

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

FORM 10-Q

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934  
For quarterly period ended September 30, 2018

or

TRANSITION REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 000-53952

**BLACK RIDGE**  
O I L & G A S

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of incorporation or organization)

27-2345075

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

110 North 5<sup>th</sup> Street, Suite 410, Minneapolis, Minnesota 55403

(Address of principal executive offices) (Zip Code)

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

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

Yes

No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files).

Yes

No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

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

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

Yes

No

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

The number of shares of registrant's common stock outstanding as of November 7, 2018 was 479,844,900.

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**PART I – FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS.**

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

ASSETS	September 30, 2018 <u>(Unaudited)</u>	December 31, 2017 <u></u>
<b>Current assets:</b>		
Cash and cash equivalents	\$ 2,138,678	\$ 1,477,089
Accounts receivable	–	1,611
Prepaid expenses	116,458	68,817
Deferred taxes	–	18,678
Total current assets	<u>2,255,136</u>	<u>1,566,195</u>
<b>Property and equipment:</b>		
Property and equipment	128,156	128,156
Less accumulated depreciation	(125,109)	(117,459)
Total property and equipment, net	<u>3,047</u>	<u>10,697</u>
Restricted cash and investments held in trust	<u>140,580,447</u>	<u>138,980,353</u>
<b>Total assets</b>	<b><u>\$ 142,838,630</u></b>	<b><u>\$ 140,557,245</u></b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 107,879	\$ 91,186
Accrued expenses	21,843	9,769
Income tax payable	317,125	85,722
Deferred taxes	182	–
Total current liabilities	<u>447,029</u>	<u>186,677</u>
Long term liabilities	<u>–</u>	<u>–</u>
<b>Total liabilities</b>	<b><u>447,029</u></b>	<b><u>186,677</u></b>
Commitments and contingencies	–	–
Redeemable non-controlling interest	140,207,547	138,870,060
<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, 479,844,900 and 479,799,900 shares issued and outstanding as of September 30, 2018 and December 31, 2017, respectively	479,845	479,800
Additional paid-in capital	36,409,666	36,164,596
Accumulated deficit	(34,705,457)	(35,143,888)
Total stockholders' equity	<u>2,184,054</u>	<u>1,500,508</u>
<b>Total liabilities, redeemable non-controlling interest and stockholders' equity</b>	<b><u>\$ 142,838,630</u></b>	<b><u>\$ 140,557,245</u></b>

See accompanying notes to financial statements.

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2018	2017	2018	2017
Management fee income	\$ —	\$ —	\$ —	\$ 1,000,000
Total revenues	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,000,000</u>
Operating expenses:				
General and administrative expenses				
Salaries and benefits	285,839	331,284	914,166	1,006,712
Stock compensation	77,901	154,069	244,664	473,053
Professional services	39,348	11,783	150,674	108,519
Other general and administrative expenses	141,321	72,071	434,483	228,686
Total general and administrative expenses	544,409	569,207	1,743,987	1,816,970
Depreciation and amortization	2,535	2,557	7,650	8,291
Total operating expenses	<u>546,944</u>	<u>571,764</u>	<u>1,751,637</u>	<u>1,825,261</u>
Net operating loss	<u>(546,944)</u>	<u>(571,764)</u>	<u>(1,751,637)</u>	<u>(825,261)</u>
Other income (expense):				
Interest income	676,147	—	1,722,249	—
Unrealized gain on marketable securities held in Trust Account	4,898	—	65,618	—
Settlement income	2,250,000	—	2,250,000	—
Settlement expense	(112,500)	—	(112,500)	—
Interest expense	—	(8,713)	—	(8,713)
Loss on disposal of property and equipment	—	—	—	(4,714)
Other income	200	—	940	—
Total other income (expense)	<u>2,818,745</u>	<u>(8,713)</u>	<u>3,926,307</u>	<u>(13,427)</u>
Income (loss) before provision for income taxes	2,271,801	(580,477)	2,174,670	(838,688)
Provision for income taxes	155,526	—	398,752	—
Net income (loss)	2,116,275	(580,477)	1,775,918	(838,688)
Less net income attributable to redeemable non- controlling interest	<u>(513,240)</u>	<u>—</u>	<u>(1,337,487)</u>	<u>—</u>
Net income (loss) attributable to Black Ridge Oil & Gas, Inc.	<u>\$ 1,603,035</u>	<u>\$ (580,477)</u>	<u>\$ 438,431</u>	<u>\$ (838,688)</u>
Weighted average common shares outstanding - basic	<u>479,821,911</u>	<u>64,438,566</u>	<u>479,807,318</u>	<u>53,526,470</u>
Weighted average common shares outstanding - fully diluted	<u>480,042,964</u>	<u>64,438,566</u>	<u>480,045,271</u>	<u>53,526,470</u>
Net income (loss) per common share - basic	<u>\$ 0.00</u>	<u>\$ (0.01)</u>	<u>\$ 0.00</u>	<u>\$ (0.02)</u>
Net income (loss) per common share - fully diluted	<u>\$ 0.00</u>	<u>\$ (0.01)</u>	<u>\$ 0.00</u>	<u>\$ (0.02)</u>

See accompanying notes to financial statements.

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

	For the Nine Months Ended September 30,	
	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income (loss) attributable to Black Ridge Oil & Gas, Inc.	\$ 438,431	\$ (838,688)
Adjustments to reconcile net income (loss) attributable to Black Ridge Oil & Gas, Inc. to net cash provided by (used in) operating activities:		
Net income attributable to redeemable non-controlling interest	1,337,487	–
Interest income	(1,722,249)	–
Unrealized gain on marketable securities held in Trust Account	(65,618)	–
Depreciation and amortization	7,650	8,291
Loss on sale of property and equipment	–	4,714
Common stock options issued to employees and directors	244,664	473,053
Decrease (increase) in current assets:		
Accounts receivable	1,611	–
Due from Black Ridge Holding Company LLC	–	765
Prepaid expenses	(47,641)	46,772
Deferred taxes	18,860	–
Increase (decrease) in current liabilities:		
Accounts payable	16,694	50,088
Accrued expenses	12,074	8,326
Taxes payable	231,403	–
Net cash provided by (used in) operating activities	<u>473,366</u>	<u>(246,679)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest income released from Trust Account for payment of taxes and franchise fees	187,773	–
Proceeds from sale of property and equipment	–	2,160
Net cash provided by investing activities	<u>187,773</u>	<u>2,160</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from exercise of stock warrants	450	–
Proceeds from sale of stock, net	–	2,965,555
Proceeds from sale of stock, related party, net	–	2,086,120
Proceeds from promissory note	–	500,000
Repayment of promissory note	–	(500,000)
Payment of deferred offering costs	–	(151,549)
Net cash provided by financing activities	<u>450</u>	<u>4,900,126</u>
<b>NET CHANGE IN CASH</b>	661,589	4,655,607
<b>CASH AT BEGINNING OF PERIOD</b>	1,477,089	66,269
<b>CASH AT END OF PERIOD</b>	<u>\$ 2,138,678</u>	<u>\$ 4,721,876</u>
<b>SUPPLEMENTAL INFORMATION:</b>		
Interest paid	\$ –	\$ 8,713
Income taxes paid	\$ 148,489	\$ –

See accompanying 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.

The Company is focused on acquiring, investing in, and managing the oil and gas assets for our partners. We continue to pursue asset acquisitions in all major onshore unconventional shale formations that may be acquired with capital from our existing joint venture partners or other capital providers.

On September 26, 2017, the Company finalized an equity raise utilizing a rights offering and backstop agreement, raising net proceeds of \$5,051,675 and issuing 431,819,910 shares. The proceeds were used to sponsor the Company’s obligations sponsoring a special purpose acquisition company, discussed below, with the remainder for general corporate purposes.

On October 10, 2017, the Company’s sponsored special purpose acquisition company, Black Ridge Acquisition Corp. (“BRAC”), completed an initial public offering (“IPO”) raising \$138,000,000 of gross proceeds (including proceeds from the exercise of an over-allotment option by the underwriters on October 18, 2017). In addition, the Company purchased 445,000 BRAC units at \$10.00 per unit in a private placement transaction for a total contribution of \$4,450,000 in order to fulfill its obligations in sponsoring BRAC. BRAC is a blank check company formed for the purpose of entering into a merger, share exchange, asset acquisition, stock purchase, recapitalization, reorganization or other similar business combination with one or more businesses or entities. BRAC’s efforts to identify a prospective target business will not be limited to a particular industry or geographic region although it intends to focus its search for target businesses in the energy or energy-related industries with an emphasis on opportunities in the upstream oil and gas industry in North America. Following the initial public offering and over-allotment, the Company owns 22% of the outstanding common stock of BRAC and manages BRAC’s operations via a management services agreement.

