

---

---

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

FORM 10-Q

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

For the quarterly period ended **June 30, 2018**

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: **000-53488**

**PLEDGE PETROLEUM CORP.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**26-1856569**

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

**1701 Commerce Street, 2nd Floor  
HOUSTON, Texas. 77002**

(Address of principal executive offices) (Zip Code)

**(832) 328- 0169**

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

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

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

Large accelerated filer

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

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

The Registrant has 234,256,464 shares of common stock outstanding as of August 13, 2018.

Documents incorporated by reference: None

---

---

**PLEDGE PETROLEUM CORP.**  
**NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This Quarterly Report on Form 10-Q contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). In particular, statements contained in this Quarterly Report on Form 10-Q, including but not limited to, statements regarding the sufficiency of our cash, our ability to finance our operations and business initiatives and obtain funding for such activities; our future results of operations and financial position, business strategy and plan prospects, or costs and objectives of management for future acquisitions, are forward looking statements. These forward-looking statements relate to our future plans, objectives, expectations and intentions and may be identified by words such as “may,” “will,” “should,” “expects,” “plans,” “anticipates,” “intends,” “targets,” “projects,” “contemplates,” “believes,” “seeks,” “goals,” “estimates,” “predicts,” “potential” and “continue” or similar words. Readers are cautioned that these forward-looking statements are based on our current beliefs, expectations and assumptions and are subject to risks, uncertainties, and assumptions that are difficult to predict. Therefore, actual results may differ materially and adversely from those expressed, projected or implied in any forward-looking statements. We undertake no obligation to revise or update any forward-looking statements for any reason.

**NOTE REGARDING COMPANY REFERENCES**

Throughout this Quarterly Report on Form 10-Q, “Pledge,” the “Company,” “we,” “us” and “our” refer to Pledge Petroleum Corp.

---

PLEDGE PETROLEUM CORP.

FORM 10-Q

FOR THE SIX MONTHS ENDED JUNE 30, 2018

TABLE OF CONTENTS

	<u>Page</u>	
<u>PART I-FINANCIAL INFORMATION</u>		
<u>Item 1.</u>	<u>Financial Statements</u>	<u>F-1</u>
	<u>Condensed Consolidated Balance Sheets as of June 30, 2018 (Unaudited) and December 31, 2017</u>	<u>F-1</u>
	<u>Unaudited Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2018 and 2017</u>	<u>F-2</u>
	<u>Unaudited Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2018 and 2017</u>	<u>F-3</u>
	<u>Notes to the Unaudited Condensed Consolidated Financial Statements</u>	<u>F-4</u>
<u>Item 2.</u>	<u>Management’s Discussion and Analysis of Financial Information and Results of Operations</u>	<u>3</u>
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>6</u>
<u>Item 4.</u>	<u>Controls and Procedures</u>	<u>6</u>
<u>PART II-OTHER INFORMATION</u>		
<u>Item 1.</u>	<u>Legal Proceedings</u>	<u>7</u>
<u>Item 1A.</u>	<u>Risk Factors</u>	<u>7</u>
<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>7</u>
<u>Item 3.</u>	<u>Defaults Upon Senior Securities</u>	<u>7</u>
<u>Item 4.</u>	<u>Mine Safety Disclosures</u>	<u>7</u>
<u>Item 5.</u>	<u>Other Information</u>	<u>7</u>
<u>Item 6.</u>	<u>Exhibits</u>	<u>8</u>
<u>SIGNATURES</u>		<u>8</u>

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

PLEDGE PETROLEUM CORP.  
CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2018 <u>(Unaudited)</u>	December 31, 2017
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 379,232	\$ 749,620
Restricted cash	-	7,850,000
Prepaid expenses	16,262	25,816
<b>Total Current Assets</b>	<b><u>395,494</u></b>	<b><u>8,625,436</u></b>
<b>Non-Current Assets</b>		
Plant and equipment, net	6,410	8,935
Deposits	1,750	530
<b>Total Non-Current Assets</b>	<b><u>8,160</u></b>	<b><u>9,465</u></b>
<b>Total Assets</b>	<b><u>\$ 403,654</u></b>	<b><u>\$ 8,634,901</u></b>
<b>Liabilities and Stockholders' Equity</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 48,838	\$ 38,849
Accrued expenses and other payables	6,654	27,852
Notes payable	3,000	3,000
<b>Total Current Liabilities</b>	<b><u>58,492</u></b>	<b><u>69,701</u></b>
<b>Stockholders' Equity</b>		
Series A-1 Convertible Preferred stock, \$0.01 par value; 5,000,000 shares designated, 3,137,500 shares issued, 0 and 3,137,500 shares outstanding at June 30, 2018 and December 31, 2017, respectively. (liquidation preference \$251,000)	-	3,138
Series B Convertible, Redeemable Preferred Stock, \$0.001 par value; 500,000 shares designated; 40,000 issued and outstanding at June 30 2017 and December 31, 2017, respectively. (liquidation preference \$480,000)	40	40
Series C Convertible, Preferred Stock, \$0.001 par value, 4,500,000 shares designated, 4,500,000 issued, 0 and 4,500,000 shares outstanding at June 30, 2018 and December 31, 2017, respectively. (liquidation preference \$14,750,000)	-	4,500
Common stock, \$0.001 par value; 500,000,000 shares authorized, 268,558,931 shares issued, 234,256,464 and 268,558,931 shares outstanding at June 30, 2018 and December 31, 2017, respectively.	234,257	268,559
Treasury Stock	(8,428,060)	-
Additional paid-in-capital	28,139,964	27,403,296
Accumulated deficit	(19,601,039)	(19,114,333)
<b>Total Stockholders' Equity</b>	<b><u>345,162</u></b>	<b><u>8,565,200</u></b>
<b>Total Liabilities and Stockholders' Equity</b>	<b><u>\$ 403,654</u></b>	<b><u>\$ 8,634,901</u></b>

