

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

FORM 10-Q

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarterly Period Ended September 30, 2016

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 000-53952

BLACK RIDGE
O I L & G A S

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of incorporation or organization)

27-2345075

(I.R.S. Employer Identification No.)

110 North 5th Street, Suite 410, Minneapolis, Minnesota 55403

(Address of principal executive offices) (Zip Code)

Issuer's telephone Number: (952) 426-1241

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

Yes

No

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

Yes

No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

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

Yes

No

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

The number of shares of registrant's common stock outstanding as of November 7, 2016 was 47,979,990.

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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

**BLACK RIDGE OIL & GAS, INC.
CONDENSED BALANCE SHEETS**

	September 30, 2016	December 31, 2015
ASSETS	(Unaudited)	
Current assets:		
Cash and cash equivalents	\$ 57,366	\$ 228,194
Prepaid expenses	91,608	–
Current assets from discontinued operations	–	6,229,646
Total current assets	148,974	6,457,840
Property and equipment:		
Property and equipment	140,547	139,004
Less accumulated depreciation	(108,705)	(97,857)
Total property and equipment, net	31,842	41,147
Investment in Black Ridge Holding Company, LLC	52,853	–
Non-current assets from discontinued operations	–	31,808,230
Total assets	\$ 233,669	\$ 38,307,217
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Current liabilities from discontinued operations	\$ –	\$ 68,312,897
Accounts payable	23,165	–
Due to Black Ridge Holding Company, LLC	23,674	–
Accrued expenses	24,334	–
Total current liabilities	71,173	68,312,897
Non-current liabilities from discontinued operations	–	368,089
Total liabilities	71,173	68,680,986
Commitments and contingencies (See note 17)	–	–
Stockholders' equity (deficit):		
Preferred stock, \$0.001 par value, 20,000,000 shares authorized, no shares issued and outstanding	–	–
Common stock, \$0.001 par value, 500,000,000 shares authorized, 47,979,990 shares issued and outstanding	47,980	47,980
Additional paid-in capital	34,748,886	34,275,414
Accumulated deficit	(34,634,370)	(64,697,163)
Total stockholders' equity (deficit)	162,496	(30,373,769)
Total liabilities and stockholders' equity (deficit)	\$ 233,669	\$ 38,307,217

See accompanying notes to financial statements.

BLACK RIDGE OIL & GAS, INC.
CONDENSED STATEMENTS OF OPERATIONS
(Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2016	2015	2016	2015
Management fee income	\$ 500,000	\$ –	\$ 549,451	\$ –
Total revenues	<u>500,000</u>	<u>–</u>	<u>549,451</u>	<u>–</u>
Operating expenses:				
General and administrative	600,017	652,659	1,899,586	1,985,383
Depreciation and amortization	3,484	4,010	10,848	12,286
Total operating expenses	<u>603,501</u>	<u>656,669</u>	<u>1,910,434</u>	<u>1,997,669</u>
Net operating income (loss)	<u>(103,501)</u>	<u>(656,669)</u>	<u>(1,360,983)</u>	<u>(1,997,669)</u>
Other income (expense):				
Other income (expense)	–	–	–	6,707
Gain on debt restructuring	–	–	41,621,150	–
Total other income (expense)	<u>–</u>	<u>–</u>	<u>41,621,150</u>	<u>6,707</u>
Income (loss) before provision for income taxes	(103,501)	(656,669)	40,260,167	(1,990,962)
Provision for income taxes	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Income (loss) from continuing operations, net of income taxes	(103,501)	(656,669)	40,260,167	(1,990,962)
Loss from discontinued operations, net of income taxes	<u>–</u>	<u>(28,263,818)</u>	<u>(10,197,374)</u>	<u>(46,872,099)</u>
Net income (loss)	<u>\$ (103,501)</u>	<u>\$ (28,920,487)</u>	<u>\$ 30,062,793</u>	<u>\$ (48,863,061)</u>
Weighted average common shares outstanding - basic	<u>47,979,990</u>	<u>47,979,990</u>	<u>47,979,990</u>	<u>47,979,990</u>
Weighted average common shares outstanding - fully diluted	<u>47,979,990</u>	<u>47,979,990</u>	<u>48,055,112</u>	<u>47,979,990</u>
Net income (loss) per common share - basic	<u>\$ (0.00)</u>	<u>\$ (0.60)</u>	<u>\$ 0.63</u>	<u>\$ (1.02)</u>
Net income (loss) per common share - fully diluted	<u>\$ (0.00)</u>	<u>\$ (0.60)</u>	<u>\$ 0.63</u>	<u>\$ (1.02)</u>

See accompanying notes to financial statements.

BLACK RIDGE OIL & GAS, INC.
CONDENSED STATEMENTS OF CASH FLOWS
(Unaudited)

	For the Nine Months Ended September 30,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ 30,062,793	\$ (48,863,061)
Loss from discontinued operations, net of income taxes	(10,197,374)	(46,872,099)
Income (loss) from continuing operations, net of income taxes	40,260,167	(1,990,962)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	10,848	12,286
Gain on debt restructuring	(41,621,150)	–
Common stock options issued to employees and directors	473,472	465,876
Decrease (increase) in current assets:		
Prepaid expenses	(54,508)	(8,479)
Increase (decrease) in current liabilities:		
Accounts payable	(3,049)	(3,008)
Due to Black Ridge Holding Company, LLC	23,674	–
Accrued expenses	25,044	13,433
Net cash provided by (used in) operating activities from continuing operations	(885,502)	(1,510,854)
Net cash provided by operating activities from discontinued operations	3,829,723	15,315,846
Net cash provided by operating activities	2,944,221	13,804,992
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(1,543)	–
Net cash used in investing activities from continuing operations	(1,543)	–
Net cash used in investing activities from discontinued operations	(4,763,506)	(17,841,075)
Net cash used in investing activities	(4,765,049)	(17,841,075)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net cash provided by financing activities from continuing operations	–	–
Net cash provided by financing activities from discontinued operations	1,650,000	4,000,000
Net cash provided by financing activities	1,650,000	4,000,000
NET CHANGE IN CASH	(170,828)	(36,083)
CASH AT BEGINNING OF PERIOD	228,194	94,682
CASH AT END OF PERIOD	\$ 57,366	\$ 58,599
SUPPLEMENTAL INFORMATION:		
Interest paid	\$ 1,429,564	\$ 3,292,793
Income taxes paid	\$ –	\$ –
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Transfer of net liabilities to Black Ridge Holding Company, LLC in restructuring	\$ (41,568,297)	\$ –
Net change in accounts payable for purchase of oil and gas properties	\$ (3,744,487)	\$ (2,005,514)
Capitalized asset retirement costs, net of revision in estimate	\$ 4,737	\$ 42,391

See accompanying notes to financial statements.

BLACK RIDGE OIL & GAS, INC.
Notes to Condensed Financial Statements
(Unaudited)

Note 1 – Organization and Nature of Business

Effective April 2, 2012, Ante5, Inc. changed its corporate name to Black Ridge Oil & Gas, Inc., and continues to be quoted on the OTCQB under the trading symbol “ANFC”. Black Ridge Oil & Gas, Inc. (formerly Ante5, Inc.) (the “Company”) became an independent company in April 2010. We became a publicly traded company when our shares began trading on July 1, 2010. Since October 2010, we had been engaged in the business of acquiring oil and gas leases and participating in the drilling of wells in the Bakken and Three Forks trends in North Dakota and Montana.

On June 21, 2016 we closed on a debt restructuring transaction with our secured lenders as described in Note 4 – Debt Restructuring. Following the transaction, our focus is on managing the oil and gas assets in which we will continue to have an indirect minority interest. In addition, we will continue to pursue distressed asset acquisitions in the Bakken and/or Three Forks and other formations that may be acquired with capital from our secured lenders as part of the restructuring terms, existing joint venture partners or other capital providers.

Note 2 – Basis of Presentation and Significant Accounting Policies

The interim condensed financial statements included herein, presented in accordance with United States generally accepted accounting principles and stated in US dollars, have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to not make the information presented misleading.

These statements reflect all adjustments, which in the opinion of management, are necessary for fair presentation of the information contained therein. Except as otherwise disclosed, all such adjustments are of a normal recurring nature. It is suggested that these interim condensed financial statements be read in conjunction with the audited financial statements for the year ended December 31, 2015, which were included in our Annual Report on Form 10-K. The Company follows the same accounting policies in the preparation of interim reports.

Reclassifications

In the current year, the Company classified assets and liabilities subject to our restructuring transaction outlined in Note 4 – Restructuring as assets and liabilities from discontinued operations in the balance sheet and income, expense and cash flows from the restructured operations are shown as net income and cash flows from discontinued operations. For comparative purposes, amounts in the prior periods have been reclassified to conform to current year presentation.

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 amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Environmental Liabilities

The oil and gas industry is subject, by its nature, to environmental hazards and clean-up costs. At this time, management knows of no substantial losses from environmental accidents or events which would have a material effect on the Company.

Cash and Cash Equivalents

Cash equivalents include money market accounts which have maturities of three months or less. For the purpose of the statements of cash flows, all highly liquid investments with an original maturity of three months or less are considered to be cash equivalents. Cash equivalents are stated at cost plus accrued interest, which approximates market value. No cash equivalents were on hand at September 30, 2016 and December 31, 2015.

Cash in Excess of FDIC Insured Limits

The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) and the Securities Investor Protection Corporation (SIPC) up to \$250,000 and \$500,000, respectively, under current regulations. The Company had approximately \$-0- and \$-0- in excess of FDIC and SIPC insured limits at September 30, 2016 and December 31, 2015, respectively. The Company has not experienced any losses in such accounts.

BLACK RIDGE OIL & GAS, INC.
Notes to Condensed Financial Statements
(Unaudited)

Advances to Operators

The Company participates in the drilling of crude oil and natural gas wells with other working interest partners. Due to the capital intensive nature of crude oil and natural gas drilling activities, the working interest partner responsible for conducting the drilling operations may request advance payments from other working interest partners for their share of the costs. The Company expects such advances to be applied by working interest partners against joint interest billings for its share of the drilling operations within 120 days from when the advance is paid.

Debt Issuance Costs

Costs relating to obtaining our revolving credit facilities are capitalized and amortized over the term of the related debt using the straight-line method. The unamortized balance of debt issuance costs at September 30, 2016, and December 31, 2015, was \$-0-. Amortization of debt issuance costs charged to interest expense were \$-0- and \$287,227 for the nine months ended September 30, 2016 and 2015, respectively. Interest expense related to debt issuance costs is reflected as part of loss from discontinued operations on the statement of operations. When a loan is paid in full or becomes due on demand due to a default on the loan any unamortized financing costs are removed from the related accounts and charged to interest expense.

Website Development Costs

The Company accounts for website development costs in accordance with ASC 350-50, "Accounting for Website Development Costs" ("ASC 350-50"), wherein website development costs are segregated into three activities:

- 1) Initial stage (planning), whereby the related costs are expensed.
- 2) Development (web application, infrastructure, graphics), whereby the related costs are capitalized and amortized once the website is ready for use. Costs for development content of the website may be expensed or capitalized depending on the circumstances of the expenditures.
- 3) Post-implementation (after site is up and running: security, training, admin), whereby the related costs are expensed as incurred. Upgrades are usually expensed, unless they add additional functionality.

We have capitalized a total of \$56,660 of website development costs from inception through September 30, 2016. We depreciate our website development costs on a straight line basis over the estimated useful life of the assets, which is currently three years. We have recognized depreciation expense on these website costs of \$-0- and \$257 for the nine months ended September 30, 2016 and 2015, respectively. As of September 30, 2016, all website development costs have been fully depreciated.

Income Taxes

The Company recognizes deferred tax assets and liabilities based on differences between the financial reporting and tax basis of assets and liabilities using the enacted tax rates and laws that are expected to be in effect when the differences are expected to be recovered. The Company provides a valuation allowance for deferred tax assets for which it does not consider realization of such assets to be more likely than not.

Basic and Diluted Loss Per Share

The basic net loss per share is computed by dividing the net loss (the numerator) by the weighted average number of common shares outstanding for the period (the denominator). Diluted net loss per common share is computed by dividing the net loss by the weighted average number of common shares and potential common shares outstanding (if dilutive) during each period. Potential common shares include stock options, warrants and restricted stock. The number of potential common shares outstanding relating to stock options, warrants and restricted stock is computed using the treasury stock method.

BLACK RIDGE OIL & GAS, INC.
Notes to Condensed Financial Statements
(Unaudited)

The reconciliation of the denominators used to calculate basic EPS and diluted EPS for the three and nine months ended September 30, 2016 and 2015 are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Weighted average common shares outstanding – basic	47,979,990	47,979,990	47,979,990	47,979,990
Plus: Potentially dilutive common shares:				
Stock options and warrants	–	–	75,122	–
Weighted average common shares outstanding – diluted	47,979,990	47,979,990	48,055,112	47,979,990

Stock options and warrants excluded from the calculation of diluted EPS because their effect was anti-dilutive were 7,043,500 and 15,757,209 for the three months ended September 30, 2016 and 2015, respectively, and 6,906,500 and 15,757,209 for the nine months ended September 30, 2016 and 2015, respectively.

Fair Value of Financial Instruments

Under FASB ASC 820-10-05, the Financial Accounting Standards Board establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. This Statement reaffirms that fair value is the relevant measurement attribute. The adoption of this standard did not have a material effect on the Company's financial statements as reflected herein. The carrying amounts of cash, accounts payable and accrued expenses reported on the balance sheets are estimated by management to approximate fair value primarily due to the short term nature of the instruments. The Company had no items that required fair value measurement on a recurring basis.

Property and Equipment

Property and equipment that are not oil and gas properties are recorded at cost and depreciated using the straight-line method over their estimated useful lives of three to seven years. Expenditures for replacements, renewals, and betterments are capitalized. Maintenance and repairs are charged to operations as incurred. Long-lived assets, other than oil and gas properties, are evaluated for impairment to determine if current circumstances and market conditions indicate the carrying amount may not be recoverable. The Company has not recognized any impairment losses on non-oil and gas long-lived assets. Depreciation expense was \$10,848 and \$12,286 for the nine months ended September 30, 2016 and 2015, respectively.

