

NORTHERN MINERALS & EXPLORATION LTD.

FORM 10-Q (Quarterly Report)

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

Form 10-Q

(Mark One)

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

For the quarterly period ended **January 31, 2018**

or

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

For the transition period from _____ to _____

Commission File Number **333-146934**

NORTHERN MINERALS & EXPLORATION LTD.

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of
incorporation or organization)

98-0557171

(IRS Employer
Identification No.)

1889 FM 2088 Quitman, Texas

(Address of principal executive offices)

75783

(Zip Code)

(254) 631-2093

(Registrant's telephone number, including area code)

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer

Non-accelerated filer

Emerging growth company

Accelerated filer

Smaller reporting 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

APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. 43,286,818 common shares issued and outstanding as of May 17, 2018.

NORTHERN MINERALS & EXPLORATION LTD.

FORM 10-Q

For the Period ended January 31, 2018

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

NORTHERN MINERALS & EXPLORATION LTD.

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**NORTHERN MINERALS & EXPLORATION LTD.
CONDENSED BALANCE SHEETS**

	January 31, 2018 (unaudited)	July 31, 2017
ASSETS		
Current Assets:		
Cash	\$ 33,247	\$ 822
Prepaid expenses	725	-
Accounts receivable	-	4,413
Total Current Assets	33,972	5,235
Other Assets		
Mineral rights and properties	30,065	30,065
Oil and gas properties	96,000	96,000
Total Other Assets	126,065	126,065
TOTAL ASSETS	\$ 160,037	\$ 131,300
LIABILITIES & STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 14,700	\$ 44,380
Accrued liabilities	125,790	152,503
Current portion of property option payable	116,000	116,000
Loans payable	114,990	89,990
Convertible debt	85,000	85,000
Total Current Liabilities	456,480	487,873
TOTAL LIABILITIES	456,480	487,873
Commitments and Contingencies		
	-	-
Stockholders' Equity:		
Common stock, \$0.001 par value, 75,000,000 shares authorized; 41,497,818 and 26,797,818 shares issued and outstanding, respectively	41,499	26,798
Additional paid-in-capital	1,517,647	1,239,349
Accumulated deficit	(1,855,589)	(1,622,720)
Total Stockholders' Equity (Deficit)	(296,443)	(356,573)
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	\$ 160,037	\$ 131,300

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

NORTHERN MINERALS & EXPLORATION LTD.
CONDENSED STATEMENTS OF OPERATIONS
(unaudited)

	For the Three Months Ended January 31,		For the Six Months Ended January 31,	
	2018	2017	2018	2017
Revenue	\$ 16,767	\$ 13,123	\$ 28,059	\$ 13,123
Distributions	14,720	15,492	27,759	15,492
Gross margin	<u>2,047</u>	<u>(2,369)</u>	<u>300</u>	<u>(2,369)</u>
Operating expenses:				
Officer compensation	15,000	9,250	27,500	20,750
Director services	1,500	-	2,000	500
Consulting	40,500	400	58,000	400
Professional fees	10,060	-	19,625	490
Mineral property expenditures	10,100	96	12,849	33,237
General and administrative	61,761	5,870	107,446	20,713
Total operating expenses	<u>138,921</u>	<u>15,616</u>	<u>227,420</u>	<u>76,090</u>
Loss from operations	<u>(136,874)</u>	<u>(17,985)</u>	<u>(227,120)</u>	<u>(78,459)</u>
Other income (expense):				
Interest expense	(2,685)	(1,714)	(9,869)	(21,065)
Loss on disposal of mineral rights	-	-	-	(470,469)
Gain on forgiveness of debt	4,120	-	4,120	-
Total other expense	<u>1,435</u>	<u>(1,714)</u>	<u>(5,749)</u>	<u>(491,534)</u>
Loss before provision for income taxes	(135,439)	(19,699)	(232,869)	(569,993)
Provision for income taxes	-	-	-	-
Net Loss	<u>\$ (135,439)</u>	<u>\$ (19,699)</u>	<u>\$ (232,869)</u>	<u>\$ (569,993)</u>
Loss per share, basic & diluted	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	<u>\$ (0.01)</u>	<u>\$ (0.02)</u>
Weighted average shares outstanding, basic & diluted	<u>40,526,079</u>	<u>26,497,818</u>	<u>37,360,318</u>	<u>26,479,611</u>

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

NORTHERN MINERALS & EXPLORATION LTD.
CONDENSED STATEMENTS OF CASH FLOWS
(unaudited)

	For the Six Months Ended January 31,	
	2018	2017
Cash Flow from Operating Activities:		
Net loss	\$ (232,869)	\$ (569,993)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Loss on disposal of mineral rights	-	470,472
Changes in Operating Assets and Liabilities:		
Prepaid expenses	(725)	2,500
Accounts receivable	4,413	-
Accrued interest	5,069	-
Accounts payables and accrued liabilities	(29,680)	95,234
Receivable on working interest	-	50
Accrued liabilities	(31,783)	-
Net cash used in operating activities	<u>(285,575)</u>	<u>(1,737)</u>
Cash Flows from Investing Activities	<u>-</u>	<u>-</u>
Cash Flows from Financing Activities		
Proceeds from loan payable	25,000	-
Proceeds from the sale of common stock	293,000	5,000
Net cash provided by financing activities	<u>318,000</u>	<u>5,000</u>
Net increase in cash	32,425	3,263
Cash at beginning of the period	822	5,239
Cash at end of the period	<u>\$ 33,247</u>	<u>\$ 8,502</u>
Supplemental disclosure of noncash activities:		
Common stock issued for mineral property rights	\$ -	\$ 16,750
Forgiveness of related party debt	\$ -	\$ 24,747

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

Northern Minerals & Exploration Ltd.
Condensed Notes to Financial Statements
January 31, 2018
(unaudited)

NOTE 1 – ORGANIZATION AND BUSINESS OPERATIONS

Northern Minerals & Exploration Ltd. (the “Company”) is an emerging natural resource company operating in oil and gas production in central Texas and exploration for gold and silver in northern Nevada.

The Company was incorporated in Nevada on December 11, 2006 under the name Punchline Entertainment, Inc. On August 22, 2012, the Company’s board of directors approved an agreement and plan of merger to effect a name change of the Company from Punchline Entertainment, Inc. to Punchline Resources Ltd. On July 12, 2013, the stockholders approved an amendment to change the name of the Company from Punchline Resources Ltd. to Northern Mineral & Exploration Ltd. FINRA approved the name change on August 13, 2013.

The Company is working on the following projects:

Coleman County, Texas – J.E. Richey Lease - Three well rework/recompletion project

On October 14, 2014, the Company entered into an agreement to acquire a 75% working interest in the J.E. Richey lease. This lease area has six known productive formations. The existing three wells on the lease are fully equipped. There is spacing available for new drilling of two or more wells. Beginning in May 2015 the Company started conducting operations on the three wells to place them back into production. The rework/re-completion was completed on July 28, 2015 and production of oil and gas was established. On March 20, 2015, the Company sold a 37.5% working interest in the three wells.

Jones County, Texas – Olson Lease - Palo Pinto Reef project

During the fiscal year the Company acquired the Olson lease covering 160 acres in Jones County, Texas. This lease is 1.5 miles from the Strand Palo Pinto Reef Field which was discovered in 1940 and has produced 1,700,000 barrels of oil from 8 wells or 212,500 barrels of oil per well. The structure map on the Palo Pinto shows a large buildup in the Palo Pinto Reef across the southern portion of the lease. The Guinn #1 Olson well is 90’ high to a well 1000’ to the southeast and 42’ high to a well 1,150’ to the northwest. The Guinn well had a show and a tremendous buildup in the Palo Pinto Reef. The structural buildup and reef buildup across the acreage and close similarities to the Strand Field make this a very good prospect.

Shackelford County, Texas – Guy Ranch Lease – Multiple Pay project

During the fiscal year ended July 31, 2016 the Company acquired a 100% working interest in the 430-acre Guy Ranch Lease in Shackelford County. Subsequently the Company entered into a farm-out agreement with a third party whereby the third party has the right to earn a 75% working interest in a 20 acre drilling unit of the 430-acre lease. The third party is to pay 100% of the costs to drill and complete a well on the 20 acres to earn a 75% working interest.

Winnemucca Mountain Gold Property, Nevada

On September 14, 2012, the Company entered into an option agreement (as amended and restated on November 15, 2012, February 1, 2013 and August 26, 2013) with AHL Holdings Ltd., a Nevada corporation, and Golden Sands Exploration Inc., a company incorporated under the laws of British Columbia, Canada, wherein the Company acquired an option to purchase a revised 80% interest in and to certain mining claims from AHL Holdings and Golden Sands, which claims form the Swordfish Property (“Winnemucca Mountain Property”) in Humboldt County, Nevada. This Winnemucca Mountain property at September 14, 2012 consisted of 208 unpatented mining claims covering an area of approximately 3,800 acres.

Effective July 30, 2014, the Company entered into amended and restated option agreement with AHL Holdings and Golden Sands that materially modifies and replaces the terms of the original option agreement (as amended last on August 26, 2013). The amended and restated option agreement dated July 30, 2014 was further amended by letter agreement on February 11, 2016. The aggregate cash fee payable to exercise the option was increased from \$1,715,000 to \$1,740,000 and the total number of common shares issuable to exercise the option has been increased from 100,000 to 3,850,000. Lastly, the amended and restated agreement provides that AHL Holdings may elect to receive shares of the Company’s common stock in lieu of any cash payments payable pursuant to the agreement at a 75% discount to the then current closing market price.

In 2015 the Company failed to maintain in good standing all of the claims which form the Winnemucca Mountain Property whereby 70 unpatented mining claims were forfeited. The Company is obligated to pay the costs and cause to be re-acquired and recorded in the name of AHL Holdings the area of the property that was previously held by the 70 unpatented claims. No work was conducted on the property during the current fiscal year. The Company was given a default notice by the optionors on May 30, 2017, whereby the Company lost the right to earn an interest in the Winnemucca Mountain Property. At present the Company is in discussions with optionors to renegotiate the agreement.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The Company's unaudited condensed financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The accompanying unaudited condensed financial statements reflect all adjustments, consisting of only normal recurring items, which, in the opinion of management, are necessary for a fair statement of the results of operations for the periods shown and are not necessarily indicative of the results to be expected for the full year ending July 31, 2018. These unaudited condensed financial statements should be read in conjunction with the financial statements and related notes included in the Company's Annual Report on Form 10-K for the year ended July 31, 2017.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 may differ from those estimates.