See notes to the unaudited condensed consolidated financial statements

**PLEDGE PETROLEUM CORP.**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

	Three months ended June 30 2018	Three months ended June 30 2017	Six months ended June 30 2018	Six months ended June 30 2017
Net Revenue	\$ -	\$ 25,000	\$ -	\$ 25,000
Cost of Goods Sold	-	-	-	-
<b>Gross Profit</b>	-	25,000	-	25,000
Sales and Marketing	1,497	1,497	2,994	2,994
Professional fees	41,824	83,606	158,515	148,361
Consulting fees	64,890	8,305	73,150	27,436
General and administrative	193,084	46,991	264,284	170,482
Depreciation, amortization and impairment charges	1,263	1,311	2,525	2,866
<b>Total Expense</b>	<b>302,558</b>	<b>141,710</b>	<b>501,468</b>	<b>352,139</b>
<b>Loss from Operations</b>	<b>(302,558)</b>	<b>(116,710)</b>	<b>(501,468)</b>	<b>(327,139)</b>
Other income	-	-	14,658	-
Finance costs	4	59	105	44
<b>Loss before Provision for Income Taxes</b>	<b>(302,554)</b>	<b>(116,651)</b>	<b>(486,705)</b>	<b>(327,095)</b>
Provision for Income Taxes	-	-	-	-
<b>Net loss</b>	<b>(302,554)</b>	<b>(116,651)</b>	<b>(486,705)</b>	<b>(327,095)</b>
Undeclared Series B and Series C Preferred stock dividends	(8,975)	(156,071)	(17,852)	(310,427)
<b>Net loss available to common stock holders</b>	<b>\$ (311,529)</b>	<b>\$ (272,722)</b>	<b>\$ (504,557)</b>	<b>\$ (637,522)</b>
<b>Net Loss Per Share - Basic and Diluted</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>
Weighted Average Number of Shares Outstanding - Basic and Diluted	210,739,980	268,558,931	236,647,637	268,558,931

See notes to the unaudited condensed consolidated financial statements

**PLEDGE PETROLEUM CORP.**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Six months ended June 30 2018	Six months ended June 30 2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$ (486,705)	\$ (327,095)
<b>Adjustment to reconcile net loss to net cash used in operating activities:</b>		
Depreciation expense	2,525	2,866
Deposit forfeited		6,968
Equity based compensation charge	116,667	18,066
<b>Changes in Assets and Liabilities</b>		
Prepaid expenses and other current assets	9,554	(8,125)
Accounts payable	9,988	48,618
Accrued liabilities	(21,198)	(19,815)
<b>Cash Used in Operating Activities</b>	<b>(369,169)</b>	<b>(278,517)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds on disposal of plant and equipment	650,000	-
Investment in deposit	(1,220)	(530)
<b>Cash provided by (used in) investing activities</b>	<b>648,780</b>	<b>(530)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Share repurchase	(8,500,000)	-
<b>Cash used in financing activities</b>	<b>(8,500,000)</b>	<b>-</b>
NET DECREASE IN CASH		
	(8,220,389)	(279,047)
CASH AT BEGINNING OF PERIOD	8,599,620	9,170,286
<b>CASH AT END OF PERIOD</b>	<b>\$ 379,232</b>	<b>\$ 8,891,239</b>
<b>CASH PAID FOR INTEREST AND TAXES:</b>		
Cash paid for income taxes	\$ -	\$ -
Cash paid for interest	\$ -	\$ -

See notes to the unaudited condensed consolidated financial statements

**PLEDGE PETROLEUM CORP.**  
**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**1 ACCOUNTING POLICIES AND ESTIMATES**

**a) Basis of Presentation**

The accompanying unaudited condensed financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”) for interim financial information with the instructions to Form 10-Q and Rule 8-03 of Regulation S-X. Accordingly, these unaudited condensed financial statements do not include all of the information and disclosures required by U.S. GAAP for complete financial statements. In the opinion of management, the accompanying unaudited condensed financial statements include all adjustments (consisting only of normal recurring adjustments), which we consider necessary, for a fair presentation of those financial statements. The results of operations and cash flows for the six months ended June 30, 2018 may not necessarily be indicative of results that may be expected for any succeeding quarter or for the entire fiscal year. The information contained in this quarterly report on Form 10-Q should be read in conjunction with our audited financial statements included in our annual report on Form 10-K as of and for the year ended December 31, 2017 as filed with the Securities and Exchange Commission (the “SEC”).

Significant accounting policies are described in Note 2 to the consolidated financial statements included in Item 8 of our annual report on Form 10-K as of December 31, 2017.

The preparation of unaudited consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions, which are evaluated on an ongoing basis, that affect the amounts reported in the unaudited consolidated financial statements and accompanying notes. Management bases its estimates on historical experience and on various other assumptions that it believes are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the amounts of revenues and expenses that are not readily apparent from other sources. Actual results could differ from those estimates and judgments. In particular, significant estimates and judgments include those related to: the estimated useful lives for plant and equipment, the fair value of warrants and stock options granted for services or compensation, estimates of the probability and potential magnitude of contingent liabilities, derivative liabilities, the valuation allowance for deferred tax assets due to continuing operating losses, those related to revenue recognition and the allowance for doubtful accounts.

Making estimates requires management to exercise significant judgment. It is at least reasonably possible that the estimate of the effect of a condition, situation or set of circumstances that existed at the date of the unaudited consolidated financial statements, which management considered in formulating its estimate could change in the near-term due to one or more future confirming events. Accordingly, the actual results could differ significantly from our estimates.

All amounts referred to in the notes to the unaudited consolidated financial statements are in United States Dollars (\$) unless stated otherwise.

**b) Principles of Consolidation**

The unaudited consolidated financial statements include the financial statements of the Company and its subsidiaries in which it has a majority voting interest. All significant inter-company accounts and transactions have been eliminated in the unaudited consolidated financial statements. The entities included in these unaudited consolidated financial statements are as follows:

Pledge Petroleum Corp – Parent Company  
Nova’s Energy USA Inc. (wholly owned).

**PLEDGE PETROLEUM CORP.**  
**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**1 ACCOUNTING POLICIES AND ESTIMATES (continued)**

**c) Recent Accounting Pronouncements**

In June 2018, the FASB issued ASU 2018-07, Compensation—Stock Compensation (Topic 718) Improvements to Nonemployee Share-Based Payment Accounting.

The amendments in this Update expand the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from nonemployees. An entity should apply the requirements of Topic 718 to nonemployee awards except for specific guidance on inputs to an option pricing model and the attribution of cost (that is, the period of time over which share-based payment awards vest and the pattern of cost recognition over that period). The amendments specify that Topic 718 applies to all share-based payment transactions in which a grantor acquires goods or services to be used or consumed in a grantor's own operations by issuing share-based payment awards. The amendments also clarify that Topic 718 does not apply to share-based payments used to effectively provide (1) financing to the issuer or (2) awards granted in conjunction with selling goods or services to customers as part of a contract accounted for under Topic 606, Revenue from Contracts with Customers.