## **Note 2 – Basis of Presentation and Significant Accounting Policies**

The interim condensed consolidated 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, 2017, which were included in our Annual Report on Form 10-K. The Company follows the same accounting policies in the preparation of interim reports.

## Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the following entities:

<u>Name of entity</u>	<u>State of Incorporation</u>	<u>Relationship</u>
Black Ridge Oil and Gas, Inc.	Nevada	Parent
Black Ridge Acquisition Corp. ("BRAC")	Delaware	Subsidiary <sup>(1)</sup>

<sup>(1)</sup>Wholly-owned subsidiary through October 10, 2017, the date of BRAC's IPO, following which it is consolidated as a variable interest entity.

The Company has determined that BRAC, following its IPO, is a variable interest entity ("VIE") and that the Company is the primary beneficiary of the VIE. The Company determined that, due to the redemption feature associated with the IPO shares, that the IPO shareholders are indirectly protected from the operating expenses of BRAC and it has the power to direct the activities of BRAC through the date at which BRAC affords the stockholders the opportunity to vote to approve a proposed business combination. Therefore, these consolidated financial statements herein contain the operations of BRAC from its inception on May 9, 2017. BRAC's IPO shareholders are reflected in our Consolidated Financial Statements as a non-controlling interest. The non-controlling interest was recorded at fair value on October 10, 2017, with an addition on October 18, 2017 as a result of the underwriters' exercise of their over-allotment option. All significant inter-company transactions have been eliminated in the preparation of these financial statements.

The parent company, Black Ridge Oil & Gas, Inc. and Black Ridge Acquisition Corp. will be collectively referred to herein as the "Company" or "Black Ridge". The Company's headquarters is in Minneapolis, Minnesota and substantially all of its operations are in the United States.

### 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 resulting from its previous ownership of oil and gas production assets.

### 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. Cash equivalents on hand at September 30, 2018 and December 31, 2017 were \$623 and \$39,742, respectively, all held within the trust account.

### 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 \$1,822,733 and \$977,089 in excess of FDIC and SIPC insured limits at September 30, 2018 and December 31, 2017, respectively. The Company has not experienced any losses in such accounts.

### Restricted cash and securities held in Trust Account

The Company had \$623 of cash equivalents and \$140,579,824 of marketable securities on September 30, 2018 and \$39,742 of cash equivalents and \$138,940,611 of marketable securities on December 31, 2017 held in the Trust Account which is restricted for the benefit of the BRAC's IPO shareholders to be available for those shareholders in the event they elect to redeem their shares following an approved business combination or upon the dissolution of BRAC.

### 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 income (loss) (the numerator) by the weighted average number of common shares outstanding for the period (the denominator). Diluted net income (loss) per common share is computed by dividing the net income (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.

The reconciliation of the denominators used to calculate basic EPS and diluted EPS for the three and nine months ended September 30, 2018 and 2017 are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Weighted average common shares outstanding – basic	479,821,911	64,438,566	479,807,318	53,526,470
Plus: Potentially dilutive common shares:				
Stock options and warrants	221,053	–	237,953	–
Weighted average common shares outstanding – diluted	<u>480,042,964</u>	<u>64,438,566</u>	<u>480,045,271</u>	<u>53,526,470</u>

Stock options and warrants excluded from the calculation of diluted EPS because their effect was anti-dilutive were 10,835,300 and 11,380,000 for the three months ended September 30, 2018 and 2017, respectively, and 10,835,300 and 11,380,000 for the nine months ended September 30, 2018 and 2017, respectively.

### Fair Value of Financial Instruments

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

### Property and Equipment

Property and equipment that are not oil and gas properties are recorded at cost and depreciated using the straight-line method over their estimated useful lives of three to seven years. Expenditures for replacements, renewals, and betterments are capitalized. Maintenance and repairs are charged to operations as incurred. Long-lived assets, other than oil and gas properties, are evaluated for impairment to determine if current circumstances and market conditions indicate the carrying amount may not be recoverable. The Company has not recognized any impairment losses on non-oil and gas long-lived assets. Depreciation expense was \$7,650 and \$8,291 for the nine months ended September 30, 2018 and 2017, respectively.

### Revenue Concentration

All of the Company's revenue in 2017 was earned from management fees earned through its management services agreement with Black Ridge Holding Company, LLC ("BRHC"). The management services agreement with BRHC was cancelled by BRHC effective June 30, 2017.

### Revenue Recognition

The Company recognizes management fee income as services are provided.

### 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 \$244,664 and \$473,053 for the nine months ended September 30, 2018 and 2017, 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.

### 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.

### 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, 2017.

### **Note 3 – Going Concern**

As shown in the accompanying financial statements, as of September 30, 2018, the Company had an unrestricted cash balance of \$2,138,678 and total working capital of \$1,808,107. The Company has no revenue source presently. Based on projections of cash expenditures in the Company's current business plan, the cash on hand would be insufficient to fund the Company's general and administrative expenses over the next year.

The Company continues to pursue sources of additional capital through various management fee agreements and financing transactions or arrangements, including joint venturing of projects, equity financing or other means. We may not be successful in identifying suitable funding transactions in a sufficient time period or at all, and we may not obtain the capital we require by other means. If we do not succeed in raising additional capital, our resources may not be sufficient to fund our business.

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

#### **Note 4 – Rights Offering and Formation of Black Ridge Acquisition Corp.**

The Company filed a Registration Statement on Form S-1 (the “Registration Statement”) with the Securities and Exchange Commission (the “SEC”) to register the issuance of 431,819,910 shares of common stock in the Rights Offering that was declared effective by the SEC on August 3, 2017. Pursuant to the Rights Offering, the Company distributed, on a pro rata basis, one right for each share of common stock owned by shareholders on August 2, 2017 (the “Record Date”). Each right permitted a shareholder to purchase up to nine shares of common stock at a subscription price of \$0.012 per share. The Rights Offering expired on September 8, 2017 (the “Expiration Date”).

In connection with the Rights Offering, the Company also entered into a Standby Purchase Agreement (the “Backstop Agreement”) with a consortium of investors, including members of the Company’s board of directors and our Chief Executive Officer (collectively, the “Backstop Purchasers”), who agree to purchase up to \$2.9 million of the unsubscribed shares following the completion of the rights offering.

On September 26, 2017, the Company completed the Rights Offering, raising gross proceeds of \$5,181,839 and issued 431,819,910 shares in connection with the exercise of rights in connection with the Rights Offering and related Backstop Agreement. Under the Rights Offering the Company’s current shareholders exercised rights to purchase 199,811,421 shares of stock for a total of \$2,397,737. Under the Backstop Agreement, the Backstop Purchasers purchased 232,008,489 shares of stock for a total of \$2,784,102. Additionally, as part of the Backstop agreement, the Company issued 435,000 warrants to purchase its common stock at \$0.01 to participants in the Backstop Agreement. The fair value of the warrants was estimated to be \$10,135. Officers and directors of the Company purchased 173,843,308 shares between the Rights Offering and as participants of the Backstop Agreement for \$2,086,120 and received 179,376 warrants to purchase shares of common stock at \$0.01 per share for their participation in the Backstop Agreement. The remaining 257,976,602 shares were purchased by non-related parties for proceeds of \$2,965,555. The fair value of the warrants issued to related parties was estimated to be \$4,179. The Company incurred \$130,164 in costs associated with raising capital, which has been netted against stockholders’ equity.

On October 10, 2017 and October 18, 2017, in connection with the underwriter exercising its over-allotment option, the Company used \$4,450,000 of the net proceeds of the Rights Offering to fulfill its obligation as sponsor of a special purpose acquisition company, Black Ridge Acquisition Corp. (“BRAC”), as part of BRAC’s initial public offering (IPO). BRAC was formed on May 9, 2017 with the purpose of becoming the special acquisition company as a wholly owned subsidiary of the Company with an initial equity contribution of \$25,000. After the IPO, the Company retained ownership of 22% of BRAC’s common stock. The remaining proceeds from the Rights Offering following the sponsorship are being used for general corporate purposes.

#### **Note 5 – BRAC’s IPO, Consolidation of BRAC and Non-controlling Interest**

##### *BRAC’s IPO*

The registration statement for BRAC’s IPO was declared effective on October 4, 2017. The registration statement was initially declared effective for 10,000,000 units (“Units” and, with respect to the common stock included in the Units being offered, the “Public Shares”), but the offering was increased to 12,000,000 Units pursuant to Rule 462(b) under the Securities Act of 1933, as amended. On October 10, 2017, the Company consummated the Initial Public Offering of 12,000,000 units, generating gross proceeds of \$120,000,000.

