

10-Q/A - 2019-02-14

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10-Q/A

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

FORM 10-Q/A
(Amendment No. 1)

**? QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934**

For the quarterly period ended June 30, 2018

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

Commission File Number: 001-32508

CAMBER ENERGY, INC.

(Exact name of registrant as specified in its charter)

Nevada
(State or other jurisdiction of
incorporation or organization)

20-2660243
(I.R.S. Employer
Identification No.)

1415 Louisiana, Suite 3500, Houston, Texas 77002
(Address of principal executive offices) (Zip Code)

(210) 998-4035
(Registrant's telephone number, including area code)

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 the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ?
Non-accelerated filer ?
Emerging growth ?

Accelerated filer ?
Smaller reporting company ?

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ? No ?

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

<u>Title of each class</u>	<u>Number of Shares</u>
Common Stock, par value \$0.001 per share	40,046,922 (as of August 13, 2018)

EXPLANATORY NOTE

This Amendment No. 1 on Form 10-Q/A (“Amendment”) to the Quarterly Report on Form 10-Q of Camber Energy, Inc. (the “Company”) for the quarter ended June 30, 2018 (the “Form 10-Q”), originally filed with the Securities and Exchange Commission (the “SEC”) on August 14, 2018, is being filed for the sole purpose of amending Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations, to correct the disclosure therein relating to our total estimated proved reserves as of June 30, 2018 which was reported in error in the original Form 10-Q, due to a clerical error.

In accordance with applicable SEC rules, this Amendment also contains new certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 dated as of the date of filing of this Amendment. Because this Amendment does not include financial statements and does not contain or amend any disclosure with respect to Items 307 and 308 of Regulation S-K, paragraphs 3, 4 and 5 of the Section 302 certifications have been omitted. Accordingly, this Amendment consists solely of the preceding cover page, this explanatory note, Part I. Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations, the signature page, the Exhibit Index, and Exhibits 31.1 and 31.2.

Except as described above, no changes have been made to the Form 10-Q and no adjustments have been made to the Form 10-Q in connection with the Company’s 1-for-25 reverse stock split of the Company’s (a) authorized; and (b) issued and outstanding, shares of common stock, which was effective on December 24, 2018. The Form 10-Q continues to speak as of the date of the Form 10-Q, except as described above, and the Company has not updated the disclosures contained herein to reflect any events that have occurred as of a date subsequent to the date of the Form 10-Q, except as described above. Accordingly, this Amendment should be read in conjunction with the Form 10-Q and the Company’s filings made with the SEC subsequent to the filing of the Form 10-Q. The filing of this Amendment is not an admission that the Form 10-Q, when filed, included any untrue statement of a material fact necessary to make a statement not misleading.

CAMBER ENERGY, INC.

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PART 1. FINANCIAL INFORMATION

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

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. These forward-looking statements are generally located in the material set forth below under the headings “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” but may be found in other locations as well. For a more detailed description of the risks and uncertainties involved, the following discussion and analysis should be read in conjunction with management’s discussion and analysis contained in Camber’s Annual Report on Form 10-K for the fiscal year ended March 31, 2018, as filed with the SEC on July 2, 2018, and related discussion of our business and properties contained therein.

These forward-looking statements are subject to risks and uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from the results, performance or achievements expressed or implied by the forward-looking statements. You should not unduly rely on these statements. Factors, risks, and uncertainties that could cause actual results to differ materially from those in the forward-looking statements which include, among others:

