

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 March 31, 2017

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.)

10275 Wayzata Blvd. Suite 100, Minnetonka, Minnesota 55305

(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

Emerging growth company

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

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

Yes

No

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 May 4, 2017 was 47,979,990.

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**PART I – FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS.**

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

	March 31, 2017	December 31, 2016
<b>ASSETS</b>	(Unaudited)	
<b>Current assets:</b>		
Cash and cash equivalents	\$ 137,029	\$ 66,269
Prepaid expenses	61,247	86,892
Due from Black Ridge Holding Company, LLC	178	765
<b>Total current assets</b>	<b>198,454</b>	<b>153,926</b>
<b>Property and equipment:</b>		
Property and equipment	128,155	140,547
Less accumulated depreciation	(109,710)	(112,128)
<b>Total property and equipment, net</b>	<b>18,445</b>	<b>28,419</b>
Investment in Black Ridge Holding Company, LLC	52,853	52,853
<b>Total assets</b>	<b>\$ 269,752</b>	<b>\$ 235,198</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 38,822	\$ 21,563
Accrued expenses	25,518	14,998
<b>Total current liabilities</b>	<b>64,340</b>	<b>36,561</b>
Long term liabilities	–	–
<b>Total liabilities</b>	<b>64,340</b>	<b>36,561</b>
Commitments and contingencies (See note 17)	–	–
<b>Stockholders' equity:</b>		
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	35,061,508	34,902,016
Accumulated deficit	(34,904,076)	(34,751,359)
<b>Total stockholders' equity</b>	<b>205,412</b>	<b>198,637</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 269,752</b>	<b>\$ 235,198</b>

See accompanying notes to financial statements.

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

	For the Three Months Ended March 31,	
	2017	2016
Management fee income	\$ 500,000	\$ —
Total revenues	500,000	—
Operating expenses:		
General and administrative expenses		
Salaries and benefits	338,570	343,089
Stock compensation	159,492	157,824
Professional services	66,623	79,437
Other general and administrative expenses	80,218	104,559
Total general and administrative expenses	644,903	684,909
Depreciation and amortization	3,100	3,885
Total operating expenses	648,003	688,794
Net operating loss	(148,003)	(688,794)
Other income (expense):		
Loss on disposal of property and equipment	(4,714)	—
Total other income (expense)	(4,714)	—
Loss before provision for income taxes	(152,717)	(688,794)
Provision for income taxes	—	—
Loss from continuing operations, net of tax	(152,717)	(688,794)
Loss from discontinued operations, net of tax	—	(7,226,719)
Net loss	\$ (152,717)	\$ (7,915,513)
Weighted average common shares outstanding - basic	47,979,990	47,979,990
Weighted average common shares outstanding - fully diluted	47,979,990	47,979,990
Net loss per common share - basic	\$ (0.00)	\$ (0.16)
Net loss per common share - fully diluted	\$ (0.00)	\$ (0.16)

See accompanying notes to financial statements.

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

	For the Three Months Ended March 31,	
	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss	\$ (152,717)	\$ (7,915,513)
Loss from discontinued operations, net of income taxes	–	(7,226,719)
Loss from continuing operations	(152,717)	(688,794)
Adjustments to reconcile net loss from continuing operations to net cash provided by (used in) operating activities from continuing operations:		
Depreciation and amortization	3,100	3,885
Loss on sale of property and equipment	4,714	–
Common stock options issued to employees and directors	159,492	157,824
Decrease (increase) in current assets:		
Due from Black Ridge Holdings Company LLC	587	–
Prepaid expenses	25,645	(18,013)
Increase (decrease) in current liabilities:		
Accounts payable	17,259	19,060
Accrued expenses	10,520	20,378
Net cash provided by (used in) operating activities from continuing operations	68,600	(505,660)
Net cash provided by operating activities from discontinued operations	–	247,277
Net cash provided by (used in) operating activities	68,600	(258,383)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of property and equipment	2,160	–
Net cash provided by investing activities from continuing operations	2,160	–
Net cash used in investing activities from discontinued operations	–	(1,149,789)
Net cash provided by (used in) investing activities	2,160	(1,149,789)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net cash provided by financing activities of discontinued operations	–	1,400,000
Net cash provided by financing activities	–	1,400,000
<b>NET CHANGE IN CASH</b>	70,760	(8,172)
<b>CASH AT BEGINNING OF PERIOD</b>	66,269	228,194
<b>CASH AT END OF PERIOD</b>	\$ 137,029	\$ 220,022
<b>SUPPLEMENTAL INFORMATION:</b>		
Interest paid	\$ –	\$ 1,114,527
Income taxes paid	\$ –	\$ –
<b>NON-CASH INVESTING AND FINANCING ACTIVITIES:</b>		
Net change in accounts payable for purchase of oil and gas properties	\$ –	\$ (237,303)

