our exploration activity which may result in a loss of your investment.***

Because we are small and our capital available for operations is limited, we must limit our exploration activity. As such we may not be able to complete an exploration program that is as thorough as we would like. In that event, existing reserves may go undiscovered. Without finding additional reserves, we cannot generate sufficient revenues and you will lose your investment.

We had cash and cash equivalents at April 30, 2017 and 2016 of \$631,232 and \$774,751, respectively. At April 30, 2017, we had working capital of approximately \$25.5 million. Management believes that the current level of working capital is sufficient to maintain current operations for the next 12 months. To further develop the Company's assets, and take advantage of the current depressed market for oil and gas assets, management currently intends to raise additional capital through debt and equity instruments.

***Exploratory drilling is a speculative activity that may not result in commercially productive reserves and may require expenditures in excess of budgeted amounts.***

Drilling activities are subject to many risks, including the risk that no commercially productive oil or gas reservoirs will be encountered. There can be no assurance that new wells drilled by us or in which we have an interest will be productive or that we will recover all or any portion of our investment. Drilling for oil and gas may involve unprofitable efforts, not only from dry wells, but also from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs. The cost of drilling, completing and operating wells is often uncertain. Our drilling operations may be curtailed, delayed or canceled as a result of a variety of factors, many of which are beyond our control, including economic conditions, mechanical problems, pressure or irregularities in formations, title problems, weather conditions, compliance with governmental requirements and shortages in or delays in the delivery of equipment and services. Such equipment shortages and delays sometimes involve drilling rigs where inclement weather prohibits the movement of land rigs causing a high demand for rigs by a large number of companies during a relatively short period of time. Our future drilling activities may not be successful. Lack of drilling success could have a material adverse effect on our financial condition and results of operations.

Our operations are also subject to all of the hazards and risks normally incident to the development, exploitation, production and transportation of, and the exploration for, oil and gas, including unusual or unexpected geologic formations, pressures, down hole fires, mechanical failures, blowouts, explosions, uncontrollable flows of oil, gas or well fluids and pollution and other environmental risks. These hazards could result in substantial losses to us 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. Insurance for wells in which we participate is generally obtained, although there can be no assurances that such coverage will be sufficient to prevent a material adverse effect to us if any of the foregoing events occur.

***We may not identify all risks associated with the acquisition of oil and natural gas properties, or existing wells, and any indemnifications we receive from sellers may be insufficient to protect us from such risks, which may result in unexpected liabilities and costs to us.***

Our business strategy focuses on acquisitions of undeveloped and unproven oil and natural gas properties that we believe are capable of production. We may make additional acquisitions of undeveloped oil and gas properties from time to time, subject to available resources. Any future acquisitions will require an assessment of recoverable reserves, title, future oil and natural gas prices, operating costs, potential environmental hazards, potential tax and other liabilities and other factors.

Generally, it is not feasible for us to review in detail every individual property involved in a potential acquisition. In making acquisitions, we generally focus most of our title and valuation efforts on the properties that we believe to be more significant, or of higher-value. Even a detailed review of properties and records may not reveal all existing or potential problems, nor would it permit us to become sufficiently familiar with the properties to assess fully their deficiencies and capabilities. In addition, we do not inspect in detail every well that we acquire. Potential problems, such as deficiencies in the mechanical integrity of equipment or environmental conditions that may require significant remedial expenditures, are not necessarily observable even when we perform a detailed inspection. Any unidentified problems could result in material liabilities and costs that negatively impact our financial condition and results of operations.

Even if we are able to identify problems with an acquisition, the seller may be unwilling or unable to provide effective contractual protection or indemnity against all or part of these problems. Even if a seller agrees to provide indemnity, the indemnity may not be fully enforceable or may be limited by floors and caps, and the financial wherewithal of such seller may significantly limit our ability to recover our costs and expenses. Any limitation on our ability to recover the costs related any potential problem could materially impact our financial condition and results of operations.

***We are and will continue to be subject to various operating and other casualty risks that could result in liability exposure or the loss of production and revenues.***

Our oil and gas business involves (or will involve as operations activities increase) a variety of operating risks, including, but not limited to, unexpected formations or pressures, uncontrollable flows of oil, gas, brine or well fluids into the environment (including groundwater contamination), blowouts, fires, explosions, pollution and other risks, any of which could result in personal injuries, loss of life, damage to properties and substantial losses. Although we carry insurance at levels that we believe are reasonable, we are not fully insured against all risks. We do not carry business interruption insurance. Losses and liabilities arising from uninsured or under-insured events could have a material adverse effect on our financial condition and operations.

The cost of operating wells is often uncertain. Our drilling operations may be curtailed, delayed or canceled as a result of numerous factors, including title problems, weather conditions, compliance with governmental requirements and shortages or delays in the delivery of equipment. Furthermore, completion of a well does not assure a profit on the investment or a recovery of drilling, completion and operating costs.

***We face significant competition, and many of our competitors have resources in excess of our available resources.***

The oil and gas industry is highly competitive. We encounter competition from other oil and gas companies in all areas of our operations, including the acquisition of producing properties and exploratory prospects and sale of crude oil, natural gas and natural gas liquids. Our competitors include major integrated oil and gas companies and numerous independent oil and gas companies, individuals and drilling and income programs. Many of our competitors are large, well established companies with substantially larger operating staffs and greater capital resources than us. Such companies may be able to pay more for productive oil and gas properties and exploratory prospects and to define, evaluate, bid for and purchase a greater number of properties and prospects than our financial or human resources permit. Our ability to acquire additional properties and to discover reserves in the future will depend upon our ability to evaluate and select suitable properties and to consummate transactions in this highly competitive environment.

***Strategic relationships upon which we may rely are subject to change, which may diminish our ability to conduct our operations.***

Our ability to successfully acquire additional properties, to discover and develop reserves, to participate in drilling opportunities and to identify and enter into commercial arrangements with customers will depend on developing and maintaining close working relationships with industry participants and on our ability to select and evaluate suitable properties and to consummate transactions in a highly competitive environment. These realities are subject to change and may impair our ability to grow.

To develop our business, we will endeavor to use the business relationships of our management to enter into strategic relationships, which may take the form of joint ventures with other private parties and contractual arrangements with other oil and gas companies, including those that supply equipment and other resources that we will use in our business. We may not be able to establish these strategic relationships, or if established, we may not be able to maintain them. In addition, the dynamics of our relationships with strategic partners may require us to incur expenses or undertake activities we would not otherwise be inclined to in order to fulfill our obligations to these partners or maintain our relationships. If our strategic relationships are not established or maintained, our business prospects may be limited, which could diminish our ability to conduct our operations.

***We may not have satisfactory title or rights to all of our current or future properties.***

Prior to acquiring undeveloped properties, our contract land professionals review title records or other title review materials relating to substantially all of such properties. The title investigation performed by us prior to acquiring undeveloped properties is thorough, but less rigorous than that conducted prior to drilling, consistent with industry standards. Prior to drilling we obtain a title opinion on the drill site. However, a title opinion does not necessarily ensure satisfactory title. We believe we have satisfactory title to our producing properties in accordance with standards generally accepted in the oil and gas industry. Our properties are subject to customary royalty interests, liens incident to operating agreements, liens for current taxes and other burdens, which we believe do not materially interfere with the use of or affect the value of such properties. In the normal course of our business, title defects and lease issues of varying degrees arise, and, if practicable, reasonable efforts are made to cure such defects and issues.

***We may be responsible for additional costs in connection with abandonment of properties.***

We are responsible for payment of plugging and abandonment costs on our oil and gas properties pro rata to our working interest. There can be no assurance that we will be successful in avoiding additional expenses in connection with the abandonment of any of our properties. In addition, abandonment costs and their timing may change due to many factors, including actual production results, inflation rates and changes in environmental laws and regulations.

***Governmental regulations could adversely affect our business.***

Our business is subject to certain federal, state and local laws and regulations on taxation, the exploration for, and development, production and marketing of, oil and natural gas, and environmental and safety matters. Many laws and regulations require drilling permits and govern the spacing of wells, rates of production, prevention of waste and other matters. These laws and regulations have increased the costs of our operations. In addition, these laws and regulations, and any others that are passed by the jurisdictions where we have production, could limit the total number of wells drilled or the allowable production from successful wells, which could limit our revenues.

***Laws and regulations relating to our business frequently change, and future laws and regulations, including changes to existing laws and regulations, could adversely affect our business.***

In particular and without limiting the foregoing, various tax proposals currently under consideration could result in an increase and acceleration of the payment of federal income taxes assessed against independent oil and natural gas producers, for example by eliminating the ability to expense intangible drilling costs, removing the percentage depletion allowance and increasing the amortization period for geological and geophysical expenses. Any of these changes would increase our tax burden.

All states in which the Company owns leases require permits for drilling operations, drilling bonds and reports concerning operations and impose other requirements relating to the exploration for and production of oil and gas. Such states also have statutes or regulations addressing conservation matters, including provisions for the unitization or pooling of oil and gas properties, the establishment of maximum rates of production from wells and the regulation of spacing, plugging and abandonment of such wells. The statutes and regulations of these states limit the rate at which oil and gas can be produced from our properties. However, we do not believe we will be affected materially differently by these statutes and regulations than any other similarly situated oil and gas company.

***Environmental liabilities could adversely affect our business.***

In the event of a release of oil, natural gas or other pollutants from our operations into the environment, we could incur liability for any and all consequences of such release, including personal injuries, property damage, cleanup costs and governmental fines. We could potentially discharge these materials into the environment in several ways, including:

- from a well or drilling equipment at a drill site;
- leakage from gathering systems, pipelines, transportation facilities and storage tanks;
- damage to oil and natural gas wells resulting from accidents during normal operations; and
- blowouts, cratering and explosions.

In addition, because we may acquire interests in properties that have been operated in the past by others, we may be liable for environmental damage, including historical contamination, caused by such former operators. Additional liabilities could also arise from continuing violations or contamination that we have not yet discovered relating to the acquired properties or any of our other properties.

To the extent we incur any environmental liabilities, it could adversely affect our results of operations or financial condition.

***Climate change legislation, regulation and litigation could materially adversely affect us.***

There is an increased focus by local, state and national regulatory bodies on greenhouse gas (“GHG”) emissions and climate change. Various regulatory bodies have announced their intent to regulate GHG emissions, including the United States Environmental Protection Agency, which promulgated several GHG regulations in 2010 and late 2009. As these regulations are under development or are being challenged in the courts, we are unable to predict the total impact of these potential regulations upon our business, and it is possible that we could face increases in operating costs in order to comply with GHG emission legislation.

Passage of legislation or regulations that regulate or restrict emissions of GHG, or GHG-related litigation instituted against us, could result in direct costs to us and could also result in changes to the consumption and demand for natural gas and carbon dioxide produced from our oil and natural gas properties, any of which could have a material adverse effect on our business, financial position, results of operations and prospects.

## **Risks Relating to Our Financial Position and Capital Requirements**

***We will require additional capital to execute our business plan. If we are unable to obtain funding, our business operations will be harmed.***

We will require additional capital to execute our business plan, further expand our exploration and continue with our development programs. We may be unable to obtain additional capital required. Furthermore, inability to maintain capital may damage our reputation and credibility with industry participants. Our inability to raise additional funds when required will have a negative impact on our consolidated results of operations and financial condition.

Future acquisitions and future exploration, development, production, leasing activities and marketing activities, as well as our administrative requirements (such as salaries, insurance expenses and general overhead expenses, as well as legal compliance costs and accounting expenses) will require a substantial amount of additional capital and cash flow.

We may pursue sources of additional capital through various financing transactions or arrangements, including joint venturing of projects, debt financing, equity financing or other means. We may not be successful in raising the capital needed and we may not obtain the capital we require by other means. This will adversely affect our consolidated financial results and financial condition.

***We have a history of losses, which may continue, which may negatively impact our ability to achieve our business objectives.***

We generated minimal total revenues of \$26,603 and \$87,939 for the years ended April 30, 2017 and 2016, respectively, the result of oil and gas sales, we incurred a net loss of \$2,583,339 and \$11,989,758 for the years ended April 30, 2017 and 2016, respectively. To date, we have acquired interests in oil and gas properties, but have only recently announced oil field discoveries with the potential to generate commercial revenues, although no assurances can be given that we will achieve or operate profitably. Our operations are subject to the risks and competition inherent in the establishment of a business enterprise. There can be no assurance that future operations will be profitable. Revenues and profits, if any, will depend upon various factors, including whether we will be able to continue expansion of our revenue. We may not achieve our business objectives and the failure to achieve such goals would have an adverse impact on us.

As our Larne Basin, Kern County and Oklahoma properties are in early stages of development, we may not be able to establish commercial reserves on these projects, and/or such projects may not result in sufficient reserves to fund future operations and/or development activities. Exploration for commercial reserves of oil is subject to a number of risk factors. Few of the properties that are explored are ultimately developed into producing oil and/or gas fields. Since we may not be able to establish commercial reserves, we are therefore considered to be an exploration stage company.

***Our results of operations as well as the carrying value of our oil and gas properties are substantially dependent upon the prices of oil and natural gas, which historically have been volatile and are likely to continue to be volatile.***

Our future financial condition, access to capital, cash flows and results of operations depend upon the prices we receive for our oil and natural gas. Historically, oil and natural gas prices have been volatile and are subject to fluctuations in response to changes in supply and demand, market uncertainty and a variety of additional factors that are beyond our control. Factors that affect the prices we receive for our oil and natural gas include:

- the level of domestic production;
- the availability of imported oil and natural gas;
- political and economic conditions and events in foreign oil and natural gas producing nations, including embargoes, continued hostilities in the Middle East and other sustained military campaigns, and acts of terrorism or sabotage;
- the ability of members of OPEC to agree to and maintain oil price and production controls;



- the cost and availability of transportation and pipeline systems with adequate capacity;
- the cost and availability of other competitive fuels;
- fluctuating and seasonal demand for oil, natural gas and refined products;
- concerns about global warming or other conservation initiatives and the extent of governmental price controls and regulation of production;
- weather;
- foreign and domestic government relations; and
- overall economic conditions, particularly the recent worldwide economic slowdown, which has put downward pressure on oil and natural gas prices and demand.

Any prolonged decline in oil or gas prices could have a material adverse effect on our operations, financial condition, and level of development and exploration expenditures and could result in a reduction in the carrying value of our oil and gas properties.

***In the event of a Redetermination of the value of the Bandolier Interest contributed to MegaWest, the Company may be required to fund any shortfall in such valuation, which the Company may not be able to fund. Failure to fund the shortfall will result in a material and adverse effect on our financial condition and results from operations.***

Consummation of the MegaWest Transaction resulted in a substantial increase in our assets and total revenue during the year ended April 30, 2016. However, substantially all of these amounts are held by MegaWest and controlled by the board of directors of MegaWest, which consists of two members appointed by Fortis, and one by the Company. The relative composition of the board of directors of MegaWest shall continue as long as Fortis has an equity interest in MegaWest. In the event there is a shortfall from the valuation ascribed to the Bandolier Interest at the time of the Redetermination, as compared to the value ascribed to the Bandolier Interest in the Contribution Agreement, the Company will be required to provide Fortis with a cash payment in an amount equal to the shortfall, and any unfunded shortfall could result in the foreclosure on the Company's entire equity interest in MegaWest, which equity interest has been pledged to Fortis. No assurances can be given that the value of the Bandolier Interest will equal the valuation set forth in the Contribution Agreement, or if the value identified after the Redetermination is below the initial valuation, that we will be able to fund such shortfall. In the event the evaluation of the drilling prospects results in a Redetermination, the Company not be able to recover its notes receivable, interest in real estate rights, accounts receivable – related party, and any accrued interest. Our ability to recover such assets, or any requirement to fund a shortfall, will have a material and adverse effect on our operations and financial condition.

***In the event of a Redetermination results in a foreclosure of any portion of our equity interest in MegaWest, our control of MegaWest may terminate. As a result, our financial condition may be materially and adversely affected.***

In the event of a foreclosure of our equity interest in MegaWest resulting in such equity interest decreasing to less than a controlling interest in MegaWest, the assets conveyed to MegaWest under the terms of the Contribution Agreement may no longer be consolidated with the Company's assets on the Company's financial statements, and the Bandolier Interest may revert back to the Company. As a result, our financial condition and results from operations may be adversely affected, and such affect will be material.

## **Risks Related to Our Common Stock**

### ***The liquidity, market price and volume of our stock are volatile.***

Our Common Stock is not traded on any exchange, but is currently quoted on the OTC Pink Marketplace (“*OTC Pink*”). The liquidity of our Common Stock may be adversely affected, and purchasers of our Common Stock may have difficulty selling our Common Stock, particularly if our Common Stock does not continue to be quoted on the OTC Pink on another recognized quotation services or exchange.

The trading price of our Common Stock could be subject to wide fluctuations in response to quarter-to-quarter variations in our operating results, announcements of our drilling results and other events or factors. In addition, the U.S. stock markets have from time to time experienced extreme price and volume fluctuations that have affected the market price for many companies and which often have been unrelated to the operating performance of these companies. These broad market fluctuations may adversely affect the market price of our securities.

### ***Our stock is categorized as a penny stock. Trading of our stock may be restricted by the SEC’s penny stock regulations, which may limit a stockholder’s ability to buy and sell our stock.***

Our stock is categorized as a “penny stock.” The SEC has adopted Rule 15c-9 which generally defines “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 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 SEC, 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.

### ***FINRA sales practice requirements may also limit a stockholder’s ability to buy and sell our stock.***

In addition to the “penny stock” rules described above, the Financial Industry Regulatory Authority (“*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. The *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.

### ***We have never paid dividends on our capital stock, and we do not anticipate paying any cash dividends in the foreseeable future.***

We have paid no cash dividends on any of our classes of capital stock to date and currently intend to retain our future earnings, if any, to fund the development and growth of our business. As a result, capital appreciation, if any, of our Common Stock will be your sole source of gain for the foreseeable future. Any payment of cash dividends will depend upon our financial condition, contractual restrictions, financing agreement covenants, solvency tests imposed by corporate law, results of operations, anticipated cash requirements and other factors and will be at the discretion of our board of directors. Furthermore, we may incur indebtedness that may severely restrict or prohibit the payment of dividends.

## ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

## ITEM 2. PROPERTIES

### *Larne Basin*

On January 19, 2016, Petro River UK Limited, (" *Petro UK* "), a wholly owned subsidiary of the Company, entered into a Farmout Agreement to acquire a 9% interest in Petroleum License PL 1/10 and P2123 (the " *Larne Licenses* ") located in the Larne Basin in Northern Ireland (the " *Larne Transaction* "). The two Larne Licenses, one onshore and one offshore, together encompass approximately 130,000 acres covering the large majority of the prospective Larne Basin. The other parties to the Farmout Agreement are Southwestern Resources Ltd, a wholly owned subsidiary of Horizon Energy, which acquired a 16% interest, and Brigantes Energy Limited, which retained a 10% interest. Third parties own the remaining 65% interest.

Under the terms of the Farmout Agreement, Petro UK deposited approximately \$735,000 into an escrow agreement (" *Escrow Agreement* "), which amount represented Petro UK's obligation to fund the total projected cost to drill the first well under the terms of the Farmout Agreement. The total deposited amount to fund the cost to drill the first well was approximately \$6,159,452, based on an exchange rate of one British Pound for 1.44 U.S. Dollars. Petro UK was and continues to be responsible for its pro-rata costs of additional wells drilled under the Farmout Agreement.

Drilling of the first well was completed in June 2016. The primary objectives of the well were to (i) confirm the existence and maturity of the carboniferous source rock and (ii) test potential hydrocarbon-bearing objective zones. Unexpectedly, the overlying Permian section thickened considerably and at 2,000 meters, and several participants owning 55% of the working interest in the well (including Horizon Energy) expressed interest in deepening the well an additional 600 meters. However, participants representing the other 45% of the interest were unwilling to fund their share of the additional costs, and without unanimity determined that continued drilling was impractical. The well has been plugged and the drilling rig has been demobilized from the location. The drilling detected background gas shows in the drilling fluid, and samples were sent to Applied Petroleum Technology, (" *APT* ") an internationally recognized independent geochemical laboratory in Oslo, Norway. APT determined that the gas originated from a carboniferous source, providing evidence of nearby source rock and an active petroleum system. The samples were strikingly similar to a gas sample from a producing gas field in Lancashire, England, just across the North Channel.

Historically, large basinal discoveries are found and developed only after thorough analysis of technical data derived from both seismic acquisition and drilling of wells. Management believes that Larne Basin continues to be a very attractive exploration opportunity based on technical merit, modest exploration costs, low political risk and excellent fiscal terms. The Company is continuing the exploration program by relocating to offshore targets and reprocessing seismic data.

Management believes that the Larne Basin continues to be very attractive exploration opportunity based on technical merit, modest exploration costs, low political risk and excellent fiscal terms. The Company intends to conduct further exploration and appraisal by reprocessing existing seismic data, and if merited, additional new seismic "shoots," re-locating drill targets to more favorable locations offshore, and evaluating farmout opportunities.

### *Kern County*

On March 4, 2016, the Company executed an Asset Purchase and Sale and Exploration Agreement (the " *Agreement* ") to acquire a 13.75% working interest in certain oil and gas leases in 5,000 gross acres located in southern Kern County, California (the " *Project* "). Horizon Energy also purchased a 27.5% working interest in the Project.

Under the terms of the Agreement, the Company paid \$108,333 to the sellers on the closing date, and is obligated to pay certain other costs and expenses after the Closing Date related to existing and new leases as more particularly set forth in the Agreement. In addition, the sellers are entitled to an overriding royalty interest in certain existing and new leases acquired after the Closing Date, and the Company is required to make certain other payments, each in amounts set forth in the Agreement.

On July 18, 2017, the Company announced a new oil field discovery in its Sunset Boulevard prospect in Kern County, California upon successfully drilling the Cattani-Rennie 47X-15 exploration well (“CR 47X”). The CR 47X was drilled to a depth of approximately 8,500 feet and confirmed at least two commercially successful pay zones. The discovery is currently being evaluated but initial results indicate significant reserve potential. Following completion and production tests, the Company will announce development plans. Several additional prospect wells are now being planned to be drilled in Kern County.