The amendments in this Update are effective for public business entities for fiscal years beginning after December 15, 2018, including interim periods within that fiscal year. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early adoption is permitted, but no earlier than an entity's adoption date of Topic 606.

The impact of this ASU on the Company's financial statements is not expected to be material.

In July 2018, the FASB issued ASU 2018-11, Leases (Topic 842) Targeted Improvements.

The amendments in this Update provide entities with an additional (and optional) transition method to adopt the new leases standard. Under this new transition method, an entity initially applies the new leases standard at the adoption date and recognizes a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption consistent with preparers' requests.

The amendments in this Update provide lessors with a practical expedient, by class of underlying asset, to not separate non-lease components from the associated lease component and, instead, to account for those components as a single component if the non-lease components otherwise would be accounted for under the new revenue guidance (Topic 606) and both of the following are met: 1. The timing and pattern of transfer of the non-lease component(s) and associated lease component are the same. 2. The lease component, if accounted for separately, would be classified as an operating lease.

The amendments in this Update related to separating components of a contract affect the amendments in Update 2016-02, which are not yet effective but can be early adopted.

The Company is currently considering the impact this ASU will have on its financial statements.

Any new accounting standards, not disclosed above, that have been issued or proposed by FASB that do not require adoption until a future date are not expected to have a material impact on the financial statements upon adoption.

**PLEDGE PETROLEUM CORP.**  
**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**1 ACCOUNTING POLICIES AND ESTIMATES (continued)**

**d) Use of Estimates**

The preparation of unaudited consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions, which are evaluated on an ongoing basis, that affect the amounts reported in the unaudited consolidated financial statements and accompanying notes. Management bases its estimates on historical experience and on various other assumptions that it believes are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the amounts of revenues and expenses that are not readily apparent from other sources. Actual results could differ from those estimates and judgments. In particular, significant estimates and judgments include those related to: the estimated useful lives for plant and equipment, the fair value of warrants and stock options granted for services or compensation, estimates of the probability and potential magnitude of contingent liabilities, derivative liabilities, the valuation allowance for deferred tax assets due to continuing operating losses, those related to revenue recognition and the allowance for doubtful accounts.

Making estimates requires management to exercise significant judgment. It is at least reasonably possible that the estimate of the effect of a condition, situation or set of circumstances that existed at the date of the unaudited consolidated financial statements, which management considered in formulating its estimate could change in the near-term due to one or more future confirming events. Accordingly, the actual results could differ significantly from our estimates.

**e) Contingencies**

Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to the Company, but which will only be resolved when one or more future events occur or fail to occur. The Company's management assesses such contingent liabilities, and such assessment inherently involves an exercise of judgment.

If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Company's financial statements. If the assessment indicates that a potential material loss contingency is not probable but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material would be disclosed. Loss contingencies considered to be remote by management are generally not disclosed unless they involve guarantees, in which case the guarantee would be disclosed.

**f) Cash and Cash Equivalents**

The Company considers all highly liquid investments with original maturities of three months or less at the time of purchase to be cash equivalents. At June 30, 2018 and December 31, 2017, respectively, the Company had no cash equivalents.

The Company assesses credit risk associated with cash by periodically evaluating the credit quality of its primary financial institution. The balance at times may exceed federally insured limits. At June 30, 2018, the Company had cash balances of \$379,232, of which \$79,435 are not covered by the federally insured limits.

**PLEDGE PETROLEUM CORP.**  
**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**1 ACCOUNTING POLICIES AND ESTIMATES (continued)**

**g) Related parties**

Parties are considered to be related to the Company if the parties that, directly or indirectly, through one or more intermediaries, control, are controlled by, or are under common control with the Company, or own in aggregate, on a fully diluted basis 5% or more of the Company's stock. Related parties also include principal owners of the Company, its management, members of the immediate families of principal owners of the Company and its management and other parties with which the Company may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests. The Company discloses all related party transactions. All transactions are recorded at fair value of the goods or services exchanged. Property purchased from a related party is recorded at the cost to the related party and any payment to or on behalf of the related party in excess of the cost is reflected as a distribution to related party.

**2 GOING CONCERN**

The Company has cash balances of \$379,232 as of June 30, 2018, which is not sufficient to meet current expenses for at least the next twelve month period. On March 23, 2018, after obtaining approval of the majority shareholder and the majority of the minority of the shareholders the Company sold substantially all of its assets for \$650,000 and simultaneously therewith the entire shareholding of the majority shareholder, Ervington, was purchased by the Company for gross proceeds of \$8,500,000. The ability of the Company to conclude an acquisition based on current cash balances and continue as a going concern is uncertain.

**3 PREPAID EXPENSES**

Prepaid expenses consisted of the following:

	<u>June 30, 2018</u>	<u>December 31, 2017</u>
Prepaid insurance	\$ 13,762	\$ 22,483
Prepaid professional fees	2,500	3,333
	<u>\$ 16,262</u>	<u>\$ 25,816</u>

**4 PLANT AND EQUIPMENT**

Plant and Equipment consisted of the following:

	<u>June 30, 2018</u>		<u>December 31, 2017</u>	
	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Net book value</u>	<u>Net book value</u>
Furniture and equipment	6,700	(3,127)	3,573	4,243
Computer equipment	<u>11,130</u>	<u>(8,293)</u>	<u>2,837</u>	<u>4,692</u>
	<u>\$ 17,830</u>	<u>\$ (11,420)</u>	<u>\$ 6,410</u>	<u>\$ 8,935</u>

Depreciation expense was \$1,263 and \$1,311 for the three months ended June 30, 2018 and 2017, respectively, and \$2,525 and \$2,866 for the six months ended June 30, 2018 and 2017, respectively.

On March 23, 2018, the Company concluded an Asset Purchase Agreement with an affiliate (the "Purchaser") of Ervington Investment Limited, the previous holder of a majority of the Company's outstanding voting securities, pursuant to which the Company sold to the Purchaser substantially all of its assets, including all pertinent intellectual property rights, comprising its business of implementing its plasma pulse technology, for \$650,000 (the "Asset Sale").

The Asset Sale is to a related party and the profit realized of \$650,000 was credited to additional paid in capital.