See accompanying notes to financial statements.

**BLACK RIDGE OIL & GAS, INC.**  
**Notes to Financial Statements**

**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 3 – Debt Restructuring. Following the transaction, our focus has been managing the oil and gas assets in which we continue to have an indirect minority interest. Our management services agreement related to those same oil and gas assets was terminated on April 3, 2017, effective June 30, 2017, as described in Note 18 – Subsequent Events. 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 our 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, 2016, 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

As discussed in Note 3 – Debt Restructuring, income, expense and cash flows from the restructured operations for the three months ended March 31, 2016 have been reclassified as net loss and cash flows from discontinued operations.

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 March 31, 2017 and December 31, 2016.

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 March 31, 2017 and December 31, 2016, respectively. The Company has not experienced any losses in such accounts.

**BLACK RIDGE OIL & GAS, INC.**  
**Notes to Financial Statements**

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, administration), 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 March 31, 2017. 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 \$-0- for the three months ended March 31, 2017 and 2016, respectively, as 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. For the periods presented, potential dilutive securities had an anti-dilutive effect and were not included in the calculation of diluted net loss per common share.

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 \$3,100 and \$3,885 for the three months ended March 31, 2017 and 2016, respectively.

Revenue Recognition

The Company recognizes management fee income as services are provided.

The Company recognized oil and gas revenues from its former interests in producing wells when production was delivered to, and title was transferred to, the purchaser and to the extent the selling price is reasonably determinable. Oil and gas revenues are reflected as a component of discontinued operations on the statements of operations.

**BLACK RIDGE OIL & GAS, INC.**  
**Notes to Financial Statements**

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 expense related to accretion of the discount on the asset retirement liability is reflected as a component of discontinued operations on the statement of operations for the three months ended March 31, 2016.

Full Cost Method

The Company followed the full cost method of accounting for oil and gas operations in 2016 whereby all costs related to the exploration and development of oil and gas properties were initially capitalized into a single cost center ("full cost pool"). The Company had no oil and gas operations in 2017 as they were disposed as part of the debt restructuring transaction on June 21, 2016 described in Note 3 – Debt Restructuring. Capitalized costs included 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 were capitalized were directly attributable to acquisition, exploration and development activities and did not include costs related to the production, general corporate overhead or similar activities. Costs associated with production and general corporate activities were expensed in the period incurred. Capitalized costs for the three month period ended March 31, 2016 are summarized as follows:

	Three Months Ended March 31, 2016
Capitalized Certain Payroll and Other Internal Costs	\$ –
Capitalized Interest Costs	7,219
<b>Total</b>	<b>\$ 7,219</b>

Proceeds from sales of proved properties were credited to the full cost pool, with no gain or loss recognized, unless such a sale would significantly altered 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 assessed all items classified as unevaluated property on a quarterly basis for possible impairment or reduction in value. The assessment included 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 were transferred to the full cost pool and were 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 were 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 were 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) could 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, an impairment was recognized. The present value of estimated future net cash flows was 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. When this comparison indicated an excess carrying value, the excess was charged to earnings as an impairment expense. The Company recognized an impairment loss of \$5,219,000 during the three months ended March 31, 2016. The impairment loss is reflected as a component of discontinued operations on the statement of operations for the period.

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 \$159,492 and \$157,824 for the three months ended March 31, 2017 and 2016, 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.



**BLACK RIDGE OIL & GAS, INC.**  
**Notes to Financial Statements**

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

During the 2016 period, while the Company had oil and gas operations, 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.