Revenue Recognition

The Company recognizes oil and gas revenues from its interests in producing wells when production is delivered to, and title has transferred to, the purchaser and to the extent the selling price is reasonably determinable. The Company uses the sales method of accounting for gas balancing of gas production and would recognize a liability if the existing proven reserves were not adequate to cover an imbalance situation. Oil and gas revenues are reflected as part of discontinued operations on the statement of operations.

Asset Retirement Obligations

The Company records the fair value of a liability for an asset retirement obligation in the period in which the well is spud or the asset is acquired and a corresponding increase in the carrying amount of the related long-lived asset. The liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. If the liability is settled for an amount other than the recorded amount, a gain or loss is recognized. The capitalized cost and asset retirement obligation as of December 31, 2015 and the expense related to accretion of the discount on the asset retirement liability are reflected as part of discontinued operations on the balance sheet and statement of operations.

BLACK RIDGE OIL & GAS, INC.
Notes to Condensed Financial Statements
(Unaudited)

Full Cost Method

The Company follows the full cost method of accounting for oil and gas operations whereby all costs related to the exploration and development of oil and gas properties are initially capitalized into a single cost center ("full cost pool"). Such costs include land acquisition costs, geological and geophysical expenses, carrying charges on non-producing properties, costs of drilling directly related to acquisition, and exploration activities. Internal costs that are capitalized are directly attributable to acquisition, exploration and development activities and do not include costs related to the production, general corporate overhead or similar activities. Costs associated with production and general corporate activities are expensed in the period incurred. Capitalized costs are summarized as follows for the nine months ended September 30, 2016 and 2015, respectively:

	Nine Months Ended	
	September 30,	
	2016	2015
Capitalized Certain Payroll and Other Internal Costs	\$ –	\$ –
Capitalized Interest Costs	7,219	352,572
Total	\$ 7,219	\$ 352,572

Proceeds from sales of proved properties will generally be credited to the full cost pool, with no gain or loss recognized, unless such a sale would significantly alter the relationship between capitalized costs and the proved reserves attributable to these costs. A significant alteration would typically involve a sale of 20% or more of the proved reserves related to a single full cost pool. The Company assesses all items classified as unevaluated property on a quarterly basis for possible impairment or reduction in value. The assessment includes consideration of the following factors, among others: intent to drill; remaining lease term; geological and geophysical evaluations; drilling results and activity; the assignment of proved reserves; and the economic viability of development if proved reserves are assigned. During any period in which these factors indicate an impairment, the cumulative drilling costs incurred to date for such property and all or a portion of the associated leasehold costs are transferred to the full cost pool and are then subject to amortization.

Capitalized costs associated with impaired properties and properties having proved reserves, estimated future development costs, and asset retirement costs under FASB ASC 410-20-25 are depleted and amortized on the unit-of-production method based on the estimated gross proved reserves as determined by independent petroleum engineers. The costs of unproved properties are withheld from the depletion base until such time as they are either developed or abandoned.

Capitalized costs of oil and gas properties (net of related deferred income taxes) may not exceed an amount equal to the present value, discounted at 10% per annum, of the estimated future net cash flows from proved oil and gas reserves plus the cost of unproved properties (adjusted for related income tax effects). Should capitalized costs exceed this ceiling, impairment is recognized. The present value of estimated future net cash flows is computed by applying the arithmetic average first day price of oil and natural gas for the preceding twelve months to estimated future production of proved oil and gas reserves as of the end of the period, less estimated future expenditures to be incurred in developing and producing the proved reserves and assuming continuation of existing economic conditions. Such present value of proved reserves' future net cash flows excludes future cash outflows associated with settling asset retirement obligations. Should this comparison indicate an excess carrying value, the excess is charged to earnings as an impairment expense.

As a result of currently prevailing low commodity prices and their effect on the proved reserve values of properties throughout 2015 and 2016, we recorded non-cash ceiling test impairments of \$5,219,000 and \$52,634,000 for the nine months ended September 30, 2016 and 2015, respectively. The impairment charges affected our reported net income but did not reduce our cash flow. The impairment charges are reflected as part of discontinued operations on the statement of operations.

Stock-Based Compensation

The Company adopted FASB guidance on stock based compensation upon inception at April 9, 2010. Under FASB ASC 718-10-30-2, all share-based payments to employees, including grants of employee stock options, are recognized in the income statement based on their fair values. Expense related to common stock and stock options issued for services and compensation totaled \$473,472 and \$465,876 for the nine months ended September 30, 2016 and 2015, respectively, using the Black-Scholes options pricing model and an effective term of 6 to 6.5 years based on the weighted average of the vesting periods and the stated term of the option grants and the discount rate on 5 to 7 year U.S. Treasury securities at the grant date. In addition, \$- and \$484,012 of warrant related debt discounts were amortized during the nine months ended September 30, 2016 and 2015, respectively, and treated as interest expense and reflected as part of discontinued operations on the statement of operation. The fair value of warrants is determined similar to the method used in determining the fair value of employee stock options and the fair value is amortized over the life of the related credit facility and accelerated in the event of termination of the related credit facility or if the related credit facility becomes payable on demand due to a default on the related credit facility. The amortization of the debt discount attributable to the warrants was accelerated in 2015 to fully amortize the discount as of December 31, 2015 when the related debt became payable on demand due to a default on the related debt. As part of the debt restructuring all related warrants were retired and cancelled.

BLACK RIDGE OIL & GAS, INC.
Notes to Condensed Financial Statements
(Unaudited)

Uncertain Tax Positions

Effective upon inception at April 9, 2010, the Company adopted standards for accounting for uncertainty in income taxes. These standards prescribe a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. These standards also provide guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition.

Various taxing authorities may periodically audit the Company's income tax returns. These audits include questions regarding the Company's tax filing positions, including the timing and amount of deductions and the allocation of income to various tax jurisdictions. In evaluating the exposures connected with these various tax filing positions, including state and local taxes, the Company records allowances for probable exposures. A number of years may elapse before a particular matter, for which an allowance has been established, is audited and fully resolved. Black Ridge Oil & Gas, Inc. has not yet undergone an examination by any taxing authorities.

The assessment of the Company's tax position relies on the judgment of management to estimate the exposures associated with the Company's various filing positions.

Derivative Instruments and Price Risk Management

While operating its oil and gas business, the Company entered into derivative contracts, including price swaps, caps and floors, which required payments to (or receipts from) counterparties based on the differential between a fixed price and a variable price for a fixed quantity of crude oil without the exchange of underlying volumes. The notional amounts of these financial instruments were based on a portion of the expected production from existing wells.

Realized gains and losses were recorded to gain (loss) on settled derivatives and unrealized gains or losses as a result of mark-to market valuations were recorded to gain (loss) on the mark-to-market of derivatives and are presented as a part of discontinued operations on the statement of operations.

Recent Accounting Pronouncements

New accounting pronouncements are issued by the Financial Accounting Standards Board ("FASB") that are adopted by the Company as of the specified effective date. If not discussed below, management believes there have been no developments to recently issued accounting standards, including expected dates of adoption and estimated effects on our financial statements, from those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2015.

In August, 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments* (a consensus of the Emerging Issues Task Force). Effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted, including adoption in an interim period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. An entity that elects early adoption must adopt all of the amendments in the same period. The Company is currently evaluating the method of adoption and impact this standard will have on its financial statements and related disclosures.

In March, 2016, the FASB issued ASU No. 2016-09, *Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*. For public business entities, the amendments are effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. For all other entities, the amendments are effective for annual periods beginning after December 15, 2017, and interim periods within annual periods beginning after December 15, 2018. Early adoption is permitted for any entity in any interim or annual period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. An entity that elects early adoption must adopt all of the amendments in the same period. The Company is currently evaluating the method of adoption and impact this standard will have on its financial statements and related disclosures.

BLACK RIDGE OIL & GAS, INC.
Notes to Condensed Financial Statements
(Unaudited)

In March, 2016, the FASB issued ASU No. 2016-06, *Derivatives and Hedging (Topic 815): Contingent Put and Call Options in Debt Instruments* (a consensus of the Emerging Issues Task Force). For public business entities, the amendments are effective for financial statements issued for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. For entities other than public business entities, the amendments are effective for financial statements issued for fiscal years beginning after December 15, 2017, and interim periods within fiscal years beginning after December 15, 2018. Early adoption is permitted, including adoption in an interim period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. The Company is currently evaluating the method of adoption and impact this standard will have on its financial statements and related disclosures.

In March, 2016, the FASB issued ASU No. 2016-05, *Derivatives and Hedging (Topic 815): Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships* (a consensus of the Emerging Issues Task Force). For public business entities, the amendments are effective for financial statements issued for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. For all other entities, the amendments are effective for financial statements issued for fiscal years beginning after December 15, 2017, and interim periods within fiscal years beginning after December 15, 2018. Early adoption is permitted, including adoption in an interim period. The Company is currently evaluating the method of adoption and impact this standard will have on its financial statements and related disclosures.

Note 3 – Going Concern

In August 2014, the FASB issued ASU No. 2014-15, "Presentation of Financial Statements - Going Concern (Subtopic 205-40)". The Company chose to adopt this pronouncement in 2015 due to the applicability to our current condition. The new guidance addresses management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and in certain circumstances to provide related footnote disclosures.

As shown in the accompanying financial statements, the Company has incurred losses from operations resulting in an accumulated deficit of (\$34,634,370) as of September 30, 2016, which was reduced in the current year by a gain on debt restructuring of \$41,621,150. While the debt restructuring outlined in Note 4 – Debt Restructuring leaves the Company debt free, it also eliminated the asset base from which the Company derived the majority of its cash flow. The management fees from the management agreement entered into as part of the debt restructuring should be sufficient to cover the Company's overhead costs for the balance of 2016. However, the management agreement can be cancelled by either party without penalty after January 1, 2017 with three months notice. While the Company is actively working to secure additional joint ventures with assets to manage, to date the Company has not found other sources of revenue. These factors raise substantial doubt about the Company's ability to continue as a going concern.

The financial statements do not include any adjustments that might result from the outcome of any uncertainty as to the Company's ability to continue as a going concern. These financial statements also do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or amounts and classifications of liabilities that might be necessary should the Company be unable to continue as a going concern.

Note 4 – Debt Restructuring

On March 29, 2016, the Company entered into an Asset Contribution Agreement with Black Ridge Holding Company, LLC, a Delaware limited liability company ("BRHC") which was recently formed by the Company to contribute and assign to BRHC, all of the Company's (i) oil and gas assets (including working capital and tangible and intangible assets) (the "Assets"), (ii) outstanding balances under that certain Credit Agreement between the Company, as borrower, and Cadence Bank, N.A. ("Cadence"), as lender (the "Cadence Credit Facility") and the outstanding balances under that certain Credit Agreement between the Company, as borrower, and the several banks and other financial institutions or entities from time to time parties thereto (the "Chambers"), and Chambers, as administrative agent (the "Chambers Credit Facility") and (iii) all current liabilities related to the Assets, in exchange for 5% of the issued and outstanding Class A Units (the "Class A Units") in BRHC (the "Asset Contribution"). On March 29, 2016, affiliates of Chambers Energy Management, LP ("Chambers") (specifically, Chambers Energy Capital II, LP and CEC II TE, LLC (collectively, the "Chambers Affiliates")) entered into a Debt Contribution Agreement between BRHC and the Chambers Affiliates, pursuant to which BRHC will issue a number of Class A Units representing 95% of the Class A Units of BRHC to the Chambers Affiliates in exchange for the release of BRHC's obligations under the Chambers Credit Facility (the "Satisfaction of Debt" and, together with the Asset Contribution, the "BRHC Transaction"). Concurrent with the Satisfaction of Debt, each warrant originally issued with the Chambers Credit Facility was automatically retired and cancelled. The closing of the BRHC Transaction was subject to the Company obtaining the approval of stockholders holding a majority of its outstanding capital stock and to the Company having assigned the Cadence Credit Agreement to BRHC with Cadence's consent, and BRHC and Cadence entering into any applicable amendment agreements related to such assignment and waiver of financial covenant ratio compliance for the quarter ended December 31, 2015 and quarter ending March 31, 2016. On June 21, 2016, the Company satisfied all of these conditions and, for accounting purposes, the BRHC Transaction was closed. The parties have agreed that the BRHC Transaction, the Asset Contribution and the Satisfaction of Debt are effective, for valuation purposes, as of April 1, 2016.

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The terms of the Class A Units of BRHC are set forth in the limited liability company agreement of BRHC (the "LLC Agreement"), which became effective upon the closing of the BRHC Transaction. All distributions by BRHC of cash or other property, and whether upon liquidation or otherwise, will be made as follows:

- First, 100% to the Class A Members, pro rata, until each Class A Member has received distributions in aggregate totaling the then Class A Preference, which is an amount equal to a 10.0% internal rate of return on the invested capital amount.
- Second, 90% to the Class A Members, pro rata, and 10% to the Class B Members, pro rata, until such time as the aggregate distributions to Chambers equals 250% of the capital contribution of its Class A Units.
- Third, 80% to the Class A Members, pro rata, and 20% to the Class B Members, pro rata.

BRHC will be managed by the BRHC Board, which will be responsible for the conduct of the day-to-day business of BRHC and the management, oversight and disposition of the assets of BRHC. The initial BRHC Board will be comprised of three managers, consisting of two managers appointed by Chambers and one member from the Company.

