

---

---

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

---

**FORM 10-Q**

---

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

For the quarterly period ended December 31, 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  Accelerated filer   
Non-accelerated filer  Smaller reporting company   
Emerging growth

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	12,613,187 (as of February 11, 2019)

---

---

CAMBER ENERGY, INC.

TABLE OF CONTENTS

	<u>Page</u>
<b><u>PART I. FINANCIAL INFORMATION</u></b>	<b>1</b>
<u>ITEM 1. Financial Statements</u>	1
<u>Consolidated Balance Sheets as of December 31, 2018 and March 31, 2018 (Unaudited)</u>	1
<u>Consolidated Statements of Operations for the Three and Nine Months Ended December 31, 2018 and 2017 (Unaudited)</u>	2
<u>Consolidated Statements of Changes in Stockholders' Equity (Deficit) for the Three Months Ended December 31, 2017 and 2018 (Unaudited)</u>	3
<u>Consolidated Statements of Changes in Stockholders' Equity (Deficit) for the Nine Months Ended December 31, 2017 and 2018 (Unaudited)</u>	4
<u>Consolidated Statements of Cash Flows for the Nine Months Ended December 31, 2018 and 2017 (Unaudited)</u>	5
<u>Notes to the Consolidated Financial Statements (Unaudited)</u>	6
<u>ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	24
<u>ITEM 3. Quantitative and Qualitative Disclosures about Market Risk</u>	34
<u>ITEM 4. Controls and Procedures</u>	34
<b><u>PART II. OTHER INFORMATION</u></b>	<b>35</b>
<u>ITEM 1. Legal Proceedings</u>	35
<u>ITEM 1A. Risk Factors</u>	35
<u>ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	39
<u>ITEM 3. Defaults Upon Senior Securities</u>	41
<u>ITEM 4. Mine Safety Disclosures</u>	41
<u>ITEM 5. Other Information</u>	41
<u>ITEM 6. Exhibits</u>	41
<b><u>SIGNATURES</u></b>	<b>42</b>
<b><u>EXHIBIT INDEX</u></b>	<b>43</b>

---

**PART 1. FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**

**CAMBER ENERGY, INC.  
CONSOLIDATED BALANCE SHEETS  
(Unaudited)**

	<b>December 31, 2018</b>	<b>March 31, 2018</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	\$ 9,272,388	\$ 760,317
Restricted Cash	—	28,834
Accounts Receivable	70,571	646,891
Other Current Assets	232,177	228,733
Total Current Assets	9,575,136	1,664,775
<b>Property and Equipment</b>		
Oil and Gas Properties - Subject to Amortization	50,636,232	61,082,526
Oil and Gas Properties - Not Subject to Amortization	28,016,989	28,016,989
Other Property and Equipment	1,570	1,570
Total Property and Equipment	78,654,791	89,101,085
Accumulated Depletion, Depreciation and Amortization	(78,320,508)	(76,555,506)
Total Property and Equipment, Net	334,283	12,545,579
<b>Other Assets</b>	198,519	57,510
<b>Total Assets</b>	\$ 10,107,938	\$ 14,267,864
<b>LIABILITIES AND STOCKHOLDERS' EQUITY/(DEFICIT)</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 1,934,320	\$ 2,972,261
Common Stock Payable	171,000	200,000
Accrued Expenses	55,185	1,140,730
Notes Payable, Net of Discount	—	247,403
Current Portion of Long-Term Notes Payable, Net of Discount	—	35,691,567
Total Current Liabilities	2,160,505	40,251,961
Asset Retirement Obligations	319,770	979,159
Derivative Liability	5	5
<b>Total Liabilities</b>	2,480,280	41,231,125
<b>Commitments and Contingencies</b>		
<b>Stockholders' Equity (Deficit)</b>		
Preferred Stock Series A, 2,000 Shares Authorized of \$0.001 Par, -0- Shares Issued and Outstanding	—	—
Preferred Stock Series B, 600,000 Shares Authorized of \$0.001 Par, 44,000 and 408,508 Shares Issued and Outstanding, respectively, Liquidation Preference of \$1,100,000	44	409
Preferred Stock Series C, 500,000 Shares Authorized of \$0.001 Par, 2,305 and 1,132 Shares Issued and Outstanding, respectively, Liquidation Preference of \$23,050,000	2	1
Common Stock, 20,000,000 Shares Authorized of \$0.001 Par, 6,771,515 and 230,363 Shares Issued and Outstanding, respectively	6,772	230
Additional Paid-in Capital	154,676,002	141,429,810
Stock Dividends Distributable	5,676,275	2,467,910
Accumulated Deficit	(152,731,437)	(170,861,622)
Total Stockholders' Equity (Deficit)	7,627,658	(26,963,261)
<b>Total Liabilities and Stockholders' Equity (Deficit)</b>	\$ 10,107,938	\$ 14,267,864

The accompanying notes are an integral part of these consolidated financial statements.

**CAMBER ENERGY, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Unaudited)

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>December 31,</b>		<b>December 31,</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
<b>Operating Revenues</b>				
Crude Oil	\$ 73,301	\$ 222,702	\$ 455,322	\$ 897,952
Natural Gas	13,114	567,982	753,057	1,648,387
Natural Gas Liquids	41,522	1,365,100	1,423,720	2,994,303
<b>Total Revenues</b>	<b>127,937</b>	<b>2,155,784</b>	<b>2,632,099</b>	<b>5,540,642</b>
<b>Operating Expenses</b>				
Lease Operating Expenses	441,312	1,194,629	2,600,353	3,642,733
Severance and Property Taxes	5,937	113,778	133,192	277,580
Depreciation, Depletion, Amortization, and Accretion	1,026	436,776	464,952	1,443,765
Impairment of Oil and Gas Properties	548,819	1,875,000	1,304,785	4,025,374
(Gain)/Loss on Sales of Oil and Gas Properties	—	3,851,461	(25,808,246)	3,850,266
General and Administrative	677,566	2,767,610	3,512,816	5,480,803
<b>Total Operating Expenses</b>	<b>1,674,660</b>	<b>10,239,254</b>	<b>(17,792,148)</b>	<b>18,720,521</b>
<b>Operating Income (Loss)</b>	<b>(1,546,723)</b>	<b>(8,083,470)</b>	<b>20,424,247</b>	<b>(13,179,879)</b>
<b>Other Expense (Income)</b>				
Interest Expense	202,669	943,356	2,436,776	5,106,697
Other Expense (Income), Net	(163,308)	69,983	(142,714)	105,327
<b>Total Other Expenses</b>	<b>39,361</b>	<b>1,013,339</b>	<b>2,294,062</b>	<b>5,212,024</b>
<b>Net Income (Loss)</b>	<b>\$ (1,586,084)</b>	<b>\$ (9,096,809)</b>	<b>\$ 18,130,185</b>	<b>\$ (18,391,903)</b>
<b>Net Income (Loss) Per Common Share</b>				
Basic	\$ (0.64)	\$ (97.76)	\$ 6.39	\$ (281.74)
Diluted	\$ (0.64)	\$ (97.76)	\$ 0.42	\$ (281.74)
<b>Weighted Average Number of Common Shares Outstanding</b>				
Basic	4,998,262	98,303	2,335,991	69,651
Diluted	4,998,262	98,303	35,237,930	69,651

The accompanying notes are an integral part of these consolidated financial statements.

**CAMBER ENERGY, INC.**  
**Consolidated Statements of Changes in Stockholders' Equity (Deficit)**  
**For the Three Months Ended December 31, 2017 and 2018**

	Series A Preferred Stock		Series B Preferred Stock		Series C Preferred Stock		Common Stock		Additional Paid-In Capital	Stock Divided	Accumulated Deficit	Total Stockholders' (Deficit) Equity
	Number Of Shares	Amount	Of Shares	Amount	Shares	Amount	Of Shares	Amount				
Balances, September 30, 2017	—	\$ —	408,508	\$ 409	394	\$ 1	71,541	\$ 71	\$ 134,631,499	\$ 1,281,773	\$ (155,385,128)	\$ (19,471,375)
Common Shares issued for:												
Conversion of Series C Preferred Stock	—	—	—	—	—	—	6,527	7	(7)	—	—	—
Warrants - Abeyance	—	—	—	—	—	—	36,804	37	(37)	—	—	—
Share-Based Compensation	—	—	—	—	—	—	8,813	9	953,639	—	—	953,648
Issuance of Series C Preferred Shares for Cash Proceeds	—	—	—	—	423	—	—	—	4,000,000	—	—	4,000,000
Stock Dividends to be Issued	—	—	—	—	—	—	—	—	(513,746)	513,746	—	—
Net Loss	—	—	—	—	—	—	—	—	—	—	(9,096,809)	(9,096,809)
Balances, December 31, 2017	—	\$ —	408,508	\$ 409	817	\$ 1	123,685	\$ 124	\$ 139,071,348	\$ 1,795,519	\$ (164,481,937)	\$ (23,614,536)
Balances, September 30, 2018	—	\$ —	408,508	\$ 409	1,683	\$ 2	2,954,034	\$ 2,954	\$ 149,377,768	\$ 4,060,858	\$ (151,145,353)	\$ 2,296,638
Common Shares issued for:												
Conversion of Series B Preferred Stock	—	—	(364,508)	(365)	—	—	3,556	4	361	—	—	—
Conversion of Series C Preferred Stock	—	—	—	—	(10)	—	2,800,685	2,801	(2,801)	—	—	—
Payment of Series B Dividend	—	—	—	—	—	—	500	1	468	(469)	—	—
Warrants - Abeyance	—	—	—	—	—	—	12,336	12	(12)	—	—	—
Debenture Conversion	—	—	—	—	—	—	1,000,404	1,000	916,104	—	—	917,104
Issuance of Series C Preferred Stock for Cash Proceeds	—	—	—	—	632	—	—	—	6,000,000	—	—	6,000,000
Stock Dividends to be Issued	—	—	—	—	—	—	—	—	(1,615,886)	1,615,886	—	—
Net Loss	—	—	—	—	—	—	—	—	—	—	(1,586,084)	(1,586,084)
Balances, December 31, 2018	—	\$ —	44,000	\$ 44	2,305	\$ 2	6,771,515	\$ 6,772	\$ 154,676,002	\$ 5,676,275	\$ (152,731,437)	\$ 7,627,658

The accompanying notes are an integral part of these consolidated financial statements.