Any 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 included as a component of loss from discontinued operations on the statements 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, 2016.

**Note 3 – 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 issued 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 agreed that the BRHC Transaction, the Asset Contribution and the Satisfaction of Debt were effective, for valuation purposes, as of April 1, 2016.

**BLACK RIDGE OIL & GAS, INC.**  
**Notes to Financial Statements**

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, are to 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 initial 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, could 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 is 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 continued indefinitely, until terminated, which required a three month notice by the terminating party. The management services agreement was terminated by BRHC on April 3, 2017, effective June 30, 2017, as describe in Note 18 – Subsequent Events.

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 the Company’s retention of a 3.88% ownership interest in BRHC at the date of the restructuring, and the net book value of the assets and liabilities the Company transferred to BRHC.

**BLACK RIDGE OIL & GAS, INC.**  
**Notes to Financial Statements**

The income and expense associated with the operating activities contributed in the BRHC Transaction are reflected as “Loss from discontinued items, net of income taxes” on our condensed statement of operations for the three months ended March 31, 2016. The items included in “Loss from discontinued operations, net of income taxes” are as follows:

	<u>For the Three Months Ended March 31, 2016</u>
Oil and gas sales	\$ 2,662,555
Gain (loss) on the mark-to-market of derivatives	(15,887)
Total revenues	<u>2,646,668</u>
<b>Operating expenses:</b>	
Production expenses	747,757
Production taxes	275,948
General and administrative expenses	165,399
Depletion of oil and gas properties	2,022,504
Impairment of oil and gas properties	5,219,000
Accretion of discount on asset retirement obligations	8,133
Total operating expenses	<u>8,438,741</u>
Net operating loss	<u>(5,792,073)</u>
<b>Other income (expense):</b>	
Interest expense	(1,434,646)
Total other income (expense)	<u>(1,434,646)</u>
Loss before provision for income taxes	(7,226,719)
Provision for income taxes	—
Net loss	<u>\$ (7,226,719)</u>

**Note 4 – Prepaid Expenses**

Prepaid expenses consist of the following:

	<u>March 31, 2017</u>	<u>December 31, 2016</u>
Prepaid insurance costs	\$ 11,541	\$ 43,324
Prepaid employee benefits	11,729	11,844
Prepaid office and other costs	37,977	31,724
Total prepaid expenses	<u>\$ 61,247</u>	<u>\$ 86,892</u>

**BLACK RIDGE OIL & GAS, INC.**  
**Notes to Financial Statements**

**Note 5 – Investment in Black Ridge Holding Company, LLC**

The investment in Black Ridge Holding Company, LLC represents our equity interest in Black Ridge Holding Company, LLC following the debt restructuring and related activity as described in Note 3 – Debt Restructuring. We account for the investment using the cost method.

**Note 6 – Property and Equipment**

Property and equipment at March 31, 2017 and December 31, 2016, consisted of the following:

	March 31, 2017	December 31, 2016
Property and equipment	\$ 128,155	\$ 140,547
Less: Accumulated depreciation and amortization	(109,710)	(112,128)
<b>Total property and equipment, net</b>	<b>\$ 18,445</b>	<b>\$ 28,419</b>

During the three months ended March 31, 2017 we sold certain assets with a net book value of \$6,874 for proceeds of \$2,160, resulting in a loss on disposal of \$4,714.

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

	Three Months Ended March 31,	
	2017	2016
Depletion of costs for evaluated oil and gas properties <sup>(1)</sup>	\$ –	\$ 2,022,504
Depreciation and amortization of other property and equipment	3,100	3,885
<b>Total depreciation, amortization and depletion</b>	<b>\$ 3,100</b>	<b>\$ 2,026,389</b>

<sup>(1)</sup>Presented as a component 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 a non-cash ceiling test impairment of \$5,219,000 for the three months ended March 31, 2016. The expense associated with the impairment is presented as a component of loss from discontinued operations, net of income taxes as described in Note 3 – Debt Restructuring. The impairment charge affected our reported net income but did not reduce our cash flow.

**Note 7 – Oil and Gas Properties**

The following table summarizes gross and net productive oil wells by state at March 31, 2016. 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.