### **Oklahoma**

On May 30, 2014, the Company, entered into a Subscription Agreement, pursuant to which the Company purchased a 50% interest in Bandolier. Bandolier’s oil and gas assets are located in Osage County, Oklahoma and comprise a significant contiguous oil and gas acreage position in Northeastern Oklahoma, approximately 106,000 acres, with substantial original oil in place, stacked reservoirs, as well as exploratory and development opportunities that can be accessed through both horizontal and vertical drilling. Significant infrastructure is already in place including 32 square miles of 3-D seismic, 3 phase power, a dedicated sub-station as well as multiple oil producing horizontal wells. As a result of this transaction, the Company capitalized \$2,460,632 in proved developed oil and gas assets and \$5,921,641 in proven undeveloped oil and gas assets. During the year ended April 30, 2016, Bandolier purchased additional oil and gas assets totaling \$102,864. Management performed a ceiling test as of April 30, 2016, and recognized an impairment of \$5,951,622 on the Oklahoma property.

On May 8, 2017, the Company announced a new oil field discovery in its 106,500-acre concession in Osage County, Oklahoma upon successfully drilling the Chat 2-11 exploration well. The Chat 2-11 was drilled to a depth of 2,800 feet into the Mississippian Chat. Initial results indicated up to 20 feet of oil productive formation. Following flow and fracking tests, the Company plans to confirm IP rates.

On May 30, 2017, the Company announced a second new oil field discovery in its 106,500-acre concession in Osage County, Oklahoma upon successfully drilling the Red Fork 1-3 exploration well. The Red Fork 1-3 was drilled to a depth of 2,800 feet into the Mississippian Chat. Initial results indicated up to 30 feet of oil productive formation. Following flow and fracking tests, the Company plans to confirm IP rates. These structures were identified utilizing 3D seismic technology, indicating a potential of up to 2.5 million barrels of oil.

The Company has plans to drill an additional six wells on its Osage County, Oklahoma concessions during 2017.

The Osage County drilling program is the result of a Joint Exploration and Development Agreement (the “*Exploration Agreement*”), dated August 19, 2016, between Spyglass Energy Group, LLC (“*Spyglass*”), a wholly owned subsidiary of Bandolier Energy, LLC (“*Bandolier*”), Phoenix 2016, LLC (“*Phoenix*”) and Mackey Consulting & Leasing, LLC (“*Mackey*”). Pursuant to the Exploration Agreement, Phoenix and Mackey operates and provides certain services, including obtaining permits and providing technical services, at cost, in connection with a Phase I Development Program as agreed to by the parties (the “*Phase I Program*”). Phoenix and Mackey shall earn a 25% working interest on all wells drilled in the Phase I Program. Following success and completion of the Phase I Program, Phoenix and Mackey shall earn a 25% working interest in the Osage County, Oklahoma Concession held by Spyglass. Under the Exploration Agreement, Bandolier has agreed commit up to \$2.1 million towards costs of the Phase I Program, at their sole discretion.

In connection with the \$2.0 million secured note financing consummated on June 13, 2017, the Company issued an overriding royalty interest equal to 2% in all production from the Company’s interest in the Company’s concessions located in Osage County, Oklahoma.

### **Horizon Energy**

*Horizon Acquisition*. On May 3, 2016 (the “*Closing Date*”), the Company consummated the acquisition of Horizon Investments. As a result of the acquisition, the Company acquired: (i) a 20% membership interest in Horizon Energy; (ii) three promissory notes issued by the Company to Horizon Investments in the principal amount of \$1.6 million (the “*Horizon Notes*”); (iii) approximately \$690,000 (the “*Closing Proceeds*”); and (iv) certain bank, investment and other accounts maintained by Horizon Investments, in an amount which, together with the amount issued under the Horizon Notes and the Closing Proceeds, total approximately \$5.0 million (collectively, the “*Purchased Assets*”) (the “*Horizon Acquisition*”). The Horizon Acquisition was completed in accordance with the term and conditions of the Conditional Purchase Agreement first entered into by the Company and Horizon Investments on December 1, 2015 (the “*Purchase Agreement*”). Also on the Closing Date, the Company and Horizon Investments entered into an amended and restated Purchase Agreement, pursuant to which the Company agreed to provide for additional advances by Horizon Investments to the Company.

As consideration for the Horizon Acquisition, and in accordance with the Purchase Agreement, as amended, the Company issued 11,564,249 shares of its Common Stock on the Closing Date, which amount included 1,395,916 additional shares of Common Stock in consideration for the additional cash, receivables and other assets reflected on Horizon Investment's balance sheet on the Closing Date.

Horizon Energy is an oil and gas exploration and development company owned and managed by former senior oil and gas executives with access to a broad network of industry insiders. It has a portfolio of domestic and international assets, including two assets located in the United Kingdom, adjacent to the giant Wytch Farm oil field, the largest onshore oil field in Western Europe. Other projects include the proposed redevelopment of a large oil field in Kern County, California and the development of an additional recent discovery in Kern County. Each of the assets in the Horizon Energy portfolio is characterized by low initial capital expenditure requirements and strong risk reward characteristics.

### Operational and Project Review

The following table summarizes the costs incurred in oil and gas property acquisition, exploration, and development activities for the Company for the years ended April 30, 2017 and 2016:

Cost	Oklahoma	Kansas	Missouri	Other (1)	Total
Balance, May 1, 2015	\$ 6,935,000	\$ 7,803,020	\$ 918,991	\$ 100,000	15,757,011
Additions	102,864	-	-	-	102,864
Disposals	(279,013)	(7,727,287)	-	-	(8,006,301)
Depreciation, depletion and amortization	(29,003)	(75,733)	-	-	(104,736)
Impairment of oil and gas assets	(5,951,622)	-	(918,991)	-	(6,870,613)
Balance, April 30, 2016	778,226	-	-	100,000	878,226
Additions	490,471	-	-	-	490,471
Disposals	-	-	-	-	-
Depreciation, depletion and amortization	(12,949)	-	-	-	(12,949)
Impairment of oil and gas assets	(20,942)	-	-	-	(20,942)
Balance, April 30, 2017	\$ 1,234,806	\$ -	\$ -	\$ 100,000	\$ 1,334,806

(1) Other property consists primarily of four used steam generators and related equipment that will be assigned to future projects. As of April 30, 2017 and 2016, management concluded that impairment was not necessary as all other assets were carried at salvage value.

The above table excludes Larne Basin and Kern County assets of \$761,444 which were not in operations as of April 30, 2017.

For the year ended April 30, 2017, the Company performed a ceiling test and recognized an impairment charge of \$20,942 on the Oklahoma assets. For the year ended April 30, 2016, the Company performed a ceiling test and recognized impairment charges of \$5,951,622 and \$918,991 on the Oklahoma and Missouri assets, respectively.

### Oil Wells, Properties, Operations, and Acreage

The following table sets forth the number of oil wells in which we held a working interest as of April 30, 2017 and 2016:

	Producing				Non-Producing			
	April 30, 2017		April 30, 2016		April 30, 2017		April 30, 2016	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Kansas			-	-	-	-	-	-
Oklahoma	2	2	1	1	41	41	6	6
			-	-			-	-

Missouri (1)									
			-	-				-	-
Kentucky (1)									
			-	-				-	-
Montana (1)									
			-	-				-	-
Texas (1)									
			-	-				-	-
<b>Total</b>	<b>2</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>41</b>	<b>41</b>	<b>6</b>	<b>6</b>	<b>6</b>

(1) We acquired the predecessor assets of Petro River Oil Corporation on April 23, 2016. These assets are no longer in operation.

The following table sets forth the lease areas we have an interest in, by area, as of April 30, 2017 and 2016:

Project Areas	April 30, 2017		April 30, 2016	
	Gross	Net	Gross	Net
Kansas	-	-	-	-
Larne Basin	130,000	26,000	130,000	11,700
Kern County	16,000	2,200	5,000	688
Oklahoma (2)	106,880	80,160	106,880	106,880
Missouri (1) (2)	-	-	-	-
Kentucky (1)	-	-	-	-
Texas (1)	-	-	-	-
Montana (1)	-	-	-	-
<b>Total</b>	<b>252,880</b>	<b>108,360</b>	<b>241,880</b>	<b>119,268</b>

(1) We have no plans for any further material expenditure on these properties as a result of the legal acquirer's prior drilling results and a lack of resources.

(2) Management concluded that as of April 30, 2016, the Missouri assets were impaired by \$918,991 and the Oklahoma assets were impaired by \$5,951,622.

#### Oil and Natural Gas Reserves

Oil and natural gas information is provided in accordance with ASC Topic 932 - "Extractive Activities - Oil and Gas".

The Company has approximately \$2.0 million and \$2.1 million in proven oil and gas reserves as of April 30, 2017 and 2016, respectively. For the year ended April 30, 2017 the reports by Pinnacle Energy Services, LLC ("Pinnacle") covered 100% of the Company's oil reserves.

Proved oil and natural gas reserves, as defined within SEC Rule 4-10(a)(22) of Regulation S-X, are those quantities of oil and gas, which, by analysis of geoscience and engineering data can be estimated with reasonable certainty to be economically producible from a given date forward from known reservoirs, and under existing economic conditions, operating methods and government regulations prior to the time of which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether determinable or probabilistic methods are used for the estimation. The project to extract the hydrocarbons must have commenced or the operator must be reasonably certain that it will commence the project within a reasonable time. Developed oil and natural gas reserves are reserves that can be expected to be recovered from existing wells with existing equipment and operating methods or in which the cost of the required equipment is relatively minor compared to the cost of a new well; and through installed extraction equipment and infrastructure operational at the time of the reserves estimate is the extraction is by means not involving a well. Estimates of the Company's oil reserves are subject to uncertainty and will change as additional information regarding producing fields and technology becomes available and as future economic and operating conditions change.

Our undeveloped acreage includes leased acres on which wells have not been drilled or completed to a point that would permit the production of commercial quantities of oil and natural gas, regardless of whether or not such acreage is held by production or contains proved reserves. A gross acre is an acre in which we own an interest. A net acre is deemed to exist when the sum of fractional ownership interests in gross acres equals one. The number of net acres is the sum of the fractional interests owned in gross acres.

**Net Production, Unit Prices and Costs**

The following table presents certain information with respect to our oil and natural gas production and prices and costs attributable to all oil and natural gas properties owned by us for the periods shown.

	<b>For the Years Ended April 30,</b>	
	<b>2017</b>	<b>2016</b>
Production volumes:		
Oil (Bbls)	379	1,475
Natural gas (Mcf)	4,512	-
Total (Boe)	1,131	1,475
Average realized prices:		
Oil (per Bbl)	\$ 50.57	\$ 52.92
Natural gas (per Mcf)	\$ 1.64	\$ -
Total per Boe	\$ 23.52	\$ 52.92
Average production cost:		
Total per Boe	\$ 3.44	\$ 252.91

**Drilling and Other Exploratory and Development Activities****The Company's Direct Working Interest Projects**

*Northern Ireland – Larne Basin* . We completed drilling the Woodburn Forest #1 well in June 2016. The primary objectives of the well were to (i) confirm the existence and maturity of the carboniferous source rock and (ii) test potential hydrocarbon-bearing objective zones. Unexpectedly, the overlying Permian section thickened considerably at 2,000 meters, and several participants owning 55% of the working interest in the well (including Horizon Energy) expressed interest in deepening the well an additional 600 meters. However, participants representing the other 45% of the interest were unwilling to fund their share of the additional costs, and without unanimity determined that continued drilling was impractical. The well has been plugged and the drilling rig has been demobilized from the location.

The drilling detected background gas shows in the drilling fluid, and samples were sent to Applied Petroleum Technology, (“*APT*”) an internationally recognized independent geochemical laboratory in Oslo, Norway. *APT* determined that the gas originated from a carboniferous source, providing evidence of nearby source rock and an active petroleum system. The samples were strikingly similar to a gas sample from a producing gas field in Lancashire, England, just across the North Channel.

Historically, large basinal discoveries are found and developed only after thorough analysis of technical data derived from both seismic acquisition and drilling of wells. Management believes that Larne Basin continues to be a very attractive exploration opportunity based on technical merit, modest exploration costs, low political risk and excellent fiscal terms. The Company is continuing the exploration program by relocating to offshore targets and reprocessing seismic data.

*Pearsonia West – Osage County, Oklahoma* . The Company is pursuing its core strategy in this well-known basin, drilling vertical wells in relatively shallow conventional legacy reservoirs using modern 3-D seismic surveys. The Company has acquired approximately 106,000 acres in Osage County in an area that was the focus of a deeper horizontal play and is reprocessing 36 square miles of 3-D seismic data to refocus on a shallow (3,000 to 4,000 ft.) vertical program. The Company is targeting the Mississippian-aged Chert formation and Pennsylvanian-aged formations. Management projects estimated ultimate recovery at 50,000 barrels of oil per well. *Pearsonia West* is a low-cost conventional project surrounded by 800 million barrels of historical production. The Company plans to drill six vertical wells this year at a cost of \$250,000 per well. The Company has drilled three wells as of July 5, 2017.



*Kern County, California*. The Kern County project, the re-development of a 100-million-barrel oil field, is currently progressing, beginning with the spudding of the Company's Sunset Boulevard prospect in Kern County, California. On July 18, 2017, the Company announced a new oil field discovery in its Sunset Boulevard prospect upon successfully drilling the Cattani-Rennie 47X-15 exploration well ("CR 47X"). The CR 47X was drilled to a depth of approximately 8,500 feet and confirmed at least two commercially successful pay zones. The discovery is currently being evaluated but initial results indicate significant reserve potential. Following completion and production tests, the Company will announce development plans. Several additional prospect wells are now being planned to be drilled in Kern County.

### **Horizon Energy Projects**

*Denmark Offshore*. The Denmark project is a prospective, underexplored oil basin on trend with the major oil and gas fields offshore in Norway and the United Kingdom. We are currently evaluating the four licenses awarded earlier this year to Ardent Oil Denmark ("Ardent") (Horizon Energy owns 50% of Ardent). We are in final stages of interpreting the high-quality 3-D seismic survey we acquired last year. Ardent will thereafter commence marketing efforts to farm-out the prospect to a major oil company. The potential reserve target is in the range of 200,000,000 barrels of oil. The other three licenses are being high-graded and are in various stages of evaluation. The goal is to advance them technically to a point at which we can solicit a larger company to either acquire new 3-D data and/or drill an exploration well on each.

*Dorset, U.K. Onshore*. The Dorset project is south of and adjacent to the giant Wytch Farm oil field, the largest onshore oil field in Western Europe, which has produced approximately 500 million barrels of oil and 175 billion cubic feet of natural gas since production first began in 1979. Horizon Energy was recently awarded two onshore blocks. Seven wells were previously drilled within the license area, including the first UK offshore well in 1963 on Lulworth Banks. Six of these wells encountered oil or gas shows and three flowed oil or gas on test. A new 3-D seismic survey is planned in 2017 over new blocks to more clearly image prospects/leads identified on older 2-D data.

### **ITEM 3. LEGAL PROCEEDINGS**

(a) In January 2010, the Company experienced a flood in its Calgary office premises as a result of a broken water pipe. There was significant damage to the premises rendering them unusable until the landlord had completed remediation. Pursuant to the lease contract, the Company asserted that rent should be abated during the remediation process and accordingly, the Company did not pay any rent after December 2009. During the remediation process, the Company engaged an independent environmental testing company to test for air quality and for the existence of other potentially hazardous conditions. The testing revealed the existence of potentially hazardous mold and the consultant provided specific written instructions for the effective remediation of the premises. During the remediation process, the landlord did not follow the consultant's instructions and correct the potentially hazardous mold situation and subsequently in June 2010 gave notice and declared the premises to be ready for occupancy. The Company re-engaged the consultant to re-test the premises and the testing results again revealed the presence of potentially hazardous mold. The Company determined that the premises were not fit for re-occupancy and considered the landlord to be in default of the lease. The Landlord subsequently terminated the lease.

On January 30, 2014, the landlord filed a Statement of Claim against the Company for rental arrears in the amount aggregating CAD \$759,000 (approximately USD \$605,000 as of July 24, 2017). The Company filed a defense and on October 20, 2014, it filed a summary judgment application stating that the landlord's claim is barred as it was commenced outside the 2-year statute of limitation period under the Alberta Limitations Act. The landlord subsequently filed a cross-application to amend its Statement of Claim to add a claim for loss of prospective rent in an amount of CAD \$665,000 (approximately USD \$530,000 as of July 24, 2017). The applications were heard on June 25, 2015 and the court allowed both the Company's summary judgment application and the landlord's amendment application. Both of these orders were appealed through two levels of the Alberta courts and the appeals were dismissed at both levels. The net effect is that the landlord's claim for loss of prospective rent is to proceed. As of July 5, 2017, no new development has occurred since the appeals court ruling.

(b) In September 2013, the Company was notified by the Railroad Commission of Texas (the “ *Commission* ”) that the Company was not in compliance with regulations promulgated by the Commission. The Company was therefore deemed to have lost its corporate privileges within the State of Texas and as a result, all wells within the state would have to be plugged. The Commission therefore collected \$25,000 from the Company, which was originally deposited with the Commission, to cover a portion of the estimated costs of \$88,960 to plug the wells. In addition to the above, the Commission also reserved its right to separately seek any remedies against the Company resulting from its noncompliance.

(c) On August 11, 2014, Martha Donelson and John Friend amended their complaint in an existing lawsuit by filing a class action complaint styled: *Martha Donelson and John Friend, et al. v. United States of America, Department of the Interior, Bureau of Indian Affairs and Devon Energy Production, LP, et al.*, Case No. 14-CV-316-JHP-TLW, United States District Court for the Northern District of Oklahoma (the “ *Proceeding* ”). The plaintiffs added as defendants twenty-seven specifically named operators, including Spyglass, a wholly owned Subsidiary of Bandolier Energy, LLC, as well as all Osage County lessees and operators who have obtained a concession agreement, lease or drilling permit approved by the Bureau of Indian Affairs (“ *BIA* ”) in Osage County allegedly in violation of National Environmental Policy Act (“ *NEPA* ”). Plaintiffs seek a declaratory judgment that the BIA improperly approved oil and gas leases, concession agreements and drilling permits prior to August 12, 2014, without satisfying the BIA’s obligations under federal regulations or NEPA, and seek a determination that such oil and gas leases, concession agreements and drilling permits are void *ab initio*. Plaintiffs are seeking damages against the defendants for alleged nuisance, trespass, negligence and unjust enrichment. The potential consequences of such complaint could jeopardize the corresponding leases.

On October 7, 2014, Spyglass, along with other defendants, filed a Motion to Dismiss the August 11, 2014 Amended Complaint on various procedural and legal grounds. Following the significant briefing, the Court, on March 31, 2016, granted the Motion to Dismiss as to all defendants and entered a judgment in favor of the defendants against the plaintiffs. On April 14, 2016, Spyglass with the other defendants, filed a Motion seeking its attorneys’ fees and costs. Said motion remains pending. On April 28, 2016, the plaintiffs filed three motions: a Motion to Amend or Alter the Judgment; a Motion to Amend the Complaint; and a Motion to Vacate Order. On November 23, 2016, the Court denied all three of Plaintiffs’ motions. On December 6, 2016, Plaintiffs filed a Notice of Appeal to the Tenth Circuit Court of Appeals. That appeal is pending as of the effective date of this response. There is no specific timeline by which the Court of Appeals must render a ruling. Spyglass intends to continue to vigorously defend its interest in this matter.

(d) MegaWest Energy Missouri Corp. (“ *MegaWest Missouri* ”), a wholly owned subsidiary of the Company, was previously involved in two cases related to oil leases in West Central, Missouri. The first case (James Long and Jodeane Long v. MegaWest Energy Missouri and Petro River Oil Corp., case number 13B4-CV00019) was a case for unlawful detainer, pursuant to which the plaintiffs contended that a MegaWest Missouri oil and gas lease had expired and MegaWest Missouri was unlawfully possessing the plaintiffs’ real property by asserting that the leases remained in effect. MegaWest Missouri filed a second case on October 14, 2014 (MegaWest Energy Missouri Corp. v. James Long, Jodeane Long, and Arrow Mines LLC, case number 14VE-CV00599). This case was pending in Vernon County, Missouri. Although the two cases were separate, they were interrelated. In the Vernon County case, MegaWest Missouri made claims for: (1) replevin for personal property; (2) conversion of personal property; (3) breach of the covenant of quiet enjoyment regarding the lease; (4) constructive eviction of the lease; (5) breach of fiduciary obligation against James Long; (6) declaratory judgment that the oil and gas lease did not terminate; and (7) injunctive relief to enjoin the action pending in Barton County, Missouri. On September 21, 2015, the parties entered into a Settlement and Release Agreement for both cases. The parties agreed to release their claims and dismiss their lawsuits with prejudice. MegaWest Missouri released its claims to certain leases and the plaintiff purchased certain personal property from MegaWest Missouri. The matters have been completely resolved, and the cases dismissed.

The Company is from time to time involved in legal proceedings in the ordinary course of business. It does not believe that any of these claims and proceedings against it is likely to have, individually or in the aggregate, a material adverse effect on its financial condition or results of operations.

#### **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**

Our common shares have traded in the United States on the OTC Pink Marketplace under the symbol "PTRC".

The following table sets forth the quarterly average high and low bid prices per share for our Common Stock for the two most recently completed fiscal years in the period that ended on April 30, 2017.

Fiscal Year Ended	Common Stock	
	High	Low
<b>April 30, 2017</b>		
First Quarter	\$ 3.48	\$ 1.15
Second Quarter	\$ 2.49	\$ 1.30
Third Quarter	\$ 1.15	\$ 0.45
Fourth Quarter	\$ 1.17	\$ 0.74
<b>April 30, 2016</b>		
First Quarter	\$ 8.00	\$ 2.00
Second Quarter	\$ 3.26	\$ 1.80
Third Quarter	\$ 3.50	\$ 1.50
Fourth Quarter	\$ 3.45	\$ 2.00

\* Bid price reflects the 1-for-200 reverse split of our Common Stock, which reverse split took effect on December 7, 2015.

**Holders**

As of July 26, 2017, we had 153 holders of record of our registered Common Stock, and our Common Stock had a closing bid price of \$2.20 per share.