Reclassifications

Certain reclassifications have been made to the prior year financial information to conform to the presentation used in the unaudited financial statements for the six months ended January 31, 2018.

Revenue Recognition

Revenue is recognized when a customer obtains control of promised goods or services and is recognized in an amount that reflects the consideration that an entity expects to receive in exchange for those goods or services. In addition, the standard requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The amount of revenue that is recorded reflects the consideration that the Company expects to receive in exchange for those goods. The Company applies the following five-step model in order to determine this amount: (i) identification of the promised goods in the contract; (ii) determination of whether the promised goods are performance obligations, including whether they are distinct in the context of the contract; (iii) measurement of the transaction price, including the constraint on variable consideration; (iv) allocation of the transaction price to the performance obligations; and (v) recognition of revenue when (or as) the Company satisfies each performance obligation.

The Company only applies the five-step model to contracts when it is probable that the entity will collect the consideration it is entitled to in exchange for the goods or services it transfers to the customer. Once a contract is determined to be within the scope of ASC 606 at contract inception, the Company reviews the contract to determine which performance obligations the Company must deliver and which of these performance obligations are distinct. The Company recognizes as revenues the amount of the transaction price that is allocated to the respective performance obligation when the performance obligation is satisfied or as it is satisfied. Generally, the Company's performance obligations are transferred to customers at a point in time, typically upon delivery.

Revenues are earned from the J.E. Richey Lease both in selling oil and gas and from funds received for reworking the Concho Richey #1. We began earning revenues in Q1 of 2015 from the J.E. Richey Lease. Revenues resumed from the sale of oil and gas during the second quarter of the 2016/17 fiscal year.

Long Lived Assets

Property consists of mineral rights purchases as stipulated by underlying agreements and payments made for oil and gas exploration rights. Our company assesses the impairment of long-lived assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable. When we determine that the carrying value of long-lived assets may not be recoverable based upon the existence of one or more indicators of impairment and the carrying value of the asset cannot be recovered from projected undiscounted cash flows, we record an impairment charge. Our company measures any impairment based on a projected discounted cash flow method using a discount rate determined by management to be commensurate with the risk inherent in the current business model. Significant management judgment is required in determining whether an indicator of impairment exists and in projecting cash flows.

Mineral Property Acquisition and Exploration Costs

Mineral property acquisition and exploration costs are expensed as incurred until such time as economic reserves are quantified. Cost of lease, exploration, carrying and retaining unproven mineral lease properties are expensed as incurred. We have chosen to expense all mineral exploration costs as incurred given that it is still in the exploration stage. Once our company has identified proven and probable reserves in its investigation of its properties and upon development of a plan for operating a mine, it would enter the development stage and capitalize future costs until production is established. When a property reaches the production stage, the related capitalized costs will be amortized over the estimated life of the probable-proven reserves. When our company has capitalized mineral properties, these properties will be periodically assessed for impairment of value and any diminution in value.

Oil and Gas Properties

The Company applies the successful efforts method of accounting for oil and gas properties. The Company capitalizes asset acquisition costs of mineral rights and leases. Unproved oil and gas properties are periodically assessed to determine whether they have been impaired, and any impairment in value is charged to expense. The costs of proved properties will be depleted on an equivalent unit-of-production basis in which total proved reserves will be the base used to calculate depletion.

Basic and Diluted Earnings Per Share

Net income (loss) per common share is computed pursuant to ASC 260-10-45, *Earnings per Share—Overall—Other Presentation Matters*. Basic net income (loss) per common share is computed by dividing net income (loss) by the weighted average number of shares of common stock outstanding during the period. Diluted net income (loss) per common share is computed by dividing net income (loss) by the weighted average number of shares of common stock and potentially outstanding shares of common stock during the period. The weighted average number of common shares outstanding and potentially outstanding common shares assumes that we incorporated as of the beginning of the first period presented.

As of January 31, 2018 and 2017, the Company had 1,300,000 and 3,667,473 potentially dilutive shares; however, the diluted loss per share is the same as the basic loss per share for the six months ended January 31, 2018 and 2017, as the inclusion of any potential shares would have had an antidilutive effect due to our loss from operations.

Recently issued accounting pronouncements

The Company has implemented all new accounting pronouncements that are in effect. These pronouncements did not have any material impact on the financial statements unless otherwise disclosed, and the Company does not believe that there are any other new accounting pronouncements that have been issued that might have a material impact on its financial position or results of operations.

NOTE 3 – GOING CONCERN

The accompanying financial statements are prepared and presented on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. Accordingly, they do not include any adjustments relating to the realization of the carrying value of assets or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. Since inception to January 31, 2018, the Company has an accumulated deficit of \$1,855,589. The Company intends to fund operations through equity financing arrangements, which may be insufficient to fund its capital expenditures, working capital and other cash requirements for the next twelve months. These factors, among others, raise substantial doubt about the Company's ability to continue as a going concern. The accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty.

NOTE 4 – MINERAL RIGHTS AND PROPERTIES

Coleman County – J.E. Richey Lease

On October 14, 2014, the Company entered into a Terms of Farm-out Agreement with Copper Basin Oil & Gas Inc. to acquire a working interest in an oil and gas lease in the J.E. Richey lease, which has 3 fully equipped wells, production flow lines, injection flow line, Tank battery consisting of two 300 BBL tanks, one 210 BBL tank with two separators. The Company agreed to acquire a 75% working interest in the lease including the existing wells and equipment.

The total consideration that the Company must pay to acquire the 75% working interest is estimated at \$336,000, which amount includes all work requirements, and common stock valued at \$0.10 based upon our current share price of \$0.11 as at October 14, 2014. The Net Revenue Interest is 56.25% and consists of approximately 206.5 acres, more or less, in Coleman County, Texas. This lease has no depth limit.

On March 20, 2015, the Company entered into a multi-well purchase and sale agreement with EF VC2, LLC to sell a 37.5% working interest (“WI”) in the 3 wells for total consideration of \$180,000. Under the terms of the agreement both parties will receive a 50.0% of the WI revenue from these three wells until EF VC2 recaptures their investment of \$180,000 (defined as “Payout”). After Payout EF VC2 will revert to a 37.5% of the WI revenue for the remaining life of the production from the three wells.

We were successful in the recompletion of the Concho Richey #1 well on the J.E. Richey Lease in the Gray formation in July 2015. The Concho Richey well came in with initial production rates of 65 barrels of oil per day and 100 MCF of gas per day. We hold a 25% working interest in one producing well (“Concho Richey #1”) on the lease and a 100% working interest in the remainder of the 206-acre J. E Richey Lease.

The Concho Richey well was shut in due to a hole coming in to the casing which was repaired in the quarter ended October 31, 2016. No revenues were received during the quarter from the Concho Richey well, subsequently repairs were made to the well. Repairs made to the well to squeeze off the holes in the casing were successful. Revenues from the sale of oil and gas resumed during the year ended July 31, 2017. The Concho Richey #1 well is currently producing 7 barrels of oil and 40 MCF of gas per day.

After July 31, 2017 further work was conducted on the J.E. Richey #1 well during August 2017, which determined the casing in this well was beyond being repaired. A decision was made to plug this well. The Richey #1 well was plugged on January 3, 2018.

Olson Lease, Jones County, Texas:

We have a 100% interest in the 160-acre oil and gas Olsen lease located in the north central part of Jones County, Texas. The principal target formation is the Palo Pinto Reef. The Palo Pinto Reef is a known productive formation in the area with a high +yield of cumulative oil production. An example in the area is the Strand Oil Field which is a Palo Pinto Reef Oil Field. The field discovered in 1940, consists of only 8 wells on approximately 160 acres produced a total of 1,700,000 barrels of oil, an average of 212,500 barrels of oil per oil well. The 160 Olson Lease lies approximately 1.5 miles southeast of the Strand Palo Pinto Reef Oil Field. We hold 100% of the working interest in this lease.

Subsequent to January 31, 2018, the Company agreed to assign its interest and rights to the 160-acre Olson Lease to Kathis Energy LLC, a wholly owned subsidiary of the Company in exchange for a \$60,500 loan.

Guy Ranch Lease, Shackelford County, Texas

We hold a 100% working interest in the 430-acre Guy Ranch Lease in Shackelford County. Recently we entered into a farm-out agreement with a third party whereby the third party has the right to earn a 75% working interest in 20 acres of the 430-acre lease. The third party is to pay 100% of the costs to drill and complete a well on the 20 acres to earn a 75% working interest.

The principle target formations of interest on the lease are the Patio (aka Palo Pinto Sand), Morris and Gardner Sands. These three pay zones are all prominent producers in the immediate area. The Patio Sand is the main producer to the west, on an adjoining lease and generally averages between 25,000 and 75,000 barrels oil per well. The Morris Sand in the area is a known natural gas producer, with associated high gas production flow rates. Cumulative natural gas production is known to produce up to 1.4 Billion cubic feet (“BCF”) of gas from a well.

Subsequent to the January 31, 2018, the Company agreed to assign its interest and rights to 410 acres in the Guy Ranch Lease to Kathis Energy LLC, a wholly owned subsidiary of the Company in exchange for a \$66,500 loan.

NOTE 5 – ACCRUED LIABILITES

Accrued liabilities consist of \$32,207 of accrued interest, \$13,719 of accrued distribution payments and \$79,864 of moneys received in advance for well work to be performed and the acquisition of additional oil and gas properties. The Company has partnered with others whereby they provide all or a portion of the working capital for either well to be completed on existing properties or towards the acquisition of new properties. As of January 31, 2018, the Company has unused funds it has received of \$79,864.