	March 31, 2016	
	Gross	Net
North Dakota	352	10.64
Montana	5	0.37
<b>Total</b>	<b>357</b>	<b>11.01</b>

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 March 31, 2016 our principal oil and gas assets included approximately 7,030 net acres, respectively, located in North Dakota and Montana and were disposed by the Company on June 21, 2016 as part of the debt restructuring transaction summarized in Note 3 – Debt Restructuring.

**BLACK RIDGE OIL & GAS, INC.**  
**Notes to Financial Statements**

The following table summarizes our capitalized costs for the purchase and development of our oil and gas properties for the three months ended March 31, 2016:

	Three Months Ended March 31, 2016
Purchases of oil and gas properties and development costs for cash	\$ 1,149,789
Purchase of oil and gas properties accrued at period-end	6,662,200
Purchase of oil and gas properties accrued at beginning of period	(6,899,503)
Capitalized asset retirement costs	—
Total purchase and development costs, oil and gas properties	\$ 912,486

2016 Acquisitions

During the three months ended March 31, 2016, we did not purchase any oil and gas properties.

2016 Divestitures

During the three months ended March 31, 2016, we did not sell any oil and gas properties.

**Note 8 – Asset Retirement Obligation**

The Company had asset retirement obligations (ARO) associated with the future plugging and abandonment of proved properties and related facilities prior to the disposition of the Company's oil and gas operations as part of its debt restructuring summarized in Note 3 – Debt Restructuring. 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 three months ended March 31, 2016:

	Three Months Ended March 31, 2016
Beginning ARO	\$ 368,089
Liabilities incurred for new wells placed in production	—
Accretion of discount on ARO (a component of loss from discontinued operations)	8,133
Ending ARO	\$ 376,222

**Note 9 – Related Party**

Prior to July 1, 2016 the Company leased office space on a month to month basis where the lessor was 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 \$17,276 to this entity during the three months ended March 31, 2016.

**Note 10 – Derivative Instruments**

The Company was required to recognize all derivative instruments on the balance sheet as either assets or liabilities measured at fair value. The Company did not designate its derivative instruments as cash flow hedges for accounting purposes and, as such, marked its derivative instruments to fair value and recognized 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" as a component of loss from discontinued operations.

**BLACK RIDGE OIL & GAS, INC.**  
**Notes to Financial Statements**

The Company had utilized swap and collar derivative contracts. While the use of these derivative instruments limited the downside risk of adverse price movements, their use also limited 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 were settled based on reported settlement prices on commodity exchanges, with crude oil derivative settlements based on NYMEX West Texas Intermediate ("WTI") pricing.

Derivative Gains and Losses

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

	Three Months Ended March 31, 2016
<b>Realized gain (loss) on derivatives:</b>	
Crude oil fixed price swaps	\$ —
Crude oil collars	—
Realized loss on derivatives, net	<u>\$ —</u>
<b>Gain (loss) on the mark-to-market of derivatives:</b>	
Crude oil fixed price swaps	\$ (19,898)
Crude oil collars	4,011
Gain (loss) on the mark-to-market of derivatives, net	<u>\$ (15,887)</u>

**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 had 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.

**BLACK RIDGE OIL & GAS, INC.**  
**Notes to Financial Statements**

The following schedule summarizes the valuation of financial instruments at fair value on a recurring basis in the balance sheets as of March 31, 2017 and December 31, 2016:

	Fair Value Measurements at March 31, 2017		
	Level 1	Level 2	Level 3
<b>Assets</b>			
Cash and cash equivalents	\$ 137,029	\$ –	\$ –
Total assets	137,029	–	–
<b>Liabilities</b>			
Total liabilities	–	–	–
	\$ 137,029	\$ –	\$ –
<b>Fair Value Measurements at December 31, 2016</b>			
	Level 1	Level 2	Level 3
<b>Assets</b>			
Cash and cash equivalents	\$ 66,269	\$ –	\$ –
Total assets	66,269	–	–
<b>Liabilities</b>			
Total liabilities	–	–	–
	\$ 66,269	\$ –	\$ –

There were no transfers of financial assets or liabilities between Level 1 and Level 2 inputs for the three months ended March 31, 2017 and December 31, 2016.