- ? our ability to complete the transactions contemplated by the Sale Agreement;
- ? defaults under our loan agreement with IBC and the terms of the IBC Standstill Agreement;
- ? the availability of funding and the terms of such funding;
- ? our ability to integrate and realize the benefits expected from future acquisitions that we may complete;
- ? our growth strategies;
- ? anticipated trends in our business;
- ? our ability to repay outstanding loans and satisfy our outstanding liabilities;
- ? our liquidity and ability to finance our exploration, acquisition and development strategies;
- ? market conditions in the oil and gas industry;
- ? the timing, cost and procedure for future acquisitions;
- ? the impact of government regulation;
- ? estimates regarding future net revenues from oil and natural gas reserves and the present value thereof;
- ? legal proceedings and/or the outcome of and/or negative perceptions associated therewith;
- ? planned capital expenditures (including the amount and nature thereof);
- ? increases in oil and gas production;
- ? changes in the market price of oil and gas;
- ? changes in the number of drilling rigs available;
- ? the number of wells we anticipate drilling in the future;
- ? estimates, plans and projections relating to acquired properties;
- ? the number of potential drilling locations; and
- ? our financial position, business strategy and other plans and objectives for future operations.

We identify forward-looking statements by use of terms such as “may,” “will,” “expect,” “anticipate,” “estimate,” “hope,” “plan,” “believe,” “predict,” “envision,” “intend,” “continue,” “potential,” “should,” “confident,” “could” and similar words and expressions, although some forward-looking statements may be expressed differently. You should be aware that our actual results could differ materially from those contained in the forward-looking statements. You should consider carefully the statements under the “Risk Factors” section of this report and other sections of this report which describe factors that could cause our actual results to differ from those set forth in the forward-looking statements, and the following factors:

- ? the possibility that our future acquisitions may involve unexpected costs;

- ? the volatility in commodity prices for oil and gas;
- ? the accuracy of internally estimated proved reserves;
- ? the presence or recoverability of estimated oil and gas reserves;
- ? the ability to replace oil and gas reserves;
- ? the availability and costs of drilling rigs and other oilfield services;
- ? risks inherent in natural gas and oil drilling and production activities, including risks of fire, explosion, blowouts, pipe failure, casing collapse, unusual or unexpected formation pressures, environmental hazards, and other operating and production risks;
- ? delays in receipt of drilling permits;
- ? risks relating to the availability of capital to fund drilling operations that can be adversely affected by adverse drilling results, production declines and declines in natural gas and oil prices;
- ? risks relating to unexpected adverse developments in the status of properties;
- ? risks relating to the absence or delay in receipt of government approvals or other third party consents;
- ? risks relating to governmental regulations regarding hydraulic fracturing and the disposition/disposal of produced water;
- ? environmental risks;
- ? exploration and development risks;
- ? competition;
- ? the inability to realize expected value from acquisitions;
- ? the availability and cost of alternative fuel sources;
- ? our ability to maintain the listing of our common stock on the NYSE American;
- ? our limited market capitalization;
- ? our ability to meet the covenants in our loan agreements and the consequences of not meeting such covenants;
- ? the ability of our management team to execute its plans to meet its goals; and
- ? other economic, competitive, governmental, legislative, regulatory, geopolitical and technological factors that may negatively impact our businesses, operations and pricing.

Forward-looking statements speak only as of the date of this report or the date of any document incorporated by reference in this report. Except to the extent required by applicable law or regulation, we do not undertake any obligation to update forward-looking statements to reflect events or circumstances after the date of this report or to reflect the occurrence of unanticipated events.

Review of Information and Definitions

This information should be read in conjunction with the interim unaudited financial statements and the notes thereto included in this Quarterly Report on Form 10-Q, and the consolidated financial statements and notes thereto and Part II, Item 7, Management’s Discussion and Analysis of Financial Condition and Results of Operations contained in our Annual Report on Form 10-K for the year ended March 31, 2018.

Certain capitalized terms used below and otherwise defined below, have the meanings given to such terms in the footnotes to our consolidated financial statements included above under “Part I - Financial Information” - “Item 1. Financial Statements”.

Unless the context requires otherwise, references to the “Company,” “we,” “us,” “our,” “Camber”, and “Camber Energy, Inc.” refer specifically to Camber Energy, Inc. and its consolidated subsidiaries.