NOTE 6 – CONVERTIBLE DEBT

On August 22, 2013 the Company entered into a \$50,000 Convertible Loan Agreement with an un-related party. The Loan and interest is convertible into Units at \$0.08 per Unit with each Unit consisting of one common share of the Company and ½ warrant with each full warrant exercisable for one year to purchase one common share at \$0.30 per share. The Loan shall bear interest at the rate of Eight Percent (8%) per annum, payable on maturity, calculated on the principal amount of the Loan outstanding. On July 10, 2014, a further \$35,000 was received from the same unrelated party under the same terms. As of January 31, 2018, there is \$85,000 and \$31,707 of principal and accrued interest, respectively, due on this loan.

On October 20, 2017, the Company executed a convertible promissory note for \$25,000 with a third party. The note accrues interest at 6%, matures in two years and is convertible into shares of common stock at maturity, at a minimum of \$0.10 per share, at the option of the holder. As of January 31, 2018, there is \$378 of accrued interest due on this loan.

NOTE 7 – COMMON STOCK

During the six months ended January 31, 2018, the Company sold 12,400,000 shares of common stock for total cash proceeds of \$178,000.

During the six months ended January 31, 2018, the Company sold 2,300,000 Units of its common stock for total cash proceeds of \$115,000. Each Unit consists of one common share and one-half share purchase warrant exercisable for 1 years. Each whole share purchase warrant has an exercise price of \$0.15 per common share.

NOTE 8 – WARRANTS

Warrants were issued during the year ended July 31, 2017 and during the six months ended January 31, 2018 in conjunction with common stock issuances. During the six months ended January 31, 2018, the Company sold 2,300,00 Units of its common stock for total cash proceeds of \$115,000. Each Unit consists of one common share and one-half share purchase warrant exercisable for 2 years. Each whole share purchase warrant has an exercise price of \$0.15 per common share. The warrants were evaluated for purposes of classification between liability and equity. The warrants do not contain features that would require a liability classification and are therefore considered equity. The Black Scholes pricing model was used to estimate the fair value of \$27,652 of the Warrants with the following inputs:

Warrants		1,150,000
Exercise Price	\$	0.15
Term		1 -2 year
Volatility		337.5% - 340.38%
Risk Free Interest Rate		1.67% - 1.80%
Fair Value	\$	27,652

Using the fair value calculation, the relative fair value between the common stock and the warrants was calculated to determine the warrants recorded equity amount of \$27,652, accounted for in additional paid in capital.

Activity for the year ended July 31, 2017 and the six months ended January 31, 2018 is as follows:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Remaining Contract Term
Outstanding at July 31, 2016	2,841,667	\$ 0.10	.84
Granted	150,000	0.10	2
Expired	(2,841,667)	0.10	-
Exercised	-	-	-
Exercisable at July 31, 2017	150,000	\$ 0.10	1.50
Granted	1,150,000	0.15	2.0
Expired	-	-	-
Exercised	-	-	-
Exercisable at January 31, 2018	1,300,000	0.14	1.67

NOTE 9 – COMMITMENTS AND CONTINGENCIES

During the quarter ended October 31, 2017, the Company entered into a Letter of Intent with Peme Bacalar SAPI DE CV on September 22, 2017 to examine the opportunity of acquiring ownership in approximately 61 acres (“Property”) on a freshwater lagoon near the community of Bacalar, Mexico in the state of Quintana Roo for the purpose of entering into a joint venture for the potential development of the Property into a resort. On November 16, 2017, subsequent to the end of the quarter, the Company entered into a Memorandum of Understanding (“MOU”) in order to further conduct due diligence toward this potential project. An amended MOU was entered into on April 13, 2018 setting forth the conditions for entering into a definitive agreement with Peme Bacalar to acquire 51% of the Property. These conditions include obtaining an independent appraisal of the Property, develop a business plan in conjunction with a Joint Venture Operating Agreement, terms for the consideration for the Property and for NMEX to become current in its filings with the Securities Exchange Commission. It was mutually agreed to strive to accomplish these conditions on or before June 15, 2018.

NOTE 10 – RELATED PARTY TRANSACTIONS

For the six months ended January 31, 2018 and 2017, total payments of \$27,500 and \$20,750, respectively were made to an officer of the Company for consulting services.

NOTE 11 – SUBSEQUENT EVENTS

Management has evaluated subsequent events pursuant to the requirements of ASC Topic 855, from the balance sheet date through the date the financial statement were available to be issued, and has determined that no material subsequent events exist other than the following.

Subsequent to January 31, 2018, the Company sold 1,359,000 shares of common stock for total cash proceeds of \$100,900.

Subsequent to January 31, 2018, the Company sold 430,000 Units of its common stock for total cash proceeds of \$21,500. Each Unit consists of one common share and one-half share purchase warrant exercisable for 1 years. Each whole share purchase warrant has an exercise price of \$0.15 per common share.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

This report on Form 10-Q contains certain forward-looking statements. All statements other than statements of historical fact are “forward-looking statements” for purposes of these provisions, including any projections of earnings, revenues, or other financial items; any statements of the plans, strategies, and objectives of management for future operation; any statements concerning proposed new products, services, or developments; any statements regarding future economic conditions or performance; statements of belief; and any statement of assumptions underlying any of the foregoing. Such forward-looking statements are subject to inherent risks and uncertainties, and actual results could differ materially from those anticipated by the forward-looking statements.

These forward-looking statements involve significant risks and uncertainties, including, but not limited to, the following: competition, promotional costs and the risk of declining revenues. Our actual results could differ materially from those anticipated in such forward-looking statements as a result of a number of factors. These forward-looking statements are made as of the date of this filing, and we assume no obligation to update such forward-looking statements. The following discusses our financial condition and results of operations based upon our unaudited financial statements which have been prepared in conformity with accounting principles generally accepted in the United States. It should be read in conjunction with our financial statements and the notes thereto included elsewhere herein.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. 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.

As used in this quarterly report, the terms “we”, “us”, “our” and “our company” mean Northern Minerals & Exploration Ltd., unless otherwise indicated.

General Overview

We are an emerging natural resource company operating in oil and gas production in central Texas and exploration for gold and silver in northern Nevada.

We were incorporated in Nevada on December 11, 2006 under the name Punchline Entertainment, Inc. On August 22, 2012, the Company’s board of directors approved an agreement and plan of merger to effect a name change of the Company from Punchline Entertainment, Inc. to Punchline Resources Ltd. On July 12, 2013, the stockholders approved an amendment to change the name of the Company from Punchline Resources Ltd. to Northern Mineral & Exploration Ltd.

Current Business

Coleman County, Texas – Three well rework/re-completion project

On October 14, 2014, we entered into an agreement to acquire a 75% working interest in the J.E. Richey lease. This lease area has six known productive formations. The existing three wells on the lease are fully equipped. Beginning in May 2015 we started conducting operations on the three wells to place them back into production. The rework/re-completion was completed on July 28, 2015 and production of oil and gas was established. Additional work was conducted on two of the three wells during the fiscal year and subsequent to the fiscal year ended July 31, 2017.

Jones County, Texas – Palo Pinto Reef project

During the fiscal year the Company acquired the Olson lease covering 160 acres in Jones County, Texas. This lease is 1.5 miles from the Strand Palo Pinto Reef Field which was discovered in 1940 and has produced 1,700,000 barrels of oil from 8 wells or 212,500 barrels of oil per well. The structure map on the Palo Pinto shows a large buildup in the Palo Pinto Reef across the southern portion of the lease. The Guinn #1 Olson well is 90’ high to a well 1000’ to the southeast and 42’ high to a well 1,150’ to the northwest. The Guinn well had a show and a tremendous buildup in the Palo Pinto Reef. The structural buildup and reef buildup across the acreage and close similarities to the Strand Field make this a good prospect.

Shackelford County, Texas – Guy Ranch Project:

During the fiscal year ended July 31, 2017 the Company acquired a 100% working interest in the 430-acre Guy Ranch Lease in Shackelford County. Subsequently the Company entered into a farm-out agreement with a third party whereby the third party has the right to earn a 75% working interest in a 20-acre drilling unit of the 430-acre lease. The third party is to pay 100% of the costs to drill and complete a well on the 20 acres to earn a 75% working interest.

Kathis Energy LLC

Subsequent to July 31, 2017, the Company created a wholly owned subsidiary, Kathis Energy LLC (“Kathis”), on November 22, 2017 for the purpose of conducting oil and gas drilling programs in Texas. The Company agreed to assign to Kathis the Olson and Guy Ranch leases in exchange for \$127,000.

Winnemucca Mountain Property

On September 14, 2012, our company entered into an option agreement (as amended and restated on November 15, 2012, February 1, 2013 and August 26, 2013) with AHL Holdings Ltd., a Nevada corporation, and Golden Sands Exploration Inc., a company incorporated under the laws of British Columbia, Canada, wherein we acquired an option to purchase a revised 80% interest in and to certain mining claims from AHL Holdings and Golden Sands, which claims form the Winnemucca Mountain Property in Humboldt County, Nevada. This Winnemucca Mountain property is currently comprised of 208 unpatented mining claims covering an area of approximately 3,800 acres.

The aggregate cash fee payable to exercise the option has been increased from \$1,715,000 to \$1,755,000 and the total number of common shares issuable to exercise the option has been increased from 100,000 to 2,100,000. Lastly, the amended and restated agreement provides that AHL Holdings may elect to receive shares of our common stock in lieu of any cash payments payable pursuant to the agreement at a 75% discount to the then current closing market price.

Effective July 30, 2014, we entered into amended and restated option agreement with AHL Holdings and Golden Sands that materially modifies and replaces the terms of the original option agreement (as amended last on August 26, 2013). No work was conducted on the property during the 2017 fiscal year or current quarter.

On May 30, 2017 the Company was given notice of default by the optionors whereby the Company lost the right to earn an interest in the Winnemucca Mountain property. We are currently in discussions with the optionors to potentially enter into a new agreement on the property. Although we are in such discussions, there are no assurances that acceptable terms can be reached with the optionors, AHL Holdings Ltd and Golden Sands Exploration Inc.

As part of the Company’s outstanding obligations to the Option Agreement, the Company conducted a geophysical survey on the Winnemucca Property in January 2018 at a cost of \$35,100.