**Dividends and Related Policy**

We presently intend to retain all earnings, if any, for use in our business operations and accordingly, the Board of Directors (the "Board") does not anticipate declaring any cash dividends for the foreseeable future. Any future determination to pay dividends will be at the discretion of the Board and will be contingent upon our financial condition, results of operations, current and anticipated cash needs, restrictions contained in current or future financing instruments, plans for expansion and such other factors as the Board deems relevant. We have not paid any cash dividends on our Common Stock.

**Transfer Agent and Registrar**

Our transfer agent is Computershare, Inc., located at 462 South 4 th Street, 11 th Floor, Louisville, KY 40202. Their telephone number is (502) 625-0400.

**Recent Sales of Unregistered Securities**

None.

**Purchases of Equity Securities by the Issuer and Affiliated Purchasers.**

None.

**ITEM 6. S ELECTED FINANCIAL DATA**

Not applicable.



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

### Forward Looking Statements

The following is management's discussion and analysis of certain significant factors which have affected our financial position and operating results during the periods included in the accompanying consolidated financial statements, as well as information relating to the plans of our current management and should be read in conjunction with the accompanying financial statements and their related notes included in this Report. References in this section to "we," "us," "our," or the "Company" are to the consolidated business of Petro River Oil Corp. and its wholly owned and majority owned subsidiaries.

This Report contains forward-looking statements. Generally, the words "believes," "anticipates," "may," "will," "should," "expects," "intends," "estimates," "continues," and similar expressions or the negative thereof or comparable terminology are intended to identify forward-looking statements. Such statements are subject to certain risks and uncertainties, including the matters set forth in this Report or other reports or documents we file with the SEC from time to time, which could cause actual results or outcomes to differ materially from those projected. Undue reliance should not be placed on these forward-looking statements which speak only as of the date hereof. We undertake no obligation to update these forward-looking statements.

### Business Overview

The Company is an independent energy company focused on the exploration and development of conventional oil and gas assets with low discovery and development costs. The Company is currently focused on moving forward with drilling wells on several of its properties owned directly and indirectly through its interest in Horizon Energy Partners, LLC (" *Horizon Energy* "), as well as taking advantage of the relative depressed market in oil prices to enter highly prospective plays with Horizon Energy and other industry-leading partners. Diversification over a number of projects, each with low initial capital expenditures and strong risk reward characteristics, reduces risk and provides cross-functional exposure to a number of attractive risk adjusted opportunities.

The Company's core holdings are in the Mid-Continent Region in Oklahoma and in Kern County, California. Following the acquisition of Horizon I Investments, LLC (" *Horizon Investments* "), the Company now has exposure to a portfolio of several domestic and international oil and gas assets consisting of highly prospective conventional plays diversified across project type, geographic location and risk profile, as well as access to a broad network of industry leaders from Horizon Investment's 20% interest in Horizon Energy. Horizon Energy is an oil and gas exploration and development company owned and managed by former senior oil and gas executives. It has a portfolio of domestic and international assets, including two assets located in the United Kingdom, adjacent to the giant Wytch Farm oil field, the largest onshore oil field in Western Europe. Other projects include the proposed redevelopment of a large oil field in Kern County, California and the development of an additional recent discovery in Kern County. Each of the assets in the Horizon Energy portfolio is characterized by low initial capital expenditure requirements and strong risk reward characteristics.

The execution of our business plan is dependent on obtaining necessary working capital. While no assurances can be given, in the event management is able to obtain additional working capital, we plan to acquire high-quality oil and gas properties, primarily proved producing and proved undeveloped reserves. We also intend to explore low-risk development drilling and work-over opportunities. Management is also exploring farm in and joint venture opportunities for our oil and gas assets.

## **Our Objective**

Our primary objective is to enhance shareholder value by increasing our net asset value, net reserves and cash flow through development, exploitation, exploration, and acquisition of oil and gas properties.

## **Our Strategy**

We intend to follow a balanced risk strategy by allocating capital expenditures to a combination of lower risk development and high potential exploration prospects. Key elements of our business strategy include the following:

*Develop and exploit our existing oil and natural gas properties* . Our principal growth strategy has been to explore, develop and exploit our acquired and leased properties to add proven reserves.

*Pursue selective acquisitions* . The Company has acquired leasehold positions that it believes contain substantial resource potential and meet its targeted returns on invested capital. Management intends to continue to pursue strategic acquisitions that meet the Company's operational and financial targets. We seek to acquire developed and undeveloped oil and gas properties that will provide us with additional development and exploratory prospect opportunities. We may also acquire a working interest in one or more prospects from others and participate with the other working interest owners in drilling and, if warranted, completing oil or gas wells on a prospect. We may purchase producing oil or gas properties.

*Use the latest 3-D seismic technology to maximize returns* . Technical advances in imaging and modeling can lower risk and enhance productivity. The Company intends to utilize 3-D seismic and other technological advancements that benefit its exploratory and developmental drilling program.

*Limit our current exploration and acquisition activities to conventional oil plays with a projected breakeven price of \$30 per barrel or less* . We intend to focus our resources on more easily recoverable conventional reserves.

*During the current downturn, obtain price concessions from third party vendors* , specifically those involved in our drilling and completion activities and day-to-day well maintenance.

## **Plan of Operation**

The Company is currently engaged in oil and natural gas acquisition, exploration, development and production, with activities in Oklahoma and California in the United States, and Northern Ireland, Denmark and the U.K in Western Europe. We focus on developing our existing properties, while continuing to pursue acquisitions of oil and gas properties with upside potential.

The Company intends to grow its resources and production through exploration activities and development of identified potential drilling locations, and through acquisitions that meet the Company's strategic and financial objectives. Our plan includes:

*Leveraging our management experience* . The Company's executive team, along with Horizon Energy, the Company's operating partner, has extensive and proven experience in the oil and gas industry. We believe that the experience of our executive team will help reduce the time and cost associated with drilling and completing our conventional assets and potentially increasing recovery. Collectively, our management team and engineering professionals identify and evaluate acquisition opportunities, negotiate and close purchases and manage acquired properties.

*Leveraging our established business relationships* . Our executive team, along with Horizon Energy, has many relationships with operators and service providers in our core asset regions. We believe that leveraging our relationships will be a competitive advantage in developing our acreage and identifying acquisition targets.

*De-risking our acreage position and build a vertical drilling program* . The Company has identified a multi-year inventory of potential drilling locations that will drive reserves and production growth and provide attractive return opportunities. The Company views its Osage, Kern County and Grapevine projects as de-risked because of the significant production history in the area and well-established industry activity surrounding the acreage.

*Partnership with Horizon Energy* . Following the acquisition of Horizon Investments, LLC (“*Horizon Investments*”), the Company has an indirect interest, through Horizon Investment’s 20% ownership in Horizon Energy, in a portfolio of several domestic and international oil and gas assets consisting of highly prospective conventional plays diversified across project type, geographic location and risk profile, as well as access to a broad network of industry leaders.

Horizon Energy is an oil and gas exploration and development company owned and managed by former senior oil and gas executives. It has a portfolio of domestic and international assets, including two assets located in the United Kingdom, adjacent to the giant Wytch Farm oil field, the largest onshore oil field in Western Europe. Other projects include the proposed redevelopment of a large oil field in Kern County, California and the development of an additional recent discovery in Kern County. Each of the assets in the Horizon Energy portfolio is characterized by low initial capital expenditure requirements and strong risk reward characteristics.

### **Competitive Strengths**

*Financial flexibility* . Our capital structure and high degree of operational control continues to provide us with significant financial flexibility. We have no corporate debt in our capital structure, enabling us to make capital decisions with no restrictions imposed by debt covenants, lender oversight and/or mandatory repayment schedules. Additionally, in concert with our partner, Horizon Energy, we control the majority of our anticipated future net drilling locations, including the timing and selection of drilling locations as well as completion schedules. This allows us to modify our capital spending program depending on financial resources, leasehold requirements and market conditions.

*Management experience* . Our key management team possesses an average of over thirty years of experience in oil and gas exploration and production in multiple resource plays, including exploration and production in the Company’s core regions of Osage, Oklahoma, Kern County, California, and the North Sea.

*Cost-efficient operators* . In the past, our management team has shown an ability to drill wells in a cost efficient way and to successfully integrate acquired assets without incurring significant increases in overhead.

### **History**

The Company was originally incorporated under the Company Act (British Columbia) on February 8, 2000 under the name Brockton Capital Corp. We then changed our name to MegaWest Energy Corp. effective February 27, 2010, before changing it to Gravis Oil Corp. on June 20, 2011. On September 11, 2012, we re-organized under the laws of the State of Delaware as a corporation organized under the Delaware General Corporation Law. Prior to September 11, 2012, and at April 30, 2012, we were organized under the laws of Alberta, Canada.

Petro River Oil LLC (“*Petro*”), an indirect subsidiary of the Company and wholly owned subsidiary of MegaWest Energy Kansas Corp., was incorporated under the laws of the State of Delaware on March 3, 2011 (“*MegaWest*”). Through proceeds received from the issuance of various promissory notes, on February 1, 2012, Petro purchased various interests in oil and gas leases, wells, records, data and related personal property located along the play in the state of Kansas (“*Mississippi Assets*”). Effective December 23, 2015, Petro divested the Mississippi Assets. In connection with the divestiture, the assignee and purchaser of the Mississippi Assets agreed to pay outstanding liabilities, including unpaid taxes, and assume certain responsibilities to plug any abandoned wells. No cash consideration was paid for the interests.

*Share Exchange* . On April 23, 2013, the Company executed and consummated a securities purchase agreement by and among the Company, Petro, and certain investors in Petro (the “*Investors*”), namely, the holders of outstanding secured promissory notes of Petro (the “*Notes*”), and those holding membership interests in Petro (the “*Membership Interests*”), and, together with the Notes, the “*Acquired Securities*”) sold by Petro (the “*Share Exchange*”). In the Share Exchange, the Investors exchanged their Acquired Securities for 591,021,011 newly issued shares of the Company's common stock, \$0.00001 par value (“*Common Stock*”) (2,955,105 shares of Common Stock based on the December 2015 reverse stock split – see “*Reverse Stock Split*” below). Upon completion of the Share Exchange, Petro became a wholly owned subsidiary of the Company.

As a result of the Share Exchange, the Company acquired 100% of the membership units of Petro and consequently, control of Petro's business and operations. Under generally accepted accounting principles in the United States ("U.S. GAAP"), because Petro's former members and note holders held 80% of the issued and outstanding shares of the Company as a result of the Share Exchange, Petro was deemed the accounting acquirer while the Company remains the legal acquirer. Petro adopted the fiscal year of the Company. Prior to the Share Exchange, all historical financial statements presented are those of Petro. The equity of the Company is the historical equity of Petro, restated to reflect the number of shares issued by the Company in the transaction.

*Acquisition of Interest in Bandolier Energy LLC.* On May 30, 2014, the Company entered into a Subscription Agreement pursuant to which the Company was issued a 50% interest in Bandolier Energy, LLC ("Bandolier") in exchange for a capital contribution of \$5.0 million (the "Bandolier Acquisition"). In connection with the Bandolier Acquisition, the Company had the right to appoint a majority of the board of managers of Bandolier. The Company's Executive Chairman was a manager of, and owned a 20% membership interest in, Pearsonia West Investment Group, LLC ("Pearsonia West"), a special purpose vehicle formed for the purpose of investing in Bandolier with the Company and Ranger Station, LLC ("Ranger Station"). Concurrent with the Bandolier Acquisition, Pearsonia West was issued a 44% interest in Bandolier for cash consideration of \$4.4 million, and Ranger Station was issued a 6% interest in Bandolier for cash consideration of \$600,000. In connection with Pearsonia West's investment in Bandolier, the Company and Pearsonia West entered into an agreement, dated May 30, 2014, granting the members of Pearsonia West an option, exercisable at any time prior to May 30, 2017, to exchange their pro rata share of the Bandolier membership interests for shares of the Company's Common Stock, at a price of \$0.08 per share, subject to adjustment (the "Option"). The Option, if fully exercised, would result in the Company issuing 55,000,000 shares of its Common Stock (275,000 shares of Common Stock at a price of \$16 per share based on the December 2015 reverse stock split – see "Reverse Stock Split" below), or 6% to the members of Pearsonia West.

Until the execution of the Contribution Agreement, described below, the Company had operational control along with a 50% ownership interest in Bandolier. As a result, the Company consolidated Bandolier. The remaining 50% non-controlling interest represented the equity investment from Pearsonia West and Ranger Station. The Company allocated the proportionate share of the net operating income/loss to both the Company and the non-controlling interest.

Subsequent to the initial capitalization of Bandolier, Bandolier acquired, for \$8,712,893 less a \$407,161 claw back, all of the issued and outstanding equity of Spyglass Energy Group, LLC ("Spyglass"), the owner of oil and gas leases, leaseholds, lands, and options and concessions thereto located in Osage County, Oklahoma. Spyglass controlled a significant contiguous oil and gas acreage position in Northeastern Oklahoma, consisting of approximately 106,000 acres, with substantial original oil in place, stacked reservoirs, as well as exploratory and development opportunities that could be accessed through both horizontal and vertical drilling. Significant infrastructure was already in place including 32 square miles of 3-D seismic, 3 phase power, a dedicated sub-station as well as multiple oil producing horizontal wells.

The Company recorded the purchase of Spyglass by Bandolier using the acquisition method of accounting as specified in ASC 805 "Business Combinations." This method of accounting requires the acquirer to (i) record purchase consideration issued to sellers in a business combination at fair value on the date control is obtained, (ii) determine the fair value of any non-controlling interest, and (iii) allocate the purchase consideration to all tangible and intangible assets acquired and liabilities assumed based on their acquisition date fair values. Further, the Company commenced reporting the results of Spyglass on a consolidated basis with those of the Company effective upon the date of the acquisition.

*MegaWest Transaction.* On October 15, 2015, the Company entered into a contribution agreement (the "Contribution Agreement") with MegaWest and Fortis Property Group, LLC, a Delaware limited liability company ("Fortis"), pursuant to which the Company and Fortis each agreed to contribute certain assets to MegaWest in exchange for shares of MegaWest common stock ("MegaWest Shares") (the "MegaWest Transaction").



Upon execution of the Contribution Agreement, (i) the Company transferred its 50% membership interest in Bandolier (the "*Bandolier Interest*"), and cancelled all of its ownership interest in the then issued and outstanding MegaWest Shares, which prior to the MegaWest Transaction represented 100% ownership of MegaWest; and (ii) Fortis transferred certain indirect interests held in 30 condominium units and the rights to any profits and proceeds therefrom. Immediately thereafter, MegaWest issued to the Company 58,510 MegaWest Shares, representing a 58.51% equity interest in MegaWest, as consideration for the assignment of the Bandolier Interest, and issued to Fortis 41,490 MegaWest Shares, representing a 41.49% equity interest in MegaWest, as consideration for the assets assigned to MegaWest by Fortis. The account receivable and the Company's interest in real estate reflected on the Company's balance sheet are assets held by MegaWest, and are controlled by MegaWest's board of directors, consisting of two members appointed by Fortis, and one by the Company. The relative composition of the board of directors of MegaWest shall continue as long as Fortis has an equity interest in MegaWest.

Subject to the terms and conditions of the Contribution Agreement, the Contribution Agreement provided for a redetermination of the fair market value of the Bandolier Interest at any time following the six month anniversary after the execution thereof (the "*Redetermination*"), Upon a Redetermination, which has not occurred as of July 28, 2017, in the event there is a shortfall from the valuation ascribed to the Bandolier Interest at the time of the Redetermination, as compared to the value ascribed to the Bandolier Interest in the Contribution Agreement, the Company will be required to provide Fortis with a cash payment in an amount equal to the shortfall. If the Company is unable to deliver to Fortis the cash payment required after the Redetermination, if any, the board of directors of MegaWest shall have the right to exercise certain remedies against the Company, including a right to foreclose on the Company's entire equity in MegaWest, which equity interest has been pledged to Fortis under the terms of the Contribution Agreement. In the event of foreclosure, the Bandolier Interest would revert back to the Company.

*Acquisition of Horizon Investments.* On December 1, 2015, the Company entered into a conditional purchase agreement with Horizon Investments (as amended, the "*Purchase Agreement*"), pursuant to which the Company acquired, on May 3, 2016, (i) a 20% membership interest in Horizon Energy; (ii) certain promissory notes issued by Horizon Investments to the Company in the aggregate principal amount of \$1.6 million (the "*Horizon Notes*"); (iii) approximately \$690,000 held in escrow pending closing under the Purchase Agreement (the "*Closing Proceeds*"); and (iv) certain bank, investment and other accounts maintained by Horizon Investments, in an amount which, together with the principal amount of the Horizon Note and the Closing Proceeds, totaled not less than \$5.0 million (collectively, the "*Purchased Assets*"). The consideration for the Purchased Assets was 11,564,249 shares of the Company's Common Stock, which shares were issued to Horizon Investments at closing.

## **Recent Developments**

*\$2.0 Million Secured Note Financing.* On June 13, 2017, the Company entered into a Securities Purchase Agreement ("*Purchase Agreement*") with Petro Exploration Funding, LLC ("*Funding Corp.*"), pursuant to which the Company issued to Funding Corp. a senior secured promissory note to finance the Company's working capital requirements (the "*Note Financing*"), in the principal amount of \$2.0 million ("*Secured Note*"). As additional consideration for the Note Financing, the Company issued to Funding Corp. (i) a warrant to purchase 840,336 shares of the Company's common stock, \$0.00001 par value ("*Common Stock*") ("*Warrant*"), and (ii) an overriding royalty interest equal to 2% in all production from the Company's interest in the Company's concessions located in Osage County, Oklahoma, currently held by Spyglass pursuant to an Assignment of Overriding Royalty Interests (the "*Assignment*").

The Secured Note accrues interest at a rate of 10% per annum, and matures on June 30, 2020. To secure the repayment of all amounts due under the terms of the Secured Note, the Company entered into a Security Agreement, pursuant to which the Company granted to Funding Corp. a security interest in all assets of the Company. The first interest payment will be due on June 1, 2018 and each six-month anniversary thereafter until the outstanding principal balance of the Secured Note is paid in full.

The Warrant is exercisable immediately upon issuance, for an exercise price per share equal to \$2.38 per share, and shall terminate, if not previously exercised, five years from the date of issuance.

Scot Cohen, a member of the Company's Board of Directors and a substantial stockholder of the Company, owns or controls 31.25% of Funding Corp.

*Kern County Drilling Program Results.* On July 18, 2017, the Company announced a new oil field discovery in its Sunset Boulevard prospect in Kern County, California upon successfully drilling the Cattani-Rennie 47X-15 exploration well ("*CR 47X*"). The CR 47X was drilled to a depth of approximately 8,500 feet and confirmed at least two commercially successful pay zones. The discovery is currently being evaluated but initial results indicate significant reserve potential. Following completion and production tests, the Company will announce development plans. Several additional prospect wells are now being planned to be drilled in Kern County.

The Company owns a 19.25% interest in the Kern County field based on a 13.75% direct working interest and 5.5% indirect working interest through its 20% equity investment in Horizon Energy. Historically, since its 1933 discovery, this field has produced over 100 million barrels of oil and equivalents from six distinct reservoirs. The Company's 3-D survey constitutes the first modern seismic data (including both 2-D and 3-D) acquired over this geologically complex field.

*Osage County Drilling Program Results.* On May 8, 2017, the Company announced a new oil field discovery in its 106,500-acre concession in Osage County, Oklahoma upon successfully drilling the Chat 2-11 exploration well. The Chat 2-11 was drilled to a depth of 2,800 feet into the Mississippian Chat. Initial results indicated up to 20 feet of oil productive formation. Following flow and fracking tests, the Company plans to confirm IP rates.

On May 30, 2017, the Company announced a second new oil field discovery in its 106,500-acre concession in Osage County, Oklahoma upon successfully drilling the Red Fork 1-3 exploration well. The Red Fork 1-3 was drilled to a depth of 2,800 feet into the Mississippian Chat. Initial results indicated up to 30 feet of oil productive formation. Following flow and fracking tests, the Company plans to confirm IP rates. These structures were identified utilizing 3D seismic technology, indicating a potential of up to 2.5 million barrels of oil.

The Company's Osage County drilling program is the result of a Joint Exploration and Development Agreement (the "*Exploration Agreement*"), dated August 19, 2016, between Spyglass, a wholly owned subsidiary of Bandolier, Phoenix 2016, LLC ("*Phoenix*") and Mackey Consulting & Leasing, LLC ("*Mackey*"). Pursuant to the Exploration Agreement, Phoenix and Mackey operates and provides certain services, including obtaining permits and providing technical services, at cost, in connection with a Phase I Development Program as agreed to by the parties (the "*Phase I Program*"). Phoenix and Mackey shall earn a 25% working interest on all wells drilled in the Phase I Program. Following success and completion of the Phase I Program, Phoenix and Mackey shall earn a 25% working interest in the Osage County, Oklahoma Concession held by Spyglass. Under the Exploration Agreement, Bandolier has agreed commit up to \$2.1 million towards costs of the Phase I Program, at its sole discretion.

*Reverse Stock Split.* At its Annual Meeting held on September 20, 2016, the Company's shareholders approved a resolution to authorize the Company's Board of Directors, in its sole and absolute discretion, to amend the Company's Certificate of Incorporation to implement a reverse stock split of our Common Stock, at a ratio of not less than 1-for-2, and not greater than 1-for-10 ("*Reverse Split*"), within one year from the date of the Annual Meeting, with the exact ratio to be determined by the Board of Directors. The Board of Directors has not determined the ratio, and does not currently intend to execute the Reverse Split until such time as the Company lists its shares of Common Stock on the NASDAQ Stock Market.

## **Financial Condition and Results of Operations**

### ***For the Years Ended April 30, 2017 and 2016:***

#### ***Oil and Natural Gas Sales***

During the year ended April 30, 2017, the Company recognized \$26,603 in oil and gas sales compared to \$87,939 for the year ended April 30, 2016. The overall decrease in sales of \$61,336 is primarily due to the decrease in operations and shut-in wells in light of the challenging oil price environment. The Company has drilled four exploratory wells and is re-completing certain existing wells, each located in Osage County, Oklahoma and Kern County, California. Given current oil and gas prices, management does not currently anticipate deriving material revenue from existing oil and gas assets in the short-term; provided, however, in the event oil and gas prices rise from current levels, or in the event the Company confirms IP rates following completion and production of its recently drilled exploratory wells, resulting in proven reserves that can be extracted profitably at current oil and gas prices, management anticipates the resumption of oil and gas sales, although no assurances can be given.