**CAMBER ENERGY, INC.**  
**Consolidated Statements of Changes in Stockholders' Equity (Deficit)**  
**For the Nine Months Ended December 31, 2017 and 2018**

	Series A Preferred Stock		Series B Preferred Stock		Series C Preferred Stock		Common Stock		Additional Paid-In Capital	Stock Divided Distributable	Accumulated Deficit	Total Stockholders' (Deficit) Equity
	Number Of Shares	Amount	Of Shares	Amount	Shares	Amount	Of Shares	Amount				
Balances, March 31, 2017	—	\$ —	552,000	\$ 552	404	\$ 1	43,385	\$ 43	\$ 134,921,809	\$ 598,650	\$ (146,090,034)	\$ (10,568,979)
Common Shares issued for:												
Conversion of Series B Preferred Stock	—	—	(143,492)	(143)	—	—	1,640	2	141	—	—	—
Conversion of Series C Preferred Stock	—	—	—	—	(10)	—	16,391	17	(17)	—	—	—
Stock Dividends	—	—	—	—	—	—	95	—	34,835	(34,835)	—	—
Share-Based Compensation	—	—	—	—	—	—	8,813	9	963,271	—	—	963,280
Warrants - Abeyance	—	—	—	—	—	—	50,473	50	(50)	—	—	—
Conversion of Debenture Lender Shares	—	—	—	—	—	—	2,808	3	34,997	—	—	35,000
Issuance of Common Stock for Settlement of Stock Payable	—	—	—	—	—	—	—	—	23,574	—	—	23,574
Issuance of Series C Preferred Shares for Cash Proceeds	—	—	—	—	423	—	—	—	4,000,000	—	—	4,000,000
Stock Dividends to be Issued	—	—	—	—	—	—	—	—	(1,231,704)	1,231,704	—	—
Warrants - Vantage	—	—	—	—	—	—	—	—	288,592	—	—	288,592
Net Loss	—	—	—	—	—	—	—	—	—	—	(18,391,903)	(18,391,903)
Balances, December 31, 2017	—	\$ —	408,508	\$ 409	817	\$ 1	123,685	\$ 124	\$ 139,071,348	\$ 1,795,519	\$ (164,481,937)	\$ (23,614,536)
Balances, March 31, 2018	—	\$ —	408,508	\$ 409	1,132	\$ 1	230,363	\$ 230	\$ 141,429,811	\$ 2,467,910	\$ (170,861,622)	\$ (26,963,261)
Common Shares issued for:												
Conversion of Series B Preferred Stock	—	—	(364,508)	(365)	—	—	3,556	4	361	—	—	—
Conversion of Series C Preferred Stock	—	—	—	—	(404)	—	5,522,216	5,523	(5,523)	—	—	—
Payment of Series B Dividend	—	—	—	—	—	—	640	1	2,698	(2,699)	—	—
Warrants - Abeyance	—	—	—	—	—	—	12,336	12	(12)	—	—	—
Debenture Conversion	—	—	—	—	—	—	1,000,404	1,000	916,104	—	—	917,104
Share-Based Compensation	—	—	—	—	—	—	—	—	343,630	—	—	343,630
Issuance of Common Stock for Settlement of Stock Payable	—	—	—	—	—	—	2,000	2	199,998	—	—	200,000
Issuance of Series C Preferred Stock for Cash Proceeds	—	—	—	—	1,577	1	—	—	14,999,999	—	—	15,000,000
Stock Dividends to be Issued	—	—	—	—	—	—	—	—	(3,211,064)	3,211,064	—	—
Net Income	—	—	—	—	—	—	—	—	—	—	18,130,185	18,130,185
Balances, December 31, 2018	—	\$ —	44,000	\$ 44	2,305	\$ 2	6,771,515	\$ 6,772	\$ 154,676,002	\$ 5,676,275	\$ (152,731,437)	\$ 7,627,658

The accompanying notes are an integral part of these consolidated financial statements.

**CAMBER ENERGY, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)

	Nine Months Ended	
	December 31,	
	2018	2017
<b>Cash Flows from Operating Activities</b>		
Net Income (Loss)	\$ 18,130,185	\$ (18,391,903)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation, Depletion, Amortization and Accretion	464,952	1,443,765
Impairment of Oil and Gas Properties	1,304,785	4,025,374
Loss on Sale of Fixed Assets	—	6,503
(Gain)/Loss on Sale of Oil and Gas Properties	(25,808,246)	3,850,266
Share-Based Compensation	343,630	963,280
Amortization of Discount on Notes	1,499,647	867,017
Change in Fair Value of Derivative Liability	—	(20,919)
Changes in Components of Working Capital and Other Assets:		
Accounts Receivable	576,320	(211,320)
Other Current Assets	(3,444)	(327,326)
Accounts Payable and Accrued Expenses	(696,281)	4,176,296
<b>Net Cash Used in Operating Activities</b>	<b>(4,188,452)</b>	<b>(3,618,967)</b>
<b>Investing Cash Flows</b>		
Cash Paid for Oil and Gas Property Development Costs	(2,187,302)	(1,208,571)
Proceeds from Sale Fixed Assets	—	10,069
Cash Paid for (Proceeds from) Deposits	(141,009)	8,416
Proceeds from Sale of Oil and Gas Properties and Fixed Assets	—	1,947,559
<b>Net Cash (Used in) Provided by Investing Activities</b>	<b>(2,328,311)</b>	<b>757,473</b>
<b>Financing Cash Flows</b>		
Proceeds from Issuance of Notes Payable	—	150,000
Principal Repayments of Notes Payable	—	(2,361,703)
Proceeds from Issuance of Series C Preferred Stock and Warrants	15,000,000	4,000,000
<b>Net Cash Provided by Financing Activities</b>	<b>15,000,000</b>	<b>1,788,297</b>
(Decrease) Increase in Cash and Restricted Cash	8,483,237	(1,073,197)
Cash and Restricted Cash at Beginning of the Period	789,151	2,389,761
<b>Cash and Restricted Cash at End of the Period</b>	<b>\$ 9,272,388</b>	<b>\$ 1,316,564</b>

The accompanying notes are an integral part of these consolidated financial statements.

**CAMBER ENERGY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
(Unaudited)

**NOTE 1 – GENERAL**

Camber Energy, Inc. (“Camber” or the “Company”) is an independent oil and gas company engaged in the development and acquisition of onshore properties in Texas. Subsequent to the sale of its assets in Oklahoma to N&B Energy, LLC (“N&B Energy”) effective August 1, 2018 (see further discussion in “Note 2 – Liquidation and Going Concern Considerations”), Camber retained its assets in Glasscock County and operates in Hutchinson County, Texas. Additionally, as part of the sale of its assets to N & B Energy, the Company also retained a 12.5% production payment (effective until a total of \$2.5 million has been received); a 3% overriding royalty interest in its existing Okfuskee County, Oklahoma asset; and an overriding royalty interest on certain other undeveloped leasehold interests, pursuant to an Assignment of Production Payment and Assignments of Overriding Royalty Interests. No payments were received in regards to any of the retained items noted above through December 31, 2018.

The accompanying unaudited interim consolidated financial statements of Camber Energy, Inc. (“Camber” or the “Company”) have been prepared in accordance with accounting principles generally accepted in the United States and the rules of the Securities and Exchange Commission, and should be read in conjunction with the audited financial statements and notes thereto contained in Camber’s annual report filed with the SEC on Form 10-K for the year ended March 31, 2018. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of financial position and the results of operations for the interim periods presented have been reflected herein. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year. Notes to the consolidated financial statements which would substantially duplicate the disclosures contained in the audited financial statements for the most recent fiscal year 2018 as reported in the Form 10-K have been omitted.

Effective on January 10, 2018, the Company filed with the Secretary of State of Nevada, a Certificate of Amendment to the Company’s Articles of Incorporation to increase the number of the Company’s authorized shares of common stock, \$0.001 per value per share, from 200,000,000 shares to 500,000,000 shares (the “Amendment”). The Amendment was previously approved by the Company’s stockholders at the 2018 annual meeting of stockholders held on January 9, 2018.

On March 1, 2018, the Company filed a Certificate of Amendment to its Articles of Incorporation with the Secretary of State of Nevada to effect a 1-for-25 reverse stock split of all outstanding common stock shares of the Company. The reverse stock split was effective on March 5, 2018. The effect of the reverse stock split was to combine each 25 shares of outstanding common stock into one new share, with no change in authorized shares or par value per share. Proportional adjustments were made to the conversion and exercise prices of the Company’s outstanding convertible preferred stock (subject to the terms thereof), warrants and stock options, and to the number of shares issued and issuable under the Company’s stock incentive plans. The reverse stock split did not affect any shareholder’s ownership percentage of the Company’s common stock, except to the limited extent that the reverse stock split resulted in any shareholder owning a fractional share. Fractional shares of common stock were rounded up to the nearest whole share based on each holder’s aggregate ownership of the Company. All issued and outstanding shares of common stock, conversion terms of preferred stock (subject to the terms thereof), options and warrants to purchase common stock and per share amounts contained in the financial statements, have been retroactively adjusted to reflect the reverse split for all periods presented.