**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 3 – Debt Restructuring, the Company transferred the obligation with a balance outstanding of \$29,400,000 under the Senior Credit Facility to BRHC on June 21, 2016.

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.

**BLACK RIDGE OIL & GAS, INC.**  
**Notes to Financial Statements**

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.

The Subordinated Credit Facility was to mature 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 June 21, 2016. The Company had borrowings of \$30.0 million outstanding under the Subordinated Credit Facility as of June 21, 2016. 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 3 - Debt Restructuring on June 21, 2016.

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.



**BLACK RIDGE OIL & GAS, INC.**  
**Notes to Financial Statements**

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. 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 3 – Debt Restructuring.

The following presents components of interest expense which is presented as a component of component of loss from discontinued operations, net of tax, on the Company's statement of operations for the three months ended March 31, 2016:

	Three Months Ended March 31, 2016
Accrued PIK interest	\$ 330,740
Interest and commitment fees	1,111,125
Less interest capitalized to the full cost pool of our proved oil & gas properties	(7,219)
	<u>\$ 1,434,646</u>

**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 three months ended March 31, 2017 and 2016.

The Company recognized a total of \$159,492, and \$157,824 of compensation expense during the three months ended March 31, 2017 and 2016, respectively, related to 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 \$862,897 as of March 31, 2017.

Options Exercised

No options were exercised during the three months ended March 31, 2017 and 2016.

Options Forfeited

No options were forfeited during the three months ended March 31, 2017 and 2016.

**BLACK RIDGE OIL & GAS, INC.**  
**Notes to Financial Statements**

**Note 15 – Warrants**

Warrants Granted

No warrants were granted during the three months ended March 31, 2017 and 2016.

Warrants Exercised

No warrants were exercised during the three months ended March 31, 2017 and 2016.

During 2016, all remaining warrants either expired or were forfeited pursuant to our debt restructuring as described in Note 3- Debt Restructuring. The Company has no outstanding warrants as of March 31, 2017.

**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, 2017 will be 0%. Losses incurred during the period from April 9, 2011 (inception) to March 31, 2017 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 March 31, 2017, net deferred tax assets were \$12,810,140, after an offsetting reduction in deferred tax liabilities of \$1,382, primarily related to net operating loss carryforwards. A valuation allowance of approximately \$12,810,140 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 three months ended March 31, 2017 of \$-0- was primarily driven by the Company’s loss before provision for income taxes and offset by the valuation allowance on the resulting 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 March 31, 2017.

**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.

**Note 18 – Subsequent Events**

Cancelation of Management Services Agreement and Sale of BRHC Assets

On April 3, 2017, we were notified by BRHC of their termination of our Management Services Agreement and that they had finalized the sale of BRHC’s oil and gas assets to a third party. On April 3, BRHC signed a Contribution Agreement that provides for the transfer of ownership and title of all oil and gas assets held by BRHC in exchange for preferred membership interest in the acquiring LLC (the “BRHC Sale”). Consistent with the terms of the Management Services Agreement, we will be paid for our management services for the three month period ended June 30, 2017. Additionally, Chambers Energy Capital II, LP and CEC II TE, LLC, have agreed to purchase for cash our 3.88% equity share in BRHC, which is estimated to be approximately \$1.0 million.

On April 12, 2017 Chambers contributed an additional \$1.1 million to BRHC as part of the Chambers Investment Commitment under the LLC agreement, thereby reducing the Company’s ownership interest in BRHC from 3.88% to 3.78%.

## 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;
- inadequate capital of our clients to acquire working interests in oil and gas prospects and to participate in the drilling and production of oil and other hydrocarbons;
- inability to maintain adequate liquidity to meet our financial obligations;
- unavailability of oil and gas prospects to acquire for our clients;
- failure to acquire or grow 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

On June 21, 2016 we closed on a debt restructuring transaction with our former 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 continue to have an indirect minority interest. In addition, we continue to pursue distressed asset acquisitions in the Bakken and/or Three Forks and other formations that may be acquired with capital from our 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 traded 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 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 the credit agreement between the Company, as borrower, and Cadence Bank, N.A. (“Cadence”), as lender (the “Cadence Credit Facility”) and the outstanding balances under the credit agreement between the Company, as borrower, and affiliates (specifically, Chambers Energy Capital II, LP and CEC II TE, LLC (collectively, the “Chambers Affiliates”)) of Chambers Energy Management, LP (“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, the Chambers Affiliates entered into a Debt Contribution Agreement between BRHC and the Chambers Affiliates, pursuant to which BRHC issued 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 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, are to 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, could 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 is 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 continued indefinitely, until terminated. The Management Services Agreement could be cancelled by either party without penalty after January 1, 2017 with a three month notice and is paid in advance at the beginning of each calendar quarter.