In addition, under the LLC Agreement, Chambers committed to contribute up to \$30 million cash (the "Chambers Investment Commitment") to BRHC in exchange for Class A Units. At Closing, Chambers funded \$10 million (the "Initial Chambers Investment") of the Chambers Investment Commitment, the proceeds of which were used to reduce outstanding amounts owed by BRHC to Cadence under the Cadence Credit Facility and for general corporate purposes. The remaining \$20 million (the "Subsequent Chambers Investment"), subject to certain conditions, may be called from time to time during the Investment Period by the board of managers of BRHC (the "BRHC Board"). The Initial Chambers Investment and any Subsequent Chambers Investment shall serve to proportionately reduce the Company's Class A Units percentage ownership in BRHC. The investment period shall be the lesser of three years or such time as the entire Chambers Investment Commitment has been called by the BRHC Board (the "Investment Period"). Any portion of Chambers Investment Commitment not called by the BRHC Board prior to the expiration of the Investment Period will be cancelled. In no event will Chambers be required to make a capital contribution in an amount in excess of its undrawn commitment.

The Company was granted 1,000,000 Class B Units in BRHC at the Closing of the BRHC Transaction. At the discretion of the BRHC's Board of Managers, the Company may be granted additional Class B Units in BRHC, and in turn, the Company may transfer such Class B Units to certain members of the Company's management. Subject to certain conditions, the Class B Units will entitle the holders to participate in any future distributions of BRHC after distributions equal to the capital contributions and preferred return have been made to the holders of Class A Units of BRHC.

At the closing of the BRHC Transaction, the Company entered into a Management Services Agreement with BRHC. Under the Management Services Agreement, the Company will provide services to BRHC with respect to the business operations of BRHC, including but not limited to locating, investigating and analyzing potential non-operator oil and gas projects and day-to-day operations related to such projects. The Company will be paid a fee under the Management Services Agreement intended to cover the costs of providing such services and will be reimbursed for certain third party expenses. The term of the Management Services Agreement commenced on the closing of the BRHC Transaction and continues indefinitely, unless terminated. The Management Services Agreement provides termination provisions upon reasonable notice for both BRHC and the Company as well as upon a change of control, provided that if the Management Services Agreement is terminated before December 31, 2016 that BRHC shall pay the Company a termination fee equal to the amount that would have been paid if the Management Services Agreement was in place until December 31, 2016.

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The Company believes that the BRHC Transaction and related actions will allow the Company to continue as a manager of the oil and gas assets in which we will continue to have an indirect minority interest. In addition, it will give us the flexibility to pursue distressed asset acquisitions in the Bakken and/or Three Forks formation that may be acquired with capital from our secured lenders as part of the restructuring terms, existing joint venture partners or other capital providers.

As a result of the transaction, the Company recorded a gain on debt restructuring of \$41,621,150 calculated as the difference between our final ownership interest in BRHC, after conversion of debt to equity and the equity contribution of the Initial Chambers Investment within BRHC and our retention of a 3.88% ownership interest in BRHC, and the net book value of the assets and liabilities we transferred to BRHC.

The income and expense for the associated with the operating activities (through June 21, 2016, the date of the BRHC transaction) contributed in the BRHC Transaction are reflected as “Loss from discontinued items, net of income taxes” on our condensed statement of operations for all periods presented herein. The items included in “Loss from discontinued operations, net of income taxes” are as follows:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2016	2015	2016	2015
Oil and gas sales	\$ —	\$ 3,359,684	\$ 5,539,613	\$ 11,296,220
Gain on settled derivatives	—	7,456,284	1,043,026	9,436,903
Loss on the mark-to-market of derivatives	—	(3,297,358)	(4,288,736)	(4,886,184)
Total revenues	—	7,518,610	2,293,903	15,846,939
Operating expenses:				
Production expenses	—	887,187	1,400,639	3,030,707
Production taxes	—	330,186	568,028	1,171,530
General and administrative	—	102,129	476,461	309,858
Depletion of oil and gas properties	—	1,778,580	3,114,347	7,346,356
Impairment of oil and gas properties	—	30,995,000	5,219,000	52,634,000
Accretion of discount on asset retirement obligations	—	8,039	16,258	23,900
Total operating expenses	—	34,101,121	10,794,733	64,516,351
Net operating loss	—	(26,582,511)	(8,500,830)	(48,669,412)
Other income (expense):				
Interest expense	—	(1,681,307)	(1,696,544)	(4,795,727)
Total other income (expense)	—	(1,681,307)	(1,696,544)	(4,795,727)
Loss before provision for income taxes	—	(28,263,818)	(10,197,374)	(53,465,139)
Provision for income taxes	—	—	—	6,593,040
Net income (loss)	\$ —	\$ (28,263,818)	\$ (10,197,374)	\$ (46,872,099)

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The assets and liabilities subject to the BRHC Transaction have been retroactively reclassified as assets and liabilities from discontinued operations on the Company's balance sheet as of December 31, 2015.

Assets and liabilities reclassified as assets and liabilities from discontinued operations as of December 31, 2015 consisted of the following:

	December 31, 2015
ASSETS	
Assets from discontinued operations, current	
Derivative instruments	\$ 1,154,400
Accounts receivable	5,038,146
Prepaid expenses	37,100
Total assets from discontinued operations, current	<u>6,229,646</u>
Assets from discontinued operations, long term	
Oil and natural gas properties, full cost method of accounting	
Proved properties	131,168,906
Unproved properties	10,394
Total oil and natural gas properties, full cost method of accounting	<u>131,179,300</u>
Less, accumulated depletion and allowance for impairment	(99,371,070)
Total assets from discontinued operations, long term	<u>31,808,230</u>
Total assets from discontinued operations	<u>\$ 38,037,876</u>
LIABILITIES	
Liabilities from discontinued operations, current	
Accounts payable	\$ 7,906,438
Accrued expenses	55,830
Current portion of revolving credit facility and long term debt	60,350,629
Total liabilities from discontinued operations, current	<u>68,312,897</u>
Liabilities from discontinued operations, long term	
Asset retirement obligations	368,089
Total liabilities from discontinued operations, long term	<u>368,089</u>
Total liabilities from discontinued operations	<u>\$ 68,680,986</u>

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Note 5 – Joint Venture

On July 20, 2015, the Company signed a definitive agreement with an affiliate of Merced Capital (“Merced”) to form a joint venture that will acquire and develop Williston Basin non-operated assets. The joint venture will be funded by Merced with an initial investment target of \$50 Million. Investments will be subject to Merced approval, and will be managed by the Company.

The joint venture assets will be managed by the Company in exchange for a management fee and reimbursement of third party expenses, and, after certain investor hurdles are met, the Company will receive a share of profits in the joint venture. The Company will also have the option to co-invest up to 25% on acquisitions and capital expenditures alongside the venture and any such co-investments will reside directly with the Company. Upon the sale of joint venture assets, the Company will also have the option to bid and acquire the assets.

We have not yet commenced operations pursuant to this joint venture, but continue to actively evaluate investment opportunities with Merced.

Note 6 – Property and Equipment

Property and equipment at September 30, 2016 and December 31, 2015, consisted of the following:

	September 30, 2016	December 31, 2015
Property and equipment	\$ 140,547	\$ 139,004
Less: Accumulated depreciation and amortization	(108,705)	(97,857)
Total property and equipment, net	\$ 31,842	\$ 41,147

All of the oil and gas assets have been classified as non-current assets from discontinued operations on the balance sheet as of December 31, 2015 as the Company effectively disposed of those assets as part of the restructuring discussed in Note 4 – Debt Restructuring.

The following table shows depreciation, depletion, and amortization expense by type of asset:

	Nine Months Ended September 30,	
	2016	2015
Depletion of costs for evaluated oil and gas properties ⁽¹⁾	\$ 3,114,347	\$ 7,346,356
Depreciation and amortization of other property and equipment	10,848	12,286
Total depreciation, amortization and depletion	\$ 3,125,195	\$ 7,358,642

⁽¹⁾Presented as an element of loss from discontinued operations, net of income taxes.

Impairment of Oil and Gas Properties

As a result of currently prevailing low commodity prices and their effect on the proved reserve values of properties in 2016, we recorded non-cash ceiling test impairments of \$5,219,000 and \$52,634,000 for the nine months ended September 30, 2016 and 2015, respectively. The expense associated with the impairments is presented as part of loss from discontinued operations, net of income taxes. The impairment charges affected our reported net income but did not reduce our cash flow.

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Note 7 – Oil and Gas Properties

The following table summarizes gross and net productive oil wells by state at June 21, 2016 (prior to their disposition through our debt restructuring) and September 30, 2015. A net well represents our percentage ownership of a gross well. The following table does not include wells in which our interest is limited to royalty and overriding royalty interests. The following table also does not include wells which were awaiting completion, in the process of completion or awaiting flow back subsequent to fracture stimulation.

	June 21, 2016		September 30, 2015	
	Gross	Net	Gross	Net
North Dakota	352	10.64	336	10.51
Montana	5	0.37	5	0.37
Total	357	11.01	341	10.88

The Company's oil and gas properties consisted of all acreage acquisition costs (including cash expenditures and the value of stock consideration), drilling costs and other associated capitalized costs. As of June 21, 2016 (prior to their disposition through our debt restructuring) and September 30, 2015, our principal oil and gas assets included approximately 7,016 and 8,509 net acres, respectively, located in North Dakota and Montana.

The following table summarizes our capitalized costs for the purchase and development of our oil and gas properties for the nine months ended September 30, 2016 and 2015, respectively:

	Nine Months Ended September 30,	
	2016	2015
Purchases of oil and gas properties and development costs for cash	\$ 4,858,134	\$ 17,968,423
Purchase of oil and gas properties accrued at period-end	3,155,016	7,359,282
Purchase of oil and gas properties accrued at beginning of period (prior to disposition)	(6,899,503)	(9,364,796)
Capitalized asset retirement costs	4,737	42,391
Total purchase and development costs, oil and gas properties	\$ 1,118,384	\$ 16,005,300

2016 Acquisitions

During the nine months ended September 30, 2016, we did not purchase any oil and gas properties.

2016 Divestitures

During the nine months ended September 30, 2016, we sold approximately 14 net leasehold acres oil and gas properties for total proceeds of \$94,628. No gain or loss was recorded pursuant to the sales.

2016 Disposition in Debt Restructuring

On June 21, 2016 we disposed of all of our oil gas properties, with net carrying costs of \$24,498,638, as part of our debt restructuring as outlined in Note 4 – Debt Restructuring.

2015 Acquisitions

During the nine months ended September 30, 2015, we purchased a total of approximately nine net leasehold acres of oil and gas properties. In consideration for the assignment, we paid the sellers a total of approximately \$102,928.

2015 Divestitures

During the nine months ended September 30, 2015, we sold approximately 14 net leasehold acres of oil and gas properties and three wellbores for total proceeds of \$127,348. No gain or loss was recorded pursuant to the sales.

Undeveloped Acreage Expirations

During the nine months ended September 30, 2016, we had leases encompassing 1,079 net acres expire with carrying costs of \$650,816 that had been reserved and transferred to the full cost pool subject to depletion in 2015.

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Note 8 – Asset Retirement Obligation

The Company has asset retirement obligations (ARO) associated with the future plugging and abandonment of proved properties and related facilities. Under the provisions of FASB ASC 410-20-25, the fair value of a liability for an asset retirement obligation is recorded in the period in which it is incurred and a corresponding increase in the carrying amount of the related long lived asset. The liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. If the liability is settled for an amount other than the recorded amount, a gain or loss is recognized. The Company has no assets that are legally restricted for purposes of settling ARO.

The following table summarizes the Company's asset retirement obligation transactions recorded in accordance with the provisions of FASB ASC 410-20-25 during the nine months ended September 30, 2016 and 2015:

	Nine Months Ended September 30,	
	2016	2015
Beginning ARO	\$ 368,089	\$ 286,804
Liabilities incurred for new wells placed in production	4,737	42,391
Accretion of discount on ARO	16,258	23,900
Liability relieved in debt restructuring	(389,084)	–
Ending ARO	\$ –	\$ 353,095

The ARO as of December 31, 2015 has been reclassified to non-current liabilities from discontinued operations on the balance sheet.

Note 9 – Related Party

We leased office space on a month to month basis where the lessor is an entity owned by our former CEO and current Chairman of the Board of Directors, Bradley Berman. Pursuant to the lease, we occupied approximately 2,813 square feet of office space. We terminated the lease concurrent with our move to another location on June 30, 2016. The lease had base rents of \$2,110 per month, plus common area operations and maintenance charges, and monthly parking fees of \$240 per month, for the period from November 15, 2013 to October 31, 2014, and was subject to increases of \$117 per month beginning November 1, 2014 and for each of the subsequent annual periods. We paid a total of \$36,183 and \$52,298 to this entity during the nine months ended September 30, 2016 and 2015, respectively.

Note 10 – Derivative Instruments

The Company is required to recognize all derivative instruments on the balance sheet as either assets or liabilities measured at fair value. The Company has not designated its derivative instruments as cash flow hedges for accounting purposes and, as such, marks its derivative instruments to fair value and recognizes the realized and unrealized changes in fair value in its statements of operations under the captions "Loss on settled derivatives" and "Loss on the mark-to-market of derivatives."

The Company has utilized swap and collar derivative contracts. While the use of these derivative instruments limits the downside risk of adverse price movements, their use also limits the upside revenue potential of upward price movements.

For a fixed price swap contract, the counterparty is required to make a payment to the Company if the settlement price for any settlement period is less than the swap price and the Company is required to make a payment to the counterparty if the settlement price for any period is greater than the swap price. For a collar contract, the counterparty is required to make a payment to the Company if the settlement price for any settlement period is below the floor price, the Company is required to make a payment to the counterparty if the settlement price for any settlement period is above the ceiling price and no payment is required by either party if the settlement price for any settlement period is between the floor price and the ceiling price.

The Company's derivative contracts are settled based on reported settlement prices on commodity exchanges, with crude oil derivative settlements based on NYMEX West Texas Intermediate ("WTI") pricing.

As of September 30, 2016, the Company had no outstanding derivative contracts. All of our then outstanding derivative contracts, with a mark-to-market liability valuation of \$3,134,336, were transferred to BRHC as part of the debt restructuring.