In addition, unless the context otherwise requires and for the purposes of this report only:

- ? “Bbl” refers to one stock tank barrel, or 42 U.S. gallons liquid volume, used in this report in reference to crude oil or other liquid hydrocarbons;
- ? “Boe” barrels of oil equivalent, determined using the ratio of one Bbl of crude oil, condensate or natural gas liquids, to six Mcf of natural gas;
- ? “Mcf” refers to a thousand cubic feet of natural gas;

- ? “SEC” or the “Commission” refers to the United States Securities and Exchange Commission; and
- ? “Securities Act” refers to the Securities Act of 1933, as amended.

Overview

Camber Energy, Inc., a Nevada corporation, is an independent oil and natural gas company based in Houston, Texas. We are engaged in the acquisition, development and sale of crude oil, natural gas and natural gas liquids from various known productive geological formations, including from the Hunton formation in Lincoln, Logan and Payne Counties, in central Oklahoma; the Cline shale and upper Wolfberry shale in Glasscock County, Texas; and in connection with our entry into the Horizontal San Andres play on the Central Basin Platform of the Permian Basin in West Texas announced on January 3, 2017. Incorporated in Nevada in December 2003 under the name Panorama Investments Corp., the Company changed its name to Lucas Energy, Inc. effective June 9, 2006 and effective January 4, 2017, the Company changed its name to Camber Energy, Inc.

Our primary value drivers are our reserves, which must be developed to unlock their full potential. We believe the market conditions driving us toward the need for a larger entity of greater size and financial mass are even more essential in the current environment. In order to develop the significant reserves at our disposal, we believe that we must become, or become part of, a larger organization with ample cash flow and greater access to capital. Measures such as return on equity, liquidity and stock multiples have led us to conclude that the market, in general, views small-cap and mid-cap exploration and production companies as having greater potential than microcaps. The larger companies tend to have access to more favorable debt financing, receive greater analyst coverage, trade with greater liquidity and consequently, often have higher share prices. We are actively conducting workovers and subject to raising the balance of the funds due in connection with the October 2017 Purchase Agreement (defined and described in “Part I. Financial Information” – “Item 1. Financial Statements” – “Note 11 – Stockholders’ Deficit” - “Series C Redeemable Convertible Preferred Stock”, above), which is subject to certain closing conditions described herein, the Company intends to acquire producing/non producing properties at value prices and participate in joint ventures with industry partners with the goal of enhancing production and cash flow.

The Company is aggressively seeking to dispose of unprofitable leveraged assets to stabilize cash flow and increase its net worth. Concurrently, the Company is working to build on the remaining platform and technical capacity created by our recent asset acquisitions described below. We intend to create a growth company capable of delivering on the long-expected conversion of reserves to production, continued long-term acreage development, and sustainable shareholder value.

Our website address is <http://www.camber.energy>. Our fiscal year ends on the last day of March of each year. The information on, or that may be accessed through, our website is not incorporated by reference into this report and should not be considered a part of this report. We refer to the twelve-month periods ended March 31, 2019 and March 31, 2018 as our 2019 Fiscal Year and 2018 Fiscal Year, respectively.

As of June 30, 2018, the Company had leasehold interests (working interests) covering approximately 17,173 net acres underlying a total of 74,630 gross acres in its two core regions, Central Oklahoma and West Texas. In Central Oklahoma the Company had 13,638/55,807 (net/gross) acres, most of which was acquired pursuant to the Acquisition. Approximately 95.7% of the Central Oklahoma acreage is held by production (“HBP”). In West Texas, the Company had 3,488/19,822 (net/gross) acres. Approximately 100% of this acreage is productive from the Cline and Wolfberry formations acquired pursuant to the Acquisition. The remaining West Texas acreage is newly acquired leasehold located on the Central Basin Platform of the Permian Basin, which was recently announced by the Company as part of its entry in the emerging Horizontal San Andres play.

As of June 30, 2018, Camber was producing an average of 818 net barrels of oil equivalent per day (Boepd) from over 105 active well bores. The ratio between the gross and net production varies due to varied working interests and net revenue interests in each well. Our production sales totaled 74,480 barrels of oil equivalent, net to our interest, for the three-month period ended June 30, 2018.