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.

### **Cancelation of Management Services Agreement and Sale of BRHC Assets**

On April 3, 2017, we were notified by BRHC of their termination of our Management Services Agreement and that they had finalized the sale of BRHC's oil and gas assets to a third party. On April 3, BRHC signed a Contribution Agreement that provides for the transfer of ownership and title of all oil and gas assets held by BRHC in exchange for preferred membership interest in the acquiring LLC (the "BRHC Sale"). Consistent with the terms of the Management Services Agreement, we will be paid for our management services for the three month period ended June 30, 2017. Additionally, Chambers Energy Capital II, LP and CEC II TE, LLC, have agreed to purchase for cash (estimated to be approximately \$1.0 million) our 3.88% equity share in BRHC, which was reduced to 3.78% as a result of a subsequent investment made by Chambers into BRHC.

### **Business**

Following the BRHC Transaction, our focus has been managing the oil and gas assets for BRHC in which we continued to have a minority interest. In addition, we continue to pursue distressed asset acquisitions in the Bakken and/or Three Forks and other formations that may be acquired with capital from joint venture partners or other capital providers (our partners).

We believe we create value through identifying and targeting acreage positions with attractive returns on the capital employed by evaluating, amongst other factors, reserve potential, operator performance, anticipated well costs and anticipated operating expenses.

With the experience and connections of our personnel in the Williston Basin region, we believe that we are able to create value for our partners through opportunistic acreage acquisitions. We believe our experience enhances our ability to identify and acquire high value acreage in the Bakken and Three Forks trends. Because we primarily identify minority interests in multiple drilling units, we are able to diversify our partners' risk across numerous wells. We believe that our prospective success revolves around our ability to identify and acquire for our partners mineral leases to participate in drilling activities by virtue of their ownership of such rights and through our experience and the relationships we have developed in the Williston Basin and our experience in managing those investments for our partners.

### **Operating 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 included management services fees amounting to \$500,000 per quarter. No management fees were earned by the Company in the three month period ended March 31, 2016.

General and administrative expenses from continuing operations were \$644,903 for the for the three month period ended March 31, 2017 as compared to \$684,909 in the three month period ended March 31, 2016.

### Results of Operations for the Three Months Ended March 31, 2017 and 2016.

The following table summarizes selected items from the statement of operations for the three months ended March 31, 2017 and 2016, respectively.

	Three Months Ended		Increase / (Decrease)
	March 31,		
	2017	2016	
Management fee income	\$ 500,000	\$ –	\$ 500,000
Total revenues:	<u>500,000</u>	<u>–</u>	<u>500,000</u>
Operating expenses:			
General and administrative expenses:			
Salaries and benefits	338,570	343,089	(4,519)
Stock compensation	159,492	157,824	1,668
Professional services	66,623	79,437	(12,814)
Other general and administrative expenses	80,218	104,559	(24,341)
Total general and administrative expenses	<u>644,903</u>	<u>684,909</u>	<u>(40,006)</u>
Depreciation and amortization	3,100	3,885	(785)
Total operating expenses	<u>648,003</u>	<u>688,794</u>	<u>(40,791)</u>
Net operating loss	<u>(148,003)</u>	<u>(688,794)</u>	<u>540,791</u>
Other income (expense)			
Loss on disposal of property and equipment	(4,714)	–	(4,714)
Total other income (expense)	<u>(4,714)</u>	<u>–</u>	<u>(4,714)</u>
Loss before provision for income taxes	(152,717)	(688,794)	536,077
Provision for income taxes	–	–	–
Loss from continuing operations	<u>(152,717)</u>	<u>(688,794)</u>	<u>536,077</u>
Loss from discontinued operations, net of tax	–	(7,226,719)	7,226,719
Net loss	<u>\$ (152,717)</u>	<u>\$ (7,915,513)</u>	<u>\$ 7,762,796</u>

### Management Fee Revenue

Management fees represent fees of \$500,000 for the three months ended March 31, 2017. The Company earned no management fees during the three months ended March 31, 2016.