On December 20, 2018, the Company filed a Certificate of Change with the Secretary of State of Nevada to effect a 1-for-25 reverse stock split of the Company’s (a) authorized shares of common stock (from 500,000,000 shares to 20,000,000 shares); and (b) issued and outstanding shares of common stock. The reverse stock split was effective on December 24, 2018. The effect of the reverse stock split was to combine each 25 shares of outstanding common stock into one new share, with a proportionate 1-for-25 reduction in the Company’s authorized shares of common stock, but no change in the par value per share of the common stock. Proportional adjustments were made to the conversion and exercise prices of the Company’s outstanding convertible preferred stock (subject to the terms thereof), warrants and stock options, and to the number of shares issued and issuable under the Company’s stock incentive plans. Fractional shares of common stock were rounded up to the nearest whole share based on each holder’s aggregate ownership of the Company. All issued and outstanding shares of common stock, conversion terms of preferred stock (subject to the terms thereof), options and warrants to purchase common stock and per share amounts contained in the financial statements, have been retroactively adjusted to reflect the reverse split for all periods presented.

**NOTE 2 – LIQUIDITY AND GOING CONCERN CONSIDERATIONS**

At December 31, 2018, the Company’s total current assets of \$9.6 million exceeded its total current liabilities of \$2.2 million, resulting in working capital of \$7.4 million, while at March 31, 2018, the Company’s total current liabilities of \$40.3 million exceeded its total current assets of \$1.7 million, resulting in a working capital deficit of \$38.6 million. The \$46.0 million increase in the working capital is primarily due to the assignment of the liabilities owed under the IBC Loan Agreement to N&B Energy in September 2018, as discussed below under “Note 2 - Liquidity and Going Concern Considerations - Assumption Agreement”.

As discussed in “Note 6 – Notes Payable and Debenture”, the Company borrowed \$40 million from International Bank of Commerce (“IBC” or “IBC Bank”) effective August 25, 2016. The proceeds of the loan were used to repay and refinance approximately \$30.6 million of indebtedness owed by certain sellers in the Company’s acquisition, which was completed on August 25, 2016, of working interests in producing properties and undeveloped acreage including varied interests in two largely contiguous acreage blocks in the liquids-rich Mid-Continent region, from twenty-three different entities and individuals (the “Sellers”), pursuant to that certain Asset Purchase Agreement (as amended from time to time, the “Asset Purchase Agreement”) dated December 30, 2015 (the “Acquisition”). As of March 31, 2018, the Company was not in compliance with certain covenants of the loan agreement, including requiring the Company to maintain a net worth of \$30 million, the Company was in default of the terms of the loan, and the balance of the loan due to IBC of \$36.9 million (less unamortized debt issuance costs of approximately \$1.3 million), was recognized as a short-term liability on the Company’s balance sheet as of March 31, 2018. The Company also recognized approximately \$0 and \$39,000 in accrued interest as of December 31, 2018 and March 31, 2018, respectively, related to this note. As discussed below, in September 2018, the Company assigned all of the obligations and liability under the IBC Bank documents to N&B Energy.

On April 6, 2016, the Company entered into a Securities Purchase Agreement (the “Securities Purchase Agreement”) with an accredited institutional investor (the “Investor”), pursuant to which the Company sold and issued a redeemable convertible subordinated debenture, with a face amount of \$530,000, initially convertible into 261 shares of common stock (subject to certain conversion premiums) at a conversion price equal to \$81.25 per share and a warrant to initially purchase 2,215 shares of common stock (subject to adjustment thereunder) at an exercise price equal to \$2,031.25 per share (the “First Warrant”). The Investor purchased the debenture at a 5.0% original issue discount in the amount of \$500,000 and has exercised the First Warrant in full as described below for the sum of \$4.5 million. Additionally, the Investor has fully converted the debenture as of the date of this filing.

Also on April 6, 2016, the Company entered into a Stock Purchase Agreement with the Investor, pursuant to which the Company agreed, subject to certain conditions, to issue up to 527 shares of Series C redeemable convertible preferred stock (the “Series C Preferred Stock”) at a 5% original issue discount, convertible into 1,621,539 shares of common stock (subject to certain conversion premiums) at a conversion price of \$3.25 per share (to the best of our knowledge, the Investor has taken the position that such conversion price is not affected by the Company’s stock splits, including the 1-for-25 reverse split which was affected on December 24, 2018), and a warrant to initially purchase 1,778 shares of common stock at an exercise price of \$2,812.50 per share (the “Second Warrant”), which Second Warrant expired unexercised. Under the terms of the Stock Purchase Agreement, the Second Warrant and 53 shares of Series C Preferred Stock were sold and issued for \$500,000 on September 2, 2016, and the remaining 474 shares of Series C Preferred Stock were sold and issued for \$4.5 million on November 17, 2016.

On October 7, 2016, the Investor exercised the First Warrant in full and was due 2,215 shares of common stock upon exercise thereof and an additional 4,068 shares of common stock in consideration for the conversion premium due thereon. A total of 1,296 shares were issued to the Investor on October 7, 2016, with the remaining shares being held in abeyance until such time as it would not result in the Investor exceeding its beneficial ownership limitation (4.99% of the Company’s outstanding common stock), provided that all of such shares due to the Investor upon the exercise of the First Warrant have been issued to date. The Company received gross proceeds of \$4,500,000 from the exercise of the First Warrant and paid placement agent fees of \$427,500 for services rendered in connection with the First Warrant. Pursuant to the terms of the First Warrant, the number of shares due in consideration for the conversion premium increased as the annual rate of return under the First Warrant increased, including by 10% upon the occurrence of certain triggering events (which had occurred by the October 7, 2016 date of exercise), to 17% per annum upon the exercise of the First Warrant.

An aggregate of 176,716 shares of common stock were issued to the Investor in connection with the exercise of the Warrant during fiscal year 2017 (8,000), fiscal year 2018 (156,380), and 12,336 shares were issued in April 2018. The First Warrant has been fully-exercised and extinguished to date.

#### N&B Energy Asset Disposition Agreement

On July 12, 2018, the Company entered into an Asset Purchase Agreement (as amended by the First Amendment to the Sale Agreement dated August 3, 2018 and the Second Amendment to Sale Agreement dated September 24, 2018, the “Sale Agreement”), as seller, with N&B Energy as purchaser, which entity is affiliated with Richard N. Azar II, the Company’s former Chief Executive Officer and former director, and Donnie B. Seay, the Company’s former director. Pursuant to the Sale Agreement, the Company agreed to sell to N&B Energy a substantial portion of its assets, including all of the assets acquired pursuant to the terms of the December 31, 2015 Asset Purchase Agreement and certain other more recent acquisitions, other than the production payment and overriding royalty interests discussed below (the “Disposed Assets”). In consideration for the Disposed Assets, N&B Energy agreed to pay the Company \$100 in cash, to assume all of the Company’s obligations and debt owed under its outstanding loan agreement with IBC Bank, which had a then outstanding principal balance of approximately \$36.9 million and the other parties agreed to enter into the Segundo Settlement as described in “Note 8 – Commitments and Contingencies”.

### Assumption Agreement

On September 26, 2018, the Company entered into an Assumption Agreement (the “Assumption Agreement”) with IBC Bank; CE Operating, LLC, the Company’s wholly-owned subsidiary (“CE Operating”), which became a party to the Sale Agreement pursuant to the second amendment thereto; N&B Energy, which entity is affiliated with Richard N. Azar, II, the Company’s former Chief Executive Officer and former director (“Azar”), and Donnie B. Seay, the Company’s former director (“Seay”); Azar; RAD2 Minerals, Ltd., an entity owned and controlled by Azar (“RAD2”); Seay; and DBS Investments, Ltd., an entity owned and controlled by Seay. Azar, Seay, RAD2, and DBS are collectively referred to as the “Guarantors”.

Pursuant to the Assumption Agreement, N&B Energy agreed to assume all of the Company’s liabilities and obligations owed to IBC Bank and IBC Bank approved the transactions contemplated by the Sale Agreement and the assumption by N&B Energy of all of the amounts and liabilities which the Company owed to IBC Bank (the “IBC Obligations”). Finally, pursuant to the Assumption Agreement, IBC Bank released and forever discharged the Company and CE Operating and each of their current and former officers, directors, and shareholders, from all covenants, agreements, obligations, claims and demands of any kind, whether in law or at equity, which IBC Bank then had, arising out of or related to the amounts which the Company owed to IBC Bank under the Note, Loan Agreement or mortgages and/or under such documents or agreements, and further agreed to release the lien which IBC Bank then held on certain of the Company’s properties located in west Texas.

### N&B Energy Sale Agreement Closing

On September 26, 2018, the transactions contemplated by the Sale Agreement closed and N&B Energy assumed all of the IBC Obligations (pursuant to the Assumption Agreement described above) and paid the Company \$100 in cash, and the Company transferred ownership of the Assets to N&B Energy.

Notwithstanding the sale of the Assets, the Company retained its assets in Glasscock County and Hutchinson Counties, Texas and also retained a 12.5% production payment (effective until a total of \$2.5 million has been received); a 3% overriding royalty interest in its existing Okfuskee County, Oklahoma asset; and retained an overriding royalty interest on certain other undeveloped leasehold interests, pursuant to an Assignment of Production Payment and Assignment of Overriding Royalty Interests.

The effective date of the Sale Agreement is August 1, 2018. The Assets were assigned “as is” with all faults.

As a result of the Assumption Agreement and the Sale Agreement, the Company reduced its liabilities by \$37.9 million and its assets by approximately \$12.1 million.

The following table summarizes the net assets sold and gain recognized in connection with the Assumption Agreement and Sale Agreement:

	<b>Transaction Summary</b>
Assumption of IBC Loan	\$ 36,943,617
Assumption of ARO Liability	699,536
Assumption of Capital Lease Obligations and Other	287,074
Cash Received at Closing	100
Oil and Gas Properties Transferred	(12,122,081)
Total Gain on Sale	<u>\$ 25,808,246</u>

### **NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Company has provided a discussion of significant accounting policies, estimates and judgments in its March 31, 2018 Annual Report on Form 10-K. There have been no changes to the Company’s significant accounting policies since March 31, 2018 which are expected to have a material impact on the Company’s financial position, operations or cash flows.

### **Reclassifications**

Certain reclassifications have been made to the prior year financial statements to conform them with the current year presentation.