Simultaneous with the closing of the Initial Public Offering, BRAC sold 400,000 units (the “Placement Units”) at a price of \$10.00 per Unit in a private placement to BROG, generating gross proceeds of \$4,000,000. BROG’s investment in BRAC’s common stock is eliminated in consolidation.

Transaction costs relating to the IPO amounted to \$2,882,226, consisting of \$2,400,000 of underwriting fees and \$482,226 of other costs.

Following the closing of the IPO on October 10, 2017, an amount of \$120,600,000 (\$10.05 per Unit) from the net proceeds of the sale of the Units in the IPO and the Placement Units was placed in a trust account (“Trust Account”) and is invested in U.S. government securities, within the meaning set forth in Section 2(a)(16) of the Investment Company Act of 1940, as amended (the “Investment Company Act”), with a maturity of 180 days or less or in any open-ended investment company that holds itself out as a money market fund selected by the Company meeting the conditions of paragraphs (d)(2), (d)(3) and (d)(4) of Rule 2a-7 of the Investment Company Act, as determined by the Company, until the earlier of: (i) the consummation of a Business Combination or (ii) the distribution of the Trust Account, as described below.

On October 18, 2017, in connection with the underwriters' exercise of their over-allotment option in full, BRAC sold an additional 1,800,000 Units and sold an additional 45,000 Placement Units to BROG at \$10.00 per Unit, generating total proceeds of \$18,450,000. Transaction costs for underwriting fees on the sale of the over-allotment units were \$360,000. Following the closing, an additional \$18,090,000 of the net proceeds (\$10.05 per Unit) was placed in the Trust Account, bringing the total aggregate proceeds held in the Trust Account to \$138,690,000 (\$10.05 per Unit). BROG's investment in BRAC's common stock is eliminated in consolidation.

BRAC's management has broad discretion with respect to the specific application of the net proceeds of the IPO and private placement, although substantially all of the net proceeds are intended to be applied generally toward consummating a Business Combination. There is no assurance that BRAC will be able to complete a Business Combination successfully. Upon the closing of the IPO, \$10.05 per Unit sold in the IPO, including some of the proceeds of the Private Placements was deposited in a trust account ("Trust Account") to be held until the earlier of (i) the consummation of its initial Business Combination or (ii) BRAC's failure to consummate a Business Combination within 21 months from the consummation of the IPO (the "Combination Period"). Placing funds in the Trust Account may not protect those funds from third party claims against BRAC. Although BRAC will seek to have all vendors, service providers, prospective target businesses or other entities it engages, execute agreements with BRAC waiving any claim of any kind in or to any monies held in the Trust Account, there is no guarantee that such persons will execute such agreements. The Trust Account is maintained by a third party trustee. The remaining net proceeds (not held in the Trust Account) may be used to pay for business, legal and accounting due diligence on prospective acquisitions and continuing general and administrative expenses. Additionally, the interest earned on the Trust Account balance may be released to BRAC for any amounts that are necessary to pay BRAC's income and other tax obligations and up to \$50,000 that may be used to pay for the costs of liquidating BRAC. BROG has agreed that it will be liable to ensure that the proceeds in the Trust Account are not reduced below \$10.05 per share by the claims of target businesses or claims of vendors or other entities that are owed money by BRAC for services rendered or contracted for or products sold to BRAC, but there is no assurance that BROG will be able to satisfy its indemnification obligations if it is required to do so. Additionally, the agreement entered into by BROG specifically provides for two exceptions to the indemnity it has given: it will have no liability (1) as to any claimed amounts owed to a target business or vendor or other entity who has executed an agreement with BRAC waiving any right, title, interest or claim of any kind they may have in or to any monies held in the Trust Account, or (2) as to any claims for indemnification by the underwriters of the IPO against certain liabilities, including liabilities under the Securities Act of 1933, as amended.

#### *Initial Business Combination*

Pursuant to the Nasdaq Capital Markets listing rules, BRAC's initial Business Combination must be with a target business or businesses whose collective fair market value is at least equal to 80% of the balance in the Trust Account at the time of the execution of a definitive agreement for such Business Combination, although this may entail simultaneous acquisitions of several target businesses. The fair market value of the target will be determined by BRAC's board of directors based upon one or more standards generally accepted by the financial community (such as actual and potential sales, earnings, cash flow and/or book value). The target business or businesses that BRAC acquires may have a collective fair market value substantially in excess of 80% of the Trust Account balance. In order to consummate such a Business Combination, BRAC may issue a significant amount of its debt or equity securities to the sellers of such business and/or seek to raise additional funds through a private offering of debt or equity securities. If BRAC's securities are not listed on NASDAQ after the IPO, BRAC would not be required to satisfy the 80% requirement. However, BRAC intends to satisfy the 80% requirement even if BRAC's securities are not listed on NASDAQ at the time of the initial Business Combination.

BRAC will provide the public stockholders, who are the holders of the common stock which was sold as part of the Units in the IPO, whether they are purchased in the IPO or in the aftermarket, or "Public Shares", including BROG to the extent that it purchases such Public Shares ("Public Stockholders"), with an opportunity to redeem all or a portion of their Public Shares of BRAC's Common stock, irrespective of whether they vote for or against the proposed transaction or if BRAC conducts a tender offer, upon the completion of the initial Business Combination either (1) in connection with a stockholder meeting called to approve the Business Combination, or (ii) by means of a tender offer, at a per-share price, payable in cash, equal to the aggregate amount then on deposit in the Trust Account including interest (net of franchise and income taxes payable, divided by the number of then outstanding Public Shares. The amount in the Trust Account, net of franchise and income taxes payable, currently amounts to \$10.09 per Public Share. BRAC will proceed with a Business Combination only if BRAC has net tangible assets of at least \$5,000,001 upon such consummation of a Business Combination and in the case of a stockholder vote, a majority of the outstanding shares voted are voted in favor of the Business Combination. The decision as to whether BRAC will seek stockholder approval of a proposed Business Combination or conduct a tender offer will be made by BRAC, solely in its discretion, based on a variety of factors such as the timing of the transaction and whether the terms of the transaction would otherwise require it to seek stockholder approval under the law or stock exchange listing requirement. If a stockholder vote is not required and BRAC decides not to hold a stockholder vote for business or other legal reasons, BRAC will, pursuant to the proposed amended and restated certificate of incorporation, (i) conduct the redemptions pursuant to Rule 13e-4 and Regulation 14E of the Exchange Act, which regulate issuer tender offers, and (ii) file tender offer documents with the SEC prior to completing the initial Business Combination which contain substantially the same financial and other information about the initial Business Combination and the redemption rights as is required under Regulation 14A of the Exchange Act, which regulates the solicitation of proxies.

BROG has agreed to vote its Founder Shares and any Public Shares purchased during or after the IPO in favor of the initial Business Combination, and BRAC's executive officers and directors have also agreed to vote any Public Shares purchased during or after the IPO in favor of the Initial Business Combination. BROG entered into a letter agreement, pursuant to which it agreed to waive its redemption rights with respect to the Founder Shares, shares included in the Placement Units and Public Shares in connection with the completion of the initial Business Combination. In addition, BROG has agreed to waive its rights to liquidating distributions from the Trust Account with respect to the Founder Shares and shares included in the Placement Units if BRAC fails to complete the initial Business Combination within the prescribed time frame. However, if BROG (or any of BRAC's executive officers, directors or affiliates) acquires Public Shares in or after the IPO, it will be entitled to liquidating distributions from the Trust Account with respect to such Public Shares in the event BRAC does not complete the initial Business Combination within such applicable time period.

#### *Failure to Consummate a Business Combination*

If BRAC is unable to complete the initial Business Combination within the Combination Period, BRAC must: (i) cease all operations except for the purpose of winding up, (ii) as promptly as reasonably possible but not more than ten business days thereafter, redeem the public shares, at a per-share price, payable in cash, equal to the aggregate amount then on deposit in the Trust Account, including interest (which interest shall be net of franchise fees and income taxes payable divided by the number of then outstanding Public Shares, which redemption will completely extinguish Public Stockholders' rights as stockholders (including the right to receive further liquidation distributions, if any), subject to applicable law, and (iii) as promptly as reasonably possible following such redemption, subject to the approval of BRAC's remaining stockholders and BRAC's Board of Directors, dissolve and liquidate, subject in the case of clauses (ii) and (iii) to BRAC's obligations under Delaware law to provide for claims of creditors and the requirements of other applicable law.