At June 30, 2018, Camber's total estimated proved reserves were approximately 3.475 million barrels of oil equivalent ("Boe"), of which approximately .294 million barrels ("Bbls") were crude oil reserves, approximately 1.546 million barrels ("Bbls") were natural gas liquids, and approximately 9.806 billion cubic feet ("Bcf") were natural gas reserves. Approximately 90% of the barrel of oil equivalent ("Boe") was producing.

As of June 30, 2018, the Company employed no full-time employees. We utilized contractors on an "as-needed" basis to carry out various functions, including but not limited to field operations, land administration, corporate activity and information technology maintenance.

On July 12, 2018, we entered into an Asset Purchase Agreement described in greater detail above under "Part I. Financial Information" – "Item 1. Financial Statements" – "Note 2 - Liquidity and Going Concern Considerations" - "N&B Energy Asset Disposition Agreement", to the consolidated unaudited financial statements included above. In the Sale Agreement (or our alternative transaction with IBC, as disclosed above "Part I. Financial Information" – "Item 1. Financial Statements" – "Note 2 - Liquidity and Going Concern Considerations" - "IBC Bank Standstill Agreement"), the Company may undertake a change in business focus and/or may seek to combine with another company.

Industry Segments

Camber operations are all crude oil, natural gas and natural gas liquids exploration and production related.

Operations and Oil and Gas Properties

We operate and invest in areas that are known to be productive, with a reasonably established production history, in order to decrease geological and exploratory risk. With the closing of the Acquisition in October 2016, the Company acquired over 13,000 net acres in producing fields located primarily in the Mid-Continent region of Oklahoma including Payne, Lincoln and Logan Counties, along with a small amount of interest in production located in Glasscock County, Texas. The Mid-Continent assets produce from a liquids-rich, gas reservoir known as the Hunton formation. These properties include interests in four different fields, of which one is operated by Camber and the other three are non-operated.

In January 2018, we acquired approximately 3,000 leasehold acres in Okfuskee County, Oklahoma, including two producing wells and 7 non-producing well bores, for consideration of \$210,000. The acquisition included three salt water disposal wells, to support existing and potential future hydrocarbon production. These assets are anticipated to be sold and/or transferred as part of the Sale Agreement.

Our Glasscock County, Texas properties produce oil and gas primarily from the Wolfberry, Cline and Fusselman formations and are all non-operated. In addition, the Company owns approximately 1,000 net acres and operations in the Permian Basin, Texas which it plans to sell or farm out. These assets are anticipated to be sold and/or transferred as part of the Sale Agreement.

In March 2018, we completed the acquisition of working interests in certain leases, wells and equipment located in the Texas panhandle and a 75% ownership of two partnerships that owned certain leases, wells and equipment in the same fields, for a total purchase price of \$250,000, payable in three tranches, from an entity which is controlled by Ian Acrey who serves as the operating manager of our operations through a different entity. A payment of \$85,000 was due at closing; \$85,000 was due thirty days after closing and \$80,000 was due sixty days after closing. Camber earned 25% of the working interest at the closing and earned an additional 25% of the working interest at each of the two subsequent closings. The seller retained a 25% carried working interest in the assets. The acquisition includes 49 non-producing well bores, 5 saltwater disposal wells and the required infrastructure and equipment necessary to support future hydrocarbon production as well as approximately 500 net leasehold acres in Hutchinson County, Texas. Camber is currently evaluating hydrocarbon production opportunities across all of the acquired acreage including the existing non-producing well bores for workover opportunities. An entity which was significantly owned by the operator of the Company's other operated properties was the seller of the properties.

The Company also plans to execute a growth strategy by building on the platform and technical capacity created by our recent asset acquisitions described below, provided that the Sale Agreement or the alternative transaction described above with IBC, does not close.