#### ***Lease Operating Expenses***

During the year ended April 30, 2017, lease operating expenses were \$48,578, as compared to lease operating expenses of \$373,028 for the year ended April 30, 2016. The overall decrease in lease operating expense of \$324,450 is primarily attributable to management's commitment to substantially reduce operating expense in light of the current challenging oil price environment.

**(Gain) Loss on Sale of Oil and Gas Assets**

During the year ended April 30, 2017, the Company assigned its leaseholds covering approximately 320 acres in Missouri to third party in furtherance of the Company's corporate strategy to divest its legacy assets. In conjunction with the assignment, the Company recorded a gain of \$216,850. During the year ended April 30, 2016, the Company recorded a loss of \$7,519,460 in connection with the divestiture of Kansas oil and gas properties.

**Impairment of Oil and Gas Assets**

The Company assesses all items classified as unproved property on an annual basis for possible impairment. The Company assesses properties on an individual basis or as a group if properties are individually insignificant. The assessment includes consideration of the following factors, among others: land relinquishment; intent to drill; remaining lease term; geological and geophysical evaluations; drilling results and activity; the assignment of proved reserves; and the economic viability of development if proved reserves are assigned. Significant changes in these factors could reduce our estimates of future net proceeds and accordingly could result in an impairment of our oil and gas assets. During the year ended April 30, 2017, the Company reviewed the oil and gas assets for impairment and recognized an impairment charge of \$20,942 on the Oklahoma properties. During the year ended April 30, 2016, the Company reviewed the oil and gas assets for impairment and recognized an impairment charge of \$6,870,613 on the Oklahoma and Missouri properties.

**Impairment of Intangible Assets**

The Company assesses all items classified as intangible assets on an annual basis for possible impairment. During the years ended April 30, 2017 and 2016, the Company reviewed the intangible assets for impairment and recognized an impairment charge of \$0 and \$2,082,941, respectively.

**General and Administrative Expense**

General and administrative expense for the year ended April 30, 2017 was \$4,107,795, as compared to \$3,103,358 for the year ended April 30, 2016. The increase was primarily attributable to increases in salaries and benefits, professional fees and office and administrative expenses. These changes are outlined below:

	<b>For the Year Ended</b>	<b>For the Year Ended</b>
	<b><u>April 30, 2017</u></b>	<b><u>April 30, 2016</u></b>
Salaries and benefits	\$ 2,446,391	\$ 1,969,001
Professional fees	1,092,644	857,248
Office and administrative	568,760	276,059
Information technology	-	1,050
	<u>\$ 4,107,795</u>	<u>\$ 3,103,358</u>
<b>Total</b>		

Salaries and benefits include non-cash stock-based compensation of \$2,178,716 for year ended April 30, 2017 compared to \$1,593,349 for the year ended April 30, 2016. The increase in stock-based compensation of \$585,367 from the prior year was due to an increase in the number of option awards expensed during the current year. General and administrative expenses increased due to (i) significant increases in professional fees incurred during the implementation of the Company's business plan; (ii) as well as increased marketing and investor relations expenses. We also experienced higher legal expenses relating to transactional and other corporate activities during the year ended April 30, 2017.

### ***Interest Income (Expense)***

During the year ended April 30, 2017, the Company recognized interest income of \$628,956 compared to interest income of \$174,458 for the year ended April 30, 2016. The income received in the 2017 and 2016 years is primarily attributable to \$627,275 and \$170,653, respectively, of interest income accrued on the related party notes receivable.

### ***Net Gain on Interests in Real Estate Rights***

During the year ended April 30, 2017, the Company recognized \$1,689,274 net gain on its interest in real estate rights compared to \$10,474,713 for the year ended April 30, 2016. The net gain on interest in real estate rights was due to the sale of four and 25 condominium units, respectively, by Fortis and the resulting profits which were assigned to MegaWest pursuant to the Contribution Agreement, less the book value recorded by MegaWest.

### **Liquidity and Capital Resources**

At April 30, 2017, the Company had working capital of approximately \$25.5 million, of which approximately \$24.8 million, \$2.1 million and \$0.3 million is attributable to several notes receivable from a related party, an account receivable from a related party, and the Company's interest in certain real estate rights, respectively. The notes receivable, account receivable and the Company's interest in real estate rights are assets held by MegaWest, the Company's 58.51% owned subsidiary, and are controlled by MegaWest's board of directors, consisting of two members appointed by Fortis, and one by the Company. The relative composition of the board of directors of MegaWest shall continue as long as Fortis has an equity interest in MegaWest. The Company expects to receive these funds upon the maturity date and intends to use the proceeds to fund the development of the Company's interest in the Bandolier prospects.

Proceeds from the amounts receivable from Fortis will not be available until such time as the Company has completed its evaluation of the Bandolier prospects, at which time the Redetermination will be performed. In the event there is a shortfall from the valuation ascribed to the Bandolier Interest at the time of the Redetermination, as compared to the value ascribed to the Bandolier Interest in the Contribution Agreement, the Company will be required to provide Fortis with a cash payment in an amount equal to the shortfall, and any unfunded shortfall will likely result in the foreclosure on all or a portion of the Company's entire equity interest in MegaWest, which equity interest has been pledged to Fortis. No assurances can be given that the value of the Bandolier Interest will equal the valuation set forth in the Contribution Agreement, or if the value identified after the Redetermination is below the initial valuation, that we will be able to fund such shortfall. Any requirement to fund a shortfall will have a material and adverse effect on our operations and financial condition.

In the event of a foreclosure of our equity interest in MegaWest resulting in such equity interest decreasing to less than a controlling interest in MegaWest, the assets conveyed to MegaWest under the terms of the Contribution Agreement may no longer be consolidated with the Company's assets on the Company's financial statements, and the Bandolier Interest may revert back to the Company. As a result, our financial condition and results from operations may be adversely affected, and such affect will be material.

As a result of the utilization of cash in its operating activities, and the development of its assets, the Company has incurred losses since it commenced operations. In addition, the Company has a limited operating history. At April 30, 2017, the Company had cash and cash equivalents of approximately \$0.6 million. The Company's primary source of operating funds since inception has been equity financings, as well as through the consummation of the Horizon Acquisition. Subsequent to April 30, 2017, on June 13, 2017, the Company consummated the Note Financing, pursuant to which the Company entered into the Purchase Agreement with Funding Corp. resulting in the issuance to Funding Corp. of the Secured Note to finance the Company's short-term working capital requirements, in the principal amount of \$2.0 million. While management believes that the current level of working capital is sufficient to maintain current operations as well as the planned added operations for the next 12 months, management intends to raise capital through debt and equity instruments in order to execute its business and operating plans. Management can provide no assurances that the Company will be successful in its capital raising efforts. In order to conserve capital, from time to time, management may defer certain development activity.

To address the current challenging oil and gas environment, and in order to increase the value of the Company's oil and gas assets, management has also curtailed certain oil and gas operations, and focused on the Company's Horizon Acquisition. In addition to the Horizon Acquisition, the MegaWest Transaction, and current drilling programs in Osage County, Oklahoma and Kern County, California, the Company is also exploring farm in and joint venture opportunities for its oil and gas assets as well other opportunities to increase shareholder value. No assurances can be given that management will be successful.

**Operating Activities**

During the year ended April 30, 2017, operating activities resulted in cash used of \$2,219,980, as compared to \$1,767,151 used in operating activities during the year ended April 30, 2016. The Company incurred a net loss during the year ended April 30, 2017 of \$2,583,339 as compared to a loss of \$11,989,758 for the year ended April 30, 2016. For year ended April 30, 2017, the net loss was offset by non-cash items such as stock-based compensation, depreciation, depletion and accretion of asset retirement obligation, impairment of oil and gas assets, and the deferred tax liability. Cash provided by operations was also influenced by changes in accounts receivable, accrued interest on notes receivable, prepaid expenses and accounts payable and accrued expenses. For the year ended April 30, 2016, the net loss was offset by non-cash items such as stock-based compensation, depreciation, depletion and amortization, accretion of asset retirement obligation, impairment of oil and gas assets, impairment of intangible assets, loss on sale of equipment and the deferred tax liability. Cash used in operations was also influenced by changes in accounts receivable, prepaid expenses and accounts payable and accrued expenses.

**Investing Activities**

Investing activities during the year ended April 30, 2017 resulted in cash provided of \$1,900,461, as compared to cash used of \$68,641 during the year ended April 30, 2016. During the year ended April 30, 2017, the Company received proceeds of \$6,900,228 from its interest in real estate rights, as compared to \$18,369,000 during the year ended April 30, 2016. As a part of the arrangement with Fortis, the majority of the proceeds were then loaned to Fortis in the form of notes receivable agreements with Fortis for \$6,938,382 during the year ended April 30, 2017, compared to \$17,848,000 during the year ended April 30, 2016.

During the year ended April 30, 2017, the Company incurred \$487,857 of expenditures on oil and gas assets compared to \$102,864 of expenditures on oil and gas assets as part of the Bandolier acquisition. During the year ended April 30, 2017, the Company received cash of \$0 and \$0 from the disposal of oil and gas assets and equipment, respectively, as compared to receiving cash of \$279,013 and \$60,000 during the year ended April 30, 2016, respectively.

**Financing Activities**

Financing activities during the year ended April 30, 2017 resulted in cash provided of \$ 176,000 , as compared to \$ 1.6 million during the year ended April 30, 2016. The cash provided during the year ended April 30, 2017 was related to a contribution received from the Company's non-controlling interest partners in Bandolier from a mandatory capital request. On August 8, 2016, Bandolier's Board of Managers approved a capital call of \$1.25 million due per extension to April 30, 2017 to fund certain re-completions and test wells to be drilled in Osage county. MegaWest Kansas' portion of the capital call is \$625,000, of which it has funded \$483,163 and \$141,838 is due on or prior to April 30, 2017. Pearsonia West's portion of the capital call is \$550,000, of which it has funded \$176,000 and \$374,000 is due on or prior to April 30, 2017. Ranger Station has elected not to fund its capital call amount of \$75,000. As a result, Ranger Station has forfeited its 6% interest in Bandolier and such interest has been allocated pro rata between MegaWest Kansas and Pearsonia West as of April 30, 2017.

**Capitalization**

The number of outstanding shares and the number of shares that could be issued if all Common Stock equivalents are converted to shares is as follows:

	<u>April 30, 2017</u>	<u>April 30, 2016</u>
As of		
Common shares	15,827,921	4,263,711
Stock Options	2,599,682	743,050
Stock Purchase Warrants	- <u>133,333</u>	- <u>133,333</u>
	= <u><u>18,560,936</u></u>	= <u><u>5,140,094</u></u>

## **Critical Accounting Policies and Estimates**

The Company's significant accounting policies are described in Note 3 to the annual consolidated financial statements for the year ended April 30, 2017 and 2016. The consolidated financial statements are prepared in conformity with U.S. GAAP.

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements. These consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States ("US GAAP"), which requires us to make estimates and assumptions that affect the reported amounts of our assets and liabilities and revenues and expenses, to disclose contingent assets and liabilities on the date of the consolidated financial statements, and to disclose the reported amounts of revenues and expenses incurred during the financial reporting period. The most significant estimates and assumptions include the valuation of accounts receivable, and the useful lives and impairment of property and equipment, goodwill and intangible assets, the valuation of deferred tax assets and inventories and the provision for income taxes. We continue to evaluate these estimates and assumptions that we believe to be reasonable under the circumstances. We rely on these evaluations as the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Since the use of estimates is an integral component of the financial reporting process, actual results could differ from those estimates. Some of our accounting policies require higher degrees of judgment than others in their application.

The following critical accounting policies rely upon assumptions and estimates and were used in the preparation of our consolidated financial statements:

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

The Company follows the full cost method of accounting for oil and gas operations whereby all costs related to exploration and development of oil and gas reserves are capitalized. Under this method, the Company capitalizes all acquisition, exploration and development costs incurred for the purpose of finding oil and natural gas reserves, including salaries, benefits and other internal costs directly attributable to these activities. Costs associated with production and general corporate activities, however, are expensed in the period incurred. Costs are capitalized on a country-by-country basis. To date, there has only been one cost center, the United States.

The present value of estimated future net cash flows is computed by applying the average first-day-of-the-month prices during the previous twelve-month period of oil and natural gas to estimated future production of proved oil and natural gas reserves as of year-end less estimated future expenditures to be incurred in developing and producing the proved reserves and assuming continuation of existing economic conditions. Prior to December 31, 2009, prices and costs used to calculate future net cash flows were those as of the end of the appropriate quarterly period.

Following the discovery of reserves and the commencement of production, the Company will compute depletion of oil and natural gas properties using the unit-of-production method based upon production and estimates of proved reserve quantities. Costs associated with unproved properties are excluded from the depletion calculation until it is determined whether or not proved reserves can be assigned to such properties. Unproved properties are assessed for impairment annually. Significant properties are assessed individually.

The Company assesses all items classified as unproved property on an annual basis for possible impairment. The Company assesses properties on an individual basis or as a group if properties are individually insignificant. The assessment includes consideration of the following factors, among others: land relinquishment; intent to drill; remaining lease term; geological and geophysical evaluations; drilling results and activity; the assignment of proved reserves; and the economic viability of development if proved reserves are assigned. During any period in which these factors indicate impairment, the related exploration costs incurred are transferred to the full cost pool and are then subject to depletion and the ceiling limitations on development oil and natural gas expenditures.

Proceeds from the sale of oil and gas assets are applied against capitalized costs, with no gain or loss recognized, unless a sale would alter the rate of depletion and depreciation by 25 percent or more.

Significant changes in these factors could reduce our estimates of future net proceeds and accordingly could result in an impairment of our oil and gas assets. Management will perform annual assessments of the carrying amounts of its oil and gas assets as additional data from ongoing exploration activities becomes available.

### ***Interest in Real Estate Rights***

Fortis contributed profit realized from future sale of these properties to MegaWest, pursuant to the terms and conditions of the Contribution Agreement, as a part of the MegaWest Transaction. As we do not know the price at which the real estate will be sold, the rights are stated on the consolidated balance sheet as of April 30, 2017 and 2016 at the cost basis of Fortis.

### ***Income Taxes***

The Company uses the asset and liability method in accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and income tax carrying amounts of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. The Company reviews deferred tax assets for a valuation allowance based upon whether it is more likely than not that the deferred tax asset will be fully realized. A valuation allowance, if necessary, is provided against deferred tax assets, based upon management's assessment as to their realization.

### ***Uncertain Tax Positions***

The Company evaluates uncertain tax positions pursuant to ASC Topic 740-10-25 "*Accounting for Uncertainty in Income Taxes*," which allows companies to recognize a tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. Those tax positions failing to qualify for initial recognition are recognized in the first interim period in which they meet the more likely than not standard, or are resolved through negotiation or litigation with the taxing authority, or upon expiration of the statute of limitations. De-recognition of a tax position that was previously recognized occurs when an entity subsequently determines that a tax position no longer meets the more likely than not threshold of being sustained.

At April 30, 2017 and 2016, the Company has approximately \$3,442,724 and \$2,501,209, respectively, of liabilities for uncertain tax positions. Interpretation of taxation rules relating to net operating loss utilization in real estate transactions give rise to uncertain positions. In connection with the uncertain tax position, there was no interest or penalties recorded as the position is expected but the tax returns are not yet due.

The Company is subject to ongoing tax exposures, examinations and assessments in various jurisdictions. Accordingly, the Company may incur additional tax expense based upon the outcomes of such matters. In addition, when applicable, the Company will adjust tax expense to reflect the Company's ongoing assessments of such matters, which require judgment and can materially increase or decrease its effective rate as well as impact operating results.

The number of years with open tax audits varies depending on the tax jurisdiction. The Company's major taxing jurisdictions include the United States (including applicable states).

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

None.

## Recent Accounting Pronouncements

In May 2014, the FASB issued a comprehensive new revenue recognition standard that will supersede nearly all existing revenue recognition guidance under U.S. GAAP. The standard's core principle (issued as ASU 2014-09 by the FASB), is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. These may include identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. The new guidance must be adopted using either a full retrospective approach for all periods presented in the period of adoption or a modified retrospective approach. In August 2015, the FASB issued ASU No. 2015-14, which defers the effective date of ASU 2014-09 by one year, and would allow entities the option to early adopt the new revenue standard as of the original effective date. This ASU is effective for public reporting companies for interim and annual periods beginning after December 15, 2017. The Company is currently evaluating its adoption method and the impact of the standard on its consolidated financial statements and has not yet determined the method by which the Company will adopt the standard in 2017.

In April 2016, the FASB issued ASU No. 2016-10, "*Revenue from Contracts with Customers: Identifying Performance Obligations and Licensing*" (topic 606). In March 2016, the FASB issued ASU No. 2016-08, "*Revenue from Contracts with Customers: Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*" (topic 606). These amendments provide additional clarification and implementation guidance on the previously issued ASU 2014-09, "*Revenue from Contracts with Customers*". The amendments in ASU 2016-10 provide clarifying guidance on materiality of performance obligations; evaluating distinct performance obligations; treatment of shipping and handling costs; and determining whether an entity's promise to grant a license provides a customer with either a right to use an entity's intellectual property or a right to access an entity's intellectual property. The amendments in ASU 2016-08 clarify how an entity should identify the specified good or service for the principal versus agent evaluation and how it should apply the control principle to certain types of arrangements. The adoption of ASU 2016-10 and ASU 2016-08 is to coincide with an entity's adoption of ASU 2014-09, which we intend to adopt for interim and annual reporting periods beginning after December 15, 2017. The Company is currently evaluating the impact of the new standard.

In April 2016, the FASB issued ASU No. 2016-09, "*Compensation – Stock Compensation*" (topic 718). The FASB issued this update to improve the accounting for employee share-based payments and affect all organizations that issue share-based payment awards to their employees. Several aspects of the accounting for share-based payment award transactions are simplified, including: (a) income tax consequences; (b) classification of awards as either equity or liabilities; and (c) classification on the statement of cash flows. The updated guidance is effective for annual periods beginning after December 15, 2016, including interim periods within those fiscal years. Early adoption of the update is permitted. The Company is currently evaluating the impact of the new standard.

In August 2016, the FASB issued ASU 2016-15, "*Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*" ("ASU 2016-15"). ASU 2016-15 will make eight targeted changes to how cash receipts and cash payments are presented and classified in the statement of cash flows. ASU 2016-15 is effective for fiscal years beginning after December 15, 2017. The new standard will require adoption on a retrospective basis unless it is impracticable to apply, in which case it would be required to apply the amendments prospectively as of the earliest date practicable. The Company is currently in the process of evaluating the impact of ASU 2016-15 on its consolidated financial statements.

The Company does not expect the adoption of any recently issued accounting pronouncements to have a significant impact on its financial position, results of operations, or cash flows.

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



**ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Not applicable

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

Reference is made to the financial statement pages beginning on page F-1 comprising a portion of this annual report on Form 10-K.

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

None.

**ITEM 9A. CONTROLS AND PROCEDURES TO DISCUSS**

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports filed pursuant to the Securities Exchange Act of 1934, as amended (the “*Exchange Act*”), is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our Chief Executive Officer and Chief Financial Officer to allow timely decisions regarding required disclosure. Our management, including our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of our disclosure controls and procedures, as defined under Exchange Act Rule 13a-15(e), as of April 30, 2017. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were not effective as of April 30, 2017 due to a material weakness in our internal control over financial reporting, as discussed below.

**Management’s Annual Report on Internal Control over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as required under applicable United States securities regulatory requirements. Internal control over financial reporting is defined in Rule 13a-15(f) or 15d-15(f) promulgated under the Exchange Act as a process designed by, or under the supervision of, the company’s chief executive and chief financial officers and effected by the company’s board of directors, management and other personnel, 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 and includes those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect all misstatements. A system of internal controls can provide only reasonable, not absolute, assurance that the objectives of the control system are met, no matter how well the system is conceived or operated. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management assessed the effectiveness of our internal control over financial reporting as of April 30, 2017. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (“*COSO*”) in 2013 in Internal Control Integrated Framework. Based on that evaluation under this framework, our management concluded that as of April 30, 2017, our internal control over financial reporting was not effective because of the following material weaknesses in our internal control over financial reporting:

- Due to our small number of employees and resources, we have limited segregation of duties, as a result of which there is insufficient independent review of duties performed.
- As a result of the limited number of accounting personnel, we rely on outside consultants for the preparation of our financial reports, including financial statements and management discussion and analysis, which could lead to overlooking items requiring disclosure.

This annual report does not include an attestation report by our independent registered public accounting firm regarding internal control over financial reporting. As we are neither a large accelerated filer nor an accelerated filer, our management’s report was not subject to attestation by our registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit us to provide only management’s report in this annual report.

#### **Changes to Internal Controls and Procedures for Financial Reporting**

There were no significant changes in the Company’s internal control over financial reporting that were identified in connection with such evaluation that occurred during the period covered by this Annual Report on Form 10-K that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting. To begin remediating the material weakness identified in internal control over financial reporting of the Company, the Company engaged Brio Financial Group and appointed its Managing Member, David Briones, to act as the Company’s Chief Financial Officer on August 15, 2013. During the year ended April 30, 2017, Management intended to hire additional accounting staff, and operational and administrative executives. However, with the lack of resources these hires were delayed until which time financing is received. Management intends to prepare and implement sufficient written policies and checklists to remedy the material weaknesses identified above.

### **PART III**

#### **ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

The information required by this item will be set forth in our definitive proxy statement for our 2017 annual meeting of stockholders to be filed within 120 days after our fiscal year end and is incorporated in this report by reference.

#### **ITEM 11. EXECUTIVE COMPENSATION**

The information required by this item will be set forth in our definitive proxy statement for our 2017 annual meeting of stockholders to be filed within 120 days after our fiscal year end and is incorporated in this report by reference.

#### **ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDERS MATTERS**

The information required by this item will be set forth in our definitive proxy statement for our 2017 annual meeting of stockholders to be filed within 120 days after our fiscal year end and is incorporated in this report by reference.

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

The information required by this item will be set forth in our definitive proxy statement for our 2017 annual meeting of stockholders to be filed within 120 days after our fiscal year end and is incorporated in this report by reference.