**PLEDGE PETROLEUM CORP.**  
**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**5 ACCRUED EXPENSES AND OTHER PAYABLES**

Accrued expenses and other payables consisted of the following:

	<u>June 30, 2018</u>	<u>December 31, 2017</u>
Royalties Payable	\$ -	\$ 14,653
Other	6,654	13,199
	<u>\$ 6,654</u>	<u>\$ 27,852</u>

**6 STOCKHOLDERS' EQUITY**

**a) Common stock**

The Company has authorized 500,000,000 common shares with a par value of \$0.001 each. The Company has issued 298,558,931 and 268,558,931 shares of common stock as of June 30, 2018 and December 31, 2017 respectively, and has outstanding 234,256,464 and 268,558,931 shares of common stock as of June 30, 2018 and December 31, 2017, respectively.

On March 23, 2018, the Company concluded an Asset Sale agreement as discussed in note 5 above, simultaneously with the Asset Sale Agreement, the Company concluded a Share Repurchase Agreement with Ervington to repurchase all of the outstanding securities held by Ervington for \$8,500,000 (the "Share Repurchase"). The repurchase constituted a change of control. Upon conclusion of the Repurchase Agreement, Ivan Persiyarov, resigned from all positions he holds as an officer and director of the Company and its subsidiaries. After the completion of the Asset Sale, the Company ceased all activities related to its existing business while evaluating other business opportunities, which include potentially acquiring a technology and oilfield services business, of which two of the Company's current directors (Messrs. Huemoeller and Zotos) own a minority equity interest. The Company has not entered into an agreement with any potential acquisition candidate and has only been in the early stages of discussion.

In terms of the above, the Company repurchased 64,302,467 shares of common stock from Ervington, which shares are being retained as treasury shares.

On May 2, 2018 the Company issued 30,000,000 restricted shares of common stock to the directors of the Company as compensation for services rendered. These shares vest as to one third immediately, one third on May 2, 2019 and one third on May 2, 2020.

The restricted stock granted and exercisable at June 30, 2018 is as follows:

<u>Grant date price</u>	<u>Restricted Stock Granted</u>		<u>Restricted Stock Vested</u>	
	<u>Number granted</u>	<u>Weighted average exercise price</u>	<u>Number vested</u>	<u>Weighted average exercise price</u>
\$ 0.01	30,000,000	\$ 0.01	30,000,000	\$ 0.01

The Company recorded an expense of \$116,667 and \$0 for the three and six months ended June 30, 2018 and 2017, respectively, related to the restricted stock options granted to the directors.

**b) Preferred stock**

The Company has 10,000,000 authorized preferred shares with a par value of \$0.001 each, with 5,000,000 preferred shares designated as Series A-1 Convertible Preferred Stock ("Series A-1 Shares"), 500,000 preferred shares designated as Series B Preferred Stock and 4,500,000 preferred shares designated as Series C Preferred Stock.

In terms of the Share Repurchase Agreement entered into, discussed above, the Company repurchased 3,137,500 shares of Series A-1 Preferred Stock and 4,500,000 shares of Series C Preferred Stock from Ervington, which shares are being retained as treasury shares.

**i) Series A-1 Convertible Preferred Stock**

The Company has designated 5,000,000 preferred shares as Series A-1 Convertible Preferred Stock ("Series A-1 Shares"), with 3,137,500 shares of Series A-1 Stock issued as of June 30, 2018 and December 31, 2017, and has outstanding 0 and 3,137,500 shares of Series A-1 Stock as of June 30, 2018 and December 31, 2017, respectively.

**PLEDGE PETROLEUM CORP.**  
**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**6 STOCKHOLDERS' EQUITY (continued)**

**b) Preferred stock (continued)**

**ii) Series B Convertible Preferred Stock**

The Company has designated 500,000 preferred shares as Series B Convertible Preferred Stock ("Series B Shares"), with 40,000 Series B Shares issued and outstanding as of June 30, 2018 and December 31, 2017, which are convertible into 4,000,000 shares of common stock.

The rights, privileges and preferences of the Series B Shares are summarized as follows:

**Conversion**

The holders of the Series B Preferred Shares have conversion rights as follows:

- (a) Each share of the Series B Shares is convertible at any time prior to the issuance of a redemption notice by the Company into such number of shares of Common Stock by dividing the Stated value (\$10) of the Series B Shares by \$0.10 and is subject to adjustment for dividends or distributions made in common stock, the issue of securities convertible into common stock, stock splits, reverse stock splits, or reclassifications of common stock. No adjustments will be made to the conversion rights or conversion price for any reorganization other than to be entitled to receive the same benefits as if the shares were converted immediately prior to such reorganization. No conversion will take place if the holder of the Series B Shares will beneficially own in excess of 4.99% of the shares of Common Stock outstanding immediately after conversion. As of the date hereof, each Series B Share converts into 100 shares of common stock.
- (b) The conversion right of the holders of Series B Shares are exercised by the surrender of the certificates representing shares to be converted to the Company, accompanied by written notice electing conversion.
- (c) No fractional shares of Common Stock or script will be issued upon conversion of Series B Shares. The Company will pay a cash adjustment in respect to such fractional interest based upon the fair value of a share of Common Stock, as determined in good faith by the Company's Board of Directors.
- (d) All shares of Common Stock issued upon conversion of Series B Shares will upon issuance be validly issued, fully paid and non-assessable. All certificates representing Series B Shares surrendered for conversion will be appropriately cancelled on the books of the Company and the shares so converted represented by such certificates will be restored to the status of authorized but unissued shares of preferred stock of the Company.

**Company Redemption**

The Company has the right, at any time after the date the Series B Shares have been issued, to redeem all or a portion of any Holder's Series B Shares at a price per Series B Share equal to the issue price per Series B Share multiplied by 120%

**Voting Rights**

Each holder of Series B Shares is entitled to vote on all matters submitted to a vote of the stockholders of the Company and is entitled to votes equal to the number of shares of Common Stock into which Series B Shares could be converted, and the holders of shares of Series B Shares and Common Stock will vote together as a single class on all matters submitted to the stockholders of the Company.