#### *Consolidation of BRAC and Non-controlling Interest*

The Company has determined that BRAC, following its IPO, is a variable interest entity ("VIE") and that the Company is the primary beneficiary of the VIE. The Company determined that, due to the redemption feature associated with the IPO shares, that the IPO shareholders are indirectly protected from the operating expenses of BRAC and BROG has the power to direct the activities of BRAC through the date at which BRAC affords the stockholders the opportunity to vote to approve a proposed business combination. Therefore, these consolidated financial statements contain the operations of the BRAC from its inception on May 9, 2017. BRAC's IPO shareholders are reflected in our Consolidated Financial Statements as a redeemable non-controlling interest. The non-controlling interest was recorded at fair value on October 10, 2017, with an addition on October 18, 2017 as a result of the underwriters' exercise of their over-allotment option. The net earnings attributable to the IPO shareholders are subtracted from the net gain (loss) for any period to arrive at the net loss attributable to the Company and the non-controlling interest on the balance sheet is adjusted to include the net earnings attributable to the IPO shareholders.

#### *Intercompany transactions and eliminations*

BROG is paid a management fee by BRAC of \$10,000 per month as part of an administrative services agreement, which commenced October 5, 2017, for general and administrative services including the cost of office space and personnel dedicated to BRAC. BROG is reimbursed for any out-of-pocket expenses, particularly travel, incurred in connection with activities on BRAC's behalf, including but not limited to identifying potential target businesses and performing due diligence on suitable business combinations. There is no cap or ceiling on the reimbursement of out-of-pocket expenses incurred by BRAC. BRAC paid a total of \$90,000 to BROG for such services for the nine months ended September 30, 2018. The management services income of BROG and the management services expense of BRAC as well as any balances due between the companies for such services or reimbursements were eliminated in consolidation.

BROG's investment in BRAC and the resulting equity recorded by BRAC have been eliminated upon consolidation. Additionally, as a result of recognizing the fair value of the redeemable shares held by the BRAC IPO shareholders as a non-controlling interest as per FASB ASC 810-10-45-23, BROG has recognized an adjustment of \$3,932,126 to additional paid-in capital. The non-controlling interest in BRAC held by the BRAC's IPO shareholders is presented on the balance sheet as temporary equity.

## Note 6 – Cancellation of Management Services Agreement and Sale of BRHC Assets

All of our management fee income in 2017 resulted from our management services agreement with Black Ridge Holding Company (BRHC), a company formed in 2016 as a result of our restructuring and of which we continued to hold a small equity interest, the remainder being held by one of our former creditors. On April 3, 2017, BROG was 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, 2017, BRHC signed a Contribution Agreement that provided 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, the Company was paid for our management services through June 30, 2017.

The Company, Chambers Energy Capital II, LP and CEC II TE, LLC (together with Chambers Energy Capital II, LP the "Chambers Affiliates") as the members of Black Ridge Holding Company, LLC ("BRHC") agreed to dissolve and wind up BRHC and filed a Certificate of Cancellation under the Delaware Limited Liability Company Act as of October 3, 2017. On October 2, 2017, the Company entered into an agreement with the Chambers Affiliates whereby certain assets distributed to the Company upon the dissolution and winding up of BRHC effective as of October 1, 2017 were sold to the Assignees in exchange for cash consideration of \$1,078,394. Additionally, cash and receivables totaling \$4,645 in value were distributed directly to the Company from BRHC.

## Note 7 – Settlement Income

On August 21, 2018, the Company entered into an agreement to modify the terms of the Settlement Agreement and Release entered into as of September 27, 2012 between the Company, Peerless Media, Ltd. and ElectraWorks, Ltd.. Based on the new agreement, the Company received \$2.25 million and agreed to terminate its rights to any additional payments under the original Settlement Agreement. The Company also paid a 5% fee of \$112,500 to a former officer as part of an agreement with the former officer related to the 2012 settlement agreement.

## Note 8 – Prepaid Expenses

Prepaid expenses consist of the following:

	September 30, 2018	December 31, 2017
Prepaid insurance costs	\$ 35,724	\$ 24,999
Prepaid employee benefits	11,034	11,716
Prepaid office and other costs	69,700	32,102
Total prepaid expenses	<u>\$ 116,458</u>	<u>\$ 68,817</u>

## Note 9 – Property and Equipment

Property and equipment at September 30, 2018 and December 31, 2017, consisted of the following:

	September 30, 2018	December 31, 2017
Property and equipment	\$ 128,156	\$ 128,156
Less: Accumulated depreciation and amortization	(125,109)	(117,459)
Total property and equipment, net	<u>\$ 3,047</u>	<u>\$ 10,697</u>

During the nine months ended September 30, 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 Company recognized depreciation expense of \$7,650 and \$8,291 for the nine month periods ended September 30, 2018 and 2017, respectively.

#### **Note 10 – Related Party Transactions**

On March 1, 2018, the Board of Directors (the “Board”) of the Company approved and adopted the Black Ridge Gas, Inc. 2018 Management Incentive Plan (the “Plan”) and the form of 2018 Management Incentive Plan Award Agreement (the “Award Agreement”).

In connection with the approval of the Plan and Award Agreement, the Board approved the issuance of awards (the “Awards”) to certain individuals including officers and directors (the “Grantees”), representing a percentage of the shares of BRAC held by the Company as of the date of closing of a business combination for the acquisition of a target business as described in the BRAC prospectus dated October 4, 2017, as follows:

Name	Percentage of BRAC Shares Owned by the Company Granted to the Grantee
Bradley Berman	1.6%
Lyle Berman	1.6%
Benjamin Oehler	1.6%
Joe Lahti	1.6%
Kenneth DeCubellis	4.0%
Michael Eisele	2.8%
James Moe	2.1%

The Company currently owns 3,895,000 shares of BRAC common stock and has rights to an additional 445,000 shares that would be issued on the date of the closing of a business combination. The actual number of shares of BRAC stock granted to the Grantees will be determined on the date of closing of a business combination and will be issued one year from that date. The Company will recognize no expense related to the Awards until a specific business combination is probable.

#### **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’s financial assets and liabilities are measured using inputs from the three levels of the fair value hierarchy. The three levels are as follows:

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

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

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

The following schedule summarizes the valuation of financial instruments at fair value on a recurring basis in the balance sheets as of September 30, 2018 and December 31, 2017:

	Fair Value Measurements at September 30, 2018		
	Level 1	Level 2	Level 3
<b>Assets</b>			
Restricted cash and investments held in trust	\$ 140,580,447		
Cash and cash equivalents	2,138,678	\$ –	\$ –
Total assets	142,719,125	–	–
<b>Liabilities</b>			
Total liabilities	–	–	–
	\$ 142,719,125	\$ –	\$ –
<b>Fair Value Measurements at December 31, 2017</b>			
	Level 1	Level 2	Level 3
<b>Assets</b>			
Restricted cash and investments held in trust	\$ 138,980,353		
Cash and cash equivalents	1,477,089	\$ –	\$ –
Total assets	140,457,442	–	–
<b>Liabilities</b>			
Total liabilities	–	–	–
	\$ 140,457,442	\$ –	\$ –

#### Note 12 – 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.

On September 26, 2017, the Company issued 199,811,421 shares of common stock in a Rights Offering, raising gross proceeds of \$2,397,737, and issued an additional 232,008,789 shares in a private placement (the Backstop Agreement), raising gross proceeds of \$2,784,102. The Company incurred \$130,164 in costs associated with the Rights Offering and Backstop Agreement.

The Company issued 45,000 shares during the nine months ended September 30, 2018 as a result of warrant exercises, receiving net proceeds of \$450.

#### Note 13 – Options

##### Options Granted

No options were granted during the nine months ended September 30, 2018 and 2017.

The Company recognized a total of \$244,664 and \$473,053 of compensation expense during the nine months ended September 30, 2018 and 2017, 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 \$193,851 as of September 30, 2018.

#### Options Exercised

No options were exercised during the nine months ended September 30, 2018 and 2017.

#### Options Forfeited

A total of 22,000 options were forfeited during the nine months ended September 30, 2018. No options were forfeited during the nine months ended September 30, 2017.

### **Note 14 – Warrants**

#### Warrants Granted

The Company issued 435,000 warrants to purchase shares at \$0.01 per share to participants of the Backstop Agreement on September 22, 2017. The Company accounted for the warrants as an expense of the Rights Offering which resulted in a charge directly to stockholders' equity. The Company estimated the fair value of these warrants to be approximately \$10,135 (or \$0.0233 per warrant) using the Black-Scholes option-pricing model. The fair value of the warrants was estimated as of the date of grant using the following assumptions: (1) expected volatility of 388%, (2) risk-free interest rate of 1.89% and (3) expected life of five years.

No warrants were granted during the nine months ended September 30, 2018.

#### Warrants Exercised

Warrants to purchase 45,000 shares were exercised in the nine months ended September 30, 2018 for proceeds of \$450.