#### **ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES**

The information required by this item will be set forth in our definitive proxy statement for our 2017 annual meeting of stockholders to be filed within 120 days after our fiscal year end and is incorporated in this report by reference.

**PART IV****ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES****(a) Financial Statements.**

Our financial statements as set forth in the Index to Financial Statements attached hereto commencing on page F-1 are hereby incorporated by reference.

**(b) Exhibits.**

The following exhibits, which are numbered in accordance with Item 601 of Regulation S-K, are filed herewith or, as noted, incorporated by reference herein:

<b>Exhibit Number</b>	<b>Exhibit Description</b>
3.1 (1)	Certificate of Incorporation of the Company
3.2 (1)	Bylaws of the Company
3.3 (13)	Certificate of Amendment to the Certificate of Incorporation of Petro River Oil Corporation, effective December 1, 2015 (Reverse Split).
3.4 (13)	Certificate of Amendment to the Certificate of Incorporation of Petro River Oil Corporation, effective December 1, 2015 (Authorized Increase).
3.5 (14)	Certificate of Amendment to the Certificate of Incorporation of Petro River Oil Corporation, dated June 15, 2016.
10.1 (2)	Securities Purchase Agreement of Petro River Oil LLC, dated as of April 23, 2013, by and among Petro River Oil Corp., Petro River Oil, LLC, the holders of outstanding secured promissory notes of Petro River Oil, LLC, the members of Petro River Oil, LLC and Mega Partners 1 LLC
10.2 (8)	Amended and Restated 2012 Equity Compensation Plan
10.3 (7)	Assignment and Assumption Agreement, dated as of May 30, 2014, by and between Bandolier Energy, LLC and PO1, LLC
10.4 (7)	Agreement, dated as of May 30, 2014, by and between Petro River Oil Corp. and Pearsonia West Investment Group, LLC
10.5 (2)	Employment Agreement, by and between Petro River Oil Corp. and Scot Cohen, dated April 23, 2013
10.6 (4)	Amendment No. 1 to the Employment Agreement, by and between Petro River Oil Corp. and Scot Cohen, dated November 20, 2013
10.7 (5)	Employment Agreement, by and between Petro River Oil Corp. and Ruben Alba, dated November 22, 2013
10.8 (5)	Employment Agreement, by and between Petro River Oil Corp. and Gary Wilkey, dated November 22, 2013
10.9 (5)	Employment Agreement, by and between Petro River Oil Corp. and Luis Vierma, dated November 22, 2013
10.10 (5)	Employment Agreement, by and between Petro River Oil Corp. and Daniel Smith, dated November 22, 2013
10.11 (2)	Form of Securities Purchase Agreement, dated April 23, 2013
10.12 (6)	Securities Purchase Agreement, by an between Petro River Oil Corp. and Petrol Lakes Holding Limited, dated December 12, 2013
10.13 (7)	Form of Bandolier Energy LLC Subscription Agreement, dated May 30, 2014
10.14 (7)	Securities Purchase Agreement, by and between Spyglass Energy Group, LLC, Nadel and Gussman, LLC, Charles W. Wickstrom, Shane E. Matson and Bandolier Energy, LLC, dated January 1, 2014
10.15 (7)	Assignment and Assumption Agreement, by an between Bandolier Energy, LLC and PO1, LLC, dated May 30, 2014
10.16 (7)	Agreement, by and between Petro River Oil Corp. and Pearsonia West Investment Group, LLC, dated May 30, 2014
10.17 (9)	Asset Purchase Agreement by and among Petro River Oil Corp, Petro Spring I, LLC, Havelide GTL LLC and certain shareholders, dated February 18, 2015.

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10.18 (9)	Employment Agreement by and between the Company and Stephen Boyd, dated February 18, 2015
10.19 (9)	Form of Warrant
10.20 (10)	Asset Purchase Agreement by and among Petro River Oil Corp, Petro Spring II, LLC, Coalthane Tech LLC and certain shareholders, dated February 27, 2015.
10.21 (16)	Contribution Agreement, by and between Petro River Oil Corp., Megawest Energy Kansas Corporation and Fortis Property Group, dated October 30, 2015, effective October 15, 2015.
10.22 (16)	Employment Agreement, by and between Petro River Oil Corp. and Stephen Brunner, dated October 30, 2015.
10.23 (13)	Conditional Purchase Agreement, by and between Petro River Oil Corp. and Horizon I Investments, LLC, dated December 1, 2015.
10.24 (13)	Form of Escrow Agreement
10.25 (13)	Non-Recourse Note, by and between Petro River Oil Corp. and Horizon I Investments, LLC, dated December 1, 2015.
10.26 (11)	Farm-Out Agreement, dated January 19, 2016.
10.27 (11)	Escrow Agreement, dated January 18, 2016.
10.28 (11)	Non-Recourse Promissory Note, in the principal amount of \$750,000, dated January 13, 2016.
10.29 (12)	Assignment of Oil and Gas Lease, by and between MegaWest Energy Missouri Corp. and Paluca Petroleum, Inc., dated July 11, 2016.
10.30 (15)	Asset Purchase and Sale and Exploration Agreement, dated March 4, 2016.
10.31 (17)	Securities Purchase Agreement, dated June 13, 2017.
10.32 (18)	Form of Warrant, dated June 13, 2017.
10.33 (19)	Security Agreement, dated June 13, 2017.
10.34 (20)	Assignment of Overriding Royalty Interests, dated June 13, 2017.
10.35 (21)	Promissory Note, dated June 13, 2017.
14.1 (3)	Code of Business Conduct and Ethics
21.1 (2)	Subsidiaries
31.1*	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Labels Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

\* Attached hereto

- (1) Incorporated by reference to our Form 8-K filed with the Securities and Exchange Commission on September 13, 2012.
- (2) Incorporated by reference to our Form 8-K filed with the Securities and Exchange Commission on April 29, 2013.
- (3) Incorporated by reference to our Transition Report on Form 10-K filed with the Securities and Exchange Commission on August 28, 2013.
- (4) Incorporated by reference to our Form 8-K filed with the Securities and Exchange Commission on November 22, 2013.
- (5) Incorporated by reference to our Form 8-K filed with the Securities and Exchange Commission on November 27, 2013.
- (6) Incorporated by reference to our Form 8-K filed with the Securities and Exchange Commission on December 16, 2013.
- (7) Incorporated by reference to our Form 8-K filed with the Securities and Exchange Commission on June 5, 2014.
- (8) Incorporated by reference to our Annual Report on Form 10-K filed with the Securities and Exchange Commission on August 13, 2014.

- (9) Incorporated by reference to our Form 8-K filed with the Securities and Exchange Commission on February 23, 2015.
- (10) Incorporated by reference to our Form 8-K filed with the Securities and Exchange Commission on March 5, 2015.
- (11) Incorporated by reference to our Form 8-K filed with the Securities and Exchange Commission on January 20, 2016.
- (12) Incorporated by reference to our Form 8-K filed with the Securities and Exchange Commission on July 13, 2016.
- (13) Incorporated by reference to our Form 8-K filed with the Securities and Exchange Commission on December 7, 2015.
- (14) Incorporated by reference to our Form 8-K filed with the Securities and Exchange Commission on June 20, 2016.
- (15) Incorporated by reference to our Form 8-K filed with the Securities and Exchange Commission on March 10, 2016.
- (16) Incorporated by reference to our Form 8-K filed with the Securities and Exchange Commission on November 5, 2015.
- (17) Incorporated by reference to our Form 8-K filed with the Securities and Exchange Commission on June 16, 2017.
- (18) Incorporated by reference to our Form 8-K filed with the Securities and Exchange Commission on June 16, 2017.
- (19) Incorporated by reference to our Form 8-K filed with the Securities and Exchange Commission on June 16, 2017.
- (20) Incorporated by reference to our Form 8-K filed with the Securities and Exchange Commission on June 16, 2017.
- (21) Incorporated by reference to our Form 8-K filed with the Securities and Exchange Commission on June 16, 2017.

**PETRO RIVER OIL CORP.  
FINANCIAL INFORMATION**

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**R E P O R T O F I N D E P E N D E N T R E G I S T E R E D P U B L I C A C C O U N T I N G F I R M**

To the Board of Directors  
Petro River Oil Corp.  
New York, New York

We have audited the accompanying consolidated balance sheets of Petro River Oil Corp. as of April 30, 2017 and 2016 and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of Petro River Oil Corp.'s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Petro River Oil Corp. as of April 30, 2017 and 2016 and the results of its operations and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

/s/ GBH CPAs, PC

GBH CPAs, PC  
www.gbhcpas.com  
Houston, Texas  
July 31, 2017

**Petro River Oil Corp. and Subsidiaries**  
**Consolidated Balance Sheets**

	As of	
	<u>April 30, 2017</u>	<u>April 30, 2016</u>
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 631,232	\$ 774,751
Certificate of deposit - restricted	-	80,803
Accounts receivable - oil and gas	8,423	903
Accounts receivable - real estate - related party	2,123,175	4,829,693
Accrued interest on notes receivable - related party	797,710	170,653
Interest in real estate rights	309,860	2,820,402
Prepaid expenses and other current assets	207,831	24,967
Prepaid oil and gas asset development costs	613,480	844,131
Notes receivable - related party, current portion	<u>24,786,382</u>	<u>-</u>
<b>Total Current Assets</b>	<b><u>29,478,093</u></b>	<b><u>9,546,303</u></b>
Oil and gas assets, full cost method	1,234,806	778,226
Costs subject to amortization, net	858,830	100,000
Costs not being amortized, net		
Property, plant and equipment, net of accumulated depreciation	1,582	2,341
of \$184,140 and \$308,223, respectively	1,213,000	-
Investment in Horizon Energy Partners	-	17,848,000
Notes receivable - related party	17,133	53,778
Other assets	<u>3,325,351</u>	<u>18,782,345</u>
<b>Total Long-term Assets</b>	<b><u>3,325,351</u></b>	<b><u>18,782,345</u></b>
<b>Total Assets</b>	<b><u>\$ 32,803,444</u></b>	<b><u>\$ 28,328,648</u></b>
<b>Liabilities and Equity</b>		
<b>Current Liabilities:</b>		
Accounts payable and accrued expenses	\$ 120,233	\$ 206,780
Deferred tax liability	3,442,724	2,501,209
	-	1,600,000



Notes payable - related party	406,403	561,958
Asset retirement obligations, current portion	<u>3,969,360</u>	<u>4,869,947</u>
<b>Total Current Liabilities</b>		
<b>Long-term Liabilities:</b>		
Asset retirement obligations, net of current portion	152,293	201,104
<b>Total Long-term Liabilities</b>	<u>152,293</u>	<u>201,104</u>
<b>Total Liabilities</b>	<u>4,121,653</u>	<u>5,071,051</u>
<b>Commitments and contingencies</b>		
<b>Equity:</b>		
Preferred shares - 5,000,000 authorized; par value \$0.00001; 0 shares issued and outstanding	-	-
Preferred B shares - 29,500 authorized; par value \$0.00001; 0 shares issued and outstanding	-	-
Common shares - 100,000,000 authorized; par value \$0.00001; 15,827,921 and 4,263,672 issued and outstanding, respectively	158	43
Additional paid-in capital	46,681,073	38,849,655
Accumulated deficit	<u>(30,609,910)</u>	<u>(27,643,419)</u>
<b>Total Petro River Oil Corp. Equity</b>	16,071,321	11,206,279
Non-controlling interests	<u>12,610,470</u>	<u>12,051,318</u>
<b>Total Equity</b>	<u>28,681,791</u>	<u>23,257,597</u>
<b>Total Liabilities and Equity</b>	<u>\$ 32,803,444</u>	<u>\$ 28,328,648</u>

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

**Petro River Oil Corp. and Subsidiaries**  
**Consolidated S tatements of Operations**

	<b>For the Year Ended</b>	
	<b><u>April 30, 2017</u></b>	<b><u>April 30, 2016</u></b>
<b>Operations</b>		
<b>Revenues</b>		
Oil and natural gas sales	\$ 26,603	\$ 87,939
<b>Total Revenues</b>	<u>26,603</u>	<u>87,939</u>
<b>Operating Expenses</b>		
Lease operating expenses	48,578	373,028
Depreciation, depletion and accretion	25,922	161,326
Amortization of intangible assets	-	120,452
Gain on sale of equipment	-	(5,519)
(Gain) loss on sale of oil and gas assets	(216,580)	7,519,460
Impairment of oil and gas assets	20,942	6,870,613
Impairment of intangible assets	-	2,082,941
General and administrative	<u>4,107,795</u>	<u>3,103,358</u>
<b>Total Operating Expenses</b>	<u>3,986,657</u>	<u>20,225,659</u>
<b>Operating Loss</b>	(3,960,054)	(20,137,720)
<b>Other Income (Expense)</b>		
Interest income (expense) – net	628,956	174,458
Net gain on real estate rights	<u>1,689,274</u>	<u>10,474,713</u>
<b>Other Income</b>	<u>2,318,230</u>	<u>10,649,171</u>
<b>Net Loss Before Income Tax Provision</b>	(1,641,824)	(9,488,549)
<b>Income Tax Provision</b>	<u>941,515</u>	<u>2,501,209</u>

<b>Net Loss</b>	)	(2,583,339)	)	(11,989,758)
<b>Net Income (Loss) Attributable to Non-controlling Interests</b>		-	<u>383,152</u>	- <u>(996,825)</u>
<b>Net Loss Attributable to Petro River Oil Corp. shareholders</b>	)	<u>\$ (2,966,491)</u>	)	<u>\$ (10,992,933)</u>
<b>Basic and Diluted Net Loss Per Common Share</b>	)	<u>\$ (0.19)</u>	)	<u>\$ (2.58)</u>
<b>Weighted average number of common shares outstanding</b>				
<b>Basic and diluted</b>			<b>15,732,949</b>	<b>4,260,670</b>

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

**Petro River Oil Corp. and Subsidiaries**  
**Consolidated Statements of Changes in Stockholders' E quity**  
**For the Years Ended April 30, 2017 and 2016**

	<u>Common</u> <u>Shares</u>	<u>Common</u> <u>Amount</u>	<u>Additional</u> <u>Paid-in</u> <u>Capital</u>	<u>Accumulated</u> <u>Deficit</u>	<u>Non-</u> <u>controlling</u> <u>Interests</u>	<u>Total</u> <u>Stockholders'</u> <u>Equity</u>
<b>Balance at May 1, 2015</b>	4,259,506	43	31,115,291	\$ (16,650,486	3,644,776	18,109,624
Stock-based compensation	4,166	-	1,593,349	-	-	1,593,349
Contribution of interest in joint venture	-	-	6,141,015	-	9,403,367	15,544,382
Net loss	-	-	-	(10,992,933	(996,825	(11,989,758
<b>Balance at April 30, 2016</b>	4,263,672	\$ 43	\$ 38,849,655	\$ (27,643,419	\$ 12,051,318	\$ 23,257,597
Stock-based compensation	-	-	2,178,716	-	-	2,178,716
Acquisition of Horizon Investments	11,564,249	115	5,652,702	-	-	5,652,817
Non-controlling interest contribution	-	-	-	-	176,000	176,000
Net income (loss)	-	-	-	(2,966,491	383,152	(2,583,339
<b>Balance at April 30, 2017</b>	<u>15,827,921</u>	<u>\$ 158</u>	<u>\$ 46,681,073</u>	<u>\$ (30,609,910</u>	<u>\$ 12,610,470</u>	<u>\$ 28,681,791</u>

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

**Petro River Oil Corp. and Subsidiaries**  
**Consolidated Statements of Cash Flows**

**For the Year Ended**

**April 30, 2017**      **April 30,**  
**2016**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Net loss	\$	(2,583,339	\$	(11,989,758
		)		)
Adjustments to reconcile net loss to net cash used in operating activities				
Depreciation, depletion and accretion		25,922		161,326
Amortization of intangibles		-		120,452
Stock-based compensation		2,178,716		1,593,349
Impairment of oil and gas assets		20,942		6,870,613
Impairment of intangible assets		-		2,082,941
(Gain) loss on sale of oil and gas assets		(216,580		7,519,460
Gain on sale of equipment		-		(5,519
Net gain on interest in real estate rights		(1,689,274		(10,474,713
Deferred income tax expense		941,515		2,501,209
Changes in operating assets and liabilities:				
Accounts receivable - oil and gas		(7,520		41,785
Accounts receivable - real estate - related party		6,106		-
Accrued interest on notes receivable - related party		(627,057		(170,653
Prepaid expenses and other assets		(182,864		27,804
Accounts payable and accrued expenses		(86,547		(45,447
<b>Net Cash Used in Operating Activities</b>		<b>(2,219,980</b>		<b>(1,767,151</b>
		)		)

**Cash Flows From Investing Activities:**

Cash received from the acquisition of Horizon Investments		3,364,817		-
Proceeds from the sale of interest in real estate rights		6,900,228		18,369,000
Issuance of notes receivable - related party		(6,938,382		(17,848,000
Change in reclamation deposit		-		44,197
Prepaid oil and gas development assets		(505,147		(844,131
Capitalized expenditures on oil and gas assets		(487,857		(102,864
Cash received upon disposal of oil and gas assets		-		279,013
Proceeds from sale of equipment		-		60,000

Cash paid for cost method investment	(525,000	-
	)	
	<u>91,802</u>	<u>(25,856</u>
Deposit (paid) received	)	)
<b>Net Cash Provided by (Used in) Investing Activities</b>	<u>1,900,461</u>	<u>(68,641</u>

**Cash Flows From Financing Activities:**

Proceeds from notes payable - related party	-	1,600,000
Cash received from non-controlling interest contribution	<u>176,000</u>	<u>-</u>
<b>Net Cash Provided by Financing Activities</b>	<u>176,000</u>	<u>1,600,000</u>

<b>Change in cash and cash equivalents</b>	(143,519	(235,792
	)	)
<b>Cash and cash equivalents, beginning of year</b>	<u>774,751</u>	<u>1,010,543</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 631,232</u>	<u>\$ 774,751</u>

**SUPPLEMENTARY CASH FLOW INFORMATION:**

Cash paid during the year for:

Income taxes	\$ 34,052	\$ 14,482
Interest	\$ -	\$ -

**NON-CASH INVESTING AND FINANCING ACTIVITIES:**

Interest in real estate rights contributed by non-controlling interest	\$ -	\$ 15,544,382
Reclassification from prepaid oil and gas development costs to oil and gas assets not being amortized	\$ 761,444	\$ -

**NON-CASH INVESTING AND FINANCING ACTIVITIES:**

Interest in real estate rights contributed by non-controlling interest	\$ -	\$ 15,544,382
Reclassification from prepaid oil and gas development costs to oil and gas assets not being amortized	\$ 761,444	\$ -

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

**PETRO RIVER OIL CORP. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**1. Organization**

Petro River Oil Corp. (the “*Company*”) is an independent energy company focused on the exploration and development of conventional oil and gas assets with low discovery and development costs. The Company is currently focused on moving forward with drilling wells on several of its properties owned directly and indirectly through its interest in Horizon Energy Partners, LLC (“*Horizon Energy*”), as well as taking advantage of the relative depressed market in oil prices to enter highly prospective plays with Horizon Energy and other industry-leading partners. Diversification over a number of projects, each with low initial capital expenditures and strong risk reward characteristics, reduces risk and provides cross-functional exposure to a number of attractive risk adjusted opportunities.

The Company’s core holdings are in the Mid-Continent Region in Oklahoma and in Kern County, California.

Following the acquisition of Horizon I Investments, LLC (“*Horizon Investments*”), the Company now has exposure to a portfolio of several domestic and international oil and gas assets consisting of highly prospective conventional plays diversified across project type, geographic location and risk profile, as well as access to a broad network of industry leaders from Horizon Investment’s 20% interest in Horizon Energy. Horizon Energy is an oil and gas exploration and development company owned and managed by former senior oil and gas executives. It has a portfolio of domestic and international assets, including two assets located in the United Kingdom, adjacent to the giant Wytch Farm oil field, the largest onshore oil field in Western Europe. Other projects include the proposed redevelopment of a large oil field in Kern County, California and the development of an additional recent discovery in Kern County.

In light of the challenging oil price environment and capital markets, management is focusing on specific target acquisitions and investments, limiting operating expenses and exploring farm-in and joint venture opportunities for the Company’s oil and gas assets. No assurances can be given that management will be successful.

**Recent Developments**

*\$2.0 Million Secured Note Financing*. On June 13, 2017, the Company entered into a Securities Purchase Agreement (“*Purchase Agreement*”) with Petro Exploration Funding, LLC (“*Funding Corp.*”), pursuant to which the Company issued to Funding Corp. a senior secured promissory note to finance the Company’s working capital requirements, in the principal amount of \$2.0 million (“*Secured Note*”). As additional consideration for the note financing, the Company issued to Funding Corp. (i) a warrant to purchase 840,336 shares of the Company’s common stock, \$0.00001 par value, and (ii) an overriding royalty interest equal to 2% in all production from the Company’s interest in the Company’s concessions located in Osage County, Oklahoma, currently held by Spyglass pursuant to an Assignment of Overriding Royalty Interests.

The Secured Note accrues interest at a rate of 10% per annum, and matures on June 30, 2020. To secure the repayment of all amounts due under the terms of the Secured Note, the Company entered into a Security Agreement, pursuant to which the Company granted to Funding Corp. a security interest in all assets of the Company. The first interest payment will be due on June 1, 2018 and each six-month anniversary thereafter until the outstanding principal balance of the Secured Note is paid in full.

The warrant is exercisable immediately upon issuance, for an exercise price per share equal to \$2.38 per share, and shall terminate, if not previously exercised, five years from the date of issuance.

Scot Cohen, a member of the Company’s Board of Directors and a substantial stockholder of the Company, owns or controls 31.25% of Funding Corp.

*Kern County Drilling Program Results.* On July 18, 2017, the Company announced a new oil field discovery in its Sunset Boulevard prospect in Kern County, California upon successfully drilling the Cattani-Rennie 47X-15 exploration well (“*CR 47X*”). The discovery is currently being evaluated but initial results indicate significant reserve potential. Following completion and production tests, the Company will announce development plans. Several additional prospect wells are now being planned to be drilled in Kern County.

The Company owns a 19.25% interest in the Kern County field based on a 13.75% direct working interest and 5.5% indirect working interest through its 20% equity investment in Horizon Energy.