**PLEDGE PETROLEUM CORP.**  
**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**6 STOCKHOLDERS' EQUITY (continued)**

**b) Preferred stock (continued)**

**ii) Series B Convertible Preferred Stock (continued)**

**Dividends**

- (a) The holders of the Series B Shares are entitled to receive cumulative dividends at the rate of eight percent per annum of the issue price per share, accrued daily and payable annually in arrears on December 31st of each year ("Dividend Date"). Such dividends accrue on any given share from the day of original issuance of such share. Such dividends are cumulative, whether or not declared by the Board of Directors, but are non-compounding.
- (b) Any dividend payable on a dividend payment date may be paid, at the option of the Company, either (i) in cash or (ii) in shares of common stock at an issue price of \$0.10 per common share.
- (c) Nothing contained herein is deemed to establish or require any payment or other charges in excess of the maximum permitted by applicable law.
- (d) In the event that pursuant to applicable law or contract the Company is prohibited or restricted from paying in cash the full dividends to which the holders of the Series B Shares are entitled, the cash amount available pursuant to applicable law or contract will be distributed among the holders of the Series B Shares ratably in proportion to the full amounts to which they would otherwise be entitled and any remaining amount due to holders of the Series B Shares will be payable in cash.

**Liquidation Preference**

In the event of any liquidation, dissolution or winding up of the Company, either voluntary or involuntary, the holders of the Series B Shares are entitled to receive, prior and in preference to any distribution of any assets of the Company to the holders of any other preferred stock of the Company and subordinate to any distribution to the Series A-1 Shares, and prior and in preference to any distribution of any assets of the Company to the holders of the Common Stock, the amount of 120% of the issue price per share. In addition, the Series B holder has agreed to vote to subordinate the series B Preferred stock liquidation preferences to the Series C Preferred stock preferences.

**No Circumvention**

The Company may not amend its certificate of incorporation, or participate in any reorganization, sale or transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action for the purpose of avoiding or seeking to avoid the observance or performance of any of the terms to be observed or performed by the Company.

The Company has undeclared dividends on the Series B Preferred stock amounting to \$181,479 as of June 30, 2018. If the dividends are paid in stock, the beneficial conversion feature of these undeclared dividends will be recorded upon the declaration of these dividends. The computation of loss per common share for the six months ended June 30, 2018 takes into account these undeclared dividends.

**PLEDGE PETROLEUM CORP.**  
**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**6 STOCKHOLDERS' EQUITY (continued)**

**b) Preferred stock (continued)**

**iii) Series C Convertible Preferred Stock**

The Company has designated 4,500,000 preferred shares as Series C Convertible Preferred Stock ("Series C Shares"), with 4,500,000 shares of Series C Stock issued as of June 30, 2018 and December 31, 2017, and 0 and 4,500,000 shares of Series C Stock outstanding as of June 30, 2018 and December 31, 2017, respectively.

**c) Stock Options**

The Company's Board of Directors approved the Company's 2008 Stock Option Plan (the "Stock Plan") for the issuance of up to 5,000,000 shares of common stock to be granted through incentive stock options, nonqualified stock options, stock appreciation rights, dividend equivalent rights, restricted stock, restricted stock units and other stock-based awards to officers, other employees, directors and consultants of the Company and its subsidiaries. After the reverse stock split in August 2012, a total of 100,000 shares were available for grant. Subsequent to the reverse split the Board of Directors approved an increase in the number of awards available for grant to 2,100,000 shares. The exercise price of stock options under the Stock Plan is determined by the Board of Directors, and may be equal to or greater than the fair market value of the Company's common stock on the date the option is granted. Options become exercisable over various periods from the date of grant, and generally expire ten years after the grant date.

At June 30, 2018 and December 31, 2017 there were 380,950 Plan options issued, and 342,854 and 380,950 outstanding, respectively, under the Stock Option Plan.

The vesting provisions for these stock options are determined by the board of directors at the time of grant, there are no unvested options outstanding as of June 30, 2018.

No options were issued during the six months ended June 30, 2018 and the year ended December 31, 2017.

In the event of the employees' termination, the Company will cease to recognize compensation expense.

A summary of all of our option activity during the period January 1, 2017 to June 30, 2018 is as follows:

	<u>No. of shares</u>	<u>Exercise price per share</u>	<u>Weighted average exercise price</u>
<b>Outstanding January 1, 2017</b>	3,380,950	\$0.08 to \$13.50	\$ 0.18
Granted – non-plan options	-	-	-
Forfeited/cancelled	(3,000,000)	\$ 0.08	0.08
Exercised	-	-	-
<b>Outstanding December 31, 2017</b>	380,950	\$0.08 to \$13.50	\$ 0.90
Granted - non-plan options	-	-	-
Forfeited/cancelled	(38,096)	0.63	-
Exercised	-	-	-
<b>Outstanding June 30, 2018</b>	342,854	\$0.51 to \$13.50	\$ 0.93

Stock options outstanding as of June 30, 2018 and December 31, 2017 as disclosed in the above table, have an intrinsic value of \$0 and \$0, respectively.

**PLEDGE PETROLEUM CORP.**  
**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**6 STOCKHOLDERS' EQUITY (continued)**

**c) Stock Options (continued)**

The options outstanding and exercisable at June 30, 2018 are as follows:

Exercise price	Options outstanding			Options exercisable	
	No. of shares	Weighted average remaining years	Weighted average exercise price	No. of shares	Weighted average exercise price
\$ 13.50	3,480	0.96		3,480	
\$ 12.50	2,000	2.28		2,000	
\$ 8.50	500	3.00		500	
\$ 5.00	14,800	3.29		14,800	
\$ 0.65	36,924	4.75		36,924	
\$ 0.51	285,150	1.79		285,150	
	<u>342,854</u>	<u>2.17</u>	<u>0.93</u>	<u>342,854</u>	<u>0.93</u>

The Company has recorded an expense of \$0 and \$18,066 for the six months ended June 30, 2018 and 2017, respectively relating to options issued.

**d) Warrants**

The warrants outstanding and exercisable at June 30, 2018 are as follows:

Exercise price	Warrants outstanding			Warrants exercisable	
	No. of shares	Weighted average remaining years	Weighted average exercise price	No. of shares	Weighted average exercise price
\$ 0.30	375,000	0.33		375,000	
\$ 0.25	1,751,667	0.99		1,751,667	
\$ 0.15	525,500	0.99		525,500	
\$ 0.25	1,508,333	1.09		1,508,333	
\$ 0.15	577,499	1.10		577,499	
\$ 0.25	968,166	1.10		968,166	
\$ 0.25	633,333	1.15		633,333	
	<u>6,339,498</u>	<u>1.02</u>	<u>0.24</u>	<u>6,339,498</u>	<u>0.24</u>

The warrants outstanding have an intrinsic value of \$0 and \$0 as of June 30, 2018 and December 31, 2017, respectively.