Results of Operations

Results of Operations for the Three Months Ended January 31, 2018 and 2017

	Three Months Ended January 31,	
	2018	2017
Revenue	\$ 16,767	\$ 13,123
Distributions	\$ (14,720)	\$ (15,492)
Gross Margin	\$ 2,047	\$ (2,369)
Officer compensation	\$ (15,000)	\$ (9,250)
Director services	\$ (1,500)	\$ -
Consulting	\$ (40,500)	\$ (400)
Professional fees	\$ (10,060)	\$ -
Mineral property expenditures	\$ (10,100)	\$ (96)
General and administrative	\$ (61,761)	\$ (5,870)
Interest expense	\$ (2,685)	\$ (1,714)
Gain on forgiveness of debt	\$ 4,120	\$ -
Net Loss	\$ (135,439)	\$ (19,699)

Revenue

Revenues of oil and gas for the three months ended January 31, 2018 and 2017 were \$16,767 and \$13,123, respectively, a increase of \$3,644 or 27.8%. Revenues are earned from the J.E. Richey Lease both in selling oil and gas and from funds received for reworking the Concho Richey #1. We began earning revenues in Q1 of 2015 from the J.E. Richey Lease. Revenues resumed from the sale of oil and gas during the second quarter of the 2016/17 fiscal year.

Distributions

During the three months ended January 31, 2018, we accrued and/or paid distributions of \$14,720 compared to \$15,492 for the three months ended January 31, 2017. Distributions are paid or accrued in the quarter in which the revenue for those distributions is earned. Distributions are paid to the joint venture partners in the J.E. Richey Lease. We began paying distributions in Q1 of 2015 from the oil and gas revenues received from the J.E. Richey Lease.

Officer compensation

Officer compensation was \$15,000 and \$9,250 for the three months ended January 31, 2018 and 2017, respectively, an increase of \$5,750 or 62.2%. The increase can be attributed to an increase in time the CEO is spending on the day to day operations of the Company.

Director services

A Director was paid for services in the amount of \$1,500 and \$0 for the three months ended January 31, 2018 and 2017, respectively, an increase of \$1,500. The increase can be attributed to a monthly payment to the director in the current quarter.

Consulting

Consulting fees were \$10,060 and \$0 for the three months ended January 31, 2018 and 2017, respectively, an increase of \$10,060. The increase can be attributed to an increase in operations.

Professional fees

Professional fees were \$40,500 and \$0 for the three months ended January 31, 2018 and 2017, respectively, an increase of \$40,500. The increase can be attributed to increased audit and legal fees.

Mineral property expenditures

Mineral property expenditures were \$10,100 and \$96 for the three months ended January 31, 2018 and 2017, respectively, an increase of \$10,004 or 104.2%. Expenditures include lease payments for the working interest in the mineral properties and rework expense.

General and administrative

General and administrative expense was \$61,761 and \$5,870 for the three months ended January 31, 2018 and 2017, respectively, an increase of \$55,891. The increase can be largely be attributed to an increase in advertising and promotion expense.

Interest expense

During the three months ended January 31, 2018 and 2017 we had interest expense of \$2,685 and \$1,714, respectively, an increase of \$971 or 56.7%.

Gain on forgiveness of debt

Gain on forgiveness of debt was \$4,120 and \$0 for the three months ended January 31, 2018 and 2017, respectively.

Net Loss

For the three months ended January 31, 2018, we had a net loss of \$135,439 as compared to a net loss of \$19,699 for the three months ended January 31, 2017. Our net loss was higher in the current period primarily due to higher general and administrative and consulting expenses.

Results of Operations for the Six Months Ended January 31, 2018 and 2017

	Six Months Ended January 31,	
	2018	2017
Revenue	\$ 28,059	\$ 13,123
Distributions	\$ (27,759)	\$ (15,492)
Gross Margin	\$ 300	\$ (2,369)
Officer compensation	\$ (27,500)	\$ (20,750)
Director services	\$ (2,000)	\$ (500)
Consulting	\$ (58,000)	\$ (400)
Professional fees	\$ (19,625)	\$ (490)
Mineral property expenditures	\$ (12,849)	\$ (33,237)
General and administrative	\$ (107,446)	\$ (20,713)
Interest expense	\$ (9,869)	\$ (21,065)
Loss on disposal of mineral rights	\$ -	\$ (470,469)
Gain on forgiveness of debt	\$ 4,120	\$ -
Net Loss	<u>\$ (232,869)</u>	<u>\$ (569,993)</u>

Revenue

Revenues of oil and gas for the six months ended January 31, 2018 and 2017 were \$28,059 and \$13,123, respectively. Revenues are earned from the J.E. Richey Lease both in selling oil and gas and from funds received for reworking the Concho Richey #1. We began earning revenues in Q1 of 2015 from the J.E. Richey Lease. Revenues resumed from the sale of oil and gas during the second quarter of the 2016/17 fiscal year.

Distributions

During the six months ended January 31, 2018, we accrued distributions to be paid of \$27,759 compared to \$15,492 for the six months ended January 31, 2017. Distributions are paid and/or accrued in the quarter in which the revenue for those distributions is earned. Distributions are paid to the joint venture partners in the J.E. Richey Lease. We began paying distributions in Q1 of 2015 from the oil and gas revenues received from the J.E. Richey Lease.

Officer compensation

Officer compensation was \$27,500 and \$20,750 for the six months ended January 31, 2018 and 2017, respectively, an increase of \$6,750 or 32.5%. The increase can be attributed to an increase in time the CEO is spending on the day to day operations of the Company.

Director services

Directors were paid for services in the amount of \$2,000 and \$500 for the six months ended January 31, 2018 and 2017, respectively, an increase of \$1,500. The increase can be attributed to a monthly payment to the director in the current period.

Consulting

Consulting fees were \$58,000 and \$400 for the six months ended January 31, 2018 and 2017, respectively, an increase of \$57,600. The increase can be attributed to an increase in operations.

Professional fees

Professional fees were \$19,625 and \$490 for the six months ended January 31, 2018 and 2017, respectively, an increase of \$19,135. The increase can be attributed to an increase in audit and legal fees.

Mineral property expenditures

Mineral property expenditures were \$12,849 and \$33,237 for the six months ended January 31, 2018 and 2017, respectively, a decrease of \$20,388 or 61.3%. Expenditures include lease payments for the working interest in the mineral properties and rework expense.

General and administrative

General and administrative expense was \$107,446 and \$20,713 for the six months ended January 31, 2018 and 2017, respectively, an increase of \$86,733, or 418.7%. The increase can largely be attributed to an increase in advertising and promotion.

Interest expense

During the six months ended January 31, 2018 we had interest expense of \$9,869 compared to \$21,065 in the prior period.

Loss on disposal of mineral rights

Loss on disposal of mineral rights was \$0 and \$470,469 for the six months January 31, 2018 and 2017, respectively. This loss from the previous period is from the decision not to proceed with two projects, 1) Shallow Oil Project in Callahan County, Texas and 2) the Mississippi Reef Play also in Callahan County, Texas.

Gain on forgiveness of debt

Gain on forgiveness of debt was \$4,120 and \$0 for the six months ended January 31, 2018 and 2017, respectively.

Net Loss

For the six months ended January 31, 2018, we had a net loss of \$232,869 as compared to a net loss of \$569,993 for the six months ended January 31, 2017. Our net loss was lower in the current period primarily due the impairment recognized on two of our properties in the prior period.

Liquidity and Financial Condition

Operating Activities

Cash used by operating activities was \$285,575 for the six months ended January 31, 2018. Cash used for operating activities was \$1,737 for the six months ended January 31, 2017.

Investing Activities

We used no cash for investing activities for the six months ended January 31, 2018 and 2017.

Financing Activities

Cash provided by financing activities was \$293,000 from the sale of common stock and \$25,000 from a loan payable, for the six months ended January 31, 2018 compared to \$5,000 from the sale of common stock in the six months ended January 31, 2017.

We will require additional funds to fund our budgeted expenses over the next twelve months. These funds may be raised through equity financing, debt financing, or other sources, which may result in further dilution in the equity ownership of our shares. There is still no assurance that we will be able to maintain operations at a level sufficient for an investor to obtain a return on his investment in our common stock. Further, we may continue to be unprofitable. We need to raise additional funds in the immediate future in order to proceed with our budgeted expenses.

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 stockholders.

Critical Accounting Policies

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 the disclosure of contingent assets and liabilities of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Note 2 to the Financial Statements describes the significant accounting policies and methods used in the preparation of the Financial Statements. Estimates are used for, but not limited to, contingencies and taxes. Actual results could differ materially from those estimates. The following critical accounting policies are impacted significantly by judgments, assumptions, and estimates used in the preparation of the Financial Statements.

We are subject to various loss contingencies arising in the ordinary course of business. We consider the likelihood of loss or impairment of an asset or the incurrence of a liability, as well as our ability to reasonably estimate the amount of loss in determining loss contingencies. An estimated loss contingency is accrued when management concludes that it is probable that an asset has been impaired, or a liability has been incurred and the amount of the loss can be reasonably estimated. We regularly evaluate current information available to us to determine whether such accruals should be adjusted.

We recognize deferred tax assets (future tax benefits) and liabilities for the expected future tax consequences of temporary differences between the book carrying amounts and the tax basis of assets and liabilities. The deferred tax assets and liabilities represent the expected future tax return consequences of those differences, which are expected to be either deductible or taxable when the assets and liabilities are recovered or settled. Future tax benefits have been fully offset by a 100% valuation allowance as management is unable to determine that it is more likely than not that this deferred tax asset will be realized.

Revenue is recognized when a customer obtains control of promised goods or services and is recognized in an amount that reflects the consideration that an entity expects to receive in exchange for those goods or services. In addition, the standard requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The amount of revenue that is recorded reflects the consideration that the Company expects to receive in exchange for those goods. The Company applies the following five-step model in order to determine this amount: (i) identification of the promised goods in the contract; (ii) determination of whether the promised goods are performance obligations, including whether they are distinct in the context of the contract; (iii) measurement of the transaction price, including the constraint on variable consideration; (iv) allocation of the transaction price to the performance obligations; and (v) recognition of revenue when (or as) the Company satisfies each performance obligation.