### Recently Adopted Accounting Pronouncements

ASU 2014-09, “Revenue from Contracts with Customers (Topic 606)”, supersedes the revenue recognition requirements and industry-specific guidance under Revenue Recognition (Topic 605). Topic 606 requires an entity to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration the entity expects to be entitled to in exchange for those goods or services. The Company adopted Topic 606 on April 1, 2018, using the modified retrospective method applied to contracts that were not completed as of April 1, 2018. Under the modified retrospective method, prior period financial positions and results will not be adjusted. The cumulative effect adjustment recognized in the opening balances included no significant changes as a result of this adoption. While the Company does not expect 2019 net earnings to be materially impacted by revenue recognition timing changes, Topic 606 requires certain changes to the presentation of revenues and related expenses beginning April 1, 2018. Refer to Note 9 – Revenue from Contracts with Customers for additional information.

In November 2016, the Financial Accounting Standards Board (“FASB”) issued an Accounting Standards Update (“ASU”) amending the presentation of restricted cash within the consolidated statements of cash flows. The new guidance requires that restricted cash be added to cash and cash equivalents on the consolidated statements of cash flows. The Company adopted this ASU on April 1, 2018 on a retrospective basis with the following impacts to our consolidated statements of cash flows for the nine months ended December 31, 2017:

	Previously Reported	Adjustment	As Revised
Net cash provided by financing activities	\$ 3,103,502	\$ (1,315,205)	\$ 1,788,297

As of December 31, 2018 and March 31, 2018, the Company had restricted cash of \$0 and \$26,834 related to the loan agreement with IBC bank.

Following is a summary of cash and cash equivalents and restricted cash:

	December 31, 2018	March 31, 2018	December 31, 2017
Cash	\$ 9,272,388	\$ 760,317	\$ 947,242
Restricted cash – current	—	28,834	369,322
Cash, cash equivalents and restricted cash	\$ 9,272,388	\$ 789,151	\$ 1,316,564

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230). ASU 2016-15 seeks to reduce the existing diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. This update is effective for fiscal years beginning after December 15, 2017. The Company adopted this ASU on April 1, 2018 and the adoption did not have a significant impact to the Company’s consolidated financial statements.

In January 2017, the FASB issued ASU 2017-01, *Business Combinations: Clarifying the Definition of a Business*, which amends the current definition of a business. Under ASU 2017-01, to be considered a business, an acquisition would have to include an input and a substantive process that together significantly contributes to the ability to create outputs. ASU 2017-01 further states that when substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets), the assets acquired would not represent a business. The new guidance also narrows the definition of the term “outputs” to be consistent with how it is described in Topic 606, *Revenue from Contracts with Customers*. The changes to the definition of a business will likely result in more acquisitions being accounted for as asset acquisitions. The guidance is effective for the annual period beginning after December 15, 2017, with early adoption permitted. The Company adopted this ASU on April 1, 2018 and the adoption did not have a significant impact to the Company’s consolidated financial statements.

In May 2017, the FASB issued ASU 2017-09, “Compensation-Stock Compensation (Topic 718): Scope of Modification Accounting”, which provides guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. ASU 2017-09 is effective for annual periods beginning after December 15, 2017, with early adoption permitted, including adoption in any interim period for which financial statements have not yet been issued. The Company adopted this ASU on April 1, 2018 and the adoption did not have a significant impact to the Company’s consolidated financial statements.

### ***Recently Issued Accounting Pronouncements***

The Company does not believe that any other recently issued effective pronouncements, or pronouncements issued but not yet effective, if adopted, would have a material effect on the accompanying consolidated financial statements.

### ***Subsequent Events***

The Company has evaluated all transactions through the date the consolidated financial statements were issued for subsequent event disclosure consideration.

## **NOTE 4 – PROPERTY AND EQUIPMENT**

### ***Oil and Gas Properties***

Camber uses the full cost method of accounting for oil and natural gas producing activities. Costs to acquire mineral interests in oil and natural gas properties, to drill and equip exploratory wells used to find proved reserves, and to drill and equip development wells including directly related overhead costs and related asset retirement costs are capitalized.

Under this method, all costs, including internal costs directly related to acquisition, exploration and development activities are capitalized as oil and natural gas property costs on a country-by-country basis. Costs not subject to amortization consist of unproved properties that are evaluated on a property-by-property basis. Amortization of these unproved property costs begins when the properties become proved or their values become impaired. Camber assesses overall values of unproved properties, if any, on at least an annual basis or when there has been an indication that impairment in value may have occurred. Impairment of unproved properties is assessed based on management's intention with regard to future development of individually significant properties and the ability of Camber to obtain funds to finance their programs. If the results of an assessment indicate that the properties are impaired, the amount of the impairment is added to the capitalized costs to be amortized.

Sales of oil and natural gas properties are accounted for as adjustments to the net full cost pool with no gain or loss recognized, unless the adjustment would significantly alter the relationship between capitalized costs and proved reserves. If it is determined that the relationship is significantly altered, the corresponding gain or loss will be recognized in the statements of operations.

Costs of oil and natural gas properties are amortized using the units of production method. Amortization expense calculated per equivalent physical unit of production amounted to \$4.20 and \$5.67 per barrel of oil equivalent for the nine months ended December 31, 2018 and 2017, respectively.

All of Camber's oil and gas properties are located in the United States. Below are the components of Camber's oil and gas properties recorded at:

	<b>December 31, 2018</b>	<b>March 31, 2018</b>
Oil and gas properties subject to amortization	\$ 50,444,699	\$ 60,760,056
Oil and gas properties not subject to amortization	28,016,989	28,016,989
Capitalized asset retirement costs	191,533	322,470
Total oil and gas properties	78,653,221	89,099,515
Accumulated depreciation, depletion and amortization	(78,319,941)	(76,555,320)
Net capitalized costs	<u>\$ 333,280</u>	<u>\$ 12,544,195</u>

For the nine months ended December 31, 2018, the Company recorded impairments totaling \$1,304,785, all of which were due to lease expirations.

### ***Capital Leases***

During March and April 2018, the Company purchased certain equipment pursuant to capital leases. The effective value of the equipment was approximately \$575,000, and such amount is included in oil and gas properties and the corresponding current liability of approximately \$387,000 which was included in accrued expenses as of June 30, 2018. The effective borrowing rate was approximately 35%, and all obligations were due by December 2018. In conjunction with the assignment of the liabilities owed under the IBC Bank loan agreements to N&B Energy in September 2018, as discussed under "Note 2 – Liquidity and Going Concern Considerations – Assumption Agreement" all of the remaining obligations were assumed by the purchaser.

## Office Lease

On April 1, 2016, the Company entered into a lease agreement pursuant to which the Company agreed to lease 4,439 square feet of office space at 450 Gears Road, Houston, Harris County, Texas 77067. The lease had a 65-month term (through August 2021), and commenced on April 1, 2016. The monthly rental cost under the lease was -\$0- for the month of April 2016, and \$7,676 for the months of May 2016 through April 2017, plus as applicable, the Company's pro rata share of operating expenses and taxes which exceed the total operating expenses and taxes of the property for the first year of the lease. On March 31, 2017, the Company amended its lease at 450 Gears Road to expand to a total of 6,839 square feet, commencing on May 1, 2017. The amendment extended the lease period to November 2021.

In August 2017, the Company ceased its use of this office space and moved its headquarters to San Antonio, Texas. The Company was committed to the remaining lease payments for the Houston office space for approximately \$346,000 assuming an early termination of the lease on July 31, 2019, and has recently settled these amounts pursuant to a settlement agreement discussed below. The Company recorded monthly rent expense associated with the Houston lease through August 2017. In accordance with the accounting guidance in ASC 420-10-25-13 regarding exit or disposal cost obligations, as of August 2017, the Company recorded rent expense, within general and administrative expense, and accrued a liability of \$302,289, which represents the fair value of costs that will continue to be incurred during the remaining term of the Houston lease without economic benefit to the Company. As of December 31, 2018 and March 31, 2018, the carrying amount of the liability of \$182,289 and \$302,289, respectively, was included in Current Liabilities in the consolidated balance sheets. In addition, the Company wrote-off \$189,533 of mostly fully depreciated property and equipment that was not re-located to the San Antonio headquarters, resulting in a loss of \$3,368 which was recognized as a loss during the fiscal year ended March 31, 2018. In October 2018, the Company entered into a settlement with its prior landlord to pay \$100,000 and \$10,000 per month for each of the next 20 months. See also "Note 8 – Commitments and Contingencies – Legal Proceedings – MidFirst".

Effective October 1, 2017, the Company entered into an agreement to sublease space on a month-to-month basis in San Antonio, Texas at 4040 Broadway, Suite 425, from RAD2 Minerals, Ltd., an entity owned and controlled by Mr. Azar, the Company's former Interim Chief Executive Officer, who resigned as Interim CEO effective May 25, 2018 and resigned as a member of the Board of Directors on June 21, 2018. Monthly rent for October through December 2017 was \$5,000 per month, increasing to \$7,500 per month effective January 2018. The agreement was subsequently modified to have a month-to-month term at \$2,500 per month, effective July 1, 2018.

Effective August 1, 2018, the Company terminated its month-to-month lease with RAD2, and entered into a month-to-month lease at 1415 Louisiana, Suite 3500 Houston, Texas 77002. The entity which has provided the use of the Company's Chief Financial Officer is providing this space without charge to the Company.

### NOTE 5 – ASSET RETIREMENT OBLIGATIONS

The following table presents the reconciliation of the beginning and ending aggregate carrying amounts of long-term legal obligations associated with the retirement of oil and gas property and equipment for the nine-month periods ended December 31, 2018 and 2017, respectively.

	2018	2017
Carrying amount at beginning of period	\$ 979,159	\$ 2,045,847
Accretion	4,725	81,600
Dispositions	(699,536)	(1,328,260)
Change in estimate	35,422	13,755
Carrying amount at end of period	\$ 319,770	\$ 812,942

The Company does not have any short-term asset retirement obligations as of December 31, 2018 and March 31, 2018.