*Osage County Drilling Program Results.* On May 8, 2017, the Company announced a new oil field discovery in its 106,500-acre concession in Osage County, Oklahoma upon successfully drilling the Chat 2-11 exploration well.

On May 30, 2017, the Company announced a second new oil field discovery in its 106,500-acre concession in Osage County, Oklahoma upon successfully drilling the Red Fork 1-3 exploration well.

The Company’s Osage County drilling program is the result of a Joint Exploration and Development Agreement (the “*Exploration Agreement*”), dated August 19, 2016, between Spyglass, a wholly owned subsidiary of Bandolier, Phoenix 2016, LLC (“*Phoenix*”) and Mackey Consulting & Leasing, LLC (“*Mackey*”). Pursuant to the Exploration Agreement, Phoenix and Mackey operates and provides certain services, including obtaining permits and providing technical services, at cost, in connection with a Phase I Development Program as agreed to by the parties (the “*Phase I Program*”). Phoenix and Mackey shall earn a 25% working interest on all wells drilled in the Phase I Program. Following success and completion of the Phase I Program, Phoenix and Mackey shall earn a 25% working interest in the Osage County, Oklahoma Concession held by Spyglass. Under the Exploration Agreement, Bandolier has agreed commit up to \$2.1 million towards costs of the Phase I Program, at its sole discretion.

*Reverse Stock Split.* At its Annual Meeting held on September 20, 2016, the Company’s shareholders approved a resolution to authorize the Company’s Board of Directors, in its sole and absolute discretion, to amend the Company’s Certificate of Incorporation to implement a reverse stock split of our common stock, at a ratio of not less than 1-for-2, and not greater than 1-for-10, within one year from the date of the Annual Meeting, with the exact ratio to be determined by the Board of Directors. The Board of Directors has not determined the ratio, and does not currently intend to execute the reverse split until such time as the Company lists its shares of common stock on the NASDAQ Stock Market.

## **2. Basis of Preparation**

The consolidated financial statements and accompanying footnotes are prepared in accordance with accounting principles generally accepted in the United States of America (“*US GAAP*”) and the rules and regulations of the Securities and Exchange Commission (“*SEC*”) and include the accounts of the Company and its wholly owned and majority owned subsidiaries. All material intercompany balances and transactions have been eliminated in consolidation. Non-controlling interest represents the minority equity investment in the Company’s subsidiaries, plus the minority investors’ share of the net operating results and other components of equity relating to the non-controlling interest.

These consolidated financial statements include the Company and the following subsidiaries:

Petro Spring, LLC, PO1, LLC, Petro River UK Limited, Horizon I Investments, LLC and MegaWest Energy USA Corp. and MegaWest Energy USA Corp.’s wholly owned subsidiaries:

MegaWest Energy Texas Corp.  
MegaWest Energy Kentucky Corp.  
MegaWest Energy Missouri Corp.  
MegaWest Energy Montana Corp.



Also contained in the consolidated financial statements is the financial information of the Company's 58.51% owned subsidiary, MegaWest Energy Kansas Corporation ("MegaWest"), which resulted from a transaction with Fortis Property Group, LLC, a Delaware limited liability company ("Fortis") consummated on October 15, 2015 (the "MegaWest Transaction"). The Megawest Transaction includes the Company's contribution of its 50% interest in Bandolier Energy LLC.

### 3. Significant Accounting Policies

#### (a) Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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. Actual results could differ from those estimates.

The Company's financial statements are based on a number of significant estimates, including oil and natural gas reserve quantities which are the basis for the calculation of depreciation, depletion and impairment of oil and natural gas properties, and timing and costs associated with its asset retirement obligations, as well as those related to the fair value of stock options, stock warrants and stock issued for services. While we believe that our estimates and assumptions used in preparation of the financial statements are appropriate, actual results could differ from those estimates.

#### (b) Cash and Cash Equivalents:

Cash and cash equivalents include all highly liquid monetary instruments with original maturities of three months or less when purchased. These investments are carried at cost, which approximates fair value. Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash deposits. The Company maintains its cash in institutions insured by the Federal Deposit Insurance Corporation ("FDIC"). At times, the Company's cash and cash equivalent balances may be uninsured or in amounts that exceed the FDIC insurance limits.

As of April 30, 2017 and 2016, restricted cash consisted of a certificate of deposit in the amount of \$0 and \$80,803, respectively, which had an annual interest rate of 0.5% and maturity date of March 13, 2017.

#### (c) Receivables:

Receivables that management has the intent and ability to hold for the foreseeable future shall be reported in the balance sheet at outstanding principal adjusted for any charge-offs and the allowance for doubtful accounts. Losses from uncollectible receivables shall be accrued when both of the following conditions are met: (a) Information available before the financial statements are issued or are available to be issued indicates that it is probable that an asset has been impaired at the date of the financial statements, and (b) The amount of the loss can be reasonably estimated. These conditions may be considered in relation to individual receivables or in relation to groups of similar types of receivables. If the conditions are met, an accrual shall be made even though the particular receivables that are uncollectible may not be identifiable. The Company reviews individually each receivable for collectability and performs on-going credit evaluations of its customers and adjusts credit limits based upon payment history and the customer's current credit worthiness, as determined by the review of their current credit information; and determines the allowance for doubtful accounts based on historical write-off experience, customer specific facts and general economic conditions that may affect a client's ability to pay. Bad debt expense is included in general and administrative expenses, if any.

Credit losses for receivables (uncollectible receivables), which may be for all or part of a particular receivable, shall be deducted from the allowance. The related receivable balance shall be charged off in the period in which the receivables are deemed uncollectible. Recoveries of receivables previously charged off shall be recorded when received. The Company charges off its account receivables against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

The allowance for doubtful accounts at April 30, 2017 and 2016 was \$0.

(d) Interest in Real Estate Rights:

Interest in real estate rights contributed by Fortis related to real properties that Fortis plans to sell within one year. Since these properties are contributed by Fortis, a related party, the rights are stated on balance sheet at the cost basis of Fortis.

(e) Oil and Gas Operations:

*Oil and Gas Properties* : The Company uses the full-cost method of accounting for its exploration and development activities. Under this method of accounting, the costs of both successful and unsuccessful exploration and development activities are capitalized as oil and gas property and equipment. Proceeds from the sale or disposition of oil and gas properties are accounted for as a reduction to capitalized costs unless the gain or loss would significantly alter the relationship between capitalized costs and proved reserves of oil and natural gas attributable to a country, in which case a gain or loss would be recognized in the consolidated statements of operations. All of the Company's oil and gas properties are located within the continental United States, its sole cost center.

Oil and gas properties may include costs that are excluded from costs being depleted. Oil and gas costs excluded represent investments in unproved properties and major development projects in which the Company owns a direct interest. These unproved property costs include non-producing leasehold, geological and geophysical costs associated with leasehold or drilling interests and in process exploration drilling costs. All costs excluded are reviewed at least annually to determine if impairment has occurred.

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the historical cost carrying value of an asset may no longer be appropriate. As of April 30, 2017 and 2016, management engaged a third party to perform an independent study of the oil and gas assets. Management concluded that as of April 30, 2016, the Missouri assets were impaired by \$918,991 and the Oklahoma assets were impaired by \$5,951,622. The Company recorded total impairment of \$20,942 and \$6,870,613 to the consolidated statements of operations for the years ended April 30, 2017 and 2016, respectively.

*Proved Oil and Gas Reserves* : Proved oil and gas reserves are the estimated quantities of crude oil, natural gas and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. All of the Company's oil and gas properties with proven reserves were impaired to the salvage value prior to the Bandolier transaction. The price used to establish economic producibility is the average price during the 12-month period preceding the end of the entity's fiscal year and calculated as the un-weighted arithmetic average of the first-day-of-the-month price for each month within such 12-month period.

*Depletion, Depreciation and Amortization*: Depletion, depreciation and amortization is provided using the unit-of-production method based upon estimates of proved oil and gas reserves with oil and gas production being converted to a common unit of measure based upon their relative energy content. Investments in unproved properties and major development projects are not amortized until proved reserves associated with the projects can be determined or until impairment occurs. If the results of an assessment indicate that the properties are impaired, the amount of the impairment is deducted from the capitalized costs to be amortized. Once the assessment of unproved properties is complete and when major development projects are evaluated, the costs previously excluded from amortization are transferred to the full cost pool and amortization begins. The amortizable base includes estimated future development costs and, where significant, dismantlement, restoration and abandonment costs, net of estimated salvage value.

In arriving at rates under the unit-of-production method, the quantities of recoverable oil and natural gas reserves are established based on estimates made by the Company's geologists and engineers which require significant judgment, as does the projection of future production volumes and levels of future costs, including future development costs. In addition, considerable judgment is necessary in determining when unproved properties become impaired and in determining the existence of proved reserves once a well has been drilled. All of these judgments may have significant impact on the calculation of depletion expenses. There have been no material changes in the methodology used by the Company in calculating depletion, depreciation and amortization of oil and gas properties under the full cost method during the years ended April 30, 2017 and 2016.

(f) Intangible Assets:

Intangible assets consist of patent rights. Applicable long-lived assets are amortized or depreciated over the shorter of their estimated useful lives, the estimated period that the assets will generate revenue, or the statutory or contractual term in the case of patents. Estimates of useful lives and periods of expected revenue generation are reviewed periodically for appropriateness and are based upon management's judgment. Patent rights were amortized on the straight-line method over their estimated useful lives of 15 years.

(g) Impairment of Long-Lived Assets:

The Company assesses the recoverability of its long-lived assets when there are indications that the assets might be impaired. When evaluating assets for potential impairment, the Company compares the carrying value of the asset to its estimated undiscounted future cash flows. If an asset's carrying value exceeds such estimated cash flows (undiscounted and with interest charges), the Company records an impairment charge for the difference.

(h) Asset Retirement Obligations:

The Company recognizes a liability for the estimated fair value of site restoration and abandonment costs when the obligations are legally incurred and the fair value can be reasonably estimated. The fair value of the obligations is based on the estimated cash flow required to settle the obligations discounted using the Company's credit adjusted risk-free interest rate. The obligation is recorded as a liability with a corresponding increase in the carrying amount of the oil and gas assets. The capitalized amount will be depleted on a unit-of-production method. The liability is increased each period, or accretes, due to the passage of time and a corresponding amount is recorded in the consolidated statements of operations.

Revisions to the estimated fair value would result in an adjustment to the liability and the capitalized amount in oil and gas assets.

(i) Investments – Cost Method and Equity Method:

Investments held in stock of entities other than subsidiaries, namely corporate joint ventures and other non-controlled entities usually are accounted for by one of three methods: (i) the fair value method, (ii) the equity method, or (iii) the cost method. The equity method tends to be most appropriate if an investment enables the investor to influence the operating or financial policies of the investee. The cost basis is utilized for investments that are less than 20% owned, and the Company does not exercise significant influence over the operating and financial policies of the investee. Under the cost method, investments are held at historical cost.

(j) Income Taxes:

Income Tax Provision

Deferred income tax assets and liabilities are determined based upon differences between the financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. Deferred tax assets are reduced by a valuation allowance to the extent management concludes it is more likely than not that the assets will not be realized. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the statements of operations in the period that includes the enactment date.

The Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than fifty percent (50%) likelihood of being realized upon ultimate settlement.

The estimated future tax effects of temporary differences between the tax basis of assets and liabilities are reported in the accompanying consolidated balance sheets, as well as tax credit carry-backs and carry-forwards. The Company periodically reviews the recoverability of deferred tax assets recorded on its consolidated balance sheets and provides valuation allowances as management deems necessary.

Management makes judgments as to the interpretation of the tax laws that might be challenged upon an audit and cause changes to previous estimates of tax liability. In addition, the Company operates within multiple taxing jurisdictions and is subject to audit in these jurisdictions. In management's opinion, adequate provisions for income taxes have been made for all years. If actual taxable income by tax jurisdiction varies from estimates, additional allowances or reversals of reserves may be necessary.

#### Uncertain Tax Positions

The Company evaluates uncertain tax positions to recognize a tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. Those tax positions failing to qualify for initial recognition are recognized in the first interim period in which they meet the more likely than not standard, or are resolved through negotiation or litigation with the taxing authority, or upon expiration of the statute of limitations. De-recognition of a tax position that was previously recognized occurs when an entity subsequently determines that a tax position no longer meets the more likely than not threshold of being sustained.

At April 30, 2017 and 2016, the Company has approximately \$3,442,724 and \$2,501,209, respectively, of liabilities for uncertain tax positions. Interpretation of taxation rules relating to net operating loss utilization in real estate transactions give rise to uncertain positions. In connection with the uncertain tax position, there was no interest or penalties recorded as the position is expected but the tax returns are not yet due.

The Company is subject to ongoing tax exposures, examinations and assessments in various jurisdictions. Accordingly, the Company may incur additional tax expense based upon the outcomes of such matters. In addition, when applicable, the Company will adjust tax expense to reflect the Company's ongoing assessments of such matters, which require judgment and can materially increase or decrease its effective rate as well as impact operating results.

The number of years with open tax audits varies depending on the tax jurisdiction. The Company's major taxing jurisdictions include the United States (including applicable states).

#### (j) Oil and Gas Revenue:

Sales of oil and gas, net of any royalties, are recognized when oil has been delivered to a custody transfer point, persuasive evidence of a sales arrangement exists, the rights and responsibility of ownership pass to the purchaser upon delivery, collection of revenue from the sale is reasonably assured, and the sales price is fixed or determinable. The Company sells oil and gas on a monthly basis. Virtually all of its contracts' pricing provisions are tied to a market index, with certain adjustments based on, among other factors, whether a well delivers to a gathering or transmission line, the quality of the oil and gas, and prevailing supply and demand conditions, so that the price of the oil and gas fluctuates to remain competitive with other available oil supplies.

(k) Stock-Based Compensation:

Generally, all forms of stock-based compensation, including stock option grants, warrants, and restricted stock grants are measured at their fair value utilizing an option pricing model on the award's grant date, based on the estimated number of awards that are ultimately expected to vest.

Under fair value recognition provisions, the Company recognizes equity-based compensation net of an estimated forfeiture rate and recognizes compensation cost only for those shares expected to vest over the requisite service period of the award.

The fair value of option award is estimated on the date of grant using the Black-Scholes option valuation model. The Black-Scholes option valuation model requires the development of assumptions that are input into the model. These assumptions are the expected stock volatility, the risk-free interest rate, the option's expected life, the dividend yield on the underlying stock and the expected forfeiture rate. Expected volatility is calculated based on the historical volatility of the Company's common stock over the expected option life and other appropriate factors. Risk-free interest rates are calculated based on continuously compounded risk-free rates for the appropriate term. The dividend yield is assumed to be zero as the Company has never paid or declared any cash dividends on its common stock and does not intend to pay dividends on the common stock in the foreseeable future. The expected forfeiture rate is estimated based on historical experience.

Determining the appropriate fair value model and calculating the fair value of equity-based payment awards requires the input of the subjective assumptions described above. The assumptions used in calculating the fair value of equity-based payment awards represent management's best estimates, which involve inherent uncertainties and the application of management's judgment. As a result, if factors change and the Company uses different assumptions, the equity-based compensation expense could be materially different in the future. In addition, the Company is required to estimate the expected forfeiture rate and recognize expense only for those shares expected to vest. If the actual forfeiture rate is materially different from our estimate, the equity-based compensation expense could be significantly different from what the Company has recorded in the current period.

The Company determines the fair value of the stock-based payment granted to non-employees as either the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measurable. If the fair value of the equity instruments issued is used, it is measured using the stock price and other measurement assumptions as of the earlier of either (1) the date at which a commitment for performance by the counterparty to earn the equity instruments is reached, or (2) the date at which the counterparty's performance is complete.

The expenses resulting from stock-based compensation are recorded as general and administrative expenses in the consolidated statement of operations, depending on the nature of the services provided.

(l) Per Share Amounts:

Basic net income (loss) per common share is computed by dividing net loss attributable to common stockholders by the weighted-average number of common shares outstanding during the period. Diluted net income (loss) per common share is determined using the weighted-average number of common shares outstanding during the period, adjusted for the dilutive effect of common stock equivalents. For the year ended April 30, 2017 and 2016, potentially dilutive securities were not included in the calculation of diluted net loss per share because to do so would be anti-dilutive.

The Company had the following common stock equivalents at April 30, 2017 and 2016:

	<u>April 30, 2017</u>	<u>April 30, 2016</u>
<b>As of</b>		
Stock Options	2,599,682	743,050
Stock Purchase Warrants	- 133,333	- 133,333
	<u>= 2,733,015</u>	<u>= 876,383</u>

(m) Fair Value of Financial Instruments:

All financial instruments, including cash and cash equivalents, accounts receivable and accounts payable and accrued expenses are recognized on the consolidated balance sheet initially at carrying value. The carrying value of these assets approximates their fair value due to their short-term maturities.

At each balance sheet date, the Company assesses financial assets for impairment with any impairment recorded in the consolidated statement of operations. To assess loans and receivables for impairment, the Company evaluates the probability of collection of accounts receivable and records an allowance for doubtful accounts, which reduces loans and receivables to the amount management reasonably believes will be collected. In determining the amount of the allowance, the following factors are considered: the length of the time the receivable has been outstanding, specific knowledge of each customer's financial condition and historical experience.

Market risk is the risk that changes in commodity prices will affect the Company's oil sales, cash flows or the value of its financial instruments. The objective of commodity price risk management is to manage and control market risk exposures within acceptable limits while maximizing returns.

The Company is exposed to changes in oil prices which impact its revenues and to changes in natural gas process which impact its operating expenses.

The Company does not utilize financial derivatives or other contracts to manage commodity price risks.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price).

Fair value measurements are categorized using a valuation hierarchy for disclosure of the inputs used to measure fair value, which prioritize the inputs into three broad levels:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 - Pricing inputs are other than quoted prices in active markets included in level 1, which are either directly or indirectly observable as of the reported date, and include those financial instruments that are valued using models or other valuation methodologies.

Level 3 - Pricing inputs include significant inputs that are generally less observable from objective sources. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value.

(n) Recent Accounting Pronouncements:

In May 2014, the FASB issued a comprehensive new revenue recognition standard that will supersede nearly all existing revenue recognition guidance under U.S. GAAP. The standard's core principle (issued as ASU 2014-09 by the FASB), is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. These may include identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. The new guidance must be adopted using either a full retrospective approach for all periods presented in the period of adoption or a modified retrospective approach. In August 2015, the FASB issued ASU No. 2015-14, which defers the effective date of ASU 2014-09 by one year, and would allow entities the option to early adopt the new revenue standard as of the original effective date. This ASU is effective for public reporting companies for interim and annual periods beginning after December 15, 2017. The Company is currently evaluating its adoption method and the impact of the standard on its consolidated financial statements and has not yet determined the method by which the Company will adopt the standard in 2017.

In April 2016, the FASB issued ASU No. 2016-10, “*Revenue from Contracts with Customers: Identifying Performance Obligations and Licensing*” (topic 606). In March 2016, the FASB issued ASU No. 2016-08, “*Revenue from Contracts with Customers: Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*” (topic 606). These amendments provide additional clarification and implementation guidance on the previously issued ASU 2014-09, “*Revenue from Contracts with Customers*”. The amendments in ASU 2016-10 provide clarifying guidance on materiality of performance obligations; evaluating distinct performance obligations; treatment of shipping and handling costs; and determining whether an entity's promise to grant a license provides a customer with either a right to use an entity's intellectual property or a right to access an entity's intellectual property. The amendments in ASU 2016-08 clarify how an entity should identify the specified good or service for the principal versus agent evaluation and how it should apply the control principle to certain types of arrangements. The adoption of ASU 2016-10 and ASU 2016-08 is to coincide with an entity's adoption of ASU 2014-09, which we intend to adopt for interim and annual reporting periods beginning after December 15, 2017. The Company is currently evaluating the impact of the new standard.

In April 2016, the FASB issued ASU No. 2016-09, “*Compensation – Stock Compensation*” (topic 718). The FASB issued this update to improve the accounting for employee share-based payments and affect all organizations that issue share-based payment awards to their employees. Several aspects of the accounting for share-based payment award transactions are simplified, including: (a) income tax consequences; (b) classification of awards as either equity or liabilities; and (c) classification on the statement of cash flows. The updated guidance is effective for annual periods beginning after December 15, 2016, including interim periods within those fiscal years. Early adoption of the update is permitted. The Company is currently evaluating the impact of the new standard.

In August 2016, the FASB issued ASU 2016-15, “*Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*” (“ASU 2016-15”). ASU 2016-15 will make eight targeted changes to how cash receipts and cash payments are presented and classified in the statement of cash flows. ASU 2016-15 is effective for fiscal years beginning after December 15, 2017. The new standard will require adoption on a retrospective basis unless it is impracticable to apply, in which case it would be required to apply the amendments prospectively as of the earliest date practicable. The Company is currently in the process of evaluating the impact of ASU 2016-15 on its consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18, “*Statement of Cash Flows (Topic 230)*”, requiring that the statement of cash flows explain the change in the total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. This guidance is effective for fiscal years, and interim reporting periods therein, beginning after December 15, 2017 with early adoption permitted. The provisions of this guidance are to be applied using a retrospective approach which requires application of the guidance for all periods presented. The Company is currently evaluating the impact of the new standard.

The Company does not expect the adoption of any recently issued accounting pronouncements to have a significant impact on its financial position, results of operations, or cash flows.

(o) Subsequent Events:

The Company has evaluated all transactions through the date the consolidated financial statements were issued for subsequent event disclosure consideration.

#### 4. Business Acquisitions

*Acquisition of Interest in Bandolier Energy LLC.* On May 30, 2014, the Company entered into a Subscription Agreement pursuant to which the Company was issued a 50% interest in Bandolier Energy, LLC (“*Bandolier*”) in exchange for a capital contribution of \$5.0 million (the “*Bandolier Acquisition*”). In connection with the Bandolier Acquisition, the Company has the right to appoint a majority of the board of managers of Bandolier. The Company’s Executive Chairman is a manager of, and investor in, Pearsonia West Investment Group, LLC (“*PWIG*”), a special purpose vehicle formed for the purpose of investing in Bandolier with the Company and Ranger Station, LLC (“*Ranger Station*”). Concurrently with the Bandolier Acquisition, PWIG was issued a 44% interest in Bandolier for cash consideration of \$4.4 million, and Ranger Station was issued a 6% interest in Bandolier for cash consideration of \$600,000. In connection with PWIG’s investment in Bandolier, the Company and PWIG entered into an agreement, dated May 30, 2014, granting the members of PWIG an option, exercisable at any time prior to May 30, 2017, to exchange their pro rata share of the Bandolier membership interests for shares of the Company’s common stock, at a price of \$16 per share, subject to adjustment (the “*Option*”). The Option, if fully exercised, would result in the Company issuing 275,000 shares of its common stock, or 6% to the members of PWIG.