**PLEDGE PETROLEUM CORP.**  
**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**7 NET LOSS PER SHARE**

Basic loss per share is based on the weighted-average number of common shares outstanding during each period. Diluted loss per share is based on basic shares as determined above plus common stock equivalents, including convertible preferred shares and convertible notes as well as the incremental shares that would be issued upon the assumed exercise of in-the-money stock options using the treasury stock method. The computation of diluted net loss per share does not assume the issuance of common shares that have an anti-dilutive effect on net loss per share. For the three months and six months ended June 30, 2018 and 2017, all stock options, unvested restricted stock awards, warrants, convertible preferred stock and convertible notes were excluded from the computation of diluted net loss per share. Dilutive shares which could exist pursuant to the exercise of outstanding stock instruments and which were not included in the calculation because their affect would have been anti-dilutive are as follows:

	<b>Three and six months ended June 30, 2018</b>	<b>Three and six months ended June 30, 2017</b>
Stock options	342,854	380,950
Warrants to purchase shares of common stock	6,339,498	6,339,498
Series A-1 convertible preferred shares	-	31,375,000
Series B convertible preferred shares	4,000,000	4,000,000
Series C convertible preferred shares	-	120,000,000
Restricted common stock	20,000,000	-
	<u>30,682,352</u>	<u>162,095,448</u>

**8 RELATED PARTY TRANSACTIONS**

On May 2, 2018, we issued to each of our three directors, 10,000,000 shares of restricted common stock, vesting as to 1/3 of the grant immediately, 1/3 of the grant on the one year anniversary of the grant date and 1/3 of the grant on the two year anniversary of the grant date.

**9 COMMITMENTS AND CONTINGENCIES**

The Company disposed of its Crystal Magic, Inc. subsidiary effective December 31, 2013. In terms of the sale agreement entered into by the Company, the purchaser has been indemnified against all liabilities whether contingent or otherwise, claimed by third parties, this includes claims by creditors of the Company amounting to \$372,090 and claims against long-term liabilities of \$848,916. Management does not consider it likely that these claims will materialize and accordingly no provision has been made for these contingent liabilities.

**PLEDGE PETROLEUM CORP.**  
**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**10      SUBSEQUENT EVENTS**

In accordance with ASC 855-10, the Company has analyzed its operations subsequent to June 30, 2018 to the date these financial statements were issued, and has determined that it does not have any material subsequent events to disclose in these financial statements.

## **Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations**

*The following discussion and analysis is intended as a review of significant factors affecting our financial condition and results of operations for the periods indicated. The discussion should be read in conjunction with our unaudited consolidated financial statements and the notes thereto presented herein and our audited consolidated financial statements and notes thereto for the year ended December 31, 2017 and the other information set forth in our Annual Report on Form 10-K for the year ended December 31, 2017 filed with the SEC on May 31, 2018. In addition to historical information, the following Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements that involve risks and uncertainties. Our actual results could differ significantly from those anticipated in these forward-looking statements as a result of many factors.*

### **Cautionary Note Regarding Forward-Looking Statements**

This report and other documents that we file with the SEC contain forward-looking statements that are based on current expectations, estimates, forecasts and projections about our future performance, our business, our beliefs and our management’s assumptions. Statements that are not historical facts are forward-looking statements. Words such as “expect,” “outlook,” “forecast,” “would,” “could,” “should,” “project,” “intend,” “plan,” “continue,” “sustain,” “on track,” “believe,” “seek,” “estimate,” “anticipate,” “may,” “assume,” and variations of such words and similar expressions are often used to identify such forward-looking statements, which are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are not guarantees of future performance and involve risks, assumptions and uncertainties, including, but not limited to, those described in this Quarterly Report on Form 10-Q and other reports that we file or furnish with the SEC. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those indicated or anticipated by such forward-looking statements. Accordingly, you are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date they are made. Except to the extent required by law, we undertake no obligation to update publicly any forward-looking statements after the date they are made, whether as a result of new information, future events, changes in assumptions or otherwise.

### **Overview and Financial Condition**

#### ***Recent Developments***

On March 23, 2018, upon the closing of the Asset Purchase Agreement and the Share Repurchase Agreement, Ivan Persiyonov resigned as director and Chief Executive Officer of the Company and Mr. John Zotos was appointed as the Company’s interim Chief Executive Officer.

On May 2, 2018, Christopher Headrick was appointed as a director.

On May 31, 2018, Mr. Zotos was also appointed as the Company’s interim Chief Financial Officer.

#### ***Our Company***

During the 2017 year, our management, at the direction of the Board of Directors, evaluated, considered, and brought forward various opportunities to acquire producing oil fields; however, an oil field meeting the criteria acceptable to the Board of Directors (which criteria include among other things, low general and administrative costs, ability to generate cash flow and ability to fully utilize the Plasma Pulse Technology (“PPT”)) had not been found. As a result, and in lieu of a potential dissolution, on March 23, 2018, we sold substantially all of our assets, including all pertinent intellectual property rights comprising our business of implementing plasma pulse technology (the “Asset Sale”), to Norma Investments Limited (“Norma”), the parent company of Ervington Investments Limited (“Ervington”), the then holder of a majority of our outstanding voting securities, for \$650,000 pursuant to an Asset Purchase Agreement (the “Asset Purchase Agreement”) with Norma, dated February 12, 2018 (the “Asset Purchase Agreement”). In connection with the Asset Sale, we also repurchased all of our outstanding securities held by Ervington for \$8,500,000 (the “Share Repurchase”) pursuant to a Share Purchase Agreement with Ervington, dated February 12, 2018 (the “Share Purchase Agreement”).

At this point, the Board is re-evaluating its business plan and strategy and has reduced operating expenses, including staffing, in order to preserve capital, while the Board evaluates its options including the possible acquisition of a technology and an oilfield services business, of which two of our current directors own a minority equity interest.

We have financed our operations primarily from sales of our securities, both debt and equity, and to a lesser extent revenue from operations and we expect to continue to obtain required capital in a similar manner. We have incurred an accumulated deficit of \$19,601,039 through June 30, 2018 and there can be no assurance that we will be able to achieve profitability.