### **Note 15 - BRAC Rights and Warrants**

#### *Initial Public Offering*

Pursuant to its Initial Public Offering and including the subsequent over-allotment option exercised by the underwriter, BRAC sold 13,800,000 Units at a purchase price of \$10.00 per Unit. Each Unit consists of one share of common stock, one right ("Public Right") and one warrant ("Public Warrant"). Each Public Right will convert into one-tenth (1/10) of one share of common stock upon consummation of a Business Combination. Each Public Warrant entitles the holder to purchase one share of common stock at an exercise price of \$11.50.

#### *Private Placement*

Simultaneous with the Initial Public Offering and over-allotment option exercise, BROG purchased an aggregate of 445,000 Placement Units at a price of \$10.00 per Unit (or an aggregate purchase price of \$4,450,000). Each Placement Unit consists of one share of common stock ("Placement Share"), one right ("Placement Right") and one warrant (each, a "Placement Warrant") to purchase one share of the common stock at an exercise price of \$11.50 per share. The proceeds from the Placement Units were added to the proceeds from the Initial Public Offering held in the Trust Account. If BRAC does not complete a Business Combination within the Combination Period, the proceeds of the sale of the Placement Units will be used to fund the redemption of the Public Shares (subject to the requirements of applicable law) and the Placement Rights and Placement Warrants will expire worthless.

The Placement Units are identical to the Units sold in the Initial Public Offering except that the Placement Warrants (i) are not redeemable by BRAC and (ii) may be exercised for cash or on a cashless basis, so long as they are held by BROG or any of its permitted transferees. In addition, the Placement Units and their component securities may not be transferable, assignable or salable until after the consummation of a Business Combination, subject to certain limited exceptions.

## *Rights*

Each holder of a right will receive one-tenth (1/10) of one share of common stock upon consummation of a Business Combination, even if a holder of such right converted all ordinary shares held by it in connection with a Business Combination. No fractional shares will be issued upon exchange of the rights. No additional consideration will be required to be paid by a holder of rights in order to receive its additional shares upon consummation of a Business Combination as the consideration related thereto has been included in the Unit purchase price paid for by investors in the Initial Public Offering. If BRAC enters into a definitive agreement for a Business Combination in which BRAC will not be the surviving entity, the definitive agreement will provide for the holders of rights to receive the same per share consideration the holders of the shares of common stock will receive in the transaction on an as-converted into shares of common stock basis and each holder of rights will be required to affirmatively convert its rights in order to receive 1/10 of a share of common stock underlying each right (without paying additional consideration). The shares of common stock issuable upon exchange of the rights will be freely tradable (except to the extent held by affiliates of BRAC).

If BRAC is unable to complete a Business Combination within the Combination Period and BRAC liquidates the funds held in the Trust Account, holders of rights will not receive any of such funds with respect to their rights, nor will they receive any distribution from BRAC's assets held outside of the Trust Account with respect to such rights, and the rights will expire worthless. Further, there are no contractual penalties for failure to deliver securities to the holders of the rights upon consummation of a Business Combination. Additionally, in no event will BRAC be required to net cash settle the rights. Accordingly, the rights may expire worthless.

The rights included in the Private Units sold in the Private Placement are identical to the rights included in the Units sold in the Initial Public Offering, except that, among others, the rights including the shares issuable upon exchange of such rights, are being purchased pursuant to an exemption from the registration requirements of the Securities Act and will become tradable only after certain conditions are met or the resale of such rights (including underlying securities) is registered under the Securities Act.

## *Warrants*

Warrants may only be exercised for a whole number of shares. No fractional shares will be issued upon exercise of the Warrants. The Warrants will become exercisable on the later of (a) 30 days after the consummation of a Business Combination or (b) October 10, 2018. No Warrants will be exercisable for cash unless BRAC has an effective and current registration statement covering the shares of common stock issuable upon exercise of the Warrants and a current prospectus relating to such shares. Notwithstanding the foregoing, if a registration statement covering the shares of common stock issuable upon the exercise of the Warrants is not effective within 30 days from the consummation of a Business Combination, the holders may, until such time as there is an effective registration statement and during any period when BRAC shall have failed to maintain an effective registration statement, exercise the Warrants on a cashless basis pursuant to an available exemption from registration under the Securities Act. If an exemption from registration is not available, holders will not be able to exercise their Warrants on a cashless basis. The Warrants will expire five years from the consummation of a Business Combination or earlier upon redemption or liquidation.

The Private Warrants will be identical to the Warrants underlying the Units sold in the Initial Public Offering, except the Private Warrants will be exercisable for cash (even if a registration statement covering the shares of common stock issuable upon exercise of such Private Warrants is not effective) or on a cashless basis, at the holder's option, and will not be redeemable by BRAC, in each case so long as they are still held by BROG or its affiliates.

BRAC may call the Warrants for redemption (excluding the Private Warrants but including any outstanding Warrants issued upon exercise of the unit purchase option issued to EarlyBirdCapital), in whole and not in part, at a price of \$.01 per Warrant:

- at any time while the Warrants are exercisable,
- upon not less than 30 days' prior written notice of redemption to each Warrant holder,
- if, and only if, the reported last sale price of the shares of common stock equals or exceeds \$18.00 per share, for any 20 trading days within a 30 trading day period ending on the third business day prior to the notice of redemption to Warrant holders, and
- if, and only if, there is a current registration statement in effect with respect to the shares of common stock underlying such Warrants at the time of redemption and for the entire 30-day redemption period and continuing each day thereafter until the date of redemption.

If BRAC calls the Warrants for redemption, management will have the option to require all holders that wish to exercise the Warrants to do so on a “cashless basis,” as described in the warrant agreement.

The exercise price and number of shares of common stock issuable upon exercise of the Warrants may be adjusted in certain circumstances including in the event of a stock dividend, extraordinary dividend or recapitalization, reorganization, merger or consolidation. However, the Warrants will not be adjusted for issuances of shares of common stock at a price below its exercise price. Additionally, in no event will BRAC be required to net cash settle the Warrants. If BRAC is unable to complete a Business Combination within the Combination Period and BRAC liquidates the funds held in the Trust Account, holders of Warrants will not receive any of such funds with respect to their Warrants, nor will they receive any distribution from BRAC’s assets held outside of the Trust Account with respect to such Warrants. Accordingly, the Warrants may expire worthless.

#### *Unit Purchase Option*

On October 10, 2017, BRAC sold to the underwriter and its designees, for \$100, an option to purchase up to 600,000 Units exercisable at \$11.50 per Unit (or an aggregate exercise price of \$6,900,000) commencing on the later of the first anniversary of the effective date of the registration statement related to the Initial Public Offering and the consummation of a Business Combination. The unit purchase option may be exercised for cash or on a cashless basis, at the holder’s option, and expires five years from the effective date of the registration statement related to the Initial Public Offering. The Units issuable upon exercise of this option are identical to those offered in the Initial Public Offering. BRAC accounted for the unit purchase option, inclusive of the receipt of \$100 cash payment, as an expense of the Initial Public Offering resulting in a charge directly to stockholders’ equity. BRAC estimated the fair value of this unit purchase option to be approximately \$1,778,978 (or \$2.97 per Unit) using the Black-Scholes option-pricing model. The fair value of the unit purchase option granted to the underwriters was estimated as of the date of grant using the following assumptions: (1) expected volatility of 35%, (2) risk-free interest rate of 1.94% and (3) expected life of five years. The option and such units purchased pursuant to the option, as well as the common stock underlying such units, the rights included in such units, the common stock that is issuable for the rights included in such units, the warrants included in such units, and the shares underlying such warrants, have been deemed compensation by FINRA and are therefore subject to a 180-day lock-up pursuant to Rule 5110(g)(1) of FINRA’s NASDAQ Conduct Rules. Additionally, the option may not be sold, transferred, assigned, pledged or hypothecated for a one-year period (including the foregoing 180-day period) following the date of Initial Public Offering except to any underwriter and selected dealer participating in the Initial Public Offering and their bona fide officers or partners. The option grants to holders demand and “piggy back” rights for periods of five and seven years, respectively, from the effective date of the registration statement with respect to the registration under the Securities Act of the securities directly and indirectly issuable upon exercise of the option. BRAC will bear all fees and expenses attendant to registering the securities, other than underwriting commissions which will be paid for by the holders themselves. The exercise price and number of units issuable upon exercise of the option may be adjusted in certain circumstances including in the event of a stock dividend, or BRAC’s recapitalization, reorganization, merger or consolidation. However, the option will not be adjusted for issuances of ordinary shares at a price below its exercise price.

#### **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.

BROG and BRAC file returns independently and do not file as a consolidated group. We currently estimate that our effective tax rate for the year ending December 31, 2018 will be 0% for BROG and 28.7% for BRAC.