Financing

A summary of our financing transactions, funding agreements and other material funding transactions can be found under “Part I. Financial Information” – “Item 1. Financial Statements” – “Note 2 – Liquidity and Going Concern Considerations”, “Note 6 – Note Payables and Debenture” and “Note 10 – Stockholders’ Deficit”, above.

In addition to the transactions noted above, Camber is currently discussing potential financing transactions, which we plan to raise through the sale of debt or equity in order to fulfill our current obligations and capital requirements, which we believe, if finalized and completed, will ensure the future viability of the Company. Additionally, due to our current capital structure and the nature of oil and gas interests, i.e., that rates of production generally decline over time as oil and gas reserves are depleted, if we are unable to obtain the necessary financing to drill additional wells and develop our proved undeveloped reserves (“PUDs”); coupled with the low commodity prices over the last twelve months, we believe that our revenues will continue to decline over time. Therefore, we may be forced to scale back our business plan, sell assets to satisfy outstanding debts or take other remedial steps which may include seeking bankruptcy protection.

Our limited cash position and significant liabilities raise substantial doubt about our ability to continue as a going concern for the next twelve months following the issuance of these financial statements. The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. Accordingly, the financial statements do not include any adjustments relating to the recoverability of assets and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

Market Conditions and Commodity Prices

Our financial results depend on many factors, particularly the price of natural gas, natural gas liquids and crude oil and our ability to market our production on economically attractive terms. Commodity prices are affected by many factors outside of our control, including changes in market supply and demand, which are impacted by weather conditions, inventory storage levels, basis differentials and other factors. As a result, we cannot accurately predict future commodity prices and, therefore, we cannot determine with any degree of certainty what effect increases or decreases in these prices will have on our production volumes or revenues. In addition to production volumes and commodity prices, finding and developing sufficient amounts of natural gas and crude oil reserves at economical costs are critical to our long-term success. We expect prices to remain volatile for the remainder of the year. For information about the impact of realized commodity prices on our crude oil revenues, refer to “Results of Operations” below.

RESULTS OF OPERATIONS

The following discussion and analysis of the results of operations for the three-month periods ended June 30, 2018 and 2017 should be read in conjunction with our consolidated financial statements and notes thereto included in this Quarterly Report on Form 10-Q. As used below, the abbreviations “Bbls” stands for barrels, “NGL” stands for natural gas liquids, “Mcf” for thousand cubic feet and “Boe” for barrels of oil equivalent. Natural gas equivalents are determined using a ratio of 6 Mcf of natural gas to 1 Bbl of crude oil or NGLs (“Natural Gas Liquids”) based on 42 gallons to 1 Bbl of crude oil. The majority of the numbers presented below are rounded numbers and should be considered as approximate.

Three Months Ended June 30, 2018 vs. Three Months Ended June 30, 2017

We reported a net loss attributable to common stockholders for the three months ended June 30, 2018 of \$4.2 million, or \$(0.44) per share of common stock. For the same period a year ago, we reported a net loss attributable to common stockholders of \$3.2 million or \$(2.80) per share of common stock. As discussed in more detail below, our net loss attributable to common stockholders increased primarily to additional general and administrative expenses related to severance agreements.

The following table sets forth the operating results and production data for the periods indicated:

	Three Months Ended June 30,		Increase	%
	2018	2017	(Decrease)	Increase (Decrease)
Sale Volumes:				
Crude Oil (Bbls)	3,153	9,898	(6,745)	(68%)
Natural Gas (Mcf)	210,326	240,570	(30,244)	(13%)
NGL (Gallons)	1,523,464	1,802,608	(279,142)	(15%)
Total (Boe) (1)	74,480	91,591	(17,111)	(19%)
Per Day Volumes:				
Crude Oil (Bbls per day)	34	109	(75)	(69%)
Natural Gas (Mcf per day)	2,311	2,644	(333)	(13%)
NGL (Gallons per day)	16,741	19,809	(3,068)	(15%)
Total (Boe per day) (1)	818	1,021	(203)	(20%)
Average Sale Price:				
Crude Oil (\$/Bbl)	\$ 63.45	\$ 46.28	\$ 17.17	37%
Natural Gas (\$/Mcf)	\$ 2.25	2.59	\$ (0.34)	(13%)
NGL (\$/Bbl)	\$ 28.15	19.15	\$ 9.00	47%
Net Operating Revenues:				
Crude Oil	\$ 200,069	\$ 458,039	\$ (257,970)	(56%)
Natural Gas	473,513	623,016	(149,503)	(24%)
NGL	1,021,114	821,750	199,364	24%
Total Revenues	<u>\$ 1,694,696</u>	<u>\$ 1,902,805</u>	<u>\$ (208,109)</u>	(11%)

(1) Assumes 6 Mcf of natural gas equivalents and 42 gallons of NGL to 1 barrel of oil, respectively.

Operating and Other Expenses

The following table summarizes our production costs and operating expenses for the periods indicated:

	Three Months Ended June 30,		Increase	% Increase
	2018	2017	(Decrease)	(Decrease)
Direct lease operating expense	\$ 862,971	\$ 553,587	\$ 309,384	56%
Marketing/gathering expense	491,357	399,735	91,622	23%
Workovers expense	57,339	90,792	(33,453)	(37%)
Other	—	58,781	(58,781)	(100%)
Lease Operating Expenses	<u>\$ 1,411,667</u>	<u>\$ 1,102,895</u>	<u>\$ 308,772</u>	28%
Severance and Property Taxes	82,760	84,864	(2,104)	(2%)
Depreciation, Depletion, Amortization and Accretion	327,200	572,041	(244,841)	(43%)
Impairment of Oil and Gas Properties	531,657	775,374	(243,717)	(31%)
Gain on Sale of Oil and Gas Properties	—	(1,195)	1,195	100%
General and Administrative (“G&A”)	1,539,420	1,444,122	95,298	7%
Share-Based Compensation	343,629	4,816	338,813	70%
Total G&A Expense	<u>\$ 1,883,049</u>	<u>\$ 1,448,938</u>	<u>\$ 434,111</u>	30%
Interest Expense	965,296	931,563	33,733	4%
Other Expense (Income), Net	5,164	37,303	(32,139)	(86%)

Direct Lease Operating Expenses

There was an increase in direct lease operating expense of approximately \$0.3 million when comparing the current quarter to the prior year quarter. The increase is primarily due to increased costs related to shifting from having employees perform services to all services being contracted with third parties.

Marketing/Gathering Expense

Marketing/Gathering Expense increased from approximately \$400,000 for the three-month period ended June 30, 2017 to approximately \$491,000 for the three-month period ended June 30, 2018. The approximate \$91,000 increase (23%) was due to overall increased transportation costs.

Depreciation, Depletion, Amortization and Accretion (DD&A)

DD&A decreased for the current quarter as compared to the prior year’s quarter by approximately \$0.2 million primarily related to the decrease in assets due to the fiscal year 2018 Rogers foreclosure.

Impairment of Oil and Gas Properties

The Company recorded an impairment of \$0.5 million related to unproved properties for expired leases during the quarter ended June 30, 2018, compared to total impairments of approximately \$0.8 million for the same period last year due to fewer lease expirations.

General and Administrative (G&A) Expenses and Share-Based Compensation

G&A expenses increased by approximately \$434,000 for the current quarter as compared to the prior year’s quarter. The increase was due primarily to a severance payment to our former executives for cash of \$150,000 and warrants valued at \$343,629.

Interest Expense

Interest expense for the three months ended June 30, 2018 increased by approximately \$34,000 when compared to the three-month period ended June 30, 2017 due to increased borrowing rate.

Other Expense (Income), Net

Other Expense (Income), net, for the three months ended June 30, 2018 decreased by approximately \$32,000 when compared to the three-month period ending June 30, 2017, primarily due to a decrease in the amount of adjustment to the derivative warrant liability. – See also “Part I. Financial Information” – “Item 1. Financial Statements” – “Note 7 – Derivatives”, above.