## NOTE 6 – NOTES PAYABLE AND DEBENTURE

The Company's notes payable and debenture consisted of the following:

	December 31, 2018	March 31, 2018
Debenture	\$ —	\$ 495,000
Note Payable – IBC	—	36,943,617
	—	37,438,617
Unamortized debt discount	—	(1,499,647)
Total Notes Payable and Debenture	—	35,938,970
Less current portion	—	(35,938,970)
Long-term portion	\$ —	\$ —

### Debenture

On April 6, 2016, the Company entered into a Securities Purchase Agreement with the Investor, pursuant to which the Company issued a redeemable convertible subordinated debenture, with a face value of \$530,000, initially convertible into 6,523 shares of common stock at a conversion price equal to \$81.25 per share and warrants to initially purchase 2,215 shares of common stock (subject to adjustment thereunder) at an exercise price equal to \$2,031.25 per share (the "First Warrant"). The Investor purchased the debenture at a \$30,000 original issue discount for the sum of \$500,000 and agreed that it would exercise the First Warrant, upon satisfaction of certain conditions, for the sum of \$4.5 million, which warrant was exercised in October 2016. The debenture matures in seven years and accrues interest at a rate of 6.0% per annum. Due to the decline in the price of the Company's common stock and that a trigger event occurred on June 30, 2016 as a result of the delay in filing of its Annual Report on Form 10-K for the year ended March 31, 2016, the premium rate on the debenture increased from 6% to 34% and the conversion discount became 85% of the lowest daily volume weighted average price during the measuring period (60 days prior to and 60 days after the last date that the Investor receives the last of the shares due), less \$0.10 per share of common stock not to exceed 85% of the lowest sales price on the last day of such period less \$0.10 per share (which discounts, to our knowledge, the Investor has asserted are not affected by the Company's stock splits).

As the fair value of the warrants issued in connection with the debenture exceeded the \$530,000 value of the debenture, the Company fully discounted the entire debenture and will amortize the discount over the term of the debenture. The discount is being amortized through interest expense using the effective interest method over the term of the debenture.

On August 23, 2017, the Investor converted \$35,000 of the principal amount of the Debenture into an aggregate of 2,808 shares of common stock, which included 17 shares for conversion of principal (at \$2,031.25 per share) and 2,790 shares for premiums.

On April 20, 2018, the Investor was issued 5,679 shares of common stock as a result of true-ups in connection with the August 23, 2017 conversion of the Debenture.

As of March 31, 2018, the Company had a convertible subordinated debenture, with a face value of \$495,000 and a balance of \$247,403, respectively (net of unamortized discount \$247,597, respectively), which was recognized as a short-term liability on the Company's balance sheet at March 31, 2018. The Company had accrued interest of \$388,183 related to the obligation outstanding at March 31, 2018. On October 31, 2018, the Investor converted the entire \$495,000 of principal and \$422,103 of accrued interest owed under the terms of the debenture, into an aggregate of 801,506 shares of common stock, including 6,092 shares of common stock issuable upon conversion of the principal amount thereof (at a conversion price of \$81.25 per share), and 795,414 shares in connection with conversion premiums due thereon (at a conversion price, as calculated as provided in such debenture, of \$1.52 per share). A total of 100,000 of such shares were issued to the Investor in connection with the conversion and the remaining shares were held in abeyance subject to the Investor's 9.99% ownership limitation, to be issued from time to time, at the request of the Investor, provided that all such shares previously held in abeyance had been fully issued to the Investor as of December 31, 2018, provided that shares for true ups remain to be issued.

### Loan Agreement with International Bank of Commerce ("IBC" or "IBC Bank")

On August 25, 2016, the Company, as borrower, and Richard N. Azar II ("Azar"), Seay, Richard E. Menchaca, RAD2, DBS Investments, Ltd. ("DBS", controlled by Seay) and Saxum Energy, LLC ("Saxum", which is controlled by Mr. Menchaca), as guarantors, all of which were directly or indirectly Sellers), and IBC Bank, as lender, entered into a Loan Agreement.

Pursuant to the Loan Agreement, IBC Bank loaned the Company \$40 million, evidenced by a Real Estate Lien Note in the amount of \$40 million. The Company was required to make monthly payments under the note equal to the greater of (i) \$425,000; and (ii) fifty percent (50%) of the Company's monthly net income. The note accrued annual interest at 2% above the prime rate then in effect, subject to a minimum interest rate of 5.5% per annum. The note was due and payable on August 25, 2019. Payments under the note were subject to change as the interest rate changes in order to sufficiently amortize the note in 120 monthly installments. The Company had the right, from time to time and without penalty to prepay the note in whole or in part, subject to the terms thereof.

The proceeds of the loan were used to repay and refinance approximately \$30.6 million of indebtedness owed by certain of the Sellers, to IBC Bank (including an aggregate of \$18.3 million owed by RAD2 and another entity controlled by Azar, \$9.8 million owed by DBS, and \$2.1 million owed by Mr. Menchaca), as well as to pay the \$4.975 million due to the Sellers at closing. Another \$3.36 million was used to fund a sinking fund required by IBC Bank to pay principal on the note.

The amount owed under the note was secured by a Security Interest in substantially all of the Company's assets and properties, pursuant to three Security Agreements. Also, each of the guarantors guaranteed the repayment of a portion of the Loan Agreement pursuant to a Limited Guaranty Agreement. Additionally, in connection with the parties' entry into the Loan Agreement and to further secure amounts due thereunder, certain of the guarantors pledged shares of common stock which they received at the closing of the Acquisition to IBC Bank, with RAD2 pledging 4,993 shares of common stock; DBS pledging 1,497 shares of common stock; and Saxum pledging 1,077 shares of common stock.

The Company agreed to pay IBC Bank a loan finance charge of \$400,000 in connection with its entry into the Loan Agreement, with half due on the date the Company entered into the Loan Agreement and half due on or before the 180<sup>th</sup> day following the date of the Loan Agreement. As further consideration for agreeing to the terms of the Loan, the Company agreed to issue IBC Bank 614 shares of common stock. The Company recognized a \$2.8 million note discount related to these transactions and other debt issuance costs and will amortize the discount and debt issuance costs over the term of the note.

On September 8, 2017, the Company received a Notice of Default and Opportunity to Cure (the "Notice") from IBC, stating that the Company was in default under its loan due to failing to make a required \$425,000 loan payment on August 25, 2017 (the "Payment Default") as well as breaching other obligations. In order to cure the Payment Default described in the Notice, the Company was required to pay \$425,000, as well as any attorney's fees and/or late fees as determined by IBC, on or before September 18, 2017, which amount was not paid and to cure the covenant defaults, which covenant defaults were not cured.

Pursuant to extension agreements entered into with IBC, in or around December 2017 and January 2018, (a) IBC agreed to waive the Company's obligation to make the August 30, 2017, \$425,000 monthly principal payment originally due under the IBC loan; (b) the Company confirmed the amount outstanding under the IBC loan (\$37,443,308 as of each extension); (c) IBC agreed that interest only payments would be due on September 30, 2017, October 30, 2017, November 30, 2017 and December 31, 2017, with principal payments of \$425,000 per month to begin thereafter, which principal payments were not made; (d) the parties agreed that the amounts owed to IBC were payable on demand, provided that if no demand was made, such amounts would be payable by way of monthly payments of \$425,000 of principal, plus accrued interest, with the remaining amount owed to IBC due at maturity (August 25, 2019); (e) that the amount owed to IBC accrued interest at the rate of 2% per annum above the prime rate, subject to a floor of 5.5% (6.25% per annum); (f) the parties agreed that if the Company failed to make any payment due to IBC within 10 days of its due date, IBC would be due a late payment of 5% of the amount past due (subject to a minimum of \$10 and a maximum of \$1,500 per late payment); and (g) the Company and the guarantors of the IBC loan released IBC from any claims against IBC as of the date of each of such extensions.

As of September 26, 2018, the amounts owed to IBC Bank were assumed by N&B Energy pursuant to the Assumption Agreement, described above under "Note 2 – Liquidity and Going Concern Considerations – Assumption Agreement".

#### ***NOTE 7 – DERIVATIVE LIABILITY***

The Company has determined that certain warrants the Company has issued contain provisions that protect holders from future issuances of the Company's common stock at prices below such warrants' respective exercise prices and these provisions could result in modification of the warrants' exercise price based on a variable that is not an input to the fair value of a "fixed-for-fixed" option as defined under FASB ASC Topic No. 815 – 40. The warrants granted in April 2014 contain anti-dilution provisions that provide for a reduction in the exercise price of such warrants in the event that future common stock (or securities convertible into or exercisable for common stock) is issued (or becomes contractually issuable) at a price per share (a "Lower Price") that is less than the exercise price of such warrant at the time. The amount of any such adjustment is determined in accordance with the provisions of the warrant agreement and depends upon the number of shares of common stock issued (or deemed issued) at the Lower Price and the extent to which the Lower Price is less than the exercise price of the warrant at the time.

Activities for derivative warrant instruments during the nine months ended December 31, 2018 and 2017 were as follows:

	2018	2017
Carrying amount at beginning of period	\$ 5	\$ 21,662
Change in fair value	—	(20,919)
Carrying amount at end of period	<u>\$ 5</u>	<u>\$ 743</u>

The fair value of the derivative warrants was calculated using the Black-Scholes pricing model. Variables used in the Black-Scholes pricing model as of December 31, 2018 include (1) discount rate of 2.20%, (2) expected term of 0.30 years, (3) expected volatility of 238.27%, and (4) zero expected dividends. Variables used in the Black-Scholes pricing model as of December 31, 2017 include (1) discount rate of 1.76%, (2) expected term of 1 year, (3) expected volatility of 141.35%, and (4) zero expected dividends. As of December 31, 2018, the significant inputs to the Company's derivative liability calculation were Level 3 inputs.