The Company only applies the five-step model to contracts when it is probable that the entity will collect the consideration it is entitled to in exchange for the goods or services it transfers to the customer. Once a contract is determined to be within the scope of ASC 606 at contract inception, the Company reviews the contract to determine which performance obligations the Company must deliver and which of these performance obligations are distinct. The Company recognizes as revenues the amount of the transaction price that is allocated to the respective performance obligation when the performance obligation is satisfied or as it is satisfied. Generally, the Company's performance obligations are transferred to customers at a point in time, typically upon delivery.

Revenues are earned from the J.E. Richey Lease both in selling oil and gas and from funds received for reworking the Concho Richey #1. We began earning revenues in Q1 of 2015 from the J.E. Richey Lease. Revenues resumed from the sale of oil and gas during the second quarter of the 2016/17 fiscal year.

Property consists of mineral rights purchases as stipulated by underlying agreements and payments made for oil and gas exploration rights. Our company assesses the impairment of long-lived assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable. When we determine that the carrying value of long-lived assets may not be recoverable based upon the existence of one or more indicators of impairment and the carrying value of the asset cannot be recovered from projected undiscounted cash flows, we record an impairment charge. Our company measures any impairment based on a projected discounted cash flow method using a discount rate determined by management to be commensurate with the risk inherent in the current business model. Significant management judgment is required in determining whether an indicator of impairment exists and in projecting cash flows.

Mineral property acquisition and exploration costs are expensed as incurred until such time as economic reserves are quantified. Cost of lease, exploration, carrying and retaining unproven mineral lease properties are expensed as incurred. We have chosen to expense all mineral exploration costs as incurred given that it is still in the exploration stage. Once our company has identified proven and probable reserves in its investigation of its properties and upon development of a plan for operating a mine, it would enter the development stage and capitalize future costs until production is established. When a property reaches the production stage, the related capitalized costs will be amortized over the estimated life of the probable-proven reserves. When our company has capitalized mineral properties, these properties will be periodically assessed for impairment of value and any diminution in value. To date, our company has not established the commercial feasibility of any exploration prospects; therefore, all costs are to be expensed.

The Company applies the successful efforts method of accounting for oil and gas properties. The Company capitalizes asset acquisition costs of mineral rights and leases. Unproved oil and gas properties are periodically assessed to determine whether they have been impaired, and any impairment in value is charged to expense. The costs of proved properties will be depleted on an equivalent unit-of-production basis in which total proved reserves will be the base used to calculate depletion.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and, as such, are not required to provide the information under this Item.

Item 4. Controls and Procedures

We maintain disclosure controls and procedures, as defined in Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934 (the "Exchange Act"), that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer (our principal executive officer, principal financial officer and principal accounting officer), as appropriate to allow timely decisions regarding required disclosure.

We carried out an evaluation, under the supervision and with the participation of our management, including our chief executive officer and chief financial officer (our principal executive officer, principal financial officer and principal accounting officer), of the effectiveness of the design and operation of our disclosure controls and procedures as of quarter covered by this report. Based on the evaluation of these disclosure controls and procedures the chief executive officer and chief financial officer (our principal executive officer, principal financial officer and principal accounting officer) concluded that our disclosure controls and procedures were not effective.

Changes in Internal Controls

During the quarter covered by this report there were no changes in our internal control over financial reporting that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

We know of no material, existing or pending legal proceedings against us, nor are we involved as a plaintiff in any material proceeding or pending litigation. There are no proceedings in which any of our directors, officers or affiliates, or any registered or beneficial shareholder, is an adverse party or has a material interest adverse to our company.

Item 1A. Risk Factors

Risks Related To Our Overall Business Operations

We have a limited operating history with significant losses and expect losses to continue for the foreseeable future.

We have yet to establish any history of profitable operations. As of January 31, 2018, we have an accumulated deficit of \$1,855,589. We have just begun generating revenues since our inception and do not anticipate that we will generate revenues which will be sufficient to sustain our operations. We expect that our revenues will not be sufficient to sustain our operations for the foreseeable future. Our profitability will require the successful commercialization of our mining properties. We may not be able to successfully commercialize our mines or ever become profitable.

There is doubt about our ability to continue as a going concern due to recurring losses from operations, accumulated deficit and insufficient cash resources to meet our business objectives, all of which means that we may not be able to continue operations.

Our independent auditors have added an explanatory paragraph to their audit opinion issued in connection with the financial statements for the years ended July 31, 2017 and 2016, respectively, with respect to their doubt about our ability to continue as a going concern. As discussed in Note 3 to our financial statements for the six months ended January 31, 2018, we have generated operating losses since inception, and our cash resources are insufficient to meet our planned business objectives, which together raises doubt about our ability to continue as a going concern.

We may not be able to secure additional financing to meet our future capital needs due to changes in general economic conditions.

We anticipate needing significant capital to conduct further exploration and development needed to bring our existing oil and gas and mining properties into production and/or to continue to seek out appropriate joint venture partners or buyers for certain mining properties. We may use capital more rapidly than currently anticipated and incur higher operating expenses than currently expected, and we may be required to depend on external financing to satisfy our operating and capital needs. We may need new or additional financing in the future to conduct our operations or expand our business. Any sustained weakness in the general economic conditions and/or financial markets in the United States or globally could adversely affect our ability to raise capital on favorable terms or at all. From time to time we have relied, and may also rely in the future, on access to financial markets as a source of liquidity to satisfy working capital requirements and for general corporate purposes. We may be unable to secure debt or equity financing on terms acceptable to us, or at all, at the time when we need such funding. If we do raise funds by issuing additional equity or convertible debt securities, the ownership percentages of existing stockholders would be reduced, and the securities that we issue may have rights, preferences or privileges senior to those of the holders of our common stock or may be issued at a discount to the market price of our common stock which would result in dilution to our existing stockholders. If we raise additional funds by issuing debt, we may be subject to debt covenants, which could place limitations on our operations including our ability to declare and pay dividends. Our inability to raise additional funds on a timely basis would make it difficult for us to achieve our business objectives and would have a negative impact on our business, financial condition and results of operations.

Our properties are in the exploration stage. There is no assurance that we can establish the existence of any mineral resource on any of our properties in commercially exploitable quantities. Until we can do so, we cannot earn any revenues from operations and if we do not do so we will lose all of the funds that we expend on exploration. If we do not discover any mineral resource in a commercially exploitable quantity, our business could fail.

Despite exploration work on our mineral properties, we have not established that our properties have sufficient mineral reserve to justify a mining operation, and there can be no assurance that we will be able to do so. If we do not, our business could fail.

A mineral reserve is defined by the Securities and Exchange Commission in its Industry Guide 7 (which can be viewed over the Internet at <http://www.sec.gov/divisions/corpfin/forms/industry.htm#secguide7>) as that part of a mineral deposit which could be economically and legally extracted or produced at the time of the reserve determination. The probability of an individual prospect ever having a “reserve” that meets the requirements of the Securities and Exchange Commission’s Industry Guide 7 is extremely remote; in all probability our mineral resource properties do not contain any ‘reserve’ and any funds that we spend on exploration will probably be lost.

Even if we do eventually discover a mineral reserve on any of our properties, there can be no assurance that we will be able to develop any of our properties into a producing mine and extract those resources. Both mineral exploration and development involve a high degree of risk and few properties which are explored are ultimately developed into producing mines.

The commercial viability of an established mineral deposit will depend on a number of factors including, by way of example, the size, grade and other attributes of the mineral deposit, the proximity of the resource to infrastructure such as a smelter, roads and a point for shipping, government regulation and market prices. Most of these factors will be beyond our control, and any of them could increase costs and make extraction of any identified mineral resource unprofitable.

Mineral operations are subject to applicable law and government regulation. Even if we discover a mineral resource in a commercially exploitable quantity, these laws and regulations could restrict or prohibit the exploitation of that mineral resource. If we cannot exploit any mineral resource that we might discover on any of our properties, our business may fail.

Both mineral exploration and extraction require permits from various foreign, federal, state, provincial and local governmental authorities and are governed by laws and regulations, including those with respect to prospecting, mine development, mineral production, transport, export, taxation, labor standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. There can be no assurance that we will be able to obtain or maintain any of the permits required for the continued exploration of our mineral properties or for the construction and operation of a mine on our properties at economically viable costs. If we cannot accomplish these objectives, our business could fail.

We believe that we are in compliance with all material laws and regulations that currently apply to our activities but there can be no assurance that we can continue to remain in compliance. Current laws and regulations could be amended, and we might not be able to comply with them, as amended. Further, there can be no assurance that we will be able to obtain or maintain all permits necessary for our future operations, or that we will be able to obtain them on reasonable terms. To the extent such approvals are required and are not obtained, we may be delayed or prohibited from proceeding with planned exploration or development of our mineral properties.

If we establish the existence of a mineral resource on any of our properties in a commercially exploitable quantity, we will require additional capital in order to develop the property into a producing mine. If we cannot raise this additional capital, we will not be able to exploit the resource, and our business could fail.

If we do discover mineral resources in commercially exploitable quantities on any of our properties, we will be required to expend substantial sums of money to establish the extent of the resource, develop processes to extract it and develop extraction and processing facilities and infrastructure. Although we may derive substantial benefits from the discovery of a major deposit, there can be no assurance that any discovered resource will be large enough to justify commercial operations, nor can there be any assurance that we will be able to raise the funds required for development on a timely basis. If we cannot raise the necessary capital or complete the necessary facilities and infrastructure, our business may fail.

Mineral exploration and development is subject to extraordinary operating risks. We do not currently insure against these risks. In the event of a cave-in or similar occurrence, our liability may exceed our resources, which would have an adverse impact on our company.

Mineral exploration, development and production involve many risks which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Our operations will be subject to all the hazards and risks inherent in the exploration for mineral resources and, if we discover a mineral resource in commercially exploitable quantity, our operations could be subject to all of the hazards and risks inherent in the development and production of resources, including liability for pollution, cave-ins or similar hazards against which we cannot insure or against which we may elect not to insure. Any such event could result in work stoppages and damage to property, including damage to the environment. We do not currently maintain any insurance coverage against these operating hazards. The payment of any liabilities that arise from any such occurrence would have a material adverse impact on our company.