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Derivative Gains and Losses

The following table presents realized and unrealized gains and losses on derivative instruments for the periods presented:

	Nine Months Ended September 30,	
	2016	2015
Realized gain on derivatives:		
Crude oil fixed price swaps	\$ 922,872	\$ 8,579,756
Crude oil collars	120,154	857,147
Realized gain on derivatives, net	<u>\$ 1,043,026</u>	<u>\$ 9,436,903</u>
Loss on the mark-to-market of derivatives:		
Crude oil fixed price swaps	\$ (4,157,491)	\$ (4,366,810)
Crude oil collars	(131,245)	(519,374)
Loss on the mark-to-market of derivatives, net	<u>\$ (4,288,736)</u>	<u>\$ (4,886,184)</u>

Balance Sheet Offsetting of Derivative Assets and Liabilities

In accordance with FASB issued ASU No. 2011-11, Balance Sheet (Topic 210)-Disclosures about Offsetting Assets and Liabilities, all of the Company's derivative contracts are carried at their fair value in the condensed balance sheets under the captions "Derivative instruments" and "Noncurrent derivative instruments". Derivative instruments from the same counterparty that are subject to contractual terms which provide for net settlement are reported on a net basis in the condensed balance sheets. The following tables present the gross amounts of recognized derivative assets and liabilities, the amounts offset under the netting arrangements with counterparties, and the resulting net amounts presented in the condensed balance sheets as part of discontinued operations for the periods presented, all at fair value.

	December 31, 2015		
	Gross amounts of recognized assets	Gross amounts offset on balance sheet	Net amounts of assets on balance sheet
Commodity derivative assets	<u>\$ 1,154,417</u>	<u>\$ (17)</u>	<u>\$ 1,154,400</u>

	December 31, 2015		
	Gross amounts of recognized liabilities	Gross amounts offset on balance sheet	Net amounts of liabilities on balance sheet
Commodity derivative liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The following table reconciles the net amounts disclosed above to the individual financial statement line items in the condensed balance sheets:

	December 31, 2015
Current assets from discontinued operations	\$ 1,154,400
Non-current assets from discontinued operations	-
Net amount of assets on the balance sheet	<u>1,154,400</u>
Current liabilities from discontinued operations	-
Non-current liabilities from discontinued operations	-
Net amounts of liabilities on the balance sheet	<u>-</u>
Total derivative assets, net	<u>\$ 1,154,400</u>

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Note 11 – Fair Value of Financial Instruments

The Company adopted FASB ASC 820-10 upon inception at April 9, 2010. Under FASB ASC 820-10-5, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). The standard outlines a valuation framework and creates a fair value hierarchy in order to increase the consistency and comparability of fair value measurements and the related disclosures. Under GAAP, certain assets and liabilities must be measured at fair value, and FASB ASC 820-10-50 details the disclosures that are required for items measured at fair value.

The Company has revolving credit facilities that must be measured under the new fair value standard. The Company's financial assets and liabilities are measured using inputs from the three levels of the fair value hierarchy. The three levels are as follows:

Level 1 - Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

Level 2 - Inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (e.g., interest rates, yield curves, etc.), and inputs that are derived principally from or corroborated by observable market data by correlation or other means (market corroborated inputs).

Level 3 - Unobservable inputs that reflect our assumptions about the assumptions that market participants would use in pricing the asset or liability.

The following schedule summarizes the valuation of financial instruments at fair value on a recurring basis in the balance sheets as of September 30, 2016 and December 31, 2015:

	Fair Value Measurements at September 30, 2016		
	Level 1	Level 2	Level 3
Assets			
Cash and cash equivalents	\$ 57,366	\$ –	\$ –
Derivative Instruments (crude oil swaps and collars)	–	–	–
Total assets	<u>57,366</u>	<u>–</u>	<u>–</u>
Liabilities			
Derivative Instruments (crude oil swaps and collars)	–	–	–
Revolving credit facilities and long term debt	–	–	–
Total Liabilities	<u>–</u>	<u>–</u>	<u>–</u>
	<u>\$ 57,366</u>	<u>\$ –</u>	<u>\$ –</u>

	Fair Value Measurements at December 31, 2015		
	Level 1	Level 2	Level 3
Assets			
Cash and cash equivalents	\$ 228,194	\$ –	\$ –
Derivative Instruments (crude oil swaps and collars)	–	1,154,400	–
Total assets	<u>228,194</u>	<u>1,154,400</u>	<u>–</u>
Liabilities			
Revolving credit facilities and long term debt	–	60,350,629	–
Total Liabilities	<u>–</u>	<u>60,350,629</u>	<u>–</u>
	<u>\$ 228,194</u>	<u>\$ (59,196,229)</u>	<u>\$ –</u>

There were no transfers of financial assets or liabilities between Level 1 and Level 2 inputs for the nine months ended September 30, 2016 and 2015.

Level 2 liabilities include Revolving credit facilities. No fair value adjustment was necessary during the nine months ended September 30, 2016 and 2015.

The derivative instruments and revolving credit facilities are reflected on the balance sheets as part of assets or liabilities from discontinued operations as detailed in Note 4 – Debt Restructuring.

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Note 12 – Revolving Credit Facilities and Long Term Debt

The Company, as borrower, entered into a Credit Agreement dated August 8, 2013 and amendments thereto dated December 13, 2013, March 24, 2014, April 21, 2014, September 11, 2014, March 30, 2015 and August 10, 2015 (as amended, the “Senior Credit Agreement”) with Cadence Bank, N.A. (“Cadence”), as lender (the “Senior Credit Facility”). Under the terms of the Senior Credit Agreement, a senior secured revolving line of credit in the maximum aggregate principal amount of \$50 million was available from time to time (i) for direct investment in oil and gas properties, (ii) for general working capital purposes, including the issuance of letters of credit, and (iii) to refinance the then existing debt under the Company’s former credit facility.

Availability under the Senior Credit Facility was at all times subject to the then-applicable borrowing base, determined by Cadence in a manner consistent with the normal and customary oil and gas lending practices of Cadence. Availability was initially set at \$7 million and was subject to periodic redeterminations. Subject to availability under the borrowing base, the Company could borrow, repay and re-borrow funds in amounts of \$250,000 or more. At the Company’s election, the unpaid principal balance of any borrowings under the Senior Credit Facility may bear interest at either (i) the Base Rate, as defined in the Senior Credit Facility, plus the applicable margin, which varies from 1.00% to 1.50% or (ii) the LIBOR rate, as defined in the Senior Credit Facility, plus the applicable margin, which varies from 3.00% to 3.50%. Interest was payable for Base Rate loans on the last business day of the month and for LIBOR loans on the last LIBOR business day of each LIBOR interest period. The Company was also required to pay a quarterly fee of 0.50% on any unused portion of the borrowing base, as well as a facility fee of 0.90% of the initial and any subsequent additions to the borrowing base.

The Senior Credit Facility’s maturity date of August 8, 2016, was subsequently amended to January 15, 2017 pursuant to the amendment on March 30, 2015. The Company could prepay the entire amount of Base Rate loans at any time, and could prepay the entire amount of LIBOR loans upon at least three business days’ notice to Cadence. The Senior Credit Facility was secured by first priority interests in mortgages on substantially all of the Company’s assets, including but not limited to the Company’s mineral interests in North Dakota and Montana.

As part of the debt restructuring outline in Note 4 – Debt Restructuring, the Company transferred the obligation with a balance outstanding of \$29,400,000 under the Senior Credit Facility to BRHC. The Company had borrowings of \$27.75 million outstanding under the Senior Credit Agreement as of December 31, 2015.

Subordinated Credit Facility

The Company, as borrower, entered into a Second Lien Credit Agreement dated August 8, 2013 and amendments thereto dated December 13, 2013, March 24, 2014, April 21, 2014, September 11, 2014, March 30, 2015, and August 10, 2015 (as amended, the “Subordinated Credit Agreement”) by and among the Company, as borrower, Chambers Energy Management, LP, as administrative agent (“Chambers”), and the several other lenders named therein (the “Subordinated Credit Facility”). Under the Subordinated Credit Facility, term loans in the aggregate principal amount of up to \$75 million were available from time to time (i) to repay the Previous Credit Facility, (ii) for fees and closing costs in connection with both the Senior Credit Facility and the Subordinated Credit Facility (together, the “Credit Facilities”), and (iii) general corporate purposes.

The Subordinated Credit Agreement provided initial commitment availability of \$25 million, which was subsequently amended to \$30 million, with the remaining commitments subject to the approval of Chambers and other customary conditions. The Company could borrow the available commitments in amounts of \$5 million or more and could not request borrowings of such loans more than once a month, provided that the initial draw was at least \$15 million. Loans under the Subordinated Credit Facility were funded net of a 2% OID. The unpaid principal balance of borrowings under the Subordinated Credit Facility bore interest at the Cash Interest Rate plus the PIK Interest Rate. The Cash Interest Rate was 9.00% per annum plus a rate per annum equal to the greater of (i) 1.00% and (ii) the offered rate for three-month deposits in U.S. dollars that appears on Reuters Screen LIBOR 01 as of 11:00 a.m. (London time) on the second full LIBOR business day preceding the first day of each calendar quarter. The PIK Interest Rate was equal to 4.00% per annum. Interest was payable on the last day of each month. The Company was also required to pay an annual nonrefundable administration fee of \$50,000 and a monthly availability fee computed at a rate of 0.50% per annum on the average daily amount of any unused portion of the available amount under the commitment.

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The Subordinated Credit Facility matured on June 30, 2017. Upon at least three business days' written notice, the Company could prepay the entire amount under the loans, together with accrued interest. Each prepayment made prior to the second anniversary of the funding date, as defined in the Subordinated Credit Facility, would be accompanied by a make-whole amount, as defined in the Subordinated Credit Agreement. Prepayments made on or after the second anniversary of the funding date were accompanied by an applicable premium, as set forth in the Subordinated Credit Agreement. The Subordinated Credit Facility was secured by second priority interests on substantially all of the Company's assets, including but not limited to second priority mortgages on the Company's mineral interests in North Dakota and Montana.

The first funding from the Subordinated Credit Facility occurred on September 9, 2013 at which time we drew \$14,700,000, net of a \$300,000 original issue discount, from the Subordinated Credit Agreement and used \$10,226,057 of those proceeds to repay and terminate a previously outstanding revolving credit facility. We had drawn an additional \$14,700,000, net of \$300,000 original issue discounts, through December 31, 2015. The Company had borrowings of \$30.0 million outstanding under the Subordinated Credit Facility as of December 31, 2015. The obligations under the Subordinated Credit Facility, \$30.0 million of principal and \$2,931,369 of PIK interest payable, were transferred to BRHC and converted to equity in BRHC as part of the debt restructuring outlined in Note 4- Debt Restructuring.

Intercreditor Agreements and Covenants

Cadence and Chambers had entered into an Intercreditor Agreement dated August 8, 2013 (the "Intercreditor Agreement"). The Intercreditor Agreement provided that any liens on the assets of the Company securing indebtedness under the Subordinated Credit Facility were subordinate to liens on the assets securing indebtedness under the Senior Credit Facility and set forth the respective rights, obligations and remedies of the lenders under the Senior Credit Facility with respect to their first priority liens and the lenders under the Subordinated Credit Facility with respect to their second priority liens.

The Credit Facilities, as amended, required customary affirmative and negative covenants for credit facilities of the respective types and sizes for companies operating in the oil and gas industry, as well as customary events of default. Furthermore, the Credit Facilities contain financial covenants that required the Company to satisfy certain specified financial ratios. The Senior Credit Agreement required the Company to maintain, as of the last day of each fiscal quarter of the Company, (i) a collateral coverage ratio (reserve value plus consolidated working capital to adjusted indebtedness) of at least 0.65 to 1.00 through the quarter ending June 30, 2014, 0.70 to 1.00 for the quarters ending September 30, 2014 and December 31, 2014, was waived for the quarters ending March 31, 2015 and June 30, 2015, and 0.70 to 1.00 for the quarter ending September 30, 2015, and 0.80 to 1.00 for the quarter ending December 31, 2015 and thereafter, (ii) a ratio of current assets, including debt facility available to be drawn, to current liabilities of a minimum of 1.0 to 1.0, except for the quarter ending June 30, 2014, which was waived, (iii) a net debt to EBITDAX, as defined in the Senior Credit Agreement, ratio of 3.75 to 1.00 for the quarter ended March 31, 2014, 4.25 to 1.00 for the quarters ended June 30, 2014 and September 30, 2014, 4.00 to 1.00 for the quarter ended December 31, 2014, was waived for the quarters ended March 31, 2015 and June 30, 2015, and 3.50 to 1.00 for the quarter ending September 30, 2015, and 3.65 to 1.00 for the quarter ending December 31, 2015, and 3.50 to 1.00 for the quarter ending March 31, 2016 and thereafter, in each case calculated on a modified trailing four quarter basis, (iv) a maximum senior leverage ratio of not more than 2.5 to 1.0 calculated on a modified trailing four quarter basis, and (v) a minimum interest coverage ratio of not less than 3.0 to 1.0. The Subordinated Credit Agreement required the Company to maintain, as of the last day of each fiscal quarter of the Company, (i) a collateral coverage ratio (reserve value plus consolidated working capital to adjusted indebtedness) of at least 0.65 to 1.00 through the quarter ending June 30, 2014, 0.70 to 1.00 for the quarters ending September 30, 2014 and December 31, 2014, was waived for the quarters ending March 31, 2015 and June 30, 2015, and 0.70 to 1.00 for the quarter ending September 30, 2015, and 0.80 to 1.00 for the quarter ending December 31, 2015 and thereafter, (ii) a consolidated net leverage ratio (adjusted total indebtedness less the amount of unrestricted cash equivalents to consolidated EBITDA) of no more than 3.75 to 1.00 for the quarter ending March 31, 2014, 4.25 to 1.00 for the quarters ending June 30, 2014 and September 30, 2014, 4.00 to 1.00 for the quarter ending December 31, 2014, was waived for the quarters ending March 31, 2015 and June 30, 2015, and 3.50 to 1.00 for the quarter ending September 30, 2015, and 3.65 to 1.00 for the quarter ending December 31, 2015, and 3.50 to 1.00 for the quarter ending March 31, 2016 and thereafter, calculated on a modified trailing four quarter basis, (iii) a consolidated cash interest coverage ratio (consolidated EBITDA to consolidated cash interest expense) of no less than 2.5 to 1.0, calculated on a modified trailing four quarter basis and (iv) a ratio of consolidated current assets to consolidated current liabilities of at least 1.0 to 1.0, except for the quarter ending June 30, 2015 when the covenant was waived. In addition, each of the Credit Facilities required that the Company enter into hedging agreements based on anticipated oil production from currently producing wells as agreed to by the lenders.