The Company has operational control along with a 50% ownership interest in Bandolier. As a result, the Company consolidates Bandolier. The remaining 50% non-controlling interest represents the equity investment from PWIG and Ranger Station. Upon consummation of the MegaWest transaction, the Company owned approximately 29.3% of Bandolier.

On May 30, 2014, Bandolier acquired, for \$8,712,893 less a \$407,161 claw back, all of the issued and outstanding equity of Spyglass Energy Group, LLC (“*Spyglass*”), the owner of oil and gas leases, leaseholds, lands, and options and concessions thereto located in Osage County, Oklahoma. Spyglass controls a significant contiguous oil and gas acreage position in Northeastern Oklahoma, consisting of approximately 106,000 acres, with substantial original oil in place, stacked reservoirs, as well as exploratory and development opportunities that can be accessed through both horizontal and vertical drilling. Significant infrastructure is already in place including 32 square miles of 3-D seismic, 3 phase power, a dedicated sub-station as well as multiple oil producing horizontal wells. No additional contingencies were assumed.

The Company recorded the purchase of Spyglass using the acquisition method of accounting as specified in *ASC 805 “Business Combinations.”* This method of accounting requires the acquirer to (i) record purchase consideration issued to sellers in a business combination at fair value on the date control is obtained, (ii) determine the fair value of any non-controlling interest, and (iii) allocate the purchase consideration to all tangible and intangible assets acquired and liabilities assumed based on their acquisition date fair values. Further, the Company commenced reporting the results of Spyglass on a consolidated basis with those of the Company effective upon the date of the acquisition.

The Company consolidated Bandolier as of May 30, 2014, and the results of operations of the Company include that of Bandolier from June 1, 2014.



**Horizon Investments**

On May 3, 2016, the Company consummated the acquisition of Horizon Investments (the “*Horizon Acquisition*”), which was majority owned by the Company’s Chief Executive Officer. Accordingly, the transaction was recorded at historical cost. As a result of the acquisition, the Company acquired: (i) a 20% membership interest in Horizon Energy, which in turn holds working interests in oil and gas properties; (ii) three promissory notes issued by the Company to Horizon Investments in the principal amount of \$1.6 million (the “*Horizon Notes*”); (iii) a restricted certificate of deposit; and (iv) certain bank, investment and other accounts maintained by Horizon Investments. The Horizon Acquisition was completed in accordance with the term and conditions of the Conditional Purchase Agreement first entered into by the Company and Horizon Investments on December 1, 2015. Also on the closing date, the Company and Horizon Investments entered into an amended and restated purchase agreement, pursuant to which the Company agreed to provide for additional advances by Horizon Investments to the Company.

As consideration for the Horizon Acquisition, and in accordance with the purchase agreement, as amended, the Company issued 11,564,249 shares of its common stock on the closing date, which amount included 1,395,916 additional shares of common stock in consideration for the additional cash, receivables and other assets reflected on Horizon Investment’s balance sheet on the closing date.

The following table summarizes the allocation of the purchase price to the net assets acquired:

**Purchase price allocation**

	\$ 3,364,817
Cash and cash equivalents	688,000
Cost method investment – Horizon Energy Partners, LLC	1,600,000
Notes receivable – Petro River <sup>(1)</sup>	<u>–</u>
	<u>\$ 5,652,817</u>

**Net assets acquired****Consideration for net assets acquired**

Fair value of common stock issued	\$ 5,652,817
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<sup>(1)</sup> Prior to the acquisition, the Company issued notes payable to Horizon Investments. Following the acquisition, the notes were eliminated upon consolidation.

**5. Accounts Receivable – Related Party**

On October 15, 2015, the Company entered into a contribution agreement (the “*Contribution Agreement*”) with MegaWest and Fortis Property Group, LLC, a Delaware limited liability company (“*Fortis*”), pursuant to which the Company and Fortis each agreed to contribute certain assets to MegaWest in exchange for shares of MegaWest common stock (“*MegaWest Shares*”) (the “*MegaWest Transaction*”).

Upon execution of the Contribution Agreement, (i) the Company transferred its 50% membership interest in Bandolier (the “*Bandolier Interest*”), and cancelled all of its ownership interest in the then issued and outstanding MegaWest Shares, which prior to the MegaWest Transaction represented 100% ownership of MegaWest; and (ii) Fortis transferred the rights to any profits and proceeds from the sale of 30 condominium units owned by Fortis. Immediately thereafter, MegaWest issued to the Company 58,510 MegaWest Shares, representing a 58.51% equity interest in MegaWest, as consideration for the assignment of the Bandolier Interest, and issued to Fortis 41,490 MegaWest Shares, representing a 41.49% equity interest in MegaWest, as consideration for the assets assigned to MegaWest by Fortis.

The account receivable and the Company’s interest in real estate reflected on the Company’s balance sheet are assets held by MegaWest, and are controlled by MegaWest’s board of directors, consisting of two members appointed by Fortis, and one by the Company. The relative composition of the board of directors of MegaWest shall continue as long as Fortis has an equity interest in MegaWest. See further discussion in Notes 11 and 16.

During the years ended April 30, 2017 and 2016, Fortis sold four and 25 condominium units, respectively, and MegaWest recorded a net gain on interest in real estate rights of \$1,689,274 and \$10,474,713, respectively. As of April 30, 2017 and 2016, the Company had an accounts receivable – related party in the amount of \$2,124,260 and \$4,829,693, respectively, related to interest in real estate rights of condominium units sold.

**6. Notes Receivable – Related Party**

Since December 2015, the Company has entered into nine promissory note agreements with Fortis with aggregate principal amounts of \$24,786,382. The notes receivable bear interest at an annual rate of 3% and mature on December 31, 2017. As of April 31, 2017 and 2016, the outstanding balance of the notes receivable was \$24,786,382 and \$17,848,000, respectively.



## 7. Interest in Real Estate Rights

As discussed in Note 5, MegaWest received an interest in real estate rights of 30 condominium units from Fortis pursuant to the Megawest Transaction. During the years ended April 30, 2017 and 2016, the Company recognized a net gain of \$1,689,274 and \$10,474,713, respectively, related to the sale of four and 25 condominium units by Fortis.

The following table summarizes the activity for interest in real estate rights:

	\$	-
<b>Balance at April 30, 2015</b>		15,544,382
Additions – interest in real estate rights of 30 condominium units contributed by Fortis		(12,723,980)
Less: Cost of sales – 25 condominium units	)	<u>2,820,402</u>
Balance at April 30, 2016		(2,510,542)
Less: Cost of sales – 4 condominium units	)	<u><u>\$ 309,860</u></u>
<b>Balance at April 30, 2017</b>		

## 8. Oil and Gas Assets

The following table summarizes the oil and gas assets by project:

Cost	<u>Oklahoma</u>	<u>Kansas</u>	<u>Missouri</u>	<u>Larne Basin</u>	<u>Other (1)</u>	<u>Total</u>
Balance, May 1, 2015	\$ 6,935,000	\$ 7,803,020	\$ 918,991	\$ -	\$ 100,000	\$ 15,757,011
Additions	102,864	-	-	-	-	102,864
Disposals	(279,013)	(7,727,287)	-	-	-	(8,006,301)
Depreciation, depletion and amortization	(29,003)	(75,733)	-	-	-	(104,736)
Impairment of oil and gas assets	(5,951,622)	-	(918,991)	-	-	(6,870,613)
Balance, April 30, 2016	778,226	-	-	-	100,000	878,226
Additions	487,857	-	-	761,444	-	1,249,301
Disposals	-	-	-	-	-	-
Depreciation, depletion and amortization	(12,949)	-	-	-	-	(12,949)
Impairment of oil and gas assets	(20,942)	-	-	-	-	(20,942)
Balance, April 30, 2017	<u>\$ 1,232,192</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 761,444</u>	<u>\$ 100,000</u>	<u>\$ 2,093,636</u>

(1) Other property consists primarily of four used steam generators and related equipment that will be assigned to future projects. As of April 30, 2017 and 2016, management concluded that impairment was not necessary as all other assets were carried at salvage value.

**Kern County Project.** On March 4, 2016, the Company executed an Asset Purchase and Sale and Exploration Agreement to acquire a 13.75% working interest in certain oil and gas leases located in southern Kern County, California. Horizon Energy also purchased a 27.5% working interest in the project.

Under the terms of the agreement, the Company paid \$108,333 to the sellers on the closing date, and is obligated to pay certain other costs and expenses after the closing date related to existing and new leases as more particularly set forth in the agreement. As of April 30, 2016, exploratory activity had not commenced and the \$108,333 was recorded as prepaid oil and gas development costs on the consolidated balance sheet. In addition, the sellers are entitled to an overriding royalty interest in certain existing and new leases acquired after the closing date, and the Company is required to make certain other payments, each in amounts set forth in the agreement.



*Acquisition of Interest in Larne Basin.* On January 19, 2016, Petro River UK Limited, (" *Petro UK* "), a wholly owned subsidiary of the Company, entered into a Farmout Agreement to acquire a 9% interest in Petroleum License PL 1/10 and P2123 (the " *Larne Licenses* ") located in the Larne Basin in Northern Ireland (the " *Larne Transaction* "). The two Larne Licenses, one onshore and one offshore, together encompass approximately 130,000 acres covering the large majority of the prospective Larne Basin. The other parties to the Farmout Agreement are Southwestern Resources Ltd, a wholly owned subsidiary of Horizon Energy, which will acquire a 16% interest, and Brigantes Energy Limited, which will retain a 10% interest. Third parties will own the remaining 65% interest.

Under the terms of the Farmout Agreement, Petro UK deposited approximately \$735,000 into an escrow agreement (" *Escrow Agreement* "), which amount represented Petro UK's obligation to fund the total projected cost to drill the first well under the terms of the Farmout Agreement. As of April 30, 2016, development of the first well had not commenced and the escrow payment was recorded as prepaid oil and gas development costs on the consolidated balance sheet. The total deposited amount to fund the cost to drill the first well is approximately \$6,159,452, based on an exchange rate of one British Pound for 1.44 U.S. Dollars. Petro UK was and will continue to be responsible for its pro-rata costs of additional wells drilled under the Farmout Agreement. Drilling of the first well was completed in June 2016.

*Oklahoma Properties.* During the year ended April 30, 2016, the Company paid approximately \$403,000 and \$85,000 for proven and unproven oil and gas assets, respectively. During the year ended April 30, 2016, the Company disposed of some of its interests in its Oklahoma oil and gas assets and received proceeds totaling \$279,013. The proceeds were offset against the full cost pool, therefore no gain or loss was recognized.

*Divestiture of Kansas Properties.* Effective December 23, 2015, Petro River Oil, LLC (" *Petro LLC* "), a wholly owned subsidiary of Megawest, divested various interests in oil and gas leases, wells, records, data and related personal property located along the Mississippi Lime play in the state of Kansas, which assets were acquired by Petro LLC in 2012. In connection with the divestiture, the assignee and purchaser of the interests agreed to pay outstanding liabilities, including unpaid taxes, and assume certain responsibilities to plug any abandoned wells. No cash consideration was paid for the interests. The Company recorded a loss of \$7,519,460 in connection with the divestiture of these oil and gas properties, representing the \$7,727,287 oil and gas assets book value, partially offset by the asset retirement obligation liability. MegaWest is a 58.51% owned subsidiary of the Company following consummation of the MegaWest Transaction, defined above.

*Impairment of Oil & Gas Properties.* As of April 30, 2017, the Company assessed its oil and gas assets for impairment and recognized a charge of \$20,942 related to the Oklahoma oil and gas property. As of April 30, 2016, the Company assessed its oil and gas assets for impairment and recognized a charge of \$5,951,622 related to the Oklahoma and Missouri oil and gas properties.

## **9. Intangible Assets**

*Acquisition of Havelide and Coalthane Assets.* On February 18, 2015, Petro Spring I, LLC (" *Petro Spring I* "), a Delaware limited liability company wholly owned by Petro Spring, entered into a definitive asset purchase agreement (" *Havelide Purchase Agreement* ") to purchase substantially all of the assets of Havelide GTL LLC (" *Havelide* ") and Coalthane Tech LLC (" *Coalthane* "), consisting of certain patents and other intellectual property, trade secrets, and assets developed and owned by Havelide to produce a gasoline-like liquid and high-purity hydrogen from natural gas, at low temperature and at low pressure (the " *Havelide Assets* ") and consisting of certain patents and other intellectual property, trade secrets, and assets developed and owned by Coalthane to reduce the methane from coal mines and other wells (the " *Coalthane Assets* "). The purchase of the Coalthane and Havelide Assets was consummated on February 27, 2015. The acquisitions reflect the increased focus on technology solutions in an effort to diversify the Company's business amid a challenging oil price environment.

As of April 30, 2016, the Company did not have adequate capital to fund additional development of the intangibles and therefore the Company has been unable to identify near-term opportunities to commercialize the technology. As of April 30, 2016, the Company performed an impairment assessment on the intangible assets and recognized an impairment charge of \$2,082,941.

The Company recorded amortization expense of \$0 and \$120,452 for the years ended April 30, 2017 and 2016, respectively.

## 10. Asset Retirement Obligations

The total future asset retirement obligation was estimated based on the Company's ownership interest in all wells and facilities, the estimated legal obligations required to retire, dismantle, abandon and reclaim the wells and facilities and the estimated timing of such payments. The Company estimated the present value of its asset retirement obligations at both April 30, 2017 and 2016, based on a future undiscounted liability of \$639,755 and \$956,612, respectively. These costs are expected to be incurred within one to 24 years. A credit-adjusted risk-free discount rate of 10% and an inflation rate of 2% were used to calculate the present value.

Changes to the asset retirement obligation were as follows:

	<u>April 30, 2017</u>	<u>April 30, 2016</u>
Balance, beginning of period	\$ 763,062	\$ 918,430
Additions	-	-
Disposals	(216,580)	(207,827)
Accretion	12,214	52,459
Total asset retirement obligations	558,696	763,062
Less: current portion of asset retirement obligations	(406,403)	(561,958)
Long-term portion of asset retirement obligations	<u>\$ 152,293</u>	<u>\$ 201,104</u>

Expected timing of asset retirement obligations:

<u>Year Ending April 30,</u>	
2018	\$ 406,403
2019	-
2020	-
2021	-
2022	-
Thereafter	<u>233,352</u>
Subtotal	639,755
Effect of discount	<u>81,059</u>
Total	<u>\$ 558,696</u>

As of April 30, 2017 and 2016, the Company had \$0 of reclamation deposits with authorities to secure certain abandonment liabilities.

## 11. Related Party Transactions

### Employment Agreements

On October 30, 2015, Mr. Stephen Brunner joined the Company as President. Mr. Brunner has been tasked with making oil and gas related decisions and executing the Company's growth strategy. Under the terms of the contract, Mr. Brunner receives a base salary of \$10,000 per month. Mr. Brunner was also granted 53,244 stock options. He also has the right to purchase an additional 1.75% of the Company's common stock subject to shareholder approval on the increase of the current stock option plan and achieving pre-defined target objectives.

The Company computed the fair value of the grant as of the date of grant utilizing a Black-Scholes option-pricing model using the following assumptions: common share value based on the fair value of the Company's common stock as quoted on the Over the Counter Bulletin Board, \$1.78; exercise price of \$2.00; expected volatility of 171%; and a discount rate of 2.16%. The grant date fair value of the award was \$89,525. For the year ended April 30, 2017 and 2016, the Company

expensed \$24,404 and \$29,974 respectively, to general and administrative expenses.

## **MegaWest Transaction**

On October 15, 2015, the Company entered into the Contribution Agreement with MegaWest and Fortis pursuant to which the Company and Fortis each agreed to contribute certain assets to MegaWest in exchange for shares of MegaWest common stock. See Note 5 above.

### *Interest in Real Estate Rights, Accounts and Notes Receivable – Real Estate – Related Party*

Upon execution of the Contribution Agreement, Fortis transferred certain indirect interests held in 30 condominium units and the rights to any profits and proceeds therefrom, with its basis of \$15,544,382, to MegaWest. As of April 30, 2017 and 2016, the Company had an accounts receivable – related party in the amount of \$2,123,175 and \$4,829,693, respectively, which was due from Fortis for the profits belonging to MegaWest, see Note 5 above.

### *Notes Receivable – Related Party*

As discussed in Note 6, the Company entered into nine promissory note agreements with Fortis, with total principal amounts of \$24,786,382. The notes receivable bear interest at an annual interest rate of 3% and mature on December 31, 2017. For the year ended April 30, 2017 and 2016, the Company recorded \$797,710 and \$170,653 of interest income on the notes receivable, respectively. As of April 30, 2017 and 2016, the outstanding balance of the notes receivable was \$24,786,382 and \$17,848,000, respectively.

The realization and availability of proceeds from the Company's interests in real estate and amounts receivable from Fortis under the Contribution Agreement are dependent upon the value attributed to the Bandolier prospects in the Redetermination following completion of the evaluation of the Bandolier prospects, which is expected before December 31, 2017. In the event the valuation of the Bandolier prospects results in a shortfall under the Contribution Agreement, Fortis has the right to revert its interests in MegaWest to the Company and the Company would record a loss for the amount of the notes receivable (\$24,786,382), interest in real estate rights (\$309,860), accounts receivable (\$2,123,175) and any accrued interest. The Company has not recorded a reserve for the potential loss attributable to the Redetermination.

## **Notes Payable – Related Party**

On December 1, 2015, the Company issued a non-recourse promissory note, in the principal amount of \$750,000 to Horizon Investments ( " *Note A* " ), the proceeds of which were to be used for working capital purposes. Interest on Note A was due upon the earlier to occur of closing of the Horizon Transaction, or December 31, 2016. Amounts due under the terms of Note A accrued interest at an annual rate equal to one half of one percent.

On December 7, 2015, the Company entered into the Horizon Transaction, pursuant to which the Company executed a purchase agreement to acquire Horizon Investments in an all-stock deal. See Note 4. Mr. Scot Cohen, the Company's Executive Chairman, is the sole Manager of Horizon Investments. In addition, Mr. Cohen owns a 9.2% membership interest in Horizon Investments. Horizon Investments owns a 20% interest in Horizon Energy Partners. Mr. Cohen owns a 2.8% membership interest in Horizon Energy Partners.

On January 13, 2016, the Company issued a second non-recourse promissory note in the principal amount of \$750,000 ( " *Note B* " ) to Horizon Investments. All of the proceeds from Note B were used to fund Petro UK's obligations under the terms of the Farmout Agreement, and were deposited into the Escrow Agreement. The principal and all accrued and unpaid interest on Note B was due upon the earlier to occur of closing of the transactions contemplated under the terms of the Purchase Agreement. Amounts due under the terms of Note B accrued interest at an annual rate equal to one half of one percent.

On April 7, 2016, the Company issued a third non-recourse promissory note in the principal amount of \$100,000 ( " *Note C* " ) to Horizon Investments. All of the proceeds from Note C were used to fund working capital requirements. The principal and all accrued and unpaid interest on Note C was due upon the earlier to occur of closing of the transactions contemplated under the terms of the Purchase Agreement. Amounts due under the terms of Note C accrued interest at an annual rate equal to one half of one percent.

Upon consummation of the Horizon Transaction on May 3, 2016, each of Note A, Note B and Note C were paid off in full.



## 12. Stockholders' Equity

As of April 30, 2017 and 2016, the Company had 5,000,000 shares of blank check preferred stock authorized with a par value of \$0.00001 per share. None of the blank check preferred shares were issued or outstanding.

As of April 30, 2017 and 2016, the Company had 29,500 shares of preferred B preferred stock authorized with a par value of \$0.00001 per share (“*Series B Preferred*”). No Series B Preferred shares are issued or outstanding.

As of April 30, 2017, the Company had 150,000,000 shares of common stock authorized with a par value of \$0.00001 per share. There were 15,827,921 and 4,263,672 shares of common stock issued and outstanding as of April 30, 2017 and 2016, respectively.

As discussed in Note 4, the Company issued 11,564,249 shares of common stock for the Horizon Acquisition.

On January 19, 2016, the Company granted 25,000 shares of the Company’s restricted common stock for certain consulting services, vesting over six months. During the year ended April 30, 2016, the Company issued 4,166 shares of this restricted stock and recognized stock-based compensation of \$6,875. In February 2016, the Company cancelled the related consulting agreement and the remaining 20,834 shares of the Company’s restricted common stock were not issued.

## 13. Stock Options

As of April 30, 2017, the Company has one equity incentive plan. The number of shares reserved for issuance in aggregate under the plan is limited to 120 million shares. The exercise price, term and vesting schedule of stock options granted are set by the Board of Directors at the time of grant. Stock options granted under the plan may be exercised on a cashless basis, if such exercise is approved by the Board. In a cashless exercise, the employee receives a lesser amount of shares in lieu of paying the exercise price based on the quoted market price of the shares on the trading day immediately preceding the exercise date.

On October 23, 2015, the Company restructured its option plan by cancelling 395,629 options and issuing 453,039 options to new and existing option holders pursuant to the Amended and Restated 2012 Equity Compensation Plan. In December 2015, the Company issued an additional 111,667 options to consultants.

For options issued during the year ended April 30, 2017, the Company computed the fair value of the grant as of the date of grant utilizing a Black-Scholes option-pricing model using the following assumptions: common share value based on the fair value of the Company’s common stock as quoted on the Over the Counter Bulletin Board, range of \$0.93 to \$1.76; exercise price range of \$1.38 to \$1.98; expected volatility range of 169% to 175%; and a discount rate range of 1.51% to 2.53%.