Mineral prices are subject to dramatic and unpredictable fluctuations.

We expect to derive revenues, if any, either from the sale of our mineral resource properties or from the extraction and sale of ore. The price of those commodities has fluctuated widely in recent years, and is affected by numerous factors beyond our control, including international, economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates, global or regional consumptive patterns, speculative activities and increased production due to new extraction developments and improved extraction and production methods. The effect of these factors on the price of base and precious metals, and therefore the economic viability of any of our exploration properties and projects, cannot accurately be predicted.

The mining industry is highly competitive and there is no assurance that we will continue to be successful in acquiring mineral claims. If we cannot continue to acquire properties to explore for mineral resources, we may be required to reduce or cease operations.

The mineral exploration, development, and production industry is largely un-integrated. We compete with other exploration companies looking for mineral resource properties. While we compete with other exploration companies in the effort to locate and acquire mineral resource properties, we will not compete with them for the removal or sales of mineral products from our properties if we should eventually discover the presence of them in quantities sufficient to make production economically feasible. Readily available markets exist worldwide for the sale of mineral products. Therefore, we will likely be able to sell any mineral products that we identify and produce.

In identifying and acquiring mineral resource properties, we compete with many companies possessing greater financial resources and technical facilities. This competition could adversely affect our ability to acquire suitable prospects for exploration in the future. Accordingly, there can be no assurance that we will acquire any interest in additional mineral resource properties that might yield reserves or result in commercial mining operations.

Risks Associated with Our Mining Industry

The development and operation of our mining projects involve numerous uncertainties.

Mine development projects, including our planned projects, typically require a number of years and significant expenditures during the development phase before production is possible.

Development projects are subject to the completion of successful feasibility studies, issuance of necessary governmental permits and receipt of adequate financing. The economic feasibility of development projects is based on many factors such as:

- estimation of reserves;
- anticipated metallurgical recoveries;
- future gold and silver prices; and
- anticipated capital and operating costs of such projects.

Our mine development projects may have limited relevant operating history upon which to base estimates of future operating costs and capital requirements. Estimates of proven and probable reserves and operating costs determined in feasibility studies are based on geologic and engineering analyses.

Any of the following events, among others, could affect the profitability or economic feasibility of a project:

- unanticipated changes in grade and tonnage of material to be mined and processed;
- unanticipated adverse geotechnical conditions;
- incorrect data on which engineering assumptions are made;
- costs of constructing and operating a mine in a specific environment;
- availability and cost of processing and refining facilities;
- availability of economic sources of power;
- adequacy of water supply;
- adequate access to the site;
- unanticipated transportation costs;
- government regulations (including regulations relating to prices, royalties, duties, taxes, restrictions on production, quotas on exportation of minerals, as well as the costs of protection of the environment and agricultural lands);
- fluctuations in metal prices; and
- accidents, labor actions and force majeure events.

Any of the above referenced events may necessitate significant capital outlays or delays, may materially and adversely affect the economics of a given property, or may cause material changes or delays in our intended exploration, development and production activities. Any of these results could force us to curtail or cease our business operations.

Mineral exploration is highly speculative, involves substantial expenditures, and is frequently non-productive.

Mineral exploration involves a high degree of risk and exploration projects are frequently unsuccessful. Few prospects that are explored end up being ultimately developed into producing mines. To the extent that we continue to be involved in mineral exploration, the long-term success of our operations will be related to the cost and success of our exploration programs. We cannot assure you that our mineral exploration efforts will be successful. The risks associated with mineral exploration include:

- the identification of potential economic mineralization based on superficial analysis;
- the quality of our management and our geological and technical expertise; and
- the capital available for exploration and development.

Substantial expenditures are required to determine if a project has economically mineable mineralization. It may take several years to establish proven and probable reserves and to develop and construct mining and processing facilities. Because of these uncertainties, our current and future exploration programs may not result in the discovery of reserves, the expansion of our existing reserves or the further development of our mines.

The price of gold and silver are highly volatile and a decrease in the price of gold or silver would have a material adverse effect on our business.

The profitability of mining operations is directly related to the market prices of metals. The market prices of metals fluctuate significantly and are affected by a number of factors beyond our control, including, but not limited to, the rate of inflation, the exchange rate of the dollar to other currencies, interest rates, and global economic and political conditions. Price fluctuations of metals from the time development of a mine is undertaken to the time production can commence can significantly affect the profitability of a mine. Accordingly, we may begin to develop one or more of our mining properties at a time when the price of metals makes such exploration economically feasible and, subsequently, incur losses because the price of metals decreases. Adverse fluctuations of the market prices of metals may force us to curtail or cease our business operations.

Mining risks and insurance could have an adverse effect on our profitability.

Our operations are subject to all of the operating hazards and risks normally incident to exploring for and developing mineral properties, such as unusual or unexpected geological formations, environmental pollution, personal injuries, flooding, cave-ins, changes in technology or mining techniques, periodic interruptions because of inclement weather and industrial accidents. Although maintenance of insurance to ameliorate some of these risks is part of our proposed exploration program associated with those mining properties we have an interest in, such insurance may not be available at economically feasible rates or in the future be adequate to cover the risks and potential liabilities associated with exploring, owning and operating our properties. Either of these events could cause us to curtail or cease our business operations.

We face significant competition in the mineral exploration industry.

We compete with other mining and exploration companies possessing greater financial resources and technical facilities than we do in connection with the acquisition of exploration properties and leases on prospects and properties and in connection with the recruitment and retention of qualified personnel. Such competition may result in our being unable to acquire interests in economically viable gold and silver exploration properties or qualified personnel.

Our applications for exploration permits may be delayed or may be denied in the future.

Exploration activities usually require the granting of permits from various governmental agencies. For exploration drilling on unpatented mineral claims, a drilling plan must be filed with the Bureau of Land Management or the United States Forest Service, which may then take several months or more to grant the requested permit. Depending on the size, location and scope of the exploration program, additional permits may also be required before exploration activities can be undertaken. Prehistoric or Indian grave yards, threatened or endangered species, archeological sites or the possibility thereof, difficult access, excessive dust and important nearby water resources may all result in the need for additional permits before exploration activities can commence. With all permitting processes, there is the risk that unexpected delays and excessive costs may be experienced in obtaining required permits or the refusal to grant required permits may not be granted at all, all of which may cause delays and unanticipated costs in conducting planned exploration activities. Any such delays or unexpected costs in the permitting process could result in serious adverse consequences to the price of our stock and to the value of your investment.

Risks Associated with Our Oil & Gas Industry

A substantial or extended decline in oil and natural gas prices or demand for oil and gas products may adversely affect our business, financial condition, cash flow, liquidity or results of operations and our ability to meet our capital expenditure obligations and financial commitments and to implement our business strategy.

The price we receive for our oil and natural gas production will heavily influence our revenue, profitability, access to capital, and future rate of growth. Recent extremely high prices have affected the demand for oil and gas products, and that demand has declined on a worldwide basis. If the decline in demand continues, the ability to command higher prices for oil and gas products will be endangered. Oil and natural gas are commodities, and, therefore, their prices are subject to wide fluctuations in response to relatively minor changes in supply and demand. Historically, the markets for oil and natural gas have been volatile. These markets will likely continue to be volatile in the future. The prices we receive for our production, and the levels of our production, and the revenue we will receive, depend on numerous factors beyond our control. These factors include the following:

- changes in global supply and demand for oil and natural gas;
- the actions of the Organization of Petroleum Exporting Countries (“OPEC”) and other organizations and government entities;
- the price and quantity of imports of foreign oil and natural gas;
- political conditions and events worldwide, including rules concerning production and environmental protection, and political instability in countries with significant oil production such as the Congo and Venezuela, all affecting oil-producing activity;
- the level of global oil and natural gas exploration and production activity;
- the short and long term levels of global oil and natural gas inventories;
- weather conditions;
- technological advances affecting the exploitation for oil and gas, and related advances for energy consumption; and
- the price and availability of alternative fuels.

Lower oil and natural gas prices may not only decrease our revenues but may also reduce the amount of oil and natural gas that we can produce economically. A substantial or extended decline in oil or natural gas prices is likely to materially and adversely affect our future business, financial condition, results of operations, liquidity or ability to finance planned capital expenditures.

We plan to conduct exploration, exploitation and production operations, which present additional unique operating risks.

There are additional risks associated with oil and gas investment which involve production and well operations and drilling. These risks include, among others, substantial cost overruns and/or unanticipated outcomes that may result in uneconomic projects or wells. Cost overruns could materially reduce the funds available to the Company, and cost overruns are common in the oil and gas industry. Moreover, drilling expense and the risk of mechanical failure can be significantly increased in wells drilled to greater depths and where one is more likely to encounter adverse conditions such as high temperature and pressure.

We may not be able to control operations of the wells we acquire.

We may not be able to acquire the operations for properties that we invest in. As a result, we may have limited ability to exercise influence over the operations for these properties or their associated costs. Our dependence on another operator and other working interest owners for these projects and our limited ability to influence operations and associated costs could prevent the realization of our targeted returns on capital in drilling or acquisition activities. The success and timing of development and exploitation activities on properties operated by others depend upon a number of factors that will be largely outside of our control, including:

- the timing and amount of capital expenditures;
- the availability of suitable drilling rigs, drilling equipment, production and transportation infrastructure and qualified operating personnel;
- the operator’s expertise and financial resources;
- approval of other participants in drilling wells; and
- selection of technology.

We may not be successful in identifying or developing recoverable reserves.

Our future success depends upon our ability to acquire and develop oil and gas reserves that are economically recoverable. Proved reserves will generally decline as reserves are depleted, except to the extent that we can replace those reserves by exploration and development activities or acquisition of properties containing proved reserves, or both. In order to increase reserves and production, we must undertake development, exploration, drilling and recompletion programs or other replacement activities. Our current strategy includes increasing our reserve base through development, exploitation, exploration and acquisition. There can be no assurance that our planned development and exploration projects or acquisition activities will result in significant additional reserves or that we will have continuing success drilling productive wells at economical values in terms of their finding and development costs. Furthermore, while our revenues may increase if oil and gas prices increase significantly, finding costs for additional reserves have increased during the last few years. It is possible that product prices will decline while the Company is in the middle of executing its plans, while costs of drilling remain high. There can be no assurance that we will replace reserves or replace our reserves economically.