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Covenant Violations

The Company was out of compliance with the collateral coverage ratio covenant as of March 31, 2016 and December 31, 2015 and the current ratio covenant as defined by the Subordinated Credit Facility as of March 31, 2016. Additionally, the audit report the Company received with respect to its financial statements as of December 31, 2015 contains an explanatory paragraph expressing uncertainty as to the Company's ability to continue as a going concern, the delivery of which constituted a default under both its Senior Credit Facility and Subordinated Credit Facility. See Note 3, "Going Concern", for additional information. The Company received a waiver for all debt covenants as of December 31, 2015 and March 31, 2016 as part of the debt restructuring outlined in Note 4 – Debt Restructuring.

Debt Discount, Detachable Warrants

In connection with the Subordinated Credit Facility, the Company agreed to issue to the lenders detachable warrants to purchase up to 5,000,000 shares of the Company's common stock at an exercise price of \$0.65 per share. The warrants expire on August 8, 2018. Proceeds from the loan were allocated between the debt and equity based on the relative fair values at the time of issuance, resulting in a debt discount of \$2,473,576 at issuance that is presented as a debt discount on the balance sheet and is being amortized using the effective interest method over the life of the credit facility, which matures on June 30, 2017. A total of \$-0- and \$484,012 was amortized during the nine months ended September 30, 2016 and 2015. The remaining unamortized balance of the debt discount attributable to the warrants is \$-0- as of September 30, 2016. The amortization of the debt discount attributable to the warrants was accelerated in 2015 to fully amortize the discount as of December 31, 2015 when the related debt became payable on demand due to a default on the related debt. As part of the debt restructuring all related warrants were retired and cancelled.

Amounts outstanding under revolving credit facilities and long term debts consisted of the following as of December 31, 2015:

	December 31, 2015
Senior Revolving Credit Facility, Cadence Bank, N.A.	\$ 27,750,000
Subordinated Credit Agreement, Chambers	30,000,000
PIK Interest on Subordinated Credit Agreement, Chambers	<u>2,600,629</u>
Total credit facilities and long term debts	60,350,629
Less: Unamortized OID	–
Less: Unamortized debt discount attributable to warrants	–
Total credit facilities and long term debts, net of discounts	60,350,629
Less: current maturities ⁽¹⁾	<u><u>(60,350,629)</u></u>
Long term portion of credit facilities and long term debts	\$ –

⁽¹⁾ Due to existing and anticipated covenant violations, the Company's Senior Credit Facility and Subordinated Credit Facility were classified as current December 31, 2015 and are presented as part of current liabilities from discontinued operations on the balance sheet.

Net proceeds of \$29.4 million was received from our \$30 million in advances due to \$600,000 of OID pursuant to the Subordinated Credit Agreement at issuance that is presented as a debt discount on the balance sheet and was being amortized using the effective interest method over the life of the credit facility, which matures on June 30, 2017. A total of \$-0- and \$127,378 was amortized during the nine months ended September 30, 2016 and 2015, respectively. The remaining unamortized balance of the debt discount attributable to the OID is \$-0- as of September 30, 2016 and December 31, 2015 as the amortization was accelerated in 2015 to fully amortize the discount as of December 31, 2015 when the related debt became payable on demand due to a default on the related debt.

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The following presents components of interest expense, presented as a component of loss from discontinued operations, for the nine months ended September 30, 2016 and 2015, respectively:

	Nine Months Ended September 30,	
	2016	2015
Accrued PIK interest	\$ 330,740	\$ 962,551
Amortization of OID	–	127,378
Interest and commitment fees	1,373,023	3,287,131
Amortization of debt issuance costs	–	287,227
Amortization of warrant costs	–	484,012
Less interest capitalized to the full cost pool of our proved oil & gas properties	(7,219)	(352,572)
	\$ 1,696,544	\$ 4,795,727

Note 13 – Changes in Stockholders' Equity

Preferred Stock

The Company has 20,000,000 authorized shares of \$0.001 par value preferred stock. No shares have been issued to date.

Common Stock

The Company has 500,000,000 authorized shares of \$0.001 par value common stock.

Note 14 – Options

Options Granted

No options were granted during the nine months ended September 30, 2016.

The Company recognized a total of \$473,472, and \$465,876 of compensation expense during the nine months ended September 30, 2016 and 2015, respectively, on common stock options issued to Employees and Directors that are being amortized over the implied service term, or vesting period, of the options. The remaining unamortized balance of these options is \$1,018,748 as of September 30, 2016.

Options Exercised

No options were exercised during the nine months ended September 30, 2016 and 2015.

Options Forfeited

No options were forfeited during the nine months ended September 30, 2016 and 2015.

Note 15 – Warrants

Warrants Granted

No warrants were granted during the nine months ended September 30, 2016 and 2015.

We recognized a total of \$-0- and \$484,012 of finance expense during the nine months ended September 30, 2016 and 2015, respectively, on common stock warrants issued to lenders. All warrants granted pursuant to debt financings are amortized over the remaining life of the respective loan.

Warrants Exercised

No warrants were exercised during the nine months ended September 30, 2016 and 2015.

Warrants Expired and Cancelled

A total of 3,548,375 warrants, with exercise prices ranging from \$0.95 to \$1.50, expired during the nine months ended September 30, 2016. Additionally, 5,000,000 warrants, at an exercise price of \$0.65, were cancelled and retired as part of the debt restructuring outlined in Note 4 – Debt restructuring. A total of 585,000 warrants with an exercise price of \$0.38 expired during the nine months ended September 30, 2015.

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Note 16 – Income Taxes

The Company accounts for income taxes under ASC Topic 740, *Income Taxes*, which provides for an asset and liability approach of accounting for income taxes. Under this approach, deferred tax assets and liabilities are recognized based on anticipated future tax consequences, using currently enacted tax laws, attributed to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts calculated for income tax purposes.

We currently estimate that our effective tax rate for the year ending December 31, 2016 will be 0%. Losses incurred during the period from April 9, 2011 (inception) to September 30, 2016 could be used to offset future tax liabilities. Accounting standards require the consideration of a valuation allowance for deferred tax assets if it is “more likely than not” that some component or all of the benefits of deferred tax assets will not be realized. As of September 30, 2016, net deferred tax assets were \$11,483,485, after an offsetting reduction in deferred tax liabilities of \$5,735, primarily related to net operating loss carryforwards. A valuation allowance of approximately \$11,483,485 was applied to the remaining net deferred tax assets. We have not provided any valuation allowance against our deferred tax liabilities, which were netted against our deferred tax assets.

The tax benefit for the nine months ended September 30, 2016 was \$-0- as the Company utilized a portion of the Company’s deferred tax asset, which was offset by a corresponding reduction in the valuation allowance on the utilized deferred tax asset.

In accordance with FASB ASC 740, the Company has evaluated its tax positions and determined there are no significant uncertain tax positions as of any date on, or before September 30, 2016.

Note 17 – Commitments and Contingencies

The Company from time to time may be involved in various inquiries, administrative proceedings and litigation relating to matters arising in the normal course of business. The Company is not aware of any inquiries or administrative proceedings and is not currently a defendant in any material litigation and is not aware of any threatened litigation that could have a material effect on the Company.

The Company periodically maintains cash balances at banks in excess of federally insured amounts. The extent of loss, if any, to be sustained as a result of any future failure of a bank or other financial institution is not subject to estimation at this time.

Note 18 – Subsequent Events

Board of Directors Addition

Effective October 26, 2016, the Company named Lyle Berman to its board of directors. In connection with his being named a member of the board of directors Mr. Berman was granted options to purchase 100,000 shares of the Company’s common stock. These options vest in 3 equal annual installments, commencing one year from the date of grant on October 26, 2017.

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

Cautionary Statements

We are including the following discussion to inform our existing and potential security holders generally of some of the risks and uncertainties that can affect our company and to take advantage of the "safe harbor" protection for forward-looking statements that applicable federal securities law affords.

From time to time, our management or persons acting on our behalf may make forward-looking statements to inform existing and potential security holders about our company. All statements other than statements of historical facts included in this report regarding our financial position, business strategy, plans and objectives of management for future operations and industry conditions are forward-looking statements. When used in this report, forward-looking statements are generally accompanied by terms or phrases such as "estimate," "project," "predict," "believe," "expect," "anticipate," "target," "plan," "intend," "seek," "goal," "will," "should," "may" or other words and similar expressions that convey the uncertainty of future events or outcomes. Items making assumptions regarding actual or potential future sales, market size, collaborations, trends or operating results also constitute such forward-looking statements.

Forward-looking statements involve inherent risks and uncertainties, and important factors (many of which are beyond our control) that could cause actual results to differ materially from those set forth in the forward-looking statements include the following:

- volatility or decline of our stock price;
- low trading volume and illiquidity of our common stock, and possible application of the SEC's penny stock rules;
- potential fluctuation in quarterly results;
- our failure to collect payments owed to us;
- material defaults on monetary obligations owed us, resulting in unexpected losses;
- inability to obtain capital from investment partners to acquire oil and gas properties to manage;
- inadequate capital to acquire working interests in oil and gas prospects and to participate in the drilling and production of oil and other hydrocarbons;
- unavailability of oil and gas prospects to acquire;
- decline in oil prices;
- failure to discover or produce commercial quantities of oil, natural gas or other hydrocarbons;
- cost overruns incurred on our oil and gas prospects, causing unexpected operating deficits;
- drilling of dry holes;
- acquisition of oil and gas leases that are subsequently lost due to the absence of drilling or production;
- dissipation of existing assets and failure to acquire or grow a new business;
- litigation, disputes and legal claims involving outside parties; and
- risks related to our ability to be listed on a national securities exchange and meeting listing requirements

We have based these forward-looking statements on our current expectations and assumptions about future events. While our management considers these expectations and assumptions to be reasonable, they are inherently subject to significant business, economic, competitive, regulatory and other risks and uncertainties, most of which are difficult to predict and many of which are beyond our control. Accordingly, results actually achieved may differ materially from expected results in these statements. Forward-looking statements speak only as of the date they are made.

Readers are urged not to place undue reliance on these forward-looking statements. We assume no obligation to update any forward-looking statements in order to reflect any event or circumstance that may arise after the date of this report, other than as may be required by applicable law or regulation. Readers are urged to carefully review and consider the various disclosures made by us in our reports filed with the United States Securities and Exchange Commission (the "SEC") which attempt to advise interested parties of the risks and factors that may affect our business, financial condition, results of operation and cash flows. If one or more of these risks or uncertainties materialize, or if the underlying assumptions prove incorrect, our actual results may vary materially from those expected or projected.

Overview and Outlook

On June 21, 2016 we closed on a debt restructuring transaction with our secured lenders as described below in “Debt Restructuring.” Following the transaction, our focus has been on managing the oil and gas assets in which we will continue to have an indirect minority interest. In addition, we will continue to pursue distressed asset acquisitions in the Bakken and/or Three Forks and other formations that may be acquired with capital from our secured lenders as part of the restructuring terms, existing joint venture partners or other capital providers.

Effective April 2, 2012, we changed our name to Black Ridge Oil & Gas, Inc. Our common stock is still quoted on the OTCQB under the trading symbol “ANFC.”

Debt Restructuring

On March 29, 2016, the Company entered into an Asset Contribution Agreement with Black Ridge Holding Company, LLC, a Delaware limited liability company (“BRHC”) which was recently formed by the Company to contribute and assign to BRHC, all of the Company’s (i) oil and gas assets (including working capital and tangible and intangible assets) (the “Assets”), (ii) outstanding balances under that certain Credit Agreement between the Company, as borrower, and Cadence Bank, N.A. (“Cadence”), as lender (the “Cadence Credit Facility”) and the outstanding balances under that certain Credit Agreement between the Company, as borrower, and the several banks and other financial institutions or entities from time to time parties thereto (the “Chambers”), and Chambers, as administrative agent (the “Chambers Credit Facility”) and (iii) all current liabilities related to the Assets, in exchange for 5% of the issued and outstanding Class A Units (the “Class A Units”) in BRHC (the “Asset Contribution”). On March 29, 2016, affiliates of Chambers Energy Management, LP (“Chambers”) (specifically, Chambers Energy Capital II, LP and CEC II TE, LLC (collectively, the “Chambers Affiliates”)) entered into a Debt Contribution Agreement between BRHC and the Chambers Affiliates, pursuant to which BRHC will issue a number of Class A Units representing 95% of the Class A Units of BRHC to the Chambers Affiliates in exchange for the release of BRHC’s obligations under the Chambers Credit Facility (the “Satisfaction of Debt” and, together with the Asset Contribution, the “BRHC Transaction”). Concurrent with the Satisfaction of Debt, each warrant originally issued with the Chambers Credit Facility shall be automatically retired and cancelled. The closing of the BRHC Transaction was subject to the Company obtaining the approval of stockholders holding a majority of its outstanding capital stock and to the Company having assigned the Cadence Credit Agreement to BRHC with Cadence’s consent, and BRHC and Cadence entering into any applicable amendment agreements related to such assignment and waiver of financial covenant ratio compliance for the quarter ended December 31, 2015 and quarter ending September 30, 2016. On June 21, 2016, the Company satisfied all of these conditions and, for accounting purposes, the BRHC Transaction has been consummated. The parties have agreed that the BRHC Transaction, the Asset Contribution and the Satisfaction of Debt are effective, for valuation purposes, as of April 1, 2016.