The following table summarizes information about the options outstanding and exercisable for the years ended April 30, 2017 and 2016:

	<u>Options</u>	<u>Weighted Average Exercise Prices</u>
<b>Outstanding – April 30, 2015</b>	540,941	\$ 12.00
<b>Exercisable – April 30, 2015</b>	158,241	12.00
Granted	672,706	2.26
Exercised	-	-
Forfeited/Cancelled	(470,597)	10.25
<b>Outstanding – April 30, 2016</b>	743,050	4.00
<b>Exercisable – April 30, 2016</b>	421,460	3.41
Granted	1,870,958	1.38
Exercised	-	-
Forfeited/Cancelled	(14,326)	-
<b>Outstanding – April 30, 2017</b>	<u>2,599,682</u>	<u>\$ 2.13</u>

	= <u>1,954,735</u>	\$ <u>2.35</u>
<b>Exercisable – April 30, 2017</b>		
		\$ <u>-</u>
<b>Outstanding – Aggregate Intrinsic Value</b>		
		\$ <u>-</u>
<b>Exercisable – Aggregate Intrinsic Value</b>		

The following table summarizes information about the options outstanding and exercisable at April 30, 2017:

<u>Exercise Price</u>	<u>Options Outstanding</u>		<u>Options Exercisable</u>	
	<u>Options</u>	<u>Weighted Avg. Life Remaining</u>	<u>Options</u>	<u>Weighted Average Exercise Price</u>
\$ 1.38	1,865,958	9.54 years	\$ 1,296,161	\$ 1.38
\$ 1.98	5,000	9.27 years	\$ 3,750	\$ 1.98
\$ 2.00	457,402	8.25 years	\$ 392,781	\$ 2.00
\$ 2.87	65,334	8.25 years	\$ 64,611	\$ 2.87
\$ 3.00	51,001	9.91 years	\$ 42,445	\$ 3.00
\$ 3.39	12,000	8.89 years	\$ 12,000	\$ 3.39
\$ 6.00	10,000	8.00 years	\$ 10,000	\$ 6.00
<u>\$ 12.00</u>	<u>132,987</u>	<u>6.73 years</u>	<u>\$ 122,987</u>	<u>\$ 12.00</u>
<u>=</u>	<u>2,599,682</u>		<u>1,954,735</u>	<u>=</u>
			\$	-

**Aggregate Intrinsic Value**

During the years ended April 30, 2017 and 2016, the Company expensed an aggregate \$2,178,716 and \$1,593,349 to general and administrative expenses for stock-based compensation pursuant to employment and consulting agreements.

As of April 30, 2017, the Company has \$1,358,143 in unrecognized stock-based compensation expense which will be amortized over a weighted average exercise period of 2.5 years.

**Warrants:**

	<u>Number of Warrants</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Life Remaining</u>
<b>Outstanding and exercisable – April 30, 2015</b>	336,458	\$ 36.19	2.29
Forfeited	-	-	-
Granted	(203,125)	-	-
<b>Outstanding and exercisable – April 30, 2016</b>	133,333	50.00	3.83
Forfeited	-	-	-
Granted/Expired	-	-	-
<b>Outstanding and exercisable – April 30, 2017</b>	<u>133,333</u>	<u>\$ 50.00</u>	<u>2.83</u>

There were no changes of the Company's warrants during the year ended April 30, 2017. The aggregate intrinsic value of the outstanding warrants was \$0.

**14. Non-Controlling Interests**

For the years ended April 30, 2017 and 2016, the changes in the Company's non-controlling interest was as follows:

<u>Bandolier</u>	<u>MegaWest</u>	<u>Total</u>
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	\$	3,644,776	\$	-	\$	3,644,776
Non-controlling interests at May 1, 2015						
		-		9,403,367		9,403,367
Contribution by non-controlling interest holders						
		(4,375,836)		3,379,011		(996,825)
Non-controlling interest share of losses	)		)			
		(731,060)		12,782,378		12,051,318
<b>Non-controlling interests at April 30, 2016</b>	)					
		176,000		-		176,000
Contribution of real estate by non-controlling interest holders						
		(144,813)		527,965		383,152
Non-controlling interest share of income (losses)	)		)			
	\$	(699,873)	\$	13,310,343	\$	12,610,470
<b>Non-controlling interests at April 30, 2017</b>	)		)			

**15. Income Taxes**

As of April 30, 2017, the Company had approximately \$3.9 million of net operating loss carryovers (“NOLs”) which expire beginning in 2027. The U.S. net operating loss carryovers are subject to limitation under Internal Revenue Code Section 382 should there be a greater than 50% ownership change as determined under the regulations. Management has determined that a change in ownership occurred as a result of the Share Exchange on April 23, 2013. Therefore, the net operating loss carryovers are subject to an annual limitation of approximately \$156,000. The Company impaired the NOLs at the time of the change of ownership. Further the Company was limited in the recognition of a pre-acquisition loss deduction due to a net built in loss in 2015 at the time of the ownership change.

The income tax expense (benefit) consists of the following:

	<b>For the Year Ended April 30, 2017</b>	<b>For the Year Ended April 30, 2016</b>
Foreign		
Current	\$ -	\$ -
Deferred		
U.S. Federal		
Current		
Deferred	(446,593)	(4,503,473)
U.S. State & Local		
Current		
Deferred	(27,677)	(504,613)
Change in valuation allowance	<u>1,415,785</u>	<u>7,509,295</u>
Income tax provision (benefit)	<u>\$ 941,515</u>	<u>\$ 2,501,209</u>

In assessing the realization of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. Based on this assessment management has established a full valuation allowance against all of the deferred tax assets for every period, since it is more likely than not that all of the deferred tax assets will not be realized.

The Company’s deferred tax assets (liabilities) consisted of the effects of temporary differences attributable to the following:

	<b>April 30, 2017</b>	<b>April 30, 2016</b>
U.S. net operating loss carryovers	\$ 3,881,860	\$ 3,933,952
Depreciation	2,422,886	2,531,949
Bandolier LLC flow-through	4,320,684	4,313,122
Accretion of asset retirement obligation	201,729	288,511
Stock-based compensation	<u>2,314,197</u>	<u>1,599,551</u>
Total deferred tax assets	13,141,356	12,667,085
	<u>(13,141,356)</u>	<u>(12,667,085)</u>

Valuation allowance	)	)
	\$	\$
	-	-
Deferred tax asset, net of valuation allowance	=	=
	<b>April 30, 2017</b>	<b>April 30, 2016</b>
Tax liability – MegaWest	\$	\$
	3,442,724	2,501,209
	=	=
Total deferred tax liability		

The expected tax expense (benefit) based on the statutory rate is reconciled with actual tax expense benefit as follows:

	<b>For the Year Ended April 30, 2017</b>	<b>For the Year Ended April 30, 2016</b>
U.S. federal statutory rate	(34.00)%	(34.00)%
State income tax, net of federal benefit	(2.11)%	(3.81)%
Change in rate	11.29%	(0.98)%
Other permanent differences	6.46%	(2.98)%
Change in valuation allowance	<u>54.80%</u>	<u>62.63%</u>
Income tax provision (benefit)	<u>36.44%</u>	<u>20.86%</u>

## 16. Contingency and Contractual Obligations

### Pending Litigation.

(a) In January 2010, the Company experienced a flood in its Calgary office premises as a result of a broken water pipe. There was significant damage to the premises rendering them unusable until the landlord had completed remediation. Pursuant to the lease contract, the Company asserted that rent should be abated during the remediation process and accordingly, the Company did not pay any rent after December 2009. During the remediation process, the Company engaged an independent environmental testing company to test for air quality and for the existence of other potentially hazardous conditions. The testing revealed the existence of potentially hazardous mold and the consultant provided specific written instructions for the effective remediation of the premises. During the remediation process, the landlord did not follow the consultant's instructions and correct the potentially hazardous mold situation and subsequently in June 2010 gave notice and declared the premises to be ready for occupancy. The Company re-engaged the consultant to re-test the premises and the testing results again revealed the presence of potentially hazardous mold. The Company determined that the premises were not fit for re-occupancy and considered the landlord to be in default of the lease. The Landlord subsequently terminated the lease.

On January 30, 2014, the landlord filed a Statement of Claim against the Company for rental arrears in the amount aggregating CAD \$759,000 (approximately USD \$605,000 as of July 24, 2017). The Company filed a defense and on October 20, 2014, it filed a summary judgment application stating that the landlord's claim is barred as it was commenced outside the 2-year statute of limitation period under the Alberta Limitations Act. The landlord subsequently filed a cross-application to amend its Statement of Claim to add a claim for loss of prospective rent in an amount of CAD \$665,000 (approximately USD \$530,000 as of July 24, 2017). The applications were heard on June 25, 2015 and the court allowed both the Company's summary judgment application and the landlord's amendment application. Both of these orders were appealed though two levels of the Alberta courts and the appeals were dismissed at both levels. The net effect is that the landlord's claim for loss of prospective rent is to proceed.

(b) In September 2013, the Company was notified by the Railroad Commission of Texas (the "Commission") that the Company was not in compliance with regulations promulgated by the Commission. The Company was therefore deemed to have lost its corporate privileges within the State of Texas and as a result, all wells within the state would have to be plugged. The Commission therefore collected \$25,000 from the Company, which was originally deposited with the Commission, to cover a portion of the estimated costs of \$88,960 to plug the wells. In addition to the above, the Commission also reserved its right to separately seek any remedies against the Company resulting from its noncompliance.

(c) On August 11, 2014, Martha Donelson and John Friend amended their complaint in an existing lawsuit by filing a class action complaint styled: *Martha Donelson and John Friend, et al. v. United States of America, Department of the Interior, Bureau of Indian Affairs and Devon Energy Production, LP, et al.*, Case No. 14-CV-316-JHP-TLW, United States District Court for the Northern District of Oklahoma (the “*Proceeding*”). The plaintiffs added as defendants twenty-seven (27) specifically named operators, including Spyglass, as well as all Osage County lessees and operators who have obtained a concession agreement, lease or drilling permit approved by the Bureau of Indian Affairs (“*BIA*”) in Osage County allegedly in violation of National Environmental Policy Act (“*NEPA*”). Plaintiffs seek a declaratory judgment that the BIA improperly approved oil and gas leases, concession agreements and drilling permits prior to August 12, 2014, without satisfying the BIA’s obligations under federal regulations or NEPA, and seek a determination that such oil and gas leases, concession agreements and drilling permits are void *ab initio*. Plaintiffs are seeking damages against the defendants for alleged nuisance, trespass, negligence and unjust enrichment. The potential consequences of such complaint could jeopardize the corresponding leases.

On October 7, 2014, Spyglass, along with other defendants, filed a Motion to Dismiss the August 11, 2014 Amended Complaint on various procedural and legal grounds. Following the significant briefing, the Court, on March 31, 2016, granted the Motion to Dismiss as to all defendants and entered a judgment in favor of the defendants against the plaintiffs. On April 14, 2016, Spyglass with the other defendants, filed a Motion seeking its attorneys’ fees and costs. The motion remains pending. On April 28, 2016, the plaintiffs filed three motions: a Motion to Amend or Alter the Judgment; a Motion to Amend the Complaint; and a Motion to Vacate Order. On November 23, 2016, the Court denied all three of Plaintiffs’ motions. On December 6, 2016, Plaintiffs filed a Notice of Appeal to the Tenth Circuit Court of Appeals. That appeal is pending as of the effective date of this response. There is no specific timeline by which the Court of Appeals must render a ruling. Spyglass intends to continue to vigorously defend its interest in this matter.

(d) MegaWest Energy Missouri Corp. (“*MegaWest Missouri*”), a wholly owned subsidiary of the Company, is involved in two cases related to oil leases in West Central, Missouri. The first case (*James Long and Jodeane Long v. MegaWest Energy Missouri and Petro River Oil Corp.*, case number 13B4-CV00019) is a case for unlawful detainer, pursuant to which the plaintiffs contend that MegaWest Missouri oil and gas lease has expired and MegaWest Missouri is unlawfully possessing the plaintiffs’ real property by asserting that the leases remain in effect. The case was originally filed in Vernon County, Missouri on September 20, 2013. MegaWest Missouri filed an Answer and Counterclaims on November 26, 2013 and the plaintiffs filed a motion to dismiss the counterclaims. MegaWest Missouri filed a motion for Change of Judge and Change of Venue and the case was transferred to Barton County. The court granted the motion to dismiss the counterclaims on February 3, 2014. As to the other allegations in the complaint, the matter is still pending.

MegaWest Missouri filed a second case on October 14, 2014 (*MegaWest Energy Missouri Corp. v. James Long, Jodeane Long, and Arrow Mines LLC*, case number 14VE-CV00599). This case is pending in Vernon County, Missouri. Although the two cases are separate, they are interrelated. In the Vernon County case, MegaWest Missouri has made claims for: (1) replevin for personal property; (2) conversion of personal property; (3) breach of the covenant of quiet enjoyment regarding the lease; (4) constructive eviction of the lease; (5) breach of fiduciary obligation against James Long; (6) declaratory judgment that the oil and gas lease did not terminate; and (7) injunctive relief to enjoin the action pending in Barton County, Missouri. The plaintiffs filed a motion to dismiss on November 4, 2014, and Arrow Mines, LLC filed a motion to dismiss on November 13, 2014. Both motions remain pending, and MegaWest Missouri will file an opposition to the motions in the near future.

The Company is from time to time involved in legal proceedings in the ordinary course of business. It does not believe that any of these claims and proceedings against it is likely to have, individually or in the aggregate, a material adverse effect on its financial condition or results of operations.

#### Redetermination of Bandolier Interest

In connection with the Contribution Agreement, entered into by and between the Company, MegaWest and Fortis (see Note 5), the parties agreed to a redetermination of the fair market value of the Bandolier Interest at any time following the six month anniversary after the execution thereof (the “*Redetermination*”). Upon a Redetermination, which has not occurred as of July 28, 2017, but is anticipated prior to December 31, 2017, in the event there is a shortfall from the valuation ascribed to the Bandolier Interest at the time of the Redetermination, as compared to the value ascribed to the Bandolier Interest in the Contribution Agreement, the Company will be required to provide Fortis with a cash payment in an amount equal to the shortfall. If the Company is unable to deliver to Fortis the cash payment required after the Redetermination, if any, the board of directors of MegaWest shall have the right to exercise certain remedies against the Company, including a right to foreclose on the Company’s entire equity in MegaWest, which equity interest has been pledged to Fortis under the terms of the Contribution Agreement. In the event of foreclosure, the Bandolier Interest would revert back to the Company, and the Company would record a loss for the amount of the notes receivable, interest in real estate rights, accounts receivable – related party, and any accrued interest.

#### **17. Subsequent Events**

The Company has evaluated subsequent events through the date the financial statements were available to be issued. Based on this evaluation, the Company has identified no reportable subsequent events other than those disclosed elsewhere in these financials.



**18. Supplemental Information on Oil and Gas Operations (Unaudited)**

The Company retains qualified independent reserves evaluators to evaluate the Company's proved oil reserves. For the year ended April 30, 2017 and 2016, the report by Pinnacle Energy Services, LLC. ("Pinnacle") covered 100% of the Company's proved oil reserves.

Proved oil and natural gas reserves, as defined within the SEC Rule 4-10(a)(22) of Regulation S-X, are those quantities of oil and gas, which, by analysis of geoscience and engineering data can be estimated with reasonable certainty to be economically producible from a given date forward from known reservoirs, and under existing economic conditions, operating methods and government regulations prior to the time of which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether determinable or probabilistic methods are used for the estimation. The project to extract the hydrocarbons must have commenced or the operator must be reasonably certain that it will commence the project within a reasonable time. Developed oil and natural gas reserves are reserves that can be expected to be recovered from existing wells with existing equipment and operating methods or in which the cost of the required equipment is relatively minor compared to the cost of a new well; and through installed extraction equipment and infrastructure operational at the time of the reserves estimate is the extraction is by means not involving a well. Estimates of the Company's oil reserves are subject to uncertainty and will change as additional information regarding producing fields and technology becomes available and as future economic and operating conditions change.

The following tables summarize the Company's proved developed and undeveloped reserves within the United States, net of royalties, as of April 30, 2017 and 2016:

Oil (MBbls)	<u>2017</u>	<u>2016</u>
Proved reserves as at May 1	206	508
Extensions, acquisitions and discoveries	-	-
Dispositions	-	(301)
Production	(1)	(1)
Revisions of prior estimates	(38)	-
Total Proved reserves as at April 30	<u>167</u>	<u>206</u>

Oil (MBbls)	<u>2017</u>	<u>2016</u>
Proved developed producing	1	-
Non-producing	166	206
Proved undeveloped	-	-
Total Proved reserves as at April 30	<u>167</u>	<u>206</u>

Gas (MCFs)	<u>2017</u>	<u>2016</u>
Proved reserves as at May 1	331	868
Extensions, acquisitions and discoveries	-	(537)
Dispositions	)	-
Production	(5	-
Revisions of prior estimates	(47	-
Total Proved reserves as at April 30	<u>279</u>	<u>331</u>

Gas (MCFs)	<u>2017</u>	<u>2016</u>
Proved developed producing	17	-
Non-producing	262	331
Proved undeveloped	-	-
Total Proved reserves as at April 30	<u>279</u>	<u>331</u>



	<u>2017</u>	<u>2016</u>
Capitalized Costs Related to Oil and Gas Assets		
Proved properties	\$ 8,244,046	\$ 7,753,575
Unproved properties	858,830	100,000
	9,102,876	7,853,575
Less: accumulated impairment	(7,009,240)	(6,975,349)
	<u>\$ 2,093,636</u>	<u>\$ 878,226</u>

	<u>2017</u>	<u>2016</u>
Costs Incurred in Oil and Gas Activities:		
Development	\$ 487,857	\$ 102,864
Exploration	761,444	-
	<u>\$ 1,249,301</u>	<u>\$ 102,864</u>

The following standardized measure of discounted future net cash flows from proved oil reserves has been computed using the average first-day-of-the-month price during the previous 12-month period, costs as at the balance sheet date and year-end statutory income tax rates. A discount factor of 10% has been applied in determining the standardized measure of discounted future net cash flows. The Company does not believe that the standardized measure of discounted future net cash flows will be representative of actual future net cash flows and should not be considered to represent the fair value of the oil properties. Actual net cash flows will differ from the presented estimated future net cash flows due to several factors including:

- Future production will include production not only from proved properties, but may also include production from probable and possible reserves;
- Future production of oil and natural gas from proved properties may differ from reserves estimated;
- Future production rates may vary from those estimated;
- Future rather than average first-day-of-the-month prices during the previous 12-month period and costs as at the balance sheet date will apply;
- Economic factors such as changes to interest rates, income tax rates, regulatory and fiscal environments and operating conditions cannot be determined with certainty;
- Future estimated income taxes do not take into account the effects of future exploration expenditures; and
- Future development and asset retirement obligations may differ from those estimated.

Future net revenues, development, production and restoration costs have been based upon the estimates referred to above. The following tables summarize the Company's future net cash flows relating to proved oil reserves based on the standardized measure as prescribed in FASB ASC Topic 932 - "Extractive Activities - Oil and Gas":

	<u>2017</u>	<u>2016</u>
Future cash flows relating to proved reserves:		
Future cash inflows	\$ 8,421,000	\$ 9,588,000
Future operating costs	(4,419,000)	(5,170,000)
Future development costs	(615,000)	(820,000)
Future income taxes	(597,000)	(680,000)
Future net cash flows	2,790,000	2,918,000
10% discount factor	(766,000)	(779,000)
	<u>\$ 2,024,000</u>	<u>\$ 2,139,000</u>



**Summary of Changes in Standardized Measure of Discounted Future Net Cash Flows**

The following table summarizes the principal sources of changes in standardized measure of discounted future estimated net cash flows at 10% per annum for the years ended April 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Standardized measure, beginning of year	\$ 2,139,000	\$ 6,935,000
Sales of oil produced, net of production costs	1,271,000	388,000
Net changes in sales and transfer prices and in production costs and production costs related to future production	(2,719,000)	(4,245,000)
Previously estimated development costs incurred during the period	-	-
Changes in future development costs	(205,000)	5,365,000
Revisions of previous quantity estimates due to prices and performance	(99,000)	(5,180,000)
Accretion of discount	20,000	214,000
Discoveries, net future production and development costs associated with these extensions and discoveries	-	-
Purchases and sales of minerals in place	-	-
Timing and other	- 1,617,000 )	- (1,338,000 )
Standardized measure, end of year	<u>\$ 2,024,000</u>	<u>\$ 2,139,000</u>

**SIGN ATURES**

In accordance with Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**PETRO RIVER OIL CORP.**

By: /s/ Scot Cohen  
Name: Scot Cohen  
Title: Executive Chairman

By: /s/ David Briones  
Name: David Briones  
Title: Chief Financial Officer

Date: July 31, 2017

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

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Scot Cohen</u> Scot Cohen	Executive Chairman and Director (Principal Executive Officer)	July 31, 2017
<u>/s/ David Briones</u> David Briones	Chief Financial Officer (Principal Accounting Officer)	July 31, 2017
<u>/s/ Glenn C. Pollack</u> Glenn C. Pollack	Director	July 31, 2017
<u>/s/ John Wallace</u> John Wallace	Director	July 31, 2017
<u>/s/ Fred Zeidman</u> Fred Zeidman	Director	July 31, 2017

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## CERTIFICATION BY PRINCIPAL EXECUTIVE OFFICER

I, Scot Cohen, certify that:

1. I have reviewed this Annual Report on Form 10-K of Petro River Oil Corp.;
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 officers 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 we 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 annual report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter 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 officers 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 31, 2017

By: /s/ Scot Cohen  
Scot Cohen  
Executive Chairman

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## CERTIFICATION BY PRINCIPAL FINANCIAL OFFICER

I, David Briones, certify that:

1. I have reviewed this Annual Report on Form 10-K of Petro River Oil Corp.;
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 officers 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 we 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 annual report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter 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 officers 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 31, 2017

By: /s/ David Briones  
David Briones  
Chief Financial Officer

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**CERTIFICATION**  
**Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**  
**(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)**

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of Petro River Oil Corp., a Delaware corporation (the “*Company*”), does hereby certify, to such officer’s knowledge, that:

The Annual Report on Form 10-K for the fiscal year ended April 30, 2017 (the “*Form 10-K*”) of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, and information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

July 31, 2017

/s/ Scot Cohen  
Scot Cohen  
Executive Chairman

/s/ David Briones  
David Briones  
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

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