## ***Management Discussion and Analysis of financial condition***

Our discussion and analysis of our financial condition and results of operations are based upon our unaudited consolidated financial statement as of June 30, 2018 and 2017, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of any contingent liabilities at the financial statement date and reported amounts of revenue and expenses during the reporting period. On an on-going basis we review our estimates and assumptions. Our estimates are based on our historical experience and other assumptions that we believe to be reasonable under the circumstances. Actual results are likely to differ from those estimates under different assumptions or conditions.

### **Results of Operations for the three months ended June 30, 2018 and June 30, 2017**

#### **Net revenues**

Net revenues were \$0 and \$25,000 for the three months ended June 30, 2018 and 2017 respectively. The revenue during the prior period was derived from one well treatment in Mexico. The Company ceased substantially all operating activities during November 2016 whilst considering its future direction.

#### **Cost of goods sold**

Cost of goods sold was \$0 for the three months ended June 30, 2018 and 2017.

#### **Gross profit**

Gross profit was \$0 and \$25,000 for the three months ended June 30, 2018 and 2017 respectively.

#### **Total expenses**

Total expenses were \$302,558 and \$141,710 for the three months ended June 30, 2018 and 2017, respectively, an increase of \$160,848 or 113.5%. Total expenses consisted primarily of the following:

- Professional fees were \$41,824 and \$83,606 for the three months ended June 30, 2018 and 2017, respectively, a decrease of \$41,782 or 50.0%. The decrease is primarily due to; (i) a decrease in legal fees of \$4,037 due to a reduction in corporate activity; (ii) a decrease in accounting and audit related fees of \$33,757 due to the delay in filing our quarterly results and annual results relating to 2017; (iii) a decrease in corporate secretarial fees of \$3,750, due the cancellation of an arrangement we had with ZotoZulu, a Company owned by our interim CEO and CFO , John Zotos; offset by an increase in SEC printing costs of \$2,536.
- Consulting fees were \$64,890 and \$8,305 for the three months ended June 30, 2018 and 2017, respectively, an increase of \$56,585 or 681.3%. The increase is primarily due to a technical consultant employed to analyse potential future business opportunities. The prior year expense related to merger and acquisition activity.
- General and administrative expenses were \$193,084 and \$46,991 for the three months ended June 30, 2018 and 2017, respectively, an increase of \$146,093 or 310.9%. The increase primarily consists of the following; (i) an increase in director's fees of \$35,000 due to an arrangement reached with our current directors who are paid a monthly fee for services provided; (ii) an increase in meals and entertainment of \$4,520 due to expenses incurred by our directors; (iii) an increase in travel expenses of \$6,911 due travel expenses incurred by our directors on corporate activity and sourcing potential new business; and (iv) an increase in stock based compensation of \$116,667 due to restricted stock granted to our three directors; offset by (v) a reduction in rent of \$6,311 due to relocation to cheaper premises; (vi) a reduction in insurance expense of \$6,813 due to lower premiums on reduced insurance exposure; and (vii) a reduction in franchise taxes of \$3,772.
- Depreciation, and amortization and impairment charges was \$1,263 and \$1,311 for the three months ended June 30, 2018 and 2017, respectively, a decrease of \$48 or 3.7%.

**Other income**

Other income was \$0 and \$0 for the three months ended June 30, 2018 and 2017, respectively.

**Net loss**

We incurred a net loss of \$302,554 and \$116,651, for the three months ended June 30, 2018 and 2017, respectively, an increase of \$185,903 or 159.4%, which consists primarily of the increase in total expenses discussed above.

**Undeclared Series B and Series C preferred stock dividends**

A deemed preferred stock dividend of \$8,975 and \$156,071 has been disclosed for the three months ended June 30, 2018 and 2017. This amount represents the dividends that are due, but remain undeclared, to Series B stock holders and to Series C preferred stock holders in the prior period.

**Net loss available to common stockholders**

We incurred a net loss available to common stockholders of \$311,529 and \$272,722 for the three months ended June 30, 2018 and 2017, respectively, an increase of \$38,807 or 14.2% which consists of the various items discussed above.

**Results of Operations for the six months ended June 30, 2018 and June 30, 2017****Net revenues**

Net revenues were \$0 and \$25,000 for the six months ended June 30, 2018 and 2017 respectively. The revenue during the prior period was derived from one well treatment in Mexico. The Company ceased substantially all operating activities during November 2016 whilst considering its future direction.

**Cost of goods sold**

Cost of goods sold was \$0 for the six months ended June 30, 2018 and 2017.

**Gross profit**

Gross profit was \$0 and \$25,000 for the six months ended June 30, 2018 and 2017 respectively.

**Total expenses**

Total expenses were \$501,468 and \$352,139 for the six months ended June 30, 2018 and 2017, respectively, an increase of \$149,329 or 42.4%. Total expenses consisted primarily of the following:

- Professional fees were \$158,515 and \$148,361 for the six months ended June 30, 2018 and 2017, respectively, an increase of \$10,154 or 6.8%. The increase is primarily due to; (i) an increase in legal fees of \$14,987 due to legal activity related to the sale of substantially all of the assets related to the plasma pulse technology and the repurchase of the shareholding of our majority shareholder Ervington Investments, Ltd; (ii) an increase in accounting and audit related fees of \$4,291 and SEC printing costs of \$9,001 due to the delay in filing our quarterly results and annual results relating to 2017; offset by a decrease in corporate secretarial fees of \$18,125, due the cancellation of an arrangement we had with ZotoZulu, a Company owned by our interim CEO and CFO , John Zotos.
- Consulting fees were \$73,150 and \$27,436 for the six months ended June 30, 2018 and 2017, respectively, an increase of \$45,714 or 166.6%. The increase is primarily due to an increase in technical consulting fees of \$58,150 due to a technical consultant employed to analyse potential future business opportunities, offset by a decrease in merger and acquisition related consulting expenses of \$12,436.
- General and administrative expenses were \$264,284 and \$170,482 for the six months ended June 30, 2018 and 2017, respectively, an increase of \$93,802 or 55.0%. The increase primarily consists of the following; (i) an increase in director's fees of \$65,000 due to an arrangement reached with our current directors who are paid a monthly fee for services provided; (ii) an increase in meals and entertainment of \$6,221 due to expenses incurred by our directors in seeking new business opportunities; (iii) an increase in travel expenses of \$4,903 due our directors seeking new business opportunities; and (iv) an increase in stock based compensation of \$98,601 due to restricted stock awards to our directors during the current period and option expense in the prior period; offset by (v) a reduction in rent of \$14,937 due to relocation to cheaper premises; (vi) a reduction in insurance expense of \$9,307 due to lower premiums on reduced insurance exposure; (vii) a reduction in franchise taxes of \$2,768; and (viii) a reduction in salary expense of \$58,896 due to the resignation of our CEO in the prior period.
- Depreciation, and amortization and impairment charges was \$2,525 and \$2,866 for the six months ended June 30, 2018 and 2017, respectively, a decrease of \$341 or 11.9%.