The terms of the Class A Units of BRHC are set forth in the limited liability company agreement of BRHC (the “LLC Agreement”), which became effective upon the closing of the BRHC Transaction. All distributions by BRHC of cash or other property, and whether upon liquidation or otherwise, will be made as follows:

- First, 100% to the Class A Members, pro rata, until each Class A Member has received distributions in aggregate totaling the then Class A Preference, which is an amount equal to a 10.0% internal rate of return on the invested capital amount.
- Second, 90% to the Class A Members, pro rata, and 10% to the Class B Members, pro rata, until such time as the aggregate distributions to Chambers equals 250% of the capital contribution of its Class A Units.
- Third, 80% to the Class A Members, pro rata, and 20% to the Class B Members, pro rata.

BRHC is managed by the BRHC Board, which is responsible for the conduct of the day-to-day business of BRHC and the management, oversight and disposition of the assets of BRHC. The BRHC Board is comprised of three managers, consisting of two managers appointed by Chambers and one member from the Company.

In addition, under the LLC Agreement, Chambers committed to contribute up to \$30 million cash (the “Chambers Investment Commitment”) to BRHC in exchange for Class A Units. At Closing, Chambers funded \$10 million (the “Initial Chambers Investment”) of the Chambers Investment Commitment, the proceeds of which were used to reduce outstanding amounts owed by BRHC to Cadence under the Cadence Credit Facility and for general corporate purposes. The remaining \$20 million (the “Subsequent Chambers Investment”), subject to certain conditions, may be called from time to time during the Investment Period by the board of managers of BRHC (the “BRHC Board”). The Initial Chambers Investment and any Subsequent Chambers Investment shall serve to proportionately reduce the Company’s Class A Units percentage ownership in BRHC. The investment period shall be the lesser of three years or such time as the entire Chambers Investment Commitment has been called by the BRHC Board (the “Investment Period”). Any portion of Chambers Investment Commitment not called by the BRHC Board prior to the expiration of the Investment Period will be cancelled. In no event will Chambers be required to make a capital contribution in an amount in excess of its undrawn commitment.

The Company was granted 1,000,000 Class B Units in BRHC at the Closing of the BRHC Transaction. At the discretion of the BRHC’s Board of Managers, the Company may be granted additional Class B Units in BRHC, and in turn, the Company may transfer such Class B Units to certain members of the Company’s management. Subject to certain conditions, the Class B Units will entitle the holders to participate in any future distributions of BRHC after distributions equal to the capital contributions and preferred return have been made to the holders of Class A Units of BRHC.

At the closing of the BRHC Transaction, the Company entered into a Management Services Agreement with BRHC. Under the Management Services Agreement, the Company will provide services to BRHC with respect to the business operations of BRHC, including but not limited to locating, investigating and analyzing potential non-operator oil and gas projects and day-to-day operations related to such projects. The Company will be paid a fee under the Management Services Agreement intended to cover the costs of providing such services and will be reimbursed for certain third party expenses. The term of the Management Services Agreement commenced on the closing of the BRHC Transaction and continues indefinitely, unless terminated. The Management Services Agreement provides termination provisions upon reasonable notice for both the BRHC and the Company as well as upon a change of control, provided that if the Management Services Agreement is terminated before December 31, 2016 that BRHC shall pay the Company a termination fee equal to the amount that would have been paid if the Management Services Agreement was in place until December 31, 2016.

The Company believes that the BRHC Transaction and related actions will allow the Company to continue as a manager of the oil and gas assets in which we will continue to have an indirect minority interest. In addition, it will give us the flexibility to pursue distressed asset acquisitions in the Bakken and/or Three Forks formation that may be acquired with capital from our secured lenders as part of the restructuring terms, existing joint venture partners or other capital providers.

The summaries of the LLC Agreement, Management Services Agreement, Asset Contribution Agreement, and Debt Contribution Agreement above do not purport to be complete and are qualified by reference to the LLC Agreement, Management Services Agreement, Asset Contribution Agreement, and Debt Contribution Agreement which are filed as exhibits to the Company’s Information Statement filed on Form Schedule 14C.

Operational Highlights

Continuing Operations

Under our structure following our debt restructuring, our revenues from continuing operations consist of management fees, which we began earning on June 21, 2016, the date of the restructuring. Our management services agreement with BRHC includes management services fees amounting to \$500,000 per quarter. No management fees were earned by the Company in the quarter ended September 30, 2015.

General and administrative expenses from continuing operations were \$600,017 in the three months ended September 30, 2016 as compared to \$652,659 in the three months ended September 30, 2015.

Results of Operations for the Three Months Ended September 30, 2016 and 2015.

The following table summarizes selected items from the statement of operations for the three months ended September 30, 2016 and 2015, respectively.

	Three Months Ended		Increase / (Decrease)
	September 30,		
	2016	2015	
Management fee revenue	\$ 500,000	\$ –	\$ 500,000
Total revenues:	500,000	–	500,000
Operating expenses:			
General and administrative	600,017	652,659	(52,642)
Depreciation and amortization	3,484	4,010	(526)
Total operating expenses:	603,501	656,669	(53,168)
Loss before provision for income taxes	(103,501)	(656,669)	553,168
Provision for income taxes	–	–	–
Loss from continuing operations, net of income taxes	(103,501)	(656,669)	553,168
Loss from discontinued operations, net of income taxes	–	(28,263,818)	28,263,818
Net loss	\$ (103,501)	\$ (28,920,487)	\$ 28,816,986

Management Fee Revenue

Management fees consist of \$500,000 of management fees earned under our management services agreement with BRHC for the three months ended September 30, 2016. The Company earned no management fees during the three months ended September 30, 2015.

General and Administrative Expenses

General and administrative expenses from continuing operations for the three months ended September 30, 2016 were \$600,017 compared to \$652,659 for the three months ended September 30, 2015, a decrease of \$52,642, or 8%. The decrease in general and administrative expenses was primarily due to reduced outside services and travel related expenses. General and administrative expenses for the 2015 period excludes \$102,129 of general and administrative expenses directly related to the oil and gas assets and debt contributed to BRHC which were reclassified to loss from discontinued operations.

Depreciation

Depreciation expense for the three months ended September 30, 2016 was \$3,484, compared to \$4,010 for the three months ended September 30, 2015.

Loss from discontinued operations

As part of the BRHC Transaction on June 21, 2016, the oil and gas operations and related debt were contributed to BRHC as part of a debt restructuring. The Company has a loss of \$28,263,818 during the three months ended September 30, 2015 related to the assets and liabilities contributed to BRHC. The loss from discontinued operations of \$28,236,818 in 2015 consisted of revenues of \$7,518,610 including \$3,359,684 of oil and gas sales and net gains of \$4,158,926 related derivatives. Expenses from discontinued operations included a \$30,995,000 impairment write-down on the Company's oil and gas assets, \$887,187 of production expenses, \$330,186 of production taxes, \$102,129 of general and administrative expenses directly related to the oil and gas assets and debt contributed to BRHC, \$1,778,580 of depletion, \$8,039 of accretion of the discount on asset retirement obligations and \$1,681,307 of interest expense.

Provision for Income Taxes

We had no income tax expense or benefit in both the three months ended September 30, 2016 and 2015 as the Company reserved against any deferred tax asset created due to tax losses due to the uncertainty of realization of the benefit.

Results of Operations for the Nine Months Ended September 30, 2016 and 2015.

The following table summarizes selected items from the statement of operations for the nine months ended September 30, 2016 and 2015, respectively.

	Nine Months Ended September 30,		Increase / (Decrease)
	2016	2015	
Management fee revenues	549,451	–	549,451
Total revenues:	549,451	–	549,451
Operating expenses:			
General and administrative	1,899,586	1,985,383	(85,797)
Depreciation and amortization	10,848	12,286	(1,438)
Total operating expenses:	1,910,434	1,997,669	(87,235)
Net operating loss	(1,360,983)	(1,997,669)	636,686
Total other income (expense)	41,621,150	6,707	41,614,443
Income (loss) from continuing operations before provision for income taxes	40,260,167	(1,990,962)	42,251,129
Provision for income taxes	–	–	–
Income (loss) from continuing operations, net of income taxes	40,260,167	(1,990,962)	42,251,129
Loss from discontinued operations, net of income taxes	(10,197,374)	(46,872,099)	36,674,725
Net income (loss)	<u>\$ 30,062,793</u>	<u>\$ (48,863,061)</u>	<u>\$ 78,925,854</u>

Management Fee Revenue

Management fees represent fees of \$549,451 earned for the period following the completion of the BRHC transaction on June 21, 2016. The Company earned no management fees during the nine months ended September 30, 2015.

General and Administrative Expenses

General and administrative expenses from continuing operations for the nine months ended September 30, 2016 were \$1,899,586 compared to \$1,985,383 for the nine months ended September 30, 2015, a decrease of \$85,797, or 4%. The decrease in general and administrative expenses was primarily due to reduced outside services and travel related expenses. General and administrative expenses for the 2015 period excludes \$476,461 of general and administrative expenses directly related to the oil and gas assets and debt contributed to BRHC which were reclassified to loss from discontinued operations.

Depreciation

Depreciation expense for the nine months ended September 30, 2016 was \$10,848, compared to \$12,286 for the nine months ended September 30, 2015.

Provision for Income Taxes

We had no income tax expense or benefit from continuing operations in both the nine months ended September 30, 2016 and 2015 as the Company reserved against any deferred tax asset created due to tax losses due to the uncertainty of realization of the benefit.

Loss from discontinued operations

As part of the BRHC Transaction on June 21, 2016, the oil and gas operations and related debt were contributed to BRHC as part of a debt restructuring.

The Company has a loss of \$10,197,374 during the period from January 1, 2016 through June 21, 2016 related to the assets and liabilities contributed to BRHC. The loss from discontinued operations of \$10,197,374 in 2016 consisted of revenues of \$2,293,903 including \$5,539,613 of oil and gas sales and reduced by net losses of \$3,245,710 related derivatives. Expenses from discontinued operations in 2016 included a \$5,219,000 impairment write-down on the Company's oil and gas assets, \$1,400,639 of production expenses, \$568,028 of production taxes, \$476,461 of general and administrative expenses directly related to the oil and gas assets and debt contributed to BRHC, \$3,114,347 of depletion, \$16,258 of accretion of the discount on asset retirement obligations and \$1,696,544 of interest expense.

The Company has a loss of \$46,872,099 during the nine months ended September 30, 2015 related to the assets and liabilities contributed to BRHC. The loss from discontinued operations of \$46,872,099 in 2015 consisted of revenues of \$15,846,939 including \$11,296,220 of oil and gas sales and net gains of \$4,550,719 related derivatives. Expenses from discontinued operations included \$52,634,000 of impairment write-downs on the Company's oil and gas assets, \$3,030,707 of production expenses, \$1,171,530 of production taxes, \$309,858 of general and administrative expenses directly related to the oil and gas assets and debt contributed to BRHC, \$7,346,356 of depletion, \$23,900 of accretion of the discount on asset retirement obligations and \$4,795,727 of interest expense. Additionally the Company had an income tax benefit of \$6,593,040 in the nine months ended September 30, 2016 resulting from the Company's loss of \$53,465,139 from discontinued operations before the provision for income taxes.

Non-GAAP Financial Measures

In addition to reporting net income (loss) as defined under GAAP, we also present Adjusted Net Income (Loss) and Adjusted EBITDA. We define Adjusted Net Income (Loss) as net income (loss) excluding (i) gain on debt restructuring, net of tax, (ii) net of losses on the mark-to-market of derivatives, net of tax, and (iii) impairment of oil and gas assets, net of tax. We define Adjusted EBITDA as net income before (i) gain on debt restructuring, (ii) interest expense, (iii) income taxes, (iv) depreciation, depletion and amortization, (v) impairment of oil and natural gas properties, (vi) accretion of abandonment liability, (vii) loss on the mark-to-market of derivatives, and (viii) non-cash expenses relating to share based payments recognized under ASC Topic 718. We believe the use of non-GAAP financial measures provides useful information to investors regarding our current financial performance; however, Adjusted Net Income (Loss) and Adjusted EBITDA do not represent, and should not be considered alternatives to GAAP measurements. We believe these measures are useful in evaluating our fundamental core operating performance. Specifically, we believe the non-GAAP Adjusted Net Income (Loss) and Adjusted EBITDA results provide useful information to both management and investors by excluding certain income and expenses that our management believes are not indicative of our core operating results. Although we use Adjusted Net Income (Loss) and Adjusted EBITDA to manage our business, including the preparation of our annual operating budget and financial projections, we believe that non-GAAP financial measures have limitations and do not reflect all of the amounts associated with our results of operations as determined in accordance with GAAP and that these measures should only be used to evaluate our results of operations in conjunction with the corresponding GAAP financial measures. A reconciliation of Adjusted Net Income (Loss) and Adjusted EBITDA to Net Income, GAAP, are included below:

Black Ridge Oil & Gas, Inc.
Reconciliation of Adjusted Net Income (Loss)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net income (loss)	\$ (103,501)	\$ (28,920,487)	\$ 30,062,793	\$ (48,863,061)
Add back:				
Gain on debt restructuring, net of tax ^(a)	–	–	(41,621,150)	–
Loss (income) on mark-to-market of derivatives, net of tax ^(b)	–	3,297,358	4,288,736	4,300,184
Impairment of oil and gas properties, net of tax ^(c)	–	30,995,000	5,219,000	46,318,000
Adjusted net income (loss)	<u>\$ (103,501)</u>	<u>\$ 5,371,871</u>	<u>\$ (2,050,621)</u>	<u>\$ 1,755,123</u>
Weighted average common shares outstanding - basic	<u>47,979,990</u>	<u>47,979,990</u>	<u>47,979,990</u>	<u>47,979,990</u>
Weighted average common shares outstanding - fully diluted	<u>47,979,990</u>	<u>47,979,990</u>	<u>48,055,112</u>	<u>47,979,990</u>
Net income (loss) per common share – basic	\$ (0.00)	\$ (0.60)	\$ 0.63	\$ (1.02)
Add:				
Change due to gain on debt restructuring, net of tax	–	–	(0.87)	–
Change due to loss on mark-to- market of derivatives, net of tax	–	0.07	0.09	0.09
Change due to impairment of oil and gas properties, net of tax	–	0.65	0.11	0.97
Adjusted net income (loss) per common share – basic	<u>\$ (0.00)</u>	<u>\$ 0.11</u>	<u>\$ (0.04)</u>	<u>\$ 0.04</u>
Net income (loss) per common share –fully diluted	\$ (0.00)	\$ (0.60)	\$ 0.63	\$ (1.02)
Add:				
Change due to gain on debt restructuring, net of tax	–	–	(0.87)	–
Change due to loss on mark-to- market of derivatives, net of tax	–	0.07	0.09	0.09
Change due to impairment of oil and gas properties, net of tax	–	0.65	0.11	0.97
Adjusted net income (loss) per common share – fully diluted	<u>\$ (0.00)</u>	<u>\$ 0.11</u>	<u>\$ (0.04)</u>	<u>\$ 0.04</u>

^(a)Adjusted to reflect tax expense, computed based on our effective tax rate of approximately 0% in the nine months ended September 30, 2016.