For BROG, losses incurred during the period from April 9, 2011 (inception) to September 30, 2018 could be used to offset future tax liabilities. Accounting standards require the consideration of a valuation allowance for deferred tax assets if it is “more likely than not” that some component or all of the benefits of deferred tax assets will not be realized. As of September 30, 2018, net deferred tax assets were \$9,619,748, with no deferred tax liability, primarily related to net operating loss carryforwards. A valuation allowance of approximately \$9,619,748 was applied to the net deferred tax assets. Therefore BROG has no tax expense for 2018 to date.

For BRAC, the tax expense for the nine months ended September 30, 2018 of \$398,752 was primarily driven by the Company's interest income offset by general and administrative expenses resulting in income before the provision for income taxes. Unrealized gains on marketable securities resulted in a reduction of the deferred tax asset of \$18,678 as of December 31, 2017 and created the deferred tax liability of \$182 as of September 30, 2018.

In accordance with FASB ASC 740, the Company has evaluated its tax positions and determined there are no significant uncertain tax positions as of any date on, or before, September 30, 2018.

#### **Note 17 – Commitments and Contingencies**

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

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

#### *BRAC's agreements with underwriters*

BRAC engaged the underwriters as advisors in connection with its Initial Business Combination to assist it in holding meetings with its shareholders to discuss the potential business combination and the target business' attributes, introduce it to potential investors that are interested in purchasing its securities, assist it in obtaining shareholder approval for the business combination and assist it with its press releases and public filings in connection with the business combination. BRAC will pay its underwriters a cash fee for such services upon the consummation of its initial business combination in an amount equal to 3.5% of the gross proceeds of its offering (exclusive of any applicable finders' fees which might become payable).

#### *Registration rights*

The holders of BROG's shares of BRAC issued and outstanding on the date of BRAC's Initial Public Offering, as well as the holders of the private units and any units BROG, and its officers, directors or their affiliates may be issued in payment of working capital loans made to BRAC (and all underlying securities), are entitled to registration rights pursuant to a registration rights agreement dated October 4, 2017. The holders of a majority of these securities are entitled to make up to two demands that BRAC register such securities. The holders of the majority of the BROG's shares can elect to exercise these registration rights at any time commencing three months prior to the date on which these shares of BRAC's common stock are to be released from escrow. The holders of a majority of the private units and units issued to BROG, and its officers, directors or their affiliates in payment of working capital loans made to us (or underlying securities) can elect to exercise these registration rights at any time after BRAC consummates a business combination. In addition, the holders have certain "piggy-back" registration rights with respect to registration statements filed subsequent to our consummation of a business combination. The Company would bear the expenses incurred in connection with the filing of any such registration statements.

#### **Note 18 – Subsequent Events**

The Company evaluates events that have occurred after the balance sheet date through the date these financial statements were issued. No events occurred of a material nature that would have required adjustments to or disclosures in these financial statements.

## 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 and Outlook

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

The Company is focused on acquiring, investing in, and managing the oil and gas assets for our partners. We continue to pursue asset acquisitions in all major onshore unconventional shale formations that may be acquired with capital from our existing joint venture partners or other capital providers. Additionally, as the sponsor and manager of Black Ridge Acquisition Corp. (“BRAC”), we will be focused on BRAC’s efforts to identify a prospective target business in the energy or energy-related industries with an emphasis on opportunities in the upstream oil and gas industry in North America.

### **Rights Offering and BRAC IPO**

The Company filed a Registration Statement on Form S-1 (the “Registration Statement”) with the Securities and Exchange Commission (the “SEC”) to register the issuance of 431,819,910 shares of common stock in the Rights Offering that was declared effective by the SEC on August 3, 2017. Pursuant to the Rights Offering, the Company distributed, on a pro rata basis, one right for each share of common stock owned by shareholders on August 2, 2017 (the “Record Date”). Each right permitted a shareholder to purchase up to nine shares of common stock at a subscription price of \$0.012 per share. The Rights Offering expired on September 8, 2017 (the “Expiration Date”).

Associated with the Rights Offering the Company also entered into the Backstop Agreement with the Backstop Purchasers, who agreed to purchase up to \$2.9 million of the unsubscribed shares following the completion of the rights offering.

On September 26, 2017, the Company finalized the Rights Offering and Backstop Agreement, and issued 431,819,910 shares raising gross proceeds of \$5,181,839. Under the Rights Offering the Company’s current shareholders exercised rights to purchase 199,811,421 shares of stock for a total of \$2,397,737. Under the Backstop Agreement, the Backstop Purchasers purchased 232,008,489 shares of stock for a total of \$2,784,102. Additionally as part of Backstop Agreement; the Company issued 435,000 warrants to purchase its common stock at \$0.01 for participants in the Backstop Agreement. We incurred \$130,164 in costs associated with raising the capital in Rights Offering and Backstop Agreement which were charged directly to stockholder’s equity.

On October 10, 2017 the Company used \$4,450,000 of the net proceeds of the Rights Offering to fulfill its obligation as sponsor of a special purpose acquisition company, BRAC, as part of BRAC’s initial public offering (IPO). BRAC was formed on May 9, 2017 with the purpose of becoming the special acquisition company as a wholly owned subsidiary of the Company. The remaining proceeds from the Rights Offering following the sponsorship are intended to be used for general corporate purposes which may include other investments and acquisitions.

On October 10, 2017, the Company’s sponsored special purpose acquisition company, Black Ridge Acquisition Corp. (“BRAC”), completed an initial public offering (“IPO”) raising \$138,000,000 of gross proceeds (including proceeds from the exercise of an over-allotment option by the underwriters on October 18, 2017). In addition, the Company purchased 445,000 BRAC units at \$10.00 per unit in a private placement transaction for a total contribution of \$4,450,000 in order to fulfill its obligations in sponsoring BRAC. BRAC is a blank check company formed for the purpose of entering into a merger, share exchange, asset acquisition, stock purchase, recapitalization, reorganization or other similar business combination with one or more businesses or entities. BRAC’s efforts to identify a prospective target business will not be limited to a particular industry or geographic region although it intends to focus its search for target businesses in the energy or energy-related industries with an emphasis on opportunities in the upstream oil and gas industry in North America. Following the initial public offering and over-allotment, the Company owns 22% of the outstanding common stock of BRAC and manages BRAC’s operations via a management services agreement.

The Company has determined that BRAC, following its IPO, is a variable interest entity (“VIE”) and that the Company is the primary beneficiary of the VIE. The Company determined that, due to the redemption feature associated with the IPO shares, that the IPO shareholders are indirectly protected from the operating expenses of BRAC and it has the power to direct the activities of BRAC through the date at which BRAC affords the stockholders the opportunity to vote to approve a proposed business combination. Therefore, the financial statements contain the operations of BRAC from its inception on May 9, 2017. BRAC’s IPO shareholders are reflected as a non-controlling interest. All significant inter-company transactions have been eliminated.

## **Going Concern Uncertainty**

As of September 30, 2018 our cash balance was \$2,138,678. We will continue to have general and administrative expenses to remain a public company and continue with our business plan. The cash on hand would be insufficient to cover our current cash needs over the next year.

We continue to pursue sources of additional capital through various financing transactions or arrangements, including joint venturing of projects, equity financing or other means. We may not be successful in identifying suitable funding transactions in a sufficient time period or at all, and we may not obtain the capital we require by other means. If we do not succeed in raising additional capital, our resources may not be sufficient to fund our business. The consolidated financial statements do not include any adjustments that might result from the outcome of the going concern uncertainty.

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

All of our management fee income in 2017 resulted from our management services agreement with Black Ridge Holding Company (BRHC), a company formed in 2016 as a result of our restructuring and of which we continued to hold a small equity interest, the remainder being held by one of our former creditors. 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 were paid for our management services through June 30, 2017.

The Company, Chambers Energy Capital II, LP and CEC II TE, LLC (together with Chambers Energy Capital II, LP the "Chambers Affiliates") as the members of Black Ridge Holding Company, LLC ("BRHC") agreed to dissolve and wind up BRHC and filed a Certificate of Cancellation under the Delaware Limited Liability Company Act as of October 3, 2017. On October 2, 2017, the Company entered into an agreement with the Chambers Affiliates whereby certain assets distributed to the Company upon the dissolution and winding up of BRHC effective as of October 1, 2017, were sold to the Assignees in exchange for cash consideration of \$1,078,394. Additionally, cash and receivables totaling \$4,645 in value were distributed directly to the Company from BRHC.

## **Business**

The Company is focused on acquiring, investing in, and managing the oil and gas assets for our partners. We continue to pursue asset acquisitions in all major onshore unconventional shale formations that may be acquired with capital from our existing joint venture partners or other capital providers. Additionally, as the sponsor and manager of Black Ridge Acquisition Corp. ("BRAC"), we will be focused on BRAC's efforts to identify a prospective target business in the energy or energy-related industries with an emphasis on opportunities in the upstream oil and gas industry in North America.