**Other income**

Other income was \$14,658 and \$0 for the six months ended June 30, 2018 and 2017, respectively, an increase of \$14,658 or 100.0%. The increase represents a reversal of a royalty expense which is no longer due.

**Net loss**

We incurred a net loss of \$486,705 and \$327,095, for the six months ended June 30, 2018 and 2017, respectively, an increase of \$159,610 or 48.8%, which consists primarily of the increase in total expenses discussed above.

**Undeclared Series B and Series C preferred stock dividends**

A deemed preferred stock dividend of \$17,852 and \$310,427 has been disclosed for the six months ended June 30, 2018 and 2017. This amount represents the dividends that are due, but remain undeclared, to Series B stock holders and Series C preferred stock holders in the prior period.

**Net loss available to common stockholders**

We incurred a net loss available to common stockholders of \$504,557 and \$637,522 for the six months ended June 30, 2018 and 2017, respectively, a decrease of \$132,965 or 20.9% which consists of the various items discussed above.

**Liquidity and Capital Resources**

Although we had cash balances of \$379,232 as of June 30, 2018, we have a history of annual losses from operations since inception and we have primarily funded our operations through sales of our unregistered equity securities. We have recently disposed of substantially all of our assets for \$650,000 and simultaneously therewith acquired the entire shareholding of Ervington, for gross proceeds of \$8,500,000. We are actively looking to acquire businesses in a similar field which may require substantial cash.

To date, our primary sources of cash have been funds raised from the sale of our securities and the issuance of convertible and non-convertible debt. No additional funds were raised during the current financial period.

We have incurred an accumulated deficit of \$19,601,039 through June 30, 2018 and incurred a negative cash flow from operations of \$369,169 for the six months ended June 30, 2018.

**Off Balance Sheet Arrangements**

There are no off balance sheet arrangements.

**Item 3. Quantitative and Qualitative Disclosures About Market Risks**

None.

**Item 4. Controls and Procedures****(a) Evaluation of disclosure controls and procedures**

Pursuant to Rule 13a-15(b) under the Securities Exchange Act of 1934 ("Exchange Act"), the Company carried out an evaluation, with the participation of the Company's management, including the Company's interim Chief Executive Officer ("CEO"), who also serves as our interim principal financial and accounting officer, of the effectiveness of the Company's disclosure controls and procedures (as defined under Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this report. Based upon that evaluation, the Company's interim CEO who also serves as our interim principal financial and accounting officer concluded that due to a lack of segregation of duties and insufficient controls over review and accounting for certain complex transactions, that the Company's disclosure controls and procedures as of June 30, 2018 were not effective to ensure that information required to be disclosed by the Company in the reports that the Company files or submits under the Exchange Act, was recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including the Company's interim CEO, as appropriate, to allow timely decisions regarding required disclosure. Once we acquire a new business, we intend to retain additional individuals to remedy the ineffective controls. However, we cannot assure you that our internal control over financial reporting, as modified, will enable us to identify or avoid material weaknesses in the future.

**(b) Changes in Internal Control over Financial Reporting**

There has been no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) that occurred during our fiscal quarter ended June 30, 2018 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**Part II. OTHER INFORMATION**

**Item 1. Legal Proceedings**

None.

**Item 1A. Risk Factors**

As a smaller reporting company, we are not required to provide Risk Factors.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds for the six months ended June 30, 2018**

None.

**Item 3. Defaults upon senior Securities**

None.

**Item 4. Mine Safety Disclosures**

None.

**Item 5. Other Information**

None.

## Item 6. Exhibits

<u>Regulation Number</u>	<u>Exhibit</u>
<a href="#"><u>31.1</u></a>	<a href="#"><u>Certification of the Chief Executive Officer, Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u></a>
<a href="#"><u>31.2</u></a>	<a href="#"><u>Certification of the Chief Financial Officer, Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u></a>
<a href="#"><u>32.1</u></a>	<a href="#"><u>Certification of the Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act</u></a>
<a href="#"><u>32.2</u></a>	<a href="#"><u>Certification of the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act</u></a>
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

### SIGNATURES

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

DATE: August 14, 2018

**PLEDGE PETROLEUM CORP.**  
(Registrant)

By: /s/ John Zotos

John Zotos, Interim President and interim Chief Executive Officer  
and interim Chief Financial Officer  
(Principal Executive Officer and Principal Financial Officer)

**CERTIFICATION PURSUANT TO RULE 13a-14 OR RULE  
15d-14 OF THE SECURITIES EXCHANGE ACT OF 1934,**

**AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, John Zotos, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Pledge Petroleum Corp.;
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, 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, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; and
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying 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 registrant's internal control over financial reporting.

Date: August 14, 2018

/s/ John Zotos

John Zotos  
Interim Chief Executive Officer and President  
(Principal Executive Officer)

---

**CERTIFICATION PURSUANT TO RULE 13a-14 OR RULE  
15d-14 OF THE SECURITIES EXCHANGE ACT OF 1934,**

**AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, John Zotos, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Pledge Petroleum Corp.;
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, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; and
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying 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 registrant's internal control over financial reporting.

Date: August 14, 2018

/s/ John Zotos

John Zotos

Interim Chief Financial Officer

(Principal Financial and Accounting Officer)

---

**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 Pledge Petroleum Corp., a Delaware corporation (the "Company"), on Form 10-Q for the period ended June 30, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John Zotos, Interim Chief Executive Officer and President of the Company, certify, pursuant to Section 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) and 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.

*/s/ John Zotos*

\_\_\_\_\_  
John Zotos

Interim Chief Executive Officer and President

(Principal Executive Officer)

August 14, 2018

---

**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 Pledge Petroleum Corp., a Delaware corporation (the "Company"), on Form 10-Q for the period ended June 30, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John Zotos, Interim Chief Financial Officer of the Company, certify, pursuant to Section 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) and 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.

*/s/ John Zotos*

\_\_\_\_\_  
John Zotos

Interim Chief Financial Officer

(Principal Financial and Accounting Officer)

August 14, 2018

---