^(b)Adjusted to reflect tax expense, computed based on our effective tax rate of approximately 0% in 2016 and 12% in 2015, of \$-0- and \$-0- for the three month ended September 30, 2016 and 2015, respectively, and \$-0- and (\$586,000) for the nine months ended September 30, 2016 and 2015, respectively.

^(c)Adjusted to reflect tax expense, computed based on our effective tax rate of approximately 0% in 2016 and 12% in 2015, of \$-0- and \$8,639 for the three month ended September 30, 2016 and 2015, respectively, and \$-0- and \$14,211 for the nine months ended September 30, 2016 and 2015, respectively.

Black Ridge Oil & Gas, Inc.
Reconciliation of Adjusted EBITDA
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net income (loss)	\$ (103,501)	\$ (28,920,487)	\$ 30,062,793	\$ (48,863,061)
Add back:				
Gain on debt restructuring	–	–	(41,621,150)	–
Interest expense, net, excluding amortization of warrant based financing costs	–	1,519,058	1,696,544	4,311,715
Income tax provision	–	–	–	(6,593,040)
Depreciation, depletion, and amortization	3,484	1,782,590	3,125,195	7,358,642
Impairment of oil and gas properties	–	30,995,000	5,219,000	52,634,000
Accretion of abandonment liability	–	8,039	16,258	23,900
Share based compensation	157,824	314,374	473,472	949,888
Loss on mark-to market of derivatives	–	3,297,358	4,288,736	4,886,184
Adjusted EBITDA	\$ 57,807	\$ 8,995,932	\$ 3,260,848	\$ 14,708,228

Our adjusted EBITDA for the nine month period ended September 30, 2015 includes income from the Dahl Federal well that was recognized in those periods based on activity in prior periods of \$1,027,995.

Liquidity and Capital Resources

The following table summarizes our total current assets, liabilities and working capital at September 30, 2016 and December 31, 2015, respectively.

	September 30, 2016	December 31, 2015
Current Assets	<u>\$ 148,974</u>	<u>\$ 6,457,840</u>
Current Liabilities	<u>\$ 71,173</u>	<u>\$ 68,312,897</u>
Working Capital	<u>\$ 77,801</u>	<u>\$ (61,855,057)</u>

As of September 30, 2016 we had positive working capital of \$77,801.

The following table summarizes our cash flows during the three month periods ended September 30, 2016 and 2015, respectively.

	Nine Months Ended September 30,	
	2016	2015
Net cash provided by operating activities	\$ 2,944,221	\$ 13,804,992
Net cash used in investing activities	(4,765,049)	(17,841,075)
Net cash provided by financing activities	1,650,000	4,000,000
Net change in cash and cash equivalents	<u>\$ (170,828)</u>	<u>\$ (36,083)</u>

Our net cash flows from operations are primarily affected by production volumes and commodity prices. Net cash provided by operating activities was \$2,944,221 and \$13,804,992 for the nine months ended September 30, 2016 and 2015, respectively, a decrease of \$10,860,771. The increase was due primarily to cash provided from operating activities of discontinued operations. Cash provided from operating activities of discontinued operations was \$3,829,723 and \$15,315,846, for the nine month periods ended September 30, 2016 and 2015, respectively, the decrease driven by gains on settled derivatives (\$9,436,903 in 2015 compared to \$1,043,026 in 2016), lower commodity prices and a shortened period in 2016 due to the restructuring on June 21, 2016.

Net cash used in investing activities was \$4,765,049 and \$17,841,075 for the nine months ended September 30, 2016 and 2015, respectively, a decrease of \$13,076,026. Nearly all of our investing activity in both periods was derived from discontinued operations. We paid \$4,858,134 for well development during the 2016 period while in the 2015 period we spent \$17,865,495 for well development. Additionally, the decrease in cash used in investing activities was attributable to a decrease in cash spent for property acquisition as we purchased no property during the nine months ended September 30, 2016 as compared to purchasing 9 net leasehold acres of oil and gas properties for \$102,928 in the nine months ended September 30, 2015. In the nine months ended September 30, 2016 we sold 14 net leasehold acres for proceeds of \$94,628, while in the comparable 2015 period we sold 14 net leasehold acres and three wellbores for proceeds of \$127,348. In the nine months ended September 30, 2016 we purchased equipment for \$1,543.

Net cash provided from financing was \$1,650,000 and \$4,000,000 for the nine months ended September 30, 2016 and 2015, respectively, all due to net borrowings for discontinued operations.

BRHC Transaction

As described above in “Recent Developments,” on March 29, 2016, the Company entered into an Asset Contribution Agreement with Black Ridge Holding Company, LLC, a Delaware limited liability company (“BRHC”) which was recently formed by the Company to contribute and assign to BRHC, all of the Company’s (i) oil and gas assets (including working capital and tangible and intangible assets) (the “Assets”), (ii) outstanding balances under that certain Credit Agreement between the Company, as borrower, and Cadence Bank, N.A. (“Cadence”), as lender (the “Cadence Credit Facility”) and the outstanding balances under that certain Credit Agreement between the Company, as borrower, and the several banks and other financial institutions or entities from time to time parties thereto (the “Chambers”), and Chambers, as administrative agent (the “Chambers Credit Facility”) and (iii) all current liabilities related to the Assets, in exchange for 5% of the issued and outstanding Class A Units (the “Class A Units”) in BRHC (the “Asset Contribution”). On March 29, 2016, affiliates of Chambers Energy Management, LP (“Chambers”) (specifically, Chambers Energy Capital II, LP and CEC II TE, LLC (collectively, the “Chambers Affiliates”)) entered into a Debt Contribution Agreement between BRHC and the Chambers Affiliates, pursuant to which BRHC will issue a number of Class A Units representing 95% of the Class A Units of BRHC to the Chambers Affiliates in exchange for the release of BRHC’s obligations under the Chambers Credit Facility (the “Satisfaction of Debt” and, together with the Asset Contribution, the “BRHC Transaction”). Concurrent with the Satisfaction of Debt, each warrant originally issued with the Chambers Credit Facility was automatically retired and cancelled. The closing of the BRHC Transaction was subject to the Company obtaining the approval of stockholders holding a majority of its outstanding capital stock and to the Company having assigned the Cadence Credit Agreement to BRHC with Cadence’s consent, and BRHC and Cadence entering into any applicable amendment agreements related to such assignment and waiver of financial covenant ratio compliance for the quarter ended December 31, 2015 and quarter ending March 31, 2016. On June 21, 2016, the Company satisfied all of these conditions and the BRHC Transaction has been consummated. The parties have agreed that the BRHC Transaction, the Asset Contribution and the Satisfaction of Debt are effective as of April 1, 2016.

The terms of the Class A Units of BRHC are set forth in the limited liability company agreement of BRHC (the “LLC Agreement”), which became effective upon the closing of the BRHC Transaction. All distributions by BRHC of cash or other property, and whether upon liquidation or otherwise, will be made as follows:

- First, 100% to the Class A Members, pro rata, until each Class A Member has received distributions in aggregate totaling the then Class A Preference, which is an amount equal to a 10.0% internal rate of return on the invested capital amount.
- Second, 90% to the Class A Members, pro rata, and 10% to the Class B Members, pro rata, until such time as the aggregate distributions to Chambers equals 250% of the capital contribution of its Class A Units.
- Third, 80% to the Class A Members, pro rata, and 20% to the Class B Members, pro rata.

BRHC will be managed by the BRHC Board, which will be responsible for the conduct of the day-to-day business of BRHC and the management, oversight and disposition of the assets of BRHC. The initial BRHC Board will be comprised of three managers, consisting of two managers appointed by Chambers and one member from the Company.

In addition, under the LLC Agreement, Chambers committed to contribute up to \$30 million cash (the “Chambers Investment Commitment”) to BRHC in exchange for Class A Units. At Closing, Chambers funded \$10 million (the “Initial Chambers Investment”) of the Chambers Investment Commitment, the proceeds of which were used to reduce outstanding amounts owed by BRHC to Cadence under the Cadence Credit Facility and for general corporate purposes. The remaining \$20 million (the “Subsequent Chambers Investment”), subject to certain conditions, may be called from time to time during the Investment Period by the board of managers of BRHC (the “BRHC Board”). The Initial Chambers Investment and any Subsequent Chambers Investment shall serve to proportionately reduce the Company’s Class A Units percentage ownership in BRHC. The investment period shall be the lesser of three years or such time as the entire Chambers Investment Commitment has been called by the BRHC Board (the “Investment Period”). Any portion of Chambers Investment Commitment not called by the BRHC Board prior to the expiration of the Investment Period will be cancelled. In no event will Chambers be required to make a capital contribution in an amount in excess of its undrawn commitment.

The Company was granted 1,000,000 Class B Units in BRHC at the Closing of the BRHC Transaction. At the discretion of the BRHC's Board of Managers, the Company may be granted additional Class B Units in BRHC, and in turn, the Company may transfer such Class B Units to certain members of the Company's management. Subject to certain conditions, the Class B Units will entitle the holders to participate in any future distributions of BRHC after distributions equal to the capital contributions and preferred return have been made to the holders of Class A Units of BRHC.

At the closing of the BRHC Transaction, the Company entered into a Management Services Agreement with BRHC. Under the Management Services Agreement, the Company provides services to BRHC with respect to the business operations of BRHC, including but not limited to locating, investigating and analyzing potential non-operator oil and gas projects and day-to-day operations related to such projects. The Company is paid a fee under the Management Services Agreement intended to cover the costs of providing such services and is reimbursed for certain third party expenses. The term of the Management Services Agreement commenced on the closing of the BRHC Transaction and continues indefinitely, unless terminated. The Management Services Agreement provides termination provisions upon reasonable notice for both the BRHC and the Company as well as upon a change of control, provided that if the Management Services Agreement is terminated before December 31, 2016 that BRHC shall pay the Company a termination fee equal to the amount that would have been paid if the Management Services Agreement was in place until December 31, 2016.

The Company believes that the BRHC Transaction and related actions will allow the Company to continue as a manager of the oil and gas assets in which we will continue to have an indirect minority interest. In addition, it will give us the flexibility to pursue distressed asset acquisitions in the Bakken and/or Three Forks formation that may be acquired with capital from our secured lenders as part of the restructuring terms, existing joint venture partners or other capital providers.

The summaries of the LLC Agreement, Management Services Agreement, Asset Contribution Agreement, and Debt Contribution Agreement above do not purport to be complete and are qualified by reference to the LLC Agreement, Management Services Agreement, Asset Contribution Agreement, and Debt Contribution Agreement which are filed as exhibits to the Company's Information Statement filed on Form Schedule 14C.

Senior Credit Facility and Subordinated Credit Facilities

The Company, as borrower, entered into a Credit Agreement dated August 8, 2013 and amendments thereto dated December 13, 2013, March 24, 2014, April 21, 2014, September 11, 2014, March 30, 2015 and August 10, 2015 (as amended, the "Senior Credit Agreement") with Cadence Bank, N.A. ("Cadence"), as lender (the "Senior Credit Facility"). Under the terms of the Senior Credit Agreement, a senior secured revolving line of credit in the maximum aggregate principal amount of \$50 million is available from time to time (i) for direct investment in oil and gas properties, (ii) for general working capital purposes, including the issuance of letters of credit, and (iii) to refinance the then existing debt under the Company's former credit facility.

Availability under the Senior Credit Facility was at all times subject to the then-applicable borrowing base, determined by Cadence in a manner consistent with the normal and customary oil and gas lending practices of Cadence. Availability was initially set at \$7 million and was subject to periodic redeterminations. Subject to availability under the borrowing base, the Company could borrow, repay and re-borrow funds in amounts of \$250,000 or more. At the Company's election, the unpaid principal balance of any borrowings under the Senior Credit Facility may bear interest at either (i) the Base Rate, as defined in the Senior Credit Facility, plus the applicable margin, which varies from 1.00% to 1.50% or (ii) the LIBOR rate, as defined in the Senior Credit Facility, plus the applicable margin, which varies from 3.00% to 3.50%. Interest was payable for Base Rate loans on the last business day of the month and for LIBOR loans on the last LIBOR business day of each LIBOR interest period. The Company was also required to pay a quarterly fee of 0.50% on any unused portion of the borrowing base, as well as a facility fee of 0.90% of the initial and any subsequent additions to the borrowing base.

The Senior Credit Facility's maturity date of August 8, 2016, was subsequently amended to January 15, 2017 pursuant to the amendment on March 30, 2015. The Company could prepay the entire amount of Base Rate loans at any time, and could prepay the entire amount of LIBOR loans upon at least three business days' notice to Cadence. The Senior Credit Facility was secured by first priority interests in mortgages on substantially all of the Company's assets, including but not limited to the Company's mineral interests in North Dakota and Montana.

As part of the debt restructuring outline in Note 4 – Debt Restructuring, the Company transferred the obligation with a balance outstanding of \$29,400,000 under the Senior Credit Facility to BRHC. The Company had borrowings of \$27.75 million outstanding under the Senior Credit Agreement as of December 31, 2015.