## **Operating Highlights**

General and administrative expenses were \$544,409 for the three month period ended September 30, 2018 as compared to \$569,207 for the three month period ended September 30, 2017. In 2018 we received settlement income, net of related settlement expense, of \$2,137,500 related to the settlement of the contingent portion of a 2012 settlement agreement.

## Results of Operations for the Three Months Ended September 30, 2018 and 2017.

The following table summarizes selected items from the statement of operations for the three months ended September 30, 2018 and 2017, respectively.

	Three Months Ended September 30,		Increase / (Decrease)
	2018	2017	
Management fee income	\$ —	\$ —	\$ —
Total revenues:	<u>—</u>	<u>—</u>	<u>—</u>
Operating expenses:			
General and administrative expenses:			
Salaries and benefits	285,839	331,284	(45,445)
Stock compensation	77,901	154,069	(76,168)
Professional services	39,348	11,783	27,565
Other general and administrative expenses	141,321	72,071	69,250
Total general and administrative expenses	<u>544,409</u>	<u>569,207</u>	<u>(24,798)</u>
Depreciation and amortization	2,535	2,557	(22)
Total operating expenses	<u>546,944</u>	<u>571,764</u>	<u>(24,820)</u>
Net operating loss	<u>(546,944)</u>	<u>(571,764)</u>	<u>24,820</u>
Other income (expense)			
Settlement income	2,250,000	—	2,250,000
Settlement expense	(112,500)	—	(112,500)
Interest income	676,147	—	676,147
Losses on marketable securities held in Trust Account	4,898	—	4,898
Interest expense	—	(8,713)	8,713
Other income	200	—	200
Total other income (expense)	<u>2,818,745</u>	<u>(8,713)</u>	<u>2,827,458</u>
Income (loss) before provision for income taxes	2,271,801	(580,477)	2,852,278
Provision for income taxes	<u>155,526</u>	<u>—</u>	<u>155,526</u>
Net income (loss)	2,116,275	(580,477)	2,696,752
Less income attributable to redeemable non-controlling interest	<u>(513,240)</u>	<u>—</u>	<u>(513,240)</u>
Net income (loss) attributable to Black Ridge Oil & Gas, Inc.	<u>\$ 1,603,035</u>	<u>\$ (580,477)</u>	<u>\$ 2,183,512</u>

### Management Fee Revenue

The Company earned no management fees during the three months ended September 30, 2018 and 2017.

## **General and Administrative Expenses**

### *Salaries and benefits*

Salaries and benefits for the three months ended September 30, 2018 were \$285,839 compared to \$331,284 for the three months ended September 30, 2017, a decrease of \$45,445, or 14%. Base salaries were consistent between the two periods, however we had one less employee in the 2018 period than the 2017 period.

### *Stock compensation*

Stock compensation expense for the three months ended September 30, 2018 was \$77,901 compared to \$154,069 for the three months ended September 30, 2017, a decrease of \$76,168 or 49%. No new stock compensation awards were granted in 2017 and in 2017 awards from 2012, which had higher valuations relative to awards in more recent years, became fully amortized.

### *Professional services*

General and administrative expenses related to professional services were \$39,348 for the 2018 period compared to \$11,783 for the 2017 period, an increase of \$27,565 or 234%. The increase primarily relates to increased use of legal services and accounting services as a result of maintaining two public companies in 2018.

### *Other general and administrative expenses*

Other general and administrative expenses for the three months ended September 30, 2018 were \$141,321 compared to \$72,071 for three months ended September 30, 2017, an increase of \$69,250, or 96%. The increase is attributable to increased travel and travel related expenses attributable to the search for a BRAC business combination and increased insurance, investor relations, stock services and public company listing fees with two public companies.

## **Depreciation**

Depreciation expense for the three months ended September 30, 2018 was \$2,535, compared to \$2,557 for three months ended September 30, 2017.

## **Other income (expense)**

In the three months ended September 30, 2018 other income was \$2,818,745 consisting primarily of net settlement income of \$2,137,500 resulting from the final settlement of the contingent portion of a 2012 settlement agreement and activity in the restricted trust account including interest income of \$676,147 and investment income of \$4,898. In the 2017 period we incurred interest expense of \$8,713 related to a \$500,000 promissory note to a lender for the period that was advanced and repaid during the period and includes loan origination fees and related costs which were charged directly to interest expense.

## **Provision for Income Taxes**

We had \$155,526 of tax expense for the three months ended September 30, 2018 representing the tax expense associated with BRAC, which is a stand-alone entity for tax purposes. The Company had no income tax expense for BROG in the 2018 or 2017 periods as the Company continues to reserve against any deferred tax assets of BROG due to the uncertainty of realization of any benefit.

## Results of Operations for the Nine Months Ended September 30, 2018 and 2017.

The following table summarizes selected items from the statement of operations for the nine months ended September 30, 2018 and 2017, respectively.

	Nine Months Ended September 30,		Increase / (Decrease)
	2018	2017	
Management fee income	\$ —	\$ 1,000,000	\$ (1,000,000)
Operating expenses:			
General and administrative expenses:			
Salaries and benefits	914,166	1,006,712	(92,546)
Stock compensation	244,664	473,053	(228,389)
Professional services	150,674	108,519	42,155
Other general and administrative expenses	434,483	228,686	205,797
Total general and administrative expenses	<u>1,743,987</u>	<u>1,816,970</u>	<u>(72,983)</u>
Depreciation and amortization	7,650	8,291	(641)
Total operating expenses	<u>1,751,637</u>	<u>1,825,261</u>	<u>(73,624)</u>
Net operating loss	<u>(1,751,637)</u>	<u>(825,261)</u>	<u>(926,376)</u>
Other income (expense)			
Settlement income	2,250,000	—	2,250,000
Settlement expense	(112,500)	—	(112,500)
Interest Income	1,722,249	—	1,722,249
Gains on marketable securities held in Trust Account	65,618	—	65,618
Interest expense	—	(8,713)	8,713
Loss on disposal of property and equipment	—	(4,714)	4,714
Other income	940	—	940
Total other income (expense)	<u>3,926,307</u>	<u>(13,427)</u>	<u>3,939,734</u>
Income (loss) before provision for income taxes	2,174,670	(838,688)	3,013,358
Provision for income taxes	<u>398,752</u>	<u>—</u>	<u>398,752</u>
Net income (loss)	1,775,918	(838,688)	2,614,606
Less income attributable to redeemable non-controlling interest	<u>(1,337,487)</u>	<u>—</u>	<u>(1,337,487)</u>
Net income (loss) attributable to Black Ridge Oil & Gas, Inc.	<u>\$ 438,431</u>	<u>\$ (838,688)</u>	<u>\$ 1,277,119</u>

## **Management Fee Revenue**

The Company earned no management fees during the nine months ended September 30, 2018. The Company had management fees of \$1,000,000 for the nine months ended September 30, 2017, entirely related to our management services agreement with BRHC, which was cancelled effective June 30, 2017.

## **General and Administrative Expenses**

### *Salaries and benefits*

Salaries and benefits for the nine months ended September 30, 2018 were \$914,166 compared to \$1,006,712 for the nine months ended September 30, 2017, a decrease of \$92,546, or 9%. Base salaries were consistent between the two periods, however we had one less employee in the 2018 period than the 2017 period.

### *Stock compensation*

Stock compensation expense for the nine months ended September 30, 2018 was \$244,664 compared to \$473,053 for the nine months ended September 30, 2017, a decrease of \$228,389 or 48%. No new stock compensation awards were granted in 2017 and in 2017 awards from 2012, which had higher valuations relative to awards in more recent years, became fully amortized.

### *Professional services*

General and administrative expenses related to professional services were \$150,674 for the 2018 period compared to \$108,519 for the 2017 period, an increase of \$42,155 or 39%. The increase primarily relates to increased accounting and legal services related to running two public companies, BROG and BRAC.

### *Other general and administrative expenses*

Other general and administrative expenses for the nine months ended September 30, 2018 were \$434,483 compared to \$228,686 for nine months ended September 30, 2017, an increase of \$205,797, or 90%. The increase is attributable to increased travel and travel related expenses related to the search for a BRAC business combination and increased investor relations, stock services and public company listing fees with two public companies.

## **Depreciation**

Depreciation expense for the nine months ended September 30, 2018 was \$7,650, compared to \$8,291 for the nine months ended September 30, 2017.

## **Other income (expense)**

In the nine months ended September 30, 2018 other income was \$3,926,307 consisting primarily of net settlement income of \$2,137,500 resulting from the final settlement of the contingent portion of a 2012 settlement agreement and activity in the restricted trust account including interest income of \$1,722,249 and investment gains of \$65,618.