Our future oil & gas activities may not be successful.

Oil and gas activities are subject to many risks, including the risk that no commercially productive reservoirs will be encountered. There can be no assurance that new wells drilled by us 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 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, and the cost associated with these activities has risen significantly during the past year. Our drilling operations may be curtailed, delayed or canceled as a result of numerous factors, many of which are beyond our control, including economic conditions, mechanical problems, title problems, weather conditions, governmental requirements and shortages or delays in the delivery of equipment and services. Our future oil and gas activities may not be successful and, if unsuccessful, such failure may have a material adverse effect on our future results of operations and financial condition.

Our operations are subject to risks associated with drilling or producing and transporting oil and gas.

Our operations are subject to hazards and risks inherent in drilling or producing and transporting oil and gas, such as fires, natural disasters, explosions, encountering formations with abnormal pressures, blowouts, cratering, pipeline ruptures and spills, any of which can result in the loss of hydrocarbons, environmental pollution, personal injury claims and other damage to our properties.

The lack of availability or high cost of drilling rigs, fracture stimulation crews, equipment, supplies, insurance, personnel and oil field services could adversely affect our ability to execute our exploration and development plans on a timely basis and within our budget.

Our industry is cyclical and, from time to time, there is a shortage of drilling rigs, fracture stimulation crews, equipment, supplies, key infrastructure, insurance or qualified personnel. During these periods, the costs and delivery times of rigs, equipment and supplies are substantially greater. In addition, the demand for, and wage rates of, qualified crews rise as the number of active rigs and completion fleets in service increases. If increasing levels of exploration and production result in response to strong prices of oil and natural gas, the demand for oilfield services will likely rise, and the costs of these services will likely increase, while the quality of these services may suffer. If the lack of availability or high cost of drilling rigs, equipment, supplies, insurance or qualified personnel were particularly severe in Texas, we could be materially and adversely affected because our operations and properties are concentrated in Texas at the present time.

Compliance with government regulations may require significant expenditures.

Our business is subject to federal, state and local laws and regulations relating to the exploration for, and the development, production and transportation of oil and gas, as well as safety matters. Although we will attempt to conduct due diligence concerning standard compliance issues, there is a heightened risk that our target properties are not in compliance because of lack of funding. We may be required to make significant expenditures to comply with governmental laws and regulations that may have a material adverse effect on our financial condition and results of operations. Even if the properties are in substantial compliance with all applicable laws and regulations, the requirements imposed by such laws and regulations are frequently changed and are subject to interpretation, and we are unable to predict the ultimate cost of compliance with these requirements or their effect on our operations.

Environmental regulations and costs of remediation could have a material adverse effect on our operations.

Our operations are subject to complex and constantly changing environmental laws and regulations adopted by federal, state and local government authorities. The implementation of new, or the modification of existing, laws or regulations could have a material adverse effect on our operations. The discharge of oil, gas or other pollutants into the air, soil, or water may give rise to significant liabilities on our part to the government and third parties, and may require us to incur substantial costs of remediation. We will be required to consider and negotiate the responsibility of the Company for prior and ongoing environmental liabilities. We may be required to post or assume bonds or other financial guarantees with the parties from whom we purchase properties or with governments to provide financial assurance that we can meet potential remediation costs. There can be no assurance that existing environmental laws or regulations, as currently interpreted or reinterpreted in the future, or future laws or regulations will not materially adversely affect our results of operation and financial condition or that material indemnity claims will not arise against us with respect to properties acquired by us.

Certain United States federal income tax deductions currently available with respect to oil and natural gas exploration and production may be eliminated as a result of future legislation.

Recently, there has been significant discussion among members of Congress regarding potential legislation that, if enacted into law, would eliminate certain key United States federal income tax incentives currently available to oil and natural gas exploration and production companies. These changes include, among other proposals:

- the repeal of the limited percentage depletion allowance for oil and natural gas production in the United States;
- the replacement of expensing intangible drilling and development costs in the year incurred with an amortization of those costs over several years;
- the elimination of the deduction for certain domestic production activities; and
- an extension of the amortization period for certain geological and geophysical expenditures.

It is unclear whether these or similar changes will be enacted. The passage of this legislation or any similar changes in federal income tax laws could eliminate or postpone certain tax deductions that are currently available with respect to U.S. oil and natural gas exploration and development. Any such changes could have an adverse effect on our financial position, results of operations and cash flows.

We operate in a highly competitive environment.

We operate in the highly competitive areas of oil and gas exploration, development, acquisition and production with other companies. In seeking to acquire desirable producing properties or new leases for future exploration, and in marketing our oil and gas production, we face intense competition from both major and independent oil and gas companies. If any of these competitors have financial and other resources substantially in excess of those available to us. Our inability to effectively compete in this environment could materially and adversely affect our financial condition and results of operations.

The producing life of oil and gas wells is uncertain, and production will decline.

It is not possible to predict the life and production of any oil and gas wells with accuracy. The actual life could differ significantly from that anticipated. Sufficient oil or natural gas may not be produced for investors to receive a profit or even to recover their initial investments. In addition, production from the Company's oil and natural gas wells, if any, will decline over time, and current production does not necessarily indicate any consistent level of future production. A production decline may be rapid and irregular when compared to a well's initial production.

Our lack of diversification will increase the risk of an investment in us, as our financial condition may deteriorate if we fail to diversify.

Larger companies have the ability to manage their risk by diversification. However, we lack diversification, in terms of both the nature and geographic scope of our business. As a result, we will likely be impacted more acutely by factors affecting our industry or the regions in which we operate than we would if our business were more diversified, enhancing our risk profile. If we cannot diversify our operations, our financial condition and results of operations could deteriorate. The Company has a limited number of potential revenue generating properties. These properties historically had revenue derived from the sale of natural gas and oil. Therefore, the price we receive for our oil and natural gas production heavily influences our revenue, profitability, access to capital and future rate of growth.

Our business may suffer if we do not attract and retain talented personnel.

Our success will depend in large measure on the abilities, expertise, judgment, discretion, integrity and good faith of our management and other personnel in conducting our intended business. We presently have a small management team which we intend to expand in conjunction with our planned operations and growth. The loss of a key individual, or our inability to attract suitably qualified staff could materially adversely impact our business.

We may not be able to establish substantial oil operations or manage our growth effectively, which may harm our profitability.

Our strategy envisions establishing and expanding our oil business. If we fail to effectively establish sufficient oil operations and thereafter manage our growth, our financial results could be adversely affected. Growth may place a strain on our management systems and resources. We must continue to refine and expand our business development capabilities, our systems and processes, and our access to financing sources. As we grow, we must continue to hire, train, supervise and manage new employees. We cannot assure you that we will be able to:

- meet our capital needs;
- expand our systems effectively or efficiently or in a timely manner;
- allocate our human resources optimally
- identify and hire qualified employees or retain valued employees; or
- incorporate effectively the components of any business that we may acquire in our effort to achieve growth.

If we are unable to manage our growth, our operations and our financial results could be adversely affected by inefficiency, which could diminish our profitability.

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

To develop our business, it will be necessary for us to establish business relationships, which may take the form of joint ventures with private parties and contractual arrangements with other unconventional oil companies, including those that supply equipment and other resources that we expect to use in our business. We may not be able to establish these 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.

An increase in royalties payable may make our operations unprofitable.

Any development project of our resource assets will be directly affected by the royalty regime applicable. The economic benefit of future capital expenditures for the project is, in many cases, dependent on a satisfactory royalty regime. There can be no assurance that governments will not adopt a new royalty regime that will make capital expenditures uneconomic or that the royalty regime currently in place will remain unchanged.

Hydraulic fracturing, the process used for releasing oil and natural gas from shale rock, has recently come under increased scrutiny and could be the subject of further regulation that could impact the timing and cost of development.

Recently there has been increasing public and regulatory attention focused on the potential environmental impact of hydraulic fracturing (or “fracking”) operations. This process, which involves the injection of water, sand and certain additives deep underground to release natural gas, natural gas liquids and oil deposits, is part of our proposed future operations and future regulation of these activities could have a material adverse impact on our business, financial condition and results of operations.

Various government agencies, political representatives and public interest groups have raised concerns about the potential for fracking to lead to groundwater contamination, and various regulatory and legislative measures have been proposed or adopted at the federal, state and local level to study or monitor related concerns, to regulate well operations and related production and waste streams, or to ban fracking entirely. For example, various states and federal regulatory authorities require or are considering requiring public disclosure of the chemicals contained in fracking fluids and testing and monitoring obligations relating to well integrity and operation. North Dakota, a state in which we conduct operations, recently amended its current regulations to require additional pollution control equipment at well sites and enhanced emergency response procedures in addition to other measures designed to reduce potential environmental impacts. In 2011, the EPA announced its intention to consider pre-treatment standards for produced waters that are sent to third party wastewater treatment plants.

In addition, bills have been proposed in the US. Congress to allow the EPA to regulate the injection of fracking fluids under the federal Safe Drinking Water Act, which could require hydraulic fracturing operations to meet federal permitting and financial assurance requirements, adhere to certain construction specifications, fulfill monitoring, reporting, and recordkeeping obligations, and meet plugging and abandonment requirements. The proposed legislation also would require the reporting and public disclosure of chemicals used in the fracturing process, which could make it easier for third parties opposing the hydraulic fracturing process to initiate legal proceedings based on allegations that specific chemicals used in the fracturing process could adversely affect groundwater. In addition, in light of concerns about seismic activity being triggered by the injection of produced waters into underground wells, certain regulators are considering additional requirements related to seismic safety. Other concerns have been raised regarding water usage, air emissions (including greenhouse gas emissions) and waste disposal, and certain jurisdictions have imposed moratoria on fracking operations while the potential impacts are studied. The EPA, Congress and other government representatives continue to investigate the impacts of fracking, and additional studies and regulatory or legislative initiatives are possible.