Subordinated Credit Facility

The Company, as borrower, entered into a Second Lien Credit Agreement dated August 8, 2013 and amendments thereto dated December 13, 2013, March 24, 2014, April 21, 2014, September 11, 2014, March 30, 2015, and August 10, 2015 (as amended, the “Subordinated Credit Agreement”) by and among the Company, as borrower, Chambers Energy Management, LP, as administrative agent (“Chambers”), and the several other lenders named therein (the “Subordinated Credit Facility”). Under the Subordinated Credit Facility, term loans in the aggregate principal amount of up to \$75 million were available from time to time (i) to repay the Previous Credit Facility, (ii) for fees and closing costs in connection with both the Senior Credit Facility and the Subordinated Credit Facility (together, the “Credit Facilities”), and (iii) general corporate purposes.

The Subordinated Credit Agreement provided initial commitment availability of \$25 million, which was subsequently amended to the current availability of \$30 million, with the remaining commitments subject to the approval of Chambers and other customary conditions. The Company could borrow the available commitments in amounts of \$5 million or more and could not request borrowings of such loans more than once a month, provided that the initial draw was at least \$15 million. Loans under the Subordinated Credit Facility were funded net of a 2% OID. The unpaid principal balance of borrowings under the Subordinated Credit Facility bore interest at the Cash Interest Rate plus the PIK Interest Rate. The Cash Interest Rate was 9.00% per annum plus a rate per annum equal to the greater of (i) 1.00% and (ii) the offered rate for three-month deposits in U.S. dollars that appears on Reuters Screen LIBOR 01 as of 11:00 a.m. (London time) on the second full LIBOR business day preceding the first day of each calendar quarter. The PIK Interest Rate was equal to 4.00% per annum. Interest was payable on the last day of each month. The Company was also required to pay an annual nonrefundable administration fee of \$50,000 and a monthly availability fee computed at a rate of 0.50% per annum on the average daily amount of any unused portion of the available amount under the commitment.

The Subordinated Credit Facility matured on June 30, 2017. Upon at least three business days’ written notice, the Company could prepay the entire amount under the loans, together with accrued interest. Each prepayment made prior to the second anniversary of the funding date, as defined in the Subordinated Credit Facility, would be accompanied by a make-whole amount, as defined in the Subordinated Credit Agreement. Prepayments made on or after the second anniversary of the funding date were accompanied by an applicable premium, as set forth in the Subordinated Credit Agreement. The Subordinated Credit Facility was secured by second priority interests on substantially all of the Company’s assets, including but not limited to second priority mortgages on the Company’s mineral interests in North Dakota and Montana.

The first funding from the Subordinated Credit Facility occurred on September 9, 2013 at which time we drew \$14,700,000, net of a \$300,000 original issue discount, from the Subordinated Credit Agreement and used \$10,226,057 of those proceeds to repay and terminate a previously outstanding revolving credit facility. We had drawn an additional \$14,700,000, net of \$300,000 original issue discounts, through December 31, 2015. The Company had borrowings of \$30.0 million outstanding under the Subordinated Credit Facility as of December 31, 2015. The obligations under the Subordinated Credit Facility, \$30.0 million of principal and \$2,931,369 of PIK interest payable, were transferred to BRHC and converted to equity in BRHC as part of the debt restructuring outlined in Note 4- Debt Restructuring.

Intercreditor Agreements and Covenants

Cadence and Chambers had entered into an Intercreditor Agreement dated August 8, 2013 (the “Intercreditor Agreement”). The Intercreditor Agreement provided that any liens on the assets of the Company securing indebtedness under the Subordinated Credit Facility were subordinate to liens on the assets securing indebtedness under the Senior Credit Facility and sets forth the respective rights, obligations and remedies of the lenders under the Senior Credit Facility with respect to their first priority liens and the lenders under the Subordinated Credit Facility with respect to their second priority liens.

The Credit Facilities, as amended, required customary affirmative and negative covenants for credit facilities of the respective types and sizes for companies operating in the oil and gas industry, as well as customary events of default. Furthermore, the Credit Facilities contain financial covenants that required the Company to satisfy certain specified financial ratios. The Senior Credit Agreement required the Company to maintain, as of the last day of each fiscal quarter of the Company, (i) a collateral coverage ratio (reserve value plus consolidated working capital to adjusted indebtedness) of at least 0.65 to 1.00 through the quarter ending June 30, 2014, 0.70 to 1.00 for the quarters ending September 30, 2014 and December 31, 2014, was waived for the quarters ending March 31, 2015 and June 30, 2015, and 0.70 to 1.00 for the quarter ending September 30, 2015, and 0.80 to 1.00 for the quarter ending December 31, 2015 and thereafter, (ii) a ratio of current assets, including debt facility available to be drawn, to current liabilities of a minimum of 1.0 to 1.0, except for the quarter ending June 30, 2014, which was waived, (iii) a net debt to EBITDAX, as defined in the Senior Credit Agreement, ratio of 3.75 to 1.00 for the quarter ended March 31, 2014, 4.25 to 1.00 for the quarters ended June 30, 2014 and September 30, 2014, 4.00 to 1.00 for the quarter ended December 31, 2014, was waived for the quarters ended March 31, 2015 and June 30, 2015, and 3.50 to 1.00 for the quarter ending September 30, 2015, and 3.65 to 1.00 for the quarter ending December 31, 2015, and 3.50 to 1.00 for the quarter ending March 31, 2016 and thereafter, in each case calculated on a modified trailing four quarter basis, (iv) a maximum senior leverage ratio of not more than 2.5 to 1.0 calculated on a modified trailing four quarter basis, and (v) a minimum interest coverage ratio of not less than 3.0 to 1.0. The Subordinated Credit Agreement required the Company to maintain, as of the last day of each fiscal quarter of the Company, (i) a collateral coverage ratio (reserve value plus consolidated working capital to adjusted indebtedness) of at least 0.65 to 1.00 through the quarter ending June 30, 2014, 0.70 to 1.00 for the quarters ending September 30, 2014 and December 31, 2014, was waived for the quarters ending March 31, 2015 and June 30, 2015, and 0.70 to 1.00 for the quarter ending September 30, 2015, and 0.80 to 1.00 for the quarter ending December 31, 2015 and thereafter, (ii) a consolidated net leverage ratio (adjusted total indebtedness less the amount of unrestricted cash equivalents to consolidated EBITDA) of no more than 3.75 to 1.00 for the quarter ending March 31, 2014, 4.25 to 1.00 for the quarters ending June 30, 2014 and September 30, 2014, 4.00 to 1.00 for the quarter ending December 31, 2014, was waived for the quarters ending March 31, 2015 and June 30, 2015, and 3.50 to 1.00 for the quarter ending September 30, 2015, and 3.65 to 1.00 for the quarter ending December 31, 2015, and 3.50 to 1.00 for the quarter ending March 31, 2016 and thereafter, calculated on a modified trailing four quarter basis, (iii) a consolidated cash interest coverage ratio (consolidated EBITDA to consolidated cash interest expense) of no less than 2.5 to 1.0, calculated on a modified trailing four quarter basis and (iv) a ratio of consolidated current assets to consolidated current liabilities of at least 1.0 to 1.0, except for the quarter ending June 30, 2015 when the covenant was waived. In addition, each of the Credit Facilities required that the Company enter into hedging agreements based on anticipated oil production from currently producing wells as agreed to by the lenders.

Covenant Violations

The Company was out of compliance with the collateral coverage ratio covenant as of March 31, 2016 and December 31, 2015 and the current ratio covenant as defined by the Subordinated Credit Facility as of March 31, 2016. Additionally, the audit report the Company received with respect to its financial statements as of December 31, 2015 contains an explanatory paragraph expressing uncertainty as to the Company's ability to continue as a going concern, the delivery of which constitutes a default under both its Senior Credit Facility and Subordinated Credit Facility. See Note 3, "Going Concern", for additional information. The Company received a waiver for all debt covenants as of December 31, 2015 and March 31, 2016 as part of the debt restructuring outlined in Note 4 – Debt Restructuring.

Debt Discount, Detachable Warrants

In connection with the Subordinated Credit Facility, the Company agreed to issue to the lenders detachable warrants to purchase up to 5,000,000 shares of the Company's common stock at an exercise price of \$0.65 per share. The warrants expire on August 8, 2018. Proceeds from the loan were allocated between the debt and equity based on the relative fair values at the time of issuance, resulting in a debt discount of \$2,473,576 at issuance that is presented as a debt discount on the balance sheet and is being amortized using the effective interest method over the life of the credit facility, which matures on June 30, 2017. A total of \$0- and \$321,763 was amortized during the nine months ended September 30, 2016 and 2015. The remaining unamortized balance of the debt discount attributable to the warrants is \$0- as of September 30, 2016. The amortization of the debt discount attributable to the warrants was accelerated in 2015 to fully amortize the discount as of December 31, 2015 when the related debt became payable on demand due to a default on the related debt. As part of the debt restructuring all related warrants were retired and cancelled.

Satisfaction of our cash obligations for the next 12 months

As of September 30, 2016, our balance of cash and cash equivalents was \$57,366 and we had \$77,801 of working capital. Following the close of the BRHC Transaction, our plan for satisfying our cash requirements for the next twelve months is through the terms of our management agreement.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

Critical Accounting Policies and Estimates

Our management's discussion and analysis of financial conditions and results of operations is based on our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States, or GAAP. The preparation of these financial statements required us to make estimates and judgments that affect the reported amounts of assets, liabilities and expenses. On an ongoing basis, we evaluate these estimates and judgments. We base our estimates on our historical experience and on various other assumptions that we believe to be reasonable under the circumstances. These estimates and assumptions form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results and experiences may differ materially from these estimates.

Our critical accounting policies are more fully described in Note 1 of the footnotes to our financial statements appearing elsewhere in this Form 10-Q, and Note 2 of the footnotes to the financial statements provided in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Commodity Price Risk

Prior to the BRHC Transaction, the prices we received for our crude oil and natural gas production heavily influenced our revenue, profitability, access to capital and future rate of growth. Crude 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 crude oil and natural gas have been volatile, and these markets will likely continue to be volatile in the future. The prices we received for our production depended on numerous factors beyond our control. Our revenue generally increased or decreased along with any increases or decreases in crude oil or natural gas prices, but the impact on our income was indeterminable given the variety of expenses associated with producing and selling crude oil that also increase and decrease along with crude oil prices.

Those same commodity price risks heavily influence the profitability and access to capital in the companies we currently or will manage through management service agreements, thus affecting their ability to pay for the services we currently or are working to provide in the future. Thus commodity price risk continues to be a factor affecting our future profitability.

ITEM 4. CONTROLS AND PROCEDURES.

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed by the Company is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission.

Our management, under the direction of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as such terms are defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of September 30, 2016. As part of such evaluation, management considered the matters discussed below relating to internal control over financial reporting. Based on this evaluation our management, including the Company's Chief Executive Officer and Chief Financial Officer, has concluded that the Company's disclosure controls and procedures were effective as of September 30, 2016 to ensure that the information required to be disclosed in our Exchange Act reports was recorded, processed, summarized and reported on a timely basis.

There have been no changes in the Company's internal control over financial reporting during the three month period ended September 30, 2016 that materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

Other than routine legal proceedings incident to our business, there are no material legal proceedings to which we are a party or to which any of our property is subject.

ITEM 1A. RISK FACTORS.

As a smaller reporting company, we are not required to provide the information required by this Item.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS.

Exhibit	Description
3.1	Certificate of Incorporation (incorporated by reference to Exhibit 3.1 of the Form 8-K filed with the Securities and Exchange Commission by Black Ridge Oil & Gas, Inc. on December 12, 2012)
3.2	Bylaws (incorporated by reference to Exhibit 3.2 of the Form 8-K filed with the Securities and Exchange Commission by Black Ridge Oil & Gas, Inc. on December 12, 2012)
31.1*	Section 302 Certification of Chief Executive Officer
31.2*	Section 302 Certification of Chief Financial Officer
32.1*	Section 906 Certification of Chief Executive Officer
32.2*	Section 906 Certification of Chief Financial Officer
101.INS*	XBRL Instance Document
101.SCH*	XBRL Schema Document
101.CAL*	XBRL Calculation Linkbase Document
101.DEF*	XBRL Definition Linkbase Document
101.LAB*	XBRL Labels Linkbase Document
101.PRE*	XBRL Presentation Linkbase Document

*Filed herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

BLACK RIDGE OIL & GAS, INC.

Dated: November 7, 2016

By: /s/ Kenneth DeCubellis
Kenneth DeCubellis, Chief Executive Officer (Principal Executive Officer)

Dated: November 7, 2016

By: /s/ James A. Moe
James A. Moe, Chief Financial Officer (Principal Financial Officer)

EXHIBIT 31.1
CERTIFICATION

I, Kenneth DeCubellis, certify that:

1. I have reviewed this report on Form 10-Q of Black Ridge Oil & Gas, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) 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, 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.
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

Dated: November 7, 2016

/s/ Kenneth DeCubellis
Kenneth DeCubellis, Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2
CERTIFICATION

I, James A. Moe, certify that:

1. I have reviewed this report on Form 10-Q of Black Ridge Oil & Gas, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) 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, 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.
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

Date: November 7, 2016

/s/ James A. Moe
James A. Moe, Chief Financial Officer
(Principal Financial Officer)

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Black Ridge Oil & Gas, Inc. (the "Company") on Form 10-Q for the period ending September 30, 2016 (the "Report") I, Kenneth DeCubellis, Chief Executive Officer of the Company, certify, pursuant to 18 USC Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge and belief:

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

Dated: November 7, 2016

/s/ Kenneth DeCubellis
Kenneth DeCubellis, Chief Executive Officer

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

EXHIBIT 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Black Ridge Oil & Gas, Inc. (the "Company") on Form 10-Q for the period ending September 30, 2016 (the "Report") I, James A. Moe, Chief Financial Officer of the Company, certify, pursuant to 18 USC Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge and belief:

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

Dated: November 7, 2016

/s/ James A. Moe

James A. Moe, Chief Financial Officer

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.