LIQUIDITY AND CAPITAL RESOURCES

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. Accordingly, the financial statements do not include any adjustments relating to the recoverability of assets and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

Our primary sources of cash for the three months ended June 30, 2018 were from funds generated from the sale of preferred stock, the sale of natural gas and crude oil production and funds borrowed under funding agreements. These cash flows were primarily used to fund our capital expenditures and operations and to repay indebtedness. See below for an additional discussion and analysis of cash flow.

Working Capital

On June 30, 2018, the Company's total current liabilities of \$41.9 million exceeded its total current assets of \$1.3 million, resulting in a working capital deficit of \$40.6 million, while at March 31, 2018, the Company's total current liabilities of \$40.0 million exceeded its total current assets of \$1.7 million, resulting in a working capital deficit of \$38.6 million. The \$2.0 million increase in the working capital deficit is primarily due to operating losses.

A summary of our financing transactions, significant liabilities, recent funding agreement with Vantage, the Rogers Loan and foreclosure of amounts due thereunder and other recent funding transactions can be found under "Part I. Financial Information" – "Item 1. Financial Statements" – "Note 2 – Liquidity and Going Concern Considerations", "Note 6 – Note Payables and Debenture", and "Note 11 – Stockholders' Deficit", above.

Cash Flows

	Three Months Ended June 30,	
	2018	2017
Cash flows used in operating activities	\$ (1,246,307)	\$ (414,796)
Cash flows used in investing activities	(904,275)	(247,154)
Cash flows provided by (used in) financing activities	<u>2,000,000</u>	<u>(707,854)</u>
Net decrease in cash	<u>\$ (150,582)</u>	<u>\$ (1,369,804)</u>

Net cash used in operating activities was \$1.2 million for the three months ended June 30, 2018, compared to \$0.4 million for the same period a year ago. The increase in net cash used in operating activities of \$0.8 million was primarily related to a change in operating liabilities.

Net cash used in investing activities was \$0.9 million for the three months ended June 30, 2018, compared to net cash used in investing activities of \$0.2 million for the same period a year ago, which increase was due to an increase in cash paid for oil and gas property development costs.

We had net cash provided by financing activities of \$2 million for the three months ended June 30, 2018, compared to having net cash used by financing activities of \$0.7 million for the same period a year ago, which change was primarily due to proceeds received from the sale of shares of Series C Preferred Stock.

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.

CAMBER ENERGY, INC.
(Registrant)

/s/ Louis G. Schott

Louis G. Schott
Interim Chief Executive Officer
(Principal Executive Officer)
Date: February 14, 2019

/s/ Robert Schleizer

Robert Schleizer
Chief Financial Officer
(Principal Financial/Accounting Officer)
Date: February 14, 2019

