Form 10-Q/A for STRONGBOW RESOURCES INC.

15-Jan-2016

Quarterly Report

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward Looking Statements

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

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our beliefs regarding the future of our competitors;

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our future capital expenditures;

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our future exploration programs and results; and

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our expectation that we will be able to raise capital when we need it, including pursuant to the LOI with the Investor.

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

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volatility in market prices for oil and natural gas;

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volatility in exchange rates;

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liabilities inherent in oil and natural gas operations;

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changes or fluctuations in production levels;

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unexpected adverse weather conditions;

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stock market volatility and market valuation of our common shares;

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uncertainties associated with estimating oil and natural gas reserves;

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competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel;

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incorrect assessments of the value of exploration and development programs;

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geological, technical, drilling, production and processing problems;

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changes in legislation, including changes in tax laws, royalty rates and incentive programs relating to the oil and natural gas industry; and

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our ability to raise capital.

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

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we may be unable to raise sufficient funds to execute our business plan;

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we have a limited operating history;

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we are dependent on a small management team;

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we may be unable to manage any growth;

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market conditions or operation impediments may hinder our access to natural gas and oil markets or delay our production;

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risks inherent in the oil and gas industry;

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competition for, among other things, capital and skilled personnel; and

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other factors discussed under the section entitled "Risk Factors",

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

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

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

In this interim report, unless otherwise specified, all references to "common shares" refer to the common shares in our capital stock.

As used in this interim report on Form 10-Q, the terms "we", "us" "our" and "Strongbow" mean our company, Strongbow Resources Inc.

Corporate Overview

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

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

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

Effective March 17, 2014, we conducted a one-for-four reverse stock split of our issued and outstanding common stock. As a result, the number of the issued and outstanding common shares decreased from 111,586,705 shares to

27,896,684 shares. Our authorized capital of 750,000,000 shares of common stock with a par value of $0.001 was unchanged.

Our Current Business

As of November 30, 2015, we have incurred $575,763 in exploration costs to drill, complete and equip the Test Well. We also recorded $21,688 in asset retirement obligations related to the future plugging and abandonment of the Test Well.

During the nine months ended November 30, 2015, we did not generate any revenues from pre-production sales of oil. For accounting purposes, the proceeds from the sales less direct costs of $5,683 was added to the carrying value of the oil and gas properties.

As of January 14, 2016, it is too early to provide stabilized production forecasts.

Future Development Costs

During fiscal 2016, we plan to focus on the exploration and drilling of the Farmout Lands, identify and complete additional asset acquisition(s), and pursue joint venture agreements with third parties to explore for oil and gas in Canada and the United States.

Results of Operations

The following summary of our results of operations should be read in conjunction with our unaudited financial statements for the three and nine month period ended November 30, 2015 and 2014 which are included herein:

	For the three months ended		For the nine months ended	
	November 30, 2015	November 30, 2014	November 30, 2015	November 30, 2014
Oil and gas sales	$ -	$ 6,029	$ -	$ 10,198
Expenses	$ 199,458	$ 90,758	$ 431,754	$ 260,671
Net income (loss)	$ (199,925)	$ 46,174	$ (80,722)	$ (69,924)

Revenues

During the nine month period ended November 30, 2015, we did not generated any revenue (November 30, 2014 - $10,198) from pre-production sales of oil, which has been credited against the carrying value of the oil and gas properties.

Expenses

Expenses increased during the nine month period ended November 30, 2015 to $431,754 as compared to $260,671 during the nine month period ended November 30, 2014.

The table below details the changes in major expenditures for the nine months ended November 30, 2015 as compared to the corresponding nine months ended November 30, 2014:

Expenses	Increase / Decrease in Expenses	Explanation for Change
Consulting fees	Decrease of $30,512	Decrease due to less consulting services related to investor relation, market awareness, and oil and gas property during the quarter.
Office, travel and general and expenses	Increase of $45,681	Increase due to increase in insurance, general office expenses, office rent, travel expenses.
Professional fees	Decrease of $26,502	Decrease due to less professional services used for corporate filings, accounting, and professional services.
Salaries and benefits	Increase of $83,846	Increase due to new hiring of COO and VP of Exploration during the period.
Stock-based compensation	Increase of $107,021	Increase due to stock options granted during the period where no stock options were granted in the comparative period.

For the nine months ended November 30, 2015, we recorded a gain on the fair value adjustment of derivative financial liability of $350,818. The derivative liability consists of the fair value of share purchase warrants that were issued in unit private placements that have an exercise price in a currency other than the functional currency of our company. The derivative liability is a non-cash liability as we will not be required to expend any cash.

Liquidity and Capital Resources

Working Capital

		November 30, 2015		February 28, 2015
Current Assets	$	42,696	$	104,116
Current Liabilities	$	1,009,628	$	1,124,840
Working Capital (Deficiency)	$	(966,932)	$	(1,020,724)

We had cash of $638 and a working capital deficit of $966,932 as of November 30, 2015 compared to cash of $26,858 and working capital deficit of $1,020,724 as of February 28, 2015.

We anticipate general and administrative expense, excluding impairment of oil and gas property, if any, will be higher than fiscal 2015 during the upcoming fiscal year. In connection with oil and gas operations, we hired Mr. Kent Edney to be the COO of the Company to assist the Company expanding the Compeer property. In August 2015, we and Mr. Edney mutually agreed to terminate the employment agreement due to our current cash situation.

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

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

Due to the uncertainty of our ability to meet our current operating and capital expenses, in their report on our audited financial statements for the year ended February 28, 2015, our independent auditors included an explanatory paragraph regarding substantial doubt about our ability to continue as a going concern. Our statements contain additional note disclosures describing the circumstances that lead to this disclosure by our independent auditors.

Cash Flows

	Nine months ended November 30, 2015	Nine months ended November 30, 2014
Net Cash Provided by (Used in) Operating Activities	$ (204,702)	$ (344,174)
Net Cash Provided by (Used in) Investing Activities	$ (15,466)	$ (139,213)
Net Cash Provided by (Used in) Financing Activities	$ 190,565	$ 465,730
Net Increase in Cash	$ (26,220)	$ 24,425

Cash Used in Operating Activities

Our cash used in operating activities for the nine months ended November 30, 2015, compared to our cash used in operating activities for the nine months ended November 30, 2014, decreased by $139,472, primarily due to decrease in non-cash items and non-cash working capital items from operations in the current period.

Cash Used in Investing Activities

Our cash used in investing activities for the nine months ended November 30, 2015, compared to our cash used in investing activities for the nine months ended November 30, 2014, decreased by $123,747 due to decrease in expenditures on oil and gas properties.

Cash Provided by Financing Activities

Our cash provided by financing activities for the nine months ended November 30, 2015, compared to our cash provided by financing activities for the nine months ended November 30, 2014, decreased by $275,165 due to significant decrease in issuance of common stocks for cash of $749,051, but offset by increase in proceeds from related parties of $271,361.

Contractual Obligations

Our future contractual obligations as of November 30, 2015 consisted of the following:

	Payments due by period				
Contractual Obligations	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Note payable	$ 18,723	$ 18,723	-	-	-

Off-Balance Sheet Arrangements

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

Going Concern

Our interim financial statements and information for the period ended November 30, 2015, have been prepared by our management on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. We have generated no significant revenues to date and have incurred a net loss of approximately $80,772 during the nine month period ended November 30, 2015, and an accumulated net loss of approximately $3,331,168 from inception (July 9, 2004) through November 30, 2015. We cannot provide any assurance that we will ultimately achieve profitable operations or become cash flow positive, or raise additional funds through the sale of debt and/or equity.