### General and Administrative Expenses

#### Salaries and benefits

Salaries and benefits for the three months ended March 31, 2017 were \$338,570 compared to \$343,089 for the three months ended March 31, 2016, a decrease of \$4,519, or 1%. Base salaries and headcount were consistent between the two periods.

### *Stock compensation*

Stock compensation expense for the three months ended March 31, 2017 was \$159,492 compared to \$157,824 for the three months ended March 31, 2016, an increase of \$1,668 or 1%. The increase attributed to options granted towards the end of 2016 which were amortized for the full 2017 period and offset by decreased amortization as certain prior option valuations became fully amortized.

### *Professional services*

General and administrative expenses related to professional services from continuing operations were \$66,623 for the 2017 period compared \$79,437 for the 2016 period, a decrease of \$12,814 or 16%. The decrease primarily relates to decreased accounting and legal services due to the simplified structure of the Company.

### *Other general and administrative expenses*

Other general and administrative expenses for the three months ended March 31, 2017 were \$80,218 compared to \$104,559 for three months ended March 31, 2016, a decrease of \$24,341, or 23%. The decrease is attributable to decreased travel, meals and entertainment, investor relations and office costs under the more simplified structure subsequent to the debt restructuring.

### **Depreciation**

Depreciation expense for the three months ended March 31, 2017 was \$3,100, compared to \$3,885 for three months ended March 31, 2016.

### **Other income (expense)**

In the 2017 period we sold certain assets no longer utilized for proceeds of \$2,160, resulting in a loss of \$4,714. We had no other income (expense) from continuing operations in the 2016 period.

### **Provision for Income Taxes**

We had no income tax expense or benefit from continuing operations in both the three months ended March 31, 2017 and 2016 as the Company continues to reserve against any deferred tax assets due to the uncertainty of realization of any 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 \$7,226,719 during the three months ended March 31, 2016 related to the assets and liabilities contributed to BRHC. The loss from discontinued operations of \$7,226,719 in 2016 consisted of revenues of \$2,646,668, including \$2,662,555 of oil and gas sales, reduced by losses of \$15,887 related to the change in the mark-to-market valuation of derivatives. Expenses from discontinued operations in 2016 included a \$5,219,000 impairment write-down on the Company's oil and gas assets, \$747,757 of production expenses, \$275,948 of production taxes, \$165,399 of general and administrative expenses directly related to the oil and gas assets and debt contributed to BRHC, \$2,022,504 of depletion, \$8,133 of accretion of the discount on asset retirement obligations and \$1,434,646 of interest expense.

## Liquidity and Capital Resources

The following table summarizes our total current assets, liabilities and working capital at March 31, 2017 and December 31, 2016, respectively.

	March 31, 2017	December 31, 2016
Current Assets	<u>\$ 198,454</u>	<u>\$ 153,926</u>
Current Liabilities	<u>\$ 64,340</u>	<u>\$ 36,561</u>
Working Capital	<u>\$ 134,114</u>	<u>\$ 117,365</u>

As of March 31, 2017 we had positive working capital of \$134,114.

The following table summarizes our cash flows during the three month periods ended March 31, 2017 and 2016, respectively.

	Three Months Ended March 31,	
	2017	2016
Net cash provided by (used in) operating activities	<u>\$ 68,600</u>	<u>\$ (258,383)</u>
Net cash provided by (used in) investing activities	<u>2,160</u>	<u>(1,149,789)</u>
Net cash provided by financing activities	<u>–</u>	<u>1,400,000</u>
Net change in cash and cash equivalents	<u>\$ 70,760</u>	<u>\$ (8,172)</u>

Net cash provided by (used in) operating activities was \$68,600 and (\$258,383) for the three months ended March 31, 2017 and 2016, respectively, a period over period increase of \$326,983. The increase was primarily due to management fee income in the 2017 period for continuing operations offset by cash provided from discontinued operations in the 2016 period. Cash used in operating activities of discontinued operations was \$- and \$247,277 for the three months ended March 31, 2017 and 2016 respectively. Changes in working capital from operating activities of continuing operations resulted in an increase in cash of \$54,011 in the three months ended March 31, 2017 as compared to an increase in cash of \$21,425 for the same period in the previous year, primarily driven by changes in prepaid expenses between periods.