#### **NOTE 8 – COMMITMENTS AND CONTINGENCIES**

The Company entered into multiple office lease agreements, see detail under “Note 4 – Property and Equipment – Office Leases”.

The Company's oil and gas lease acreage is subject to expiration if the Company does not drill and hold such acreage by production or exercise options to extend such leases. At March 31, 2018, the Company had 423 acres of unproved lease acreage that is set to expire during fiscal year 2019 unless drilled or otherwise extended by the Company. During the three and nine months ended December 31, 2018, leases for the remaining 178 unproved acres expired, resulting in impairments of \$548,819 and \$1,304,785, respectively, for the three and nine month periods ended December 31, 2018, respectively, leaving no remaining acres.

*Legal Proceedings.* From time to time suits and claims against Camber arise in the ordinary course of Camber's business, including contract disputes and title disputes. Camber records reserves for contingencies when information available indicates that a loss is probable and the amount of the loss can be reasonably estimated.

##### *MidFirst*

In October 2018, the Company entered into a confidential settlement agreement with MidFirst Bank, its prior landlord and settled all claims relating to the Company's prior office space lease. The confidential settlement agreement requires an initial payment of \$100,000 during October 2018 and payments of \$10,000 per month for each of the next 20 months. See also “Note 4 – Property and Equipment” for further discussion.

##### *Maranatha Oil Matter*

In November 2015, Randy L. Robinson, d/b/a Maranatha Oil Co. sued the Company in Gonzales County, Texas (Cause No. 26160). The plaintiff alleged that it assigned oil and gas leases to the Company in April 2010, retaining a 4% overriding royalty interest and 50% working interest, and that the Company failed to pay such overriding royalty interest or royalty interest. The interests relate to certain oil and gas properties which the Company subsequently sold to Nordic Oil USA in April 2013. The petition alleges causes of actions for breach of contract, failure to pay royalties, non-payment of working interest, fraud, fraud in the inducement of contract, money had and received, constructive trust, violation of theft liability act, continuing tort and fraudulent concealment. The suit seeks approximately \$100,000 in amounts alleged owed, plus pre-and post-judgment interest. The Company has filed a denial to the claims.

##### *Rubenstein Matter*

On September 28, 2017, Aaron Rubenstein, a purported shareholder of the Company's common stock, filed a lawsuit against the Company (as nominal defendant) and Richard N. Azar II, its then Chief Executive Officer and director (who has since resigned from both positions), RAD2 Management, LLC, RAD2 Minerals, Ltd. and Segundo Resources, LLC, each an entity owned and controlled by Mr. Azar, in the United States District Court, Western District of Texas (Case No. 5:17-cv-962-FB). The suit sought the recovery (for the benefit of the Company) of alleged short-swing profits from Mr. Azar and his related entities under Section 16(b) of the Exchange Act relating to various transactions involving Series B Preferred Stock of the Company in November 2016 and January 2017. Mr. Azar denied the existence of any short-swing profits and filed a denial with the court. The Company also filed a denial with the court. Subsequently, the parties mediated the dispute in October 2018, and agreed to a confidential settlement of the plaintiff's claims in December 2018 which resulted in the dismissal of the claims.

### *Petroflow Matter*

In October 2017, the Company agreed to pay directly and reimburse entities owned in part by Alan Dreeben, a former director of the Company, for legal fees and settlement payments expended in connection with the defense of *Petroflow Energy Corporation v. Sezar Energy, L.P. and Brittany Energy, LLC*, Case No. 16-CV-700-TCK;TLW, In the United States District Court – N.D. OK. The Company was the beneficiary through the release of interest in disputed lease interests from Petroflow to the Company that provides the Company with complete control over those properties to renew expired leases and to have 100% of the drilling rights related to those properties. Sezar Energy and Brittany Energy have assigned any interests they may have had in conjunction with litigation in exchange for the Company making the agreed settlement payments of \$475,000 plus direct payments and reimbursement of the legal costs paid on behalf of the defendants by Mr. Dreeben. Total legal fees expended by such entities totaled \$392,043, and the Company reimbursed such fees by issuing Mr. Dreeben 3,136 shares of common stock with a value of \$5.00 per share in November 2017. In addition, the Company directly paid legal fees and settlement payments totaling \$567,633. The expense related to the Petroflow matter included in general and administrated expense on the consolidated statements of operations were \$959,676 for the year ended March 31, 2018 and \$770,737 for the three and nine months ended December 31, 2017, respectively.

### *Segundo Settlement Agreement*

Also on July 12, 2018, the Company entered into a Compromise Settlement Agreement and Mutual Release with Segundo (the “Segundo Settlement”). Pursuant to the agreement, Segundo surrendered 610 shares of common stock valued at \$1,906.25 per share as of the effective date of the closing of the Acquisition, and released the Company from any and all claims which Segundo previously alleged were owed under the terms of the December 31, 2015 Asset Purchase Agreement. The Company and Segundo also provided each other full releases in connection with the December 31, 2015 Asset Purchase Agreement and Segundo agreed to indemnify the Company and hold it harmless against any claims made by the other sellers under the December 31, 2015 Asset Purchase Agreement.

## **NOTE 9 – REVENUE FROM CONTRACTS WITH CUSTOMERS**

### *Change in Accounting for Revenue from Oil and Gas Operations*

The Company adopted ASU 2014-09, “*Revenue from Contracts with Customers (Topic 606)*”, on April 1, 2018, using the modified retrospective method applied to contracts that were not completed as of April 1, 2018. Refer to “Note 3 – Summary of Significant Accounting Policies” for additional information.

### *Exploration and Production*

There were no significant changes to the timing or valuation of revenue recognized for sales of production from exploration and production activities.

### *Disaggregation of Revenue from Contracts with Customers*

The following table disaggregates revenue by significant product type for the three and nine months ended December 31, 2018:

	<b>Three Months Ended December 31, 2018</b>	<b>Nine Months Ended December 31, 2018</b>
Oil sales	\$ 73,301	\$ 455,322
Natural gas sales	13,114	753,057
Natural gas liquids sales	41,522	1,423,720
Total revenue from customers	<u>\$ 127,937</u>	<u>\$ 2,632,099</u>

There were no significant contract liabilities or transaction price allocations to any remaining performance obligations as of December 31, 2018 or March 31, 2018.

## **NOTE 10 – INCOME TAXES**

The Company has estimated that its effective tax rate for U.S. purposes will be zero for the 2019 and 2018 fiscal years as a result of net losses and a full valuation allowance against the net deferred tax assets. Consequently, the Company has recorded no provision or benefit for income taxes for the nine months ended December 31, 2018 and 2017.

## **NOTE 11 – STOCKHOLDERS' EQUITY (DEFICIT)**

### **Common Stock**

On January 10, 2018, the Company amended its Articles of Incorporation to increase the number of authorized shares of common stock from 200,000,000 shares to 500,000,000 shares.

On August 23, 2017, the Investor converted \$35,000 of the principal amount of the Debenture into an aggregate of 2,808 shares of common stock, which included 17 shares for conversion of principal (at \$2,031.25 per share) and 2,790 shares for premiums.

On April 20, 2018, the Investor was issued 5,679 shares of common stock as a result of true-ups in connection with the August 23, 2017 conversion of the Debenture.

On October 4, 2017, the Company entered into an agreement with a digital marketing advisor pursuant to which the advisor agreed to create original content with the goal of increasing public awareness about the Company and the Company agreed to pay the advisor (a) \$20,000 per month beginning in October 2017 and ending on February 28, 2018, (b) \$50,000 per month thereafter through October 4, 2018, the end of the term of the agreement, and (c) 6,000 shares of restricted common stock, with 4,000 shares payable within 15 days of the parties' entry into the agreement and the remainder due on May 1, 2018. As of December 31, 2018, the remaining shares were issued and the obligation was settled in full.

As of March 31, 2018, the 408,508 outstanding shares of Series B Preferred Stock had accrued an aggregate of \$606,764 in dividends. The Company paid the dividends by way of the issuance of an aggregate of 70 shares of its common stock to the preferred shareholders in May 2018, pursuant to the terms of the designation (which provides that the Shares shall be based on a value of \$2,187.50 per share). The beneficial owners of the Series B Preferred Stock as of March 31, 2018, were Richard N. Azar, II, the Company's former Chief Executive Officer and former director, and Alan Dreeben, the Company's former director.

On October 7, 2016, the Investor exercised the First Warrant in full and was due 2,215 shares of common stock upon exercise thereof and an additional 4,068 shares of common stock in consideration for the conversion premium due thereon. A total of 1,296 shares were issued to the Investor on October 7, 2016, with the remaining shares being held in abeyance until such time as it would not result in the Investor exceeding its beneficial ownership limitation (4.99% of the Company's outstanding common stock). The Company received gross proceeds of \$4,500,000 from the exercise of the First Warrant and paid placement agent fees of \$427,500 for services rendered in connection with the First Warrant. Pursuant to the terms of the First Warrant, the number of shares due in consideration for the conversion premium increases as the annual rate of return under the First Warrant increases, including by 10% upon the occurrence of certain triggering events (which had occurred by the October 7, 2016 date of exercise), to 17% per annum upon the exercise of the First Warrant. Additionally, as the conversion rate for the conversion premium is currently 85% of the lowest daily volume weighted average price during the measuring period, less \$0.10 per share of common stock not to exceed 85% of the lowest sales prices on the last day of such period less \$0.10 per share (which discounts are not affected by the Company's stock splits), the number of shares issuable in connection with the conversion premium increases as the trading price of the Company's common stock decreases, and the trading price of the Company's common stock has decreased since the date the First Warrant was exercised, triggering a further reduction in the conversion price of the conversion premium and an increase in the number of shares due to the Investor in connection with the conversion of the amount owed in connection with the conversion premium. An aggregate of 176,716 shares of common stock were issued to the Investor in connection with the exercise of the Warrant during fiscal 2017 (8,000), fiscal 2018 (156,380), and 12,336 shares were issued in April 2018. The First Warrant has been fully-exercised and extinguished to date.