In the 2017 period we incurred interest expense of \$8,713 related to a \$500,000 promissory note to a lender for the period that was advanced and repaid during the period and includes loan origination fees and related costs which were charged directly to interest expense. Additionally, in 2017 we sold certain assets no longer utilized for proceeds of \$2,160, resulting in a loss of \$4,714.

## Provision for Income Taxes

We had \$398,752 of tax expense for the nine months ended September 30, 2018 representing the tax expense associated with BRAC, which is a stand-alone entity for tax purposes. The Company had no income tax expense for BROG in the 2018 or 2017 periods as the Company continues to reserve against any deferred tax assets of BROG due to the uncertainty of realization of any benefit.

## Liquidity and Capital Resources

The following table summarizes our total current assets, liabilities and working capital at September 30, 2018 and December 31, 2017, respectively.

	September 30, 2018	December 31, 2017
Current Assets	<u>\$ 2,255,136</u>	<u>\$ 1,566,195</u>
Current Liabilities	<u>\$ 447,029</u>	<u>\$ 186,677</u>
Working Capital	<u>\$ 1,808,107</u>	<u>\$ 1,379,518</u>

As of September 30, 2018 we had positive working capital of \$1,808,107.

The following table summarizes our cash flows during the nine month periods ended September 30, 2018 and 2017, respectively.

	Nine Months Ended September 30,	
	2018	
Net cash provided by (used in) operating activities	<u>\$ 473,366</u>	<u>\$ (246,679)</u>
Net cash provided by investing activities	<u>187,773</u>	<u>2,160</u>
Net cash provided by financing activities	<u>450</u>	<u>4,900,126</u>
Net change in cash and cash equivalents	<u>\$ 661,589</u>	<u>\$ 4,655,607</u>

Net cash provided by operating activities was \$473,366 for the nine months ended September 30, 2018 and net cash used in operating activities was \$246,679 for the nine months ended September 30, 2017, respectively, a period over period increase of \$720,045. The primary contributor to the difference was the net settlement income of \$2,137,500 in 2018 offset by the lack of revenue in 2018 while revenue in the 2017 period was \$1,000,000, all from our management services agreement with BRHC. Changes in working capital resulted in an increase in cash of \$233,001 in the nine months ended September 30, 2018 as compared to an increase in cash of \$105,951 for the same period in the previous year, with 2018 primarily driven by an increase in taxes payable and 2017 driven by an increase in accounts payable and a decrease in prepaid expenses.

Net cash provided by investing activities was \$187,773 and \$2,160 for the nine months ended September 30, 2018 and 2017, respectively. The cash provided from investing activities in 2018 was the result of cash released from the Trust Account to pay for taxes and franchise fees. The \$2,160 in cash provided by investing activities in 2017 was from the sale of fixed assets no longer needed by the Company.

The sole financing activity in 2018 was \$450 received from the exercise of stock warrants. Net cash provided by financing activities was \$4,900,126 for the nine months ended September 30, 2017. During the 2017 period we received \$5,051,675, net of \$130,164 of offering costs, from the sale of stock in the Rights Offering and related Backstop Agreement. Additionally, we paid \$151,549 in deferred offering costs related to BRAC's IPO.

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

All of our management fee income in 2017 resulted from our management services agreement with Black Ridge Holding Company (BRHC), a company formed in 2016 as a result of our restructuring and of which we continued to hold a small equity interest, the remainder being held by one of our former creditors. 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 provided 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, the Company was paid for our management services through June 30, 2017.

The Company, Chambers Energy Capital II, LP and CEC II TE, LLC (together with Chambers Energy Capital II, LP the "Chambers Affiliates") as the members of Black Ridge Holding Company, LLC ("BRHC") agreed to dissolve and wind up BRHC and filed a Certificate of Cancellation under the Delaware Limited Liability Company Act as of October 3, 2017. On October 2, 2017, the Company entered into an agreement with the Chambers Affiliates whereby certain assets distributed to the Company upon the dissolution and winding up of BRHC effective as of October 1, 2017 were sold to the Assignees in exchange for cash consideration of \$1,078,394. Additionally, cash and receivables totaling \$4,645 in value were distributed directly to the Company from BRHC.

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

As of September 30, 2018, our balance of cash and cash equivalents was \$2,138,678. Our plan for satisfying our cash requirements for the next twelve months is through additional management service fees generated from new partners and additional financing in the form of equity or debt as needed.

### **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, 2017.

## **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 September 30, 2018. As part of such evaluation, management considered the matters discussed below relating to internal control over financial reporting. Based on this evaluation our management, including the Company's Chief Executive Officer and Chief Financial Officer, has concluded that the Company's disclosure controls and procedures were effective as of September 30, 2018 to ensure that the information required to be disclosed in our Exchange Act reports was recorded, processed, summarized and reported on a timely basis.

There have been no changes in the Company's internal control over financial reporting during the three month period ended September 30, 2018 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.

<u>Exhibit</u>	<u>Description</u>
3.1	<a href="#"><u>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 &amp; Gas, Inc. on December 12, 2012)</u></a>
3.2	<a href="#"><u>Bylaws (incorporated by reference to Exhibit 3.2 of the Form 8-K filed with the Securities and Exchange Commission by Black Ridge Oil &amp; Gas, Inc. on December 12, 2012)</u></a>
10.1*	<a href="#"><u>Agreement with ElectraWorks dated September 27, 2018</u></a>
31.1*	<a href="#"><u>Section 302 Certification of Chief Executive Officer</u></a>
31.2*	<a href="#"><u>Section 302 Certification of Chief Financial Officer</u></a>
32.1*	<a href="#"><u>Section 906 Certification of Chief Executive Officer</u></a>
32.2*	<a href="#"><u>Section 906 Certification of Chief Financial Officer</u></a>
101.INS*	XBRL Instance Document
101.SCH*	XBRL Schema Document
101.CAL*	XBRL Calculation Linkbase Document
101.DEF*	XBRL Definition Linkbase Document
101.LAB*	XBRL Labels Linkbase Document
101.PRE*	XBRL Presentation Linkbase Document

\*Filed herewith

**SIGNATURES**

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

BLACK RIDGE OIL & GAS, INC.

Dated: November 8, 2018

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

Dated: November 8, 2018

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

**AGREEMENT**

August 21, 2018

On 27 September 2012 a Settlement Agreement and Release was signed between 1) Black Ridge Oil & Gas, Inc. ("**Black Ridge**"), 2) Peerless Media, Ltd ("**Peerless**"), and 3) ElectraWorks, Ltd ("**ElectraWorks**"), (the "**Settlement Agreement**").

Following execution of the Settlement Agreement, in November 2014 bwin.party digital entertainment plc group disposed of Peerless and as a result, ElectraWorks assumed full financial responsibility for all payments under the Settlement Agreement.

Black Ridge and ElectraWorks have mutually agreed that in exchange for the payment by wire from ElectraWorks to Black Ridge of the amount of Two Million Two Hundred Fifty Thousand U.S. Dollars (US\$2,250,000) (which ElectraWorks shall pay on or before August 31, 2018) that ElectraWorks and Peerless shall owe no further payments to Black Ridge pursuant to Section 2 of the Settlement Agreement. This payment shall be made to the bank account set forth on the attached Exhibit A.

All other terms of the Settlement Agreement shall remain in full force and effect.

The signatories to this Agreement warrant and represent that they have the right, power, and authority to bind the parties they represent.

**AGREED AND ACKNOWLEDGED:**

BLACK RIDGE OIL & GAS, INC.

ELECTRAWORKS, LTD.

Signed: /s/ James A. Moe

Signed: /s/ Robert Hoskin

By: James A. Moe

By: Robert Hoskin

Its: Chief Financial Officer

Its: Director

EXHIBIT 31.1  
CERTIFICATION

I, Kenneth DeCubellis, certify that:

1. I have reviewed this report on Form 10-Q of Black Ridge Oil & Gas, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

Dated: November 8, 2018

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

EXHIBIT 31.2  
CERTIFICATION

I, James A. Moe, certify that:

1. I have reviewed this report on Form 10-Q of Black Ridge Oil & Gas, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

Date: November 8, 2018

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

EXHIBIT 32.1  
CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Black Ridge Oil & Gas, Inc. (the "Company") on Form 10-Q for the period ending September 30, 2018 (the "Report") I, Kenneth DeCubellis, Chief Executive Officer of the Company, certify, pursuant to 18 USC Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge and belief:

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

Dated: November 8, 2018

/s/ Kenneth DeCubellis  
Kenneth DeCubellis, Chief Executive Officer

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

EXHIBIT 32.2  
CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Black Ridge Oil & Gas, Inc. (the "Company") on Form 10-Q for the period ending September 30, 2018 (the "Report") I, James A. Moe, Chief Financial Officer of the Company, certify, pursuant to 18 USC Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge and belief:

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

Dated: November 8, 2018

/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.