EXHIBIT INDEX

- [2.1](#) Asset Purchase Agreement by and Between N&B Energy, LLC, as Purchaser and Camber Energy, Inc., as Seller, dated July 12, 2018 (Filed as Exhibit 2.1 to the Company's Report on Form 8-K, filed with the Commission on July 13, 2018 and incorporated herein by reference) (File No. 001-32508)
- [2.2](#) First Amendment to Asset Purchase Agreement by and Between N&B Energy, LLC, as Purchaser and Camber Energy, Inc., as Seller, dated August 2, 2018 (Filed as Exhibit 2.2 to the Company's Report on Form 8-K, filed with the Commission on August 7, 2018 and incorporated herein by reference) (File No. 001-32508)
- [3.1](#) Amendment to Certificate of Designations of Preferences, Powers, Rights and Limitations of Series C Redeemable Convertible Preferred Stock as filed with the Secretary of State of Nevada on July 25, 2018 (Filed as Exhibit 3.2 to the Company's Report on Form 8-K, filed with the Commission on July 27, 2018 and incorporated herein by reference) (File No. 001-32508)
- [10.1***](#) Separation and Release Agreement between Camber Energy, Inc. and Richard N. Azar II dated May 25, 2018 (Filed as Exhibit 10.1 to the Company's Report on Form 8-K, filed with the Commission on May 25, 2018 and incorporated herein by reference) (File No. 001-32508)
- [10.2***](#) Common Stock Purchase Warrant granted to Richard N. Azar II dated May 25, 2018 (Filed as Exhibit 10.2 to the Company's Report on Form 8-K, filed with the Commission on May 25, 2018 and incorporated herein by reference) (File No. 001-32508)
- [10.3***](#) Engagement Letter with Fides Energy LLC/Louis G. Schott dated May 25, 2018 (Filed as Exhibit 10.3 to the Company's Report on Form 8-K, filed with the Commission on May 25, 2018 and incorporated herein by reference) (File No. 001-32508)
- [10.4](#) Compromise Settlement Agreement and Mutual Release by and between Camber Energy, Inc. and Segundo Resources, LLC, dated July 12, 2018 (Filed as Exhibit 10.1 to the Company's Report on Form 8-K, filed with the Commission on July 13, 2018 and incorporated herein by reference) (File No. 001-32508)
- [10.5](#) Agreement in Connection with the Loan by and Between Camber Energy, Inc. and International Bank of Commerce (Filed as Exhibit 10.1 to the Company's Report on Form 8-K, filed with the Commission on August 7, 2018 and incorporated herein by reference) (File No. 001-32508)
- [16.1](#) Letter dated August 2, 2018 from GBH CPAs, PC to the Securities and Exchange Commission (Filed as Exhibit 16.1 to the Company's Report on Form 8-K, filed with the Commission on August 2, 2018 and incorporated herein by reference) (File No. 001-32508)
- [31.1*](#) Section 302 Certification of Periodic Report of Principal Executive Officer
- [31.2*](#) Section 302 Certification of Periodic Report of Principal Financial Officer
- [32.1](#) Section 906 Certification of Periodic Report of Principal Executive Officer (filed as an exhibit to the original Form 10-Q filing)
- [32.2](#) Section 906 Certification of Periodic Report of Principal Financial Officer (filed as an exhibit to the original Form 10-Q filing)
- 101.INS XBRL Instance Document.
- 101.SCHXBRL Schema Document.
- 101.CALXBRL Calculation Linkbase Document.

101.LABXBRL Label Linkbase Document.

101.PRE XBRL Presentation Linkbase Document.

101.DEF XBRL Definition Linkbase Document

* Exhibits filed herewith.

** Exhibits furnished herewith.

*** Management contract or compensatory plan.

EX-31.1

EX-31.1 2 ex31-1.htm SECTION 302 CERTIFICATION OF PERIODIC REPORT OF PRINCIPAL EXECUTIVE OFFICER

[Camber Energy, Inc. 10-Q/A](#)

Exhibit 31.1

CERTIFICATION

I, Louis G. Schott, certify that:

1. I have reviewed this Amendment No. 1 to the Quarterly Report on Form 10-Q/A for the quarter ended June 30, 2018, of Camber Energy, 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;

Date: February 14, 2019

/s/ Louis G. Schott

Louis G. Schott
Interim Chief Executive Officer
(Principal Executive Officer)

EX-31.2

EX-31.2 3 ex31-2.htm SECTION 302 CERTIFICATION OF PERIODIC REPORT OF PRINCIPAL FINANCIAL OFFICER

[Camber Energy, Inc. 10-Q/A](#)

Exhibit 31.2

CERTIFICATION

I, Robert Schleizer, certify that:

1. I have reviewed this Amendment No. 1 to the Quarterly Report on Form 10-Q/A for the quarter ended June 30, 2018, of Camber Energy, 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;

Date: February 14, 2019

/s/ Robert Schleizer

Robert Schleizer

Chief Financial Officer

(Principal Financial/Accounting Officer)