Depending on the legislation that may ultimately be enacted or the regulations that may be adopted at the federal, and/or state levels, exploration and production activities that entail hydraulic fracturing could be subject to additional regulation and permitting requirements. Individually or collectively, such new legislation or regulation could lead to operational delays or increased operating costs and could result in additional burdens that could increase the costs and delay or curtail the development of conventional and unconventional oil and natural gas resources including development of shale formations which are not commercial without the use of hydraulic fracturing. This could have an adverse effect on our business, financial condition and results of operations.

Exploration for petroleum and gas products is inherently speculative. There can be no assurance that we will ever establish commercial discoveries.

Exploration for economic reserves of oil and gas is subject to a number of risk factors. Few properties that are explored are ultimately developed into producing oil or gas wells. Some of our properties are in the exploration stage only and are without proven reserves of oil and gas. We may not establish commercial discoveries on any of our properties.

There are numerous uncertainties inherent in estimating quantities of conventional and unconventional oil and gas resources, including many factors beyond our control and no assurance can be given that expected levels of resources or recovery of oil and gas will be realized. In general, estimates of recoverable oil and gas resources are based upon a number of factors and assumptions made as of the date on which resource estimates are determined, such as geological and engineering estimates which have inherent uncertainties and the assumed effects of regulation by governmental agencies and estimates of future commodity prices and operating costs, all of which may vary considerably from actual results. All such estimates are, to some degree, uncertain, and classifications of resources are only attempts to define the degree of uncertainty involved. For these reasons, estimates of the recoverable unconventional oil, the classification of such resources based on risk of recovery, prepared by different engineers or by the same engineers at different times, may vary substantially.

Prices and markets for oil and gas are unpredictable and tend to fluctuate significantly, which could reduce profitability, growth and the value of our proposed business.

Our revenues and earnings, if any, will be highly sensitive to the price of oil and gas. Prices for oil and gas are subject to large fluctuations in response to relatively minor changes in the supply of and demand for oil and gas, market uncertainty, and a variety of additional factors beyond our control. These factors include, without limitation, weather conditions, the condition of the Canadian, US. and global economies, the actions of the Organization of Petroleum Exporting Countries, governmental regulations, political stability in the Middle East and elsewhere, war, or the threat of war, in oil producing regions, the foreign supply of oil, the price of foreign imports, and the availability of alternate fuel sources. Significant changes in long-term price outlooks for crude oil and natural gas could have a material adverse effect on us. For example, market fluctuations of oil prices may render uneconomic the extraction of oil and gas.

All of these factors are beyond our control and can result in a high degree of price volatility not only in crude oil and natural gas prices, but also fluctuating price differentials between heavy and light grades of crude oil, which can impact prices for our crude oil. Oil and natural gas prices have fluctuated widely in recent years, and we expect continued volatility and uncertainty in crude oil and natural gas prices. A prolonged period of low crude oil and natural gas prices could affect the value of our crude oil and gas properties and the level of spending on growth projects, and could result in curtailment of production on some properties. Accordingly, low crude oil prices in particular could have an adverse impact on our financial condition and liquidity and results of operations.

Existing environmental regulations impose substantial operating costs which could adversely affect our business.

Environmental regulation affects nearly all aspects of our operations. These regulatory regimes are laws of general application that apply to us in the same manner as they apply to other companies and enterprises in the energy industry. Conventional and unconventional oil extraction operations present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, state and county laws and regulations.

Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil operations. The legislation also requires that facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material.

We expect future changes to environmental legislation, including anticipated legislation for air pollution and greenhouse gases that will impose further requirements on companies operating in the energy industry. Changes in environmental regulation could have an adverse effect on us from the standpoint of product demand, product reformulation and quality, methods of production and distribution and costs, and financial results. For example, requirements for cleaner-burning fuels could cause additional costs to be incurred, which may or may not be recoverable in the marketplace. The complexity and breadth of these issues make it extremely difficult to predict their future impact on us. Management anticipates capital expenditures and operating expenses could increase in the future as a result of the implementation of new and increasingly stringent environmental regulations.

Abandonment and reclamation costs are unknown and may be substantial.

Certain environmental regulations govern the abandonment of project properties and reclamation of lands at the end of their economic life, the costs of which may be substantial. A breach of such regulations may result in the issuance of remedial orders, the suspension of approvals, or the imposition of fines and penalties, including an order for cessation of operations at the site until satisfactory remedies are made. It is not possible to estimate with certainty abandonment and reclamation costs since they will be a function of regulatory requirements at the time.

Changes in the granting of governmental approvals could raise our costs and adversely affect our business.

Permits, leases, licenses, and approvals are required from a variety of regulatory authorities at various stages of exploration and development. There can be no assurance that the various government permits, leases, licenses and approvals sought will be granted in respect of our activities or, if granted, will not be cancelled or will be renewed upon expiration. There is no assurance that such permits, leases, licenses, and approvals will not contain terms and provisions which may adversely affect our exploration and development activities.

Amendments to current laws and regulations governing our proposed operations could have a material adverse impact on our proposed business.

Our business will be subject to substantial regulation under state and federal laws relating to the exploration for, and the development, upgrading, marketing, pricing, taxation, and transportation of unconventional oil and related products and other matters. Amendments to current laws and regulations governing operations and activities of conventional and unconventional oil extraction operations could have a material adverse impact on our proposed business. In addition, there can be no assurance that income tax laws, royalty regulations and government incentive programs related to the unconventional oil industry generally will not be changed in a manner which may adversely affect us and cause delays, inability to complete or abandonment of properties.

Risks Related To The Market For Our 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.

The U.S. Securities and Exchange Commission has adopted regulations which generally define "penny stock" to be any equity security that has a market price (as defined) less than \$5.00 per share or an exercise price of less than \$5.00 per share, subject to certain exceptions. Our securities are covered by the penny stock rules, which impose additional sales practice requirements on broker-dealers who sell to persons other than established customers and "accredited investors." The term "accredited investor" refers generally to institutions with assets in excess of \$5,000,000 or individuals with a net worth in excess of \$1,000,000 or annual income exceeding \$200,000 or \$300,000 jointly with their spouse. The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document in a form prepared by the 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.

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

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

Trading in our common shares on the OTC is limited and sporadic making it difficult for our shareholders to sell their shares or liquidate their investments.

Our common shares are currently listed for public trading on the OTC under the stock symbol "NMEX". The trading price of our common shares has been subject to wide fluctuations. Trading prices of our common shares may fluctuate in response to a number of factors, many of which will be beyond our control. The stock market has generally experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of companies with no current business operation. There can be no assurance that trading prices and price earnings ratios previously experienced by our common shares will be matched or maintained. These broad market and industry factors may adversely affect the market price of our common shares, regardless of our operating performance.

In the past, following periods of volatility in the market price of a company's securities, securities class-action litigation has often been instituted. Such litigation, if instituted, could result in substantial costs for us and a diversion of management's attention and resources.

We are not likely to pay cash dividends in the foreseeable future.

We intend to retain any future earnings for use in the operation and expansion of our business. We do not expect to pay any cash dividends in the foreseeable future but will review this policy as circumstances dictate. Should we decide in the future to do so, as a holding company, our ability to pay dividends and meet other obligations depends upon the receipt of dividends or other payments from our operating subsidiaries. In addition, our operating subsidiaries, from time to time, may be subject to restrictions on their ability to make distributions to us, including restrictions on the conversion of local currency into U.S. dollars or other hard currency and other regulatory restrictions.

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

During the six months ended January 31, 2018, the Company sold 12,400,000 shares of common stock for total cash proceeds of \$178,000.

During the six months ended January 31, 2018, the Company sold 2,300,000 Units of its common stock for total cash proceeds of \$115,000. Each Unit consists of one common share and one-half share purchase warrant exercisable for 1 years. Each whole share purchase warrant has an exercise price of \$0.15 per common share.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit

Number Exhibit Description

(3) Articles and Bylaws

3.1 [Amendment to Articles of Incorporation \(Incorporated by reference to our Current Report on Form 8-K filed on August 12, 2013\)](#)

(31) 302 Certification

31.1* [Section 302 Certification under Sarbanes-Oxley Act of 2002.](#)

(32) 906 Certification

32.1* [Section 906 Certification under Sarbanes-Oxley Act of 2002.](#)

(101)** Interactive Data File (Form 10-Q for the six Months Ended January 31, 2018)

101.INS XBRL Instance Document

101.SCH XBRL Taxonomy Extension Schema Document.

101.CAL XBRL Taxonomy Extension Calculation Link base Document.

101.DEF XBRL Taxonomy Extension Definition Link base Document.

101.LAB XBRL Taxonomy Extension Label Link base Document.

101.PRE XBRL Taxonomy Extension Presentation Link base Document.

* (a) *Filed herewith.*

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: May 29, 2018

NORTHERN MINERALS & EXPLORATION LTD.

(Registrant)

/s/ Howard Siegel

Howard Siegel

President, Chief Executive Officer, Chief Financial Officer,
Treasurer and Director
(Principal Executive Officer, Principal Financial Officer and
Principal Accounting Officer)

/s/ Roger Audrey

Roger Audrey

Secretary

/s/ Ivan Webb

Ivan Webb

Vice President and Director

**CERTIFICATION PURSUANT TO
18 U.S.C. ss 1350, AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Howard Siegel, hereby certify that:

- (1) I have reviewed this quarterly report on Form 10-Q for the quarter ended January 31, 2018 (the "report") of Northern Minerals & Exploration Ltd.;
- (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 have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying 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 registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies 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.

Dated: May 29, 2018

/ s/ Howard Siegel

Howard Siegel
Chief Executive Officer

NORTHERN MINERALS & EXPLORATION LTD.

CERTIFICATION OF PERIODIC REPORT

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
18 U.S.C. Section 1350

The undersigned executive officers of Northern Minerals & Exploration Ltd. certify pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that:

- the report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- the information contained fairly presents, in all material respects, the financial condition and results of operations of the Company.

IN WITNESS WHEREOF, the undersigned has executed this certification as of the date shown below:

Dated: May 29, 2018

/s/ Howard Siegel s

Howard Siegel

Chief Executive Officer, Chief Financial Officer, Director

/s/ Ivan Webb

Ivan Webb

Vice President and Director

/s/ Roger Audrey

Roger Audrey

Secretary