On November 15, 2018, the Company entered into a consulting agreement with Regal Consulting, an investor relations firm, pursuant to which the firm agreed to provide the Company investor relations and consulting services, for a period of six months, in consideration for \$28,000 and 8,000 restricted shares of the Company's common stock, per month. The total value of the restricted shares of common stock due of \$171,000 has been accrued in common stock payable in the December 31, 2018 consolidated balance sheet.

As of December 31, 2018, the 44,000 outstanding shares of Series B Preferred Stock had accrued \$16,500 in dividends. The Company determined to pay the dividends by way of the issuance of an aggregate of 8 shares of its common stock to the preferred shareholder pursuant to the terms of the designation (which provides that the Shares shall be based on a value of \$2,187.50 per share). The beneficial owner of the Series B Preferred Stock as of December 31, 2018, was Alan Dreeben, the Company's former director. The Company plans to issue the 8 shares once the additional listing of such shares is approved by the NYSE American.

The following summarizes the Company's common stock activity during the nine-month period ended December 31, 2018:

	<u>Common Shares</u>		
	<u>Amount<sup>(a)</sup></u>	<u>Per Share</u>	<u>Issued and Outstanding Shares</u>
Balance at March 31, 2018			230,363
Preferred Stock Series C Conversion <sup>(b)</sup>	—	—	5,522,216
Preferred Stock Series B Conversion	—	—	3,556
Preferred Stock Series B Dividends	—	—	640
Warrants – Abeyance <sup>(b)</sup>	—	—	12,336
Issuance of Common Stock for settlement of consulting agreement	—	—	2,000
Issuance of Common Stock for Prior and Current Conversion of Convertible Notes	—	—	1,000,404
Balance at December 31, 2018			<u>6,771,515</u>

(a) Net proceeds or fair value on grant date, as applicable.

(b) Shares previously held in abeyance until such time as it would not result in the investor exceeding its beneficial ownership limitation (4.99% of the Company's outstanding common stock).

#### ***Series A Convertible Preferred Stock***

As of December 31, 2018 and March 31, 2018, the Company had no Series A Convertible Preferred Stock issued or outstanding.

#### ***Series B Redeemable Convertible Preferred Stock***

On September 1, 2016, as consideration for the closing of the Acquisition, the Company issued an aggregate of 552,000 shares of Redeemable Convertible Preferred Stock, which had a total value of \$13,800,000 based on the \$25 per Series B Preferred Stock share par value. The preferred shares were issued to RAD2 (200,000 shares) and Segundo Resources, LLC (an affiliate of RAD2) (352,000 shares) on behalf of and for the benefit of RAD2.

The Company's Series B Preferred Stock has a liquidation preference of \$25 per share. The Series B Preferred Stock is convertible, at the option of the holder at any time following the original issuance date, into common stock at a rate of approximately 0.011428:1 (originally issuable into an aggregate of 6,309 shares of common stock if fully converted), at the option of the holder thereof, or automatically as to 25% of the Series B Preferred Stock shares if the Company's common stock trades above \$3,828.25 per share for at least 20 consecutive trading days, and trades with at least 120 shares of average volume per day during such period; an additional 50% of the Series B Preferred Stock shares if the Company's common stock trades above \$4,375.00 per share for at least 20 consecutive trading days, and trades with at least 120 shares of average volume per day during such period; and as to the remaining Series B Preferred Stock shares, if the Company's common stock trades above \$4,922.00 per share for at least 20 consecutive trading days, and trades with at least 120 shares of average volume per day during such period. Each outstanding share of Series B Preferred Stock will be entitled to one vote per share on all stockholder matters. The Series B Preferred Stock is redeemable at any time by the Company upon the payment by the Company of the face amount of the Series B Preferred Stock (\$25 per share) plus any and all accrued and unpaid dividends thereon.

The Company has the option, exercisable from time to time after the original issue date, to redeem all or any portion of the outstanding shares of Series B Preferred Stock by paying each applicable holder, an amount equal to the original issue price multiplied by the number of Series B Preferred shares held by each applicable holder plus the accrued dividends.

As of December 31, 2018, there were 44,000 shares of Series B Preferred Stock outstanding, which have the following features:

- a liquidation preference senior to all of the Company's common stock;
- a dividend, payable quarterly, at an annual rate of six percent (6%) of the original issue price until such Series B Preferred Stock is no longer outstanding either due to conversion, redemption or otherwise; and
- voting rights on all matters, with each share having 1/625<sup>th</sup> of one vote.

As the Series B Preferred Stock is convertible at any time following the original issuance date into common stock at a rate of approximately 0.011428:1, the Company recognized a fair value measurement of \$14,898,038 for the Series B Preferred Stock, which is based on the 552,000 preferred shares originally issued times the conversion rate of approximately 0.011428, times the price of the Company's common stock of \$2,362.50 per share at the date of the closing of the Acquisition on August 25, 2016.

In October 2018, Richard N. Azar II, both on his own behalf and on behalf of the entities which he beneficially owned, converted all 364,508 shares of the Series B Preferred Stock which he beneficially owned into an aggregate of 4,166 shares of common stock, of which 497 shares of newly converted common stock (along with a total of 113 shares previously beneficially owned by Mr. Azar) were immediately cancelled pursuant to the terms of the Segundo Settlement, described above under "Note 8 – Commitments And Contingencies".

#### ***Series C Redeemable Convertible Preferred Stock***

On April 6, 2016, the Company entered into a Stock Purchase Agreement with the Investor, pursuant to which it agreed, subject to certain conditions, to sell 527 shares of Series C redeemable convertible preferred stock (with a face value of \$5.26 million) at a 5% original issue discount of \$263,000, convertible into 64,738 shares of common stock at a conversion price of \$3.25 per share (to the best of the Company's knowledge, the Investor has taken the position that such conversion price is not affected by the Company's stock splits, including the 1-for-25 reverse split which was affected on December 24, 2018), and a warrant to purchase 1,778 shares of common stock at an exercise price of \$2,812.50 per share (the "Second Warrant").

On September 2, 2016, the Second Warrant and 53 shares of Series C Preferred Stock were issued for \$526,450 (\$500,000, net cash proceeds to Camber) after the Acquisition (as defined and described in "Note 2 – Liquidity and Going Concern Considerations") closed. The prorated share of the \$263,000 discount (\$26,450) was recorded as reduction to additional paid in capital. On November 17, 2016, the remaining 474 shares of Series C Preferred Stock were issued for \$4,736,550 (\$4,500,000, net cash proceeds to Camber) and the Company paid placement agent and legal fees of \$514,000 for services rendered in connection with the issuance. The Company also recognized \$236,550 of the remaining 5% original issue discount, which was recorded as reduction to additional paid in capital.

On October 5, 2017, the Company and the Investor entered into a Stock Purchase Agreement, amended on March 2, 2018 (as amended, the "October 2017 Purchase Agreement") pursuant to which the Company agreed to sell, pursuant to the terms thereof, 1,684 shares of our Series C Redeemable Convertible Preferred Stock (the "Series C Preferred Stock") for \$16 million (a 5% original issue discount to the face value of such shares), subject to certain conditions set forth therein.

On March 2, 2018, the Company and the Investor entered into an amendment to the October 2017 Purchase Agreement (the "Amendment"), pursuant to which the Investor (a) waived any and all Trigger Events (as defined in the certificate of designation of the Series C Preferred Stock (the "Designation")) that had occurred prior to March 2, 2018, (b) agreed that all calculations provided for in the Designation would be made as if no such Trigger Event had occurred, and (c) waived any right to receive any additional shares of common stock based upon any such Trigger Event, with respect to all shares of Series C Preferred Stock, other than any which have already been converted.

The Investor also agreed, pursuant to the amendment, that the conversion rate of conversion premiums pursuant to the Designation would remain 95% of the average of the lowest 5 individual daily volume weighted average prices during the applicable Measuring Period (as defined in the Designation), not to exceed 100% of the lowest sales prices on the last day of the Measuring Period, less \$0.05 per share of common stock, unless a triggering event has occurred, and that such \$0.05 per share discount would not be adjusted in connection with the Company's previously reported 1-for-25 reverse stock split affected on March 5, 2018.

During the three months and nine months ended December 31, 2017, the Company sold the Investor an aggregate of 423 shares of Series C Preferred Stock for \$4 million under the terms of the October 2017 Purchase Agreement.

October 2018 Stock Purchase Agreement

On October 29, 2018, the Company and the Investor entered into a Stock Purchase Agreement (the “October 2018 Purchase Agreement”), whereby the Investor purchased 369 shares of Series C Preferred Stock for \$3.5 million. The Series C Preferred Stock sold pursuant to the October 2018 Purchase Agreement have substantially similar terms as those sold pursuant to the October 2017 Purchase Agreement.

November 2018 Stock Purchase Agreement

On November 23, 2018 and effective November 23, 2018, the Company and the Investor entered into a Stock Purchase Agreement (the “November 2018 Purchase Agreement”). The Series C Preferred Stock sold pursuant to the November 2018 Purchase Agreement have substantially similar terms as those sold pursuant to the October 2017 Purchase Agreement.

Under the terms of the November 2018 Purchase Agreement, the Investor agreed to purchase up to 2,941 shares of Series C Preferred Stock (the “Maximum Shares”) from the Company for an aggregate of \$28 million, including agreeing to purchase 106 shares of Series C Preferred Stock within two business days of the satisfaction of the Closing Conditions (defined below), in consideration for \$1 million (the “Initial Closing”), and additional shares of Series C Preferred Stock, in such amount(s) requested by the Company, from time to time, up to the remaining amount of Series C Preferred Stock available to be sold under the November 2018 Purchase Agreement, until the Maximum Shares are sold, subject in each case to the Closing Conditions.