Net cash provided by (used in) investing activities was \$2,160 and (\$1,149,789) for the three months ended March 31, 2017 and 2016, respectively, an increase of \$1,151,949. In the 2017 period we received proceeds from the \$2,160 from the sale of fixed assets no longer needed by the Company. All of the 2016 investing activity related to cash used in investing activities from discontinued operations as we paid \$1,149,789 for well development during the 2016 period.

Net cash provided from financing was \$- and \$1.4 million for the three months ended March 31, 2017 and 2016, respectively. All of the cash provided from financing activities in the 2016 period resulted from discontinued operation as we drew \$1.4 million, net of repayments, on our credit facilities during the three months ended March 31, 2016.

As described above in “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 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 the credit agreement between the Company, as borrower, and affiliates (specifically, Chambers Energy Capital II, LP and CEC II TE, LLC (collectively, the “Chambers Affiliates”)) of Chambers Energy Management, LP (“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, the Chambers Affiliates entered into a Debt Contribution Agreement between BRHC and the Chambers Affiliates, pursuant to which BRHC issued 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 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, are to 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 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 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, would 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 is 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 continued indefinitely, until terminated. The Management Services Agreement could be cancelled by either party without penalty after January 1, 2017 with a three month notice and is paid in advance at the beginning of each calendar quarter.

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.

#### **Cancelation of Management Services Agreement and Sale of BRHC Assets**

On April 3, 2017, we were notified by BRHC of their termination of our Management Services Agreement and that they had finalized the sale of BRHC's oil and gas assets to a third party. On April 3, BRHC signed a Contribution Agreement that provides for the transfer of ownership and title of all oil and gas assets held by BRHC in exchange for preferred membership interest in the acquiring LLC (the “BRHC Sale”). Consistent with the terms of the Management Services Agreement, we will be paid for our management services for the three month period ended June 30, 2017. Additionally, Chambers Energy Capital II, LP and CEC II TE, LLC, have agreed to purchase for cash (estimated to be approximately \$1.0 million) our 3.88% equity share in BRHC, which was reduced to 3.78% as a result of a subsequent investment made by Chambers into BRHC.

### Senior Credit Facility

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.

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 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 outlined in Note 3 – Debt Restructuring, the Company transferred the obligation with a balance outstanding of \$29,400,000 under the Senior Credit Facility to BRHC.

### 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 Subordinated Credit Facility was to mature on June 30, 2017. 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 June 21, 2016. The Company had borrowings of \$30.0 million outstanding under the Subordinated Credit Facility as of June 21, 2016. 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 3- Debt Restructuring on June 21, 2016.

### 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. 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 3 – Debt Restructuring.

### Debt Discount, Detachable Warrants

In connection with the Subordinated Credit Facility, the Company issued 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 were cancelled as a part of the BRHC transaction.

### *Satisfaction of our cash obligations for the next 12 months*

As of March 31, 2017, our balance of cash and cash equivalents was \$137,029. Our plan for satisfying our cash requirements for the next twelve months is through the fees earned through the remaining term of our management agreement, proceeds from the Chambers' purchase of our interest in BRHC, and through additional management service fees generated from new partners.

### **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, 2016.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**

#### Interest Rate Risk

We currently have no long-term debt, but should we take on debt in the future changes in interest rates could impact results of operations and cash flows.

### **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 March 31, 2017. 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 March 31, 2017 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 March 31, 2017 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: May 4, 2017

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

Dated: May 4, 2017

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.

Date: May 4, 2017

/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: May 4, 2017

/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 March 31, 2017 (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: May 4, 2017

/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 March 31, 2017 (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: May 4, 2017

/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.