Closing conditions required to be met in order to require the Investor to purchase the Series C Preferred Stock shares described above at each of the closings include, among other things, that (a) the Company’s common stock is required to be listed for and currently trading on the NYSE American market or a higher trading market; (b) except for the Initial Closing, the Company is required to be in compliance with all requirements to maintain such listing and there cannot be any notice of any suspension or delisting with respect to the trading of the shares of common stock on such trading market; (c) the Company is required to have duly authorized shares of common stock reserved for issuance to Investor in an amount equal to three times the number of shares sufficient to immediately issue all shares of common stock potentially issuable upon conversion of the Series C Preferred Stock sold to Investor (collectively, the “Conversion Shares”) and any other agreements with Investor; (d) except with regard to the Initial Closing, (i) an aggregate dollar trading volume of at least \$10 million must have traded on NYSE American during regular trading hours, from the trading day after the immediately prior closing until the trading day immediately before the relevant closing, but expressly excluding all volume traded on any days that the Investor is prevented or delayed from reselling shares of common stock (“Excluded Days”), for each \$1 million of Series C Preferred Stock shares which are sold at any closing after the Initial Closing; and (ii) the Company’s common stock is required to have a volume weighted average price on the NYSE American for the prior trading day of at least \$0.10 per share of common stock (the “Floor Price”), (e) except with regard to the Initial Closing, the additional listing of all of the Conversion Shares must be approved by the NYSE American; and (f) except with regard to the Initial Closing, the Company must have provided written notice to the Investor of its intent to move forward with the applicable closing at least 10 days prior to the applicable closing date, provided that if any such conditions are not met on the date initially set for such closing, each closing will occur as soon thereafter as they are met, if ever (collectively, the “Closing Conditions”). The closing of the sales of Series C Preferred Stock as described above are subject to closing conditions which may not be met timely, if at all, and as such, we may not ever sell any shares of Series C Preferred Stock under the November 2018 Purchase Agreement. In the event a Trigger Event (as defined in the Designation (defined below) occurs, the Investor can terminate its obligation to acquire any additional shares of Series C Preferred Stock under the November 2018 Agreement, and the Company may terminate the Company’s right to sell shares of Series C Preferred Stock at any time.

On December 3, 2018, the Company entered into a First Amendment to Stock Purchase Agreement with the Investor (the “First Amendment”), pursuant to which the parties agreed to (a) amend the Initial Closing to be for a total of \$2.5 million and 263 shares of Series C Preferred Stock, and (b) change the terms of the November 2018 Purchase Agreement to require that, notwithstanding the other closing conditions set forth in the November 2018 Purchase Agreement, for each sale of \$800,000 of Series C Preferred Stock, in additional closings after the Initial Closing, that an aggregate dollar trading volume of at least \$10 million must have traded on NYSE American during regular trading hours, from the trading day after the immediately prior closing until the trading day immediately before the relevant closing, but expressly excluding all volume traded on any days that the Investor is prevented or delayed from reselling shares of common stock.

On December 4, 2018, upon the satisfaction of the applicable closing conditions, the Investor acquired 262 shares of Series C Preferred Stock for a total of \$2.5 million.

#### Series C Preferred Stock

The holder of the Series C Preferred Stock is entitled to cumulative dividends through maturity, which initially totaled 6% per annum, and are adjustable to up to 34.95% per annum, based on certain triggering events and the trading price of the Company's common stock, and which currently total 34.95% per annum on the Series C Preferred Stock sold pursuant to the October 2017 Purchase Agreement, payable in full through maturity upon redemption, conversion, or maturity, and when, as and if declared by the Company's Board of Directors in its discretion. The Series C Preferred Stock ranks senior to the common stock and pari passu with respect to the Company's Series B Redeemable Convertible Preferred Stock.

The Series C Preferred Stock may be converted into shares of common stock at any time at the option of the holder, or at the Company's option if certain equity conditions (as defined in the Certificate of Designation) are met. Upon conversion, we will pay the holder of the Series C Preferred Stock being converted an amount, in cash or stock at the Company's sole discretion, equal to the dividends that such shares would have otherwise earned if they had been held through the maturity date (7 years), and issue to the holder such number of shares of common stock equal to \$10,000 per share of Series C Preferred Stock (the "Face Value") multiplied by the number of such shares of Series C Preferred Stock divided by the conversion rate (\$3.25 per share) (to the best of the Company's knowledge, the Investor has taken the position that such conversion price is not affected by the Company's stock splits, including the 1-for-25 reverse split which was affected on December 24, 2018).

The conversion premium under the Series C Preferred Stock is payable and the dividend rate under the Series C Preferred Stock is adjustable on the same terms and conditions as accrued interest is payable and adjustable under the Debenture. The Series C Preferred Stock has a maturity date that is seven years after the date of issuance and, if the Series C Preferred Stock has not been wholly converted into shares of common stock prior to such date, we may redeem the Series C Preferred Stock on such date by repaying to the holder in cash 100% of the Face Value plus an amount equal to any accrued but unpaid dividends thereon. 100% of the Face Value, plus an amount equal to any accrued but unpaid dividends thereon, automatically becomes payable in the event of a liquidation, dissolution or winding up by us.

During the three and nine-month periods ended December 31, 2018, the Company sold 632 and 1,577 shares of Series C Preferred Stock pursuant to the terms of the October 2017 Purchaser Agreement, October 2018 Purchase Agreement and November 2018 Purchase Agreement (as applicable), for total consideration of \$6 million and \$15 million, respectively. As of December 31, 2018 and March 31, 2018, there were 2,305 and 1,132 shares of Series C Preferred Stock outstanding, respectively.

During the three and nine-month periods ended December 31, 2018, the Investor converted 10 and 404 shares of the Series C Preferred stock with a face value of \$0.4 million and \$4.34 million for a total of 5.5 million shares of common stock issued.

As of December 31, 2018 and March 31, 2018, the Company accrued common stock dividends on the Series C Preferred Stock based on the then 34.95% and 24.95% premium dividend rate per the 2016 and 2017 Stock Purchase Agreement, respectively, as described above. The Company recognized a total charge to additional paid-in capital and stock dividends distributable but not issued of \$3,211,064 and \$1,928,084 related to the stock dividend declared but not issued for the nine-month period ended December 31, 2018 and the year ended March 31, 2018, respectively.

#### **Warrants**

On October 7, 2016, the Investor exercised the First Warrant in full and was due 2,215 shares of common stock upon exercise thereof and an additional 4,068 shares of common stock in consideration for the conversion premium due thereon. A total of 1,296 shares were issued to the Investor on October 7, 2016, with the remaining shares being held in abeyance until such time as it would not result in the Investor exceeding its beneficial ownership limitation (4.99% of the Company's outstanding common stock). The Company received gross proceeds of \$4,500,000 from the exercise of the First Warrant and paid placement agent fees of \$427,500 for services rendered in connection with the First Warrant. Pursuant to the terms of the First Warrant, the number of shares due in consideration for the conversion premium increases as the annual rate of return under the First Warrant increases, including by 10% upon the occurrence of certain triggering events (which had occurred by the October 7, 2016 date of exercise), to 17% per annum upon the exercise of the First Warrant.

An aggregate of 176,716 shares of common stock were issued to the Investor in connection with the exercise of the First Warrant during fiscal year 2017 (8,000), fiscal year 2018 (156,380), and 12,336 shares were issued in April 2018, in connection with the original exercise and true-ups. The First Warrant has been fully-exercised and extinguished to date.

At December 31, 2018 and March 31, 2018, outstanding warrants had an intrinsic value of \$0 and \$232, respectively. The intrinsic value is based upon the difference between the market price of Camber's common stock on the date of exercise and the grant price of the stock options.

The following is a summary of the Company's outstanding warrants at December 31, 2018:

Warrants Outstanding	Exercise Price (\$)	Expiration Date	Intrinsic Value at December 31, 2018
107 <sup>(1)</sup>	252.11	April 21, 2019	—
199 <sup>(2)</sup>	937.50	April 26, 2021	—
2,560 <sup>(3)</sup>	156.25	June 12, 2022	—
40,000 <sup>(4)</sup>	9.75	May 24, 2023	—
42,866			\$ —

(1) Warrants issued in connection with the sale of units in the Company's unit offering in April 2014. The warrants became exercisable on April 21, 2014 and will remain exercisable thereafter until April 21, 2019.

(2) Warrants issued in connection with the sale of convertible notes. The warrants were exercisable on the grant date (April 26, 2016) and remain exercisable until April 26, 2021.

(3) Warrants issued in connection with the Initial Tranche of the funding from Vantage. The warrants were exercisable on the grant date (June 12, 2017) and remain exercisable until June 12, 2022.

(4) Warrants issued in connection with the Severance Agreement with Richard Azar. The warrants were exercisable on the grant date (May 25, 2018) and remain exercisable until May 24, 2023.

#### NOTE 12 – SHARE-BASED COMPENSATION

Camber measures the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award over the vesting period.

##### Stock Options

As of December 31, 2018 and 2017, the Company had 4 and 7,920 stock options outstanding with a weighted average exercise price of \$32,344 and \$15,930, respectively.

Of the Company's outstanding options, no options were exercised or forfeited during the three months ended December 31, 2018. Additionally, no stock options were granted during the nine months ended December 31, 2018. Compensation expense related to stock options during the three-month period ended December 31, 2018 and 2017 was \$0 and \$1,605, respectively.

Options outstanding and exercisable at December 31, 2018 and 2017 had no intrinsic value, respectively. The intrinsic value is based upon the difference between the market price of Camber's common stock on the date of exercise and the grant price of the stock options.

As of December 31, 2018, there was no remaining unrecognized share-based compensation expense related to all non-vested stock options.

The following tabulation summarizes the remaining terms of the options outstanding:

Exercise Price (\$)	Remaining Life (Yrs.)	Options Outstanding	Options Exercisable
32,344.00	1.8	4	4
	Total	4	4

**NOTE 13 – INCOME (LOSS) PER COMMON SHARE**

The calculation of earnings (loss) per share for the three and nine months ended December 31, 2018 and 2017 was as follows:

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2018	2017	2018	2017
Numerator:				
Net Income (Loss)	\$ (1,586,084)	\$ (9,096,809)	\$ 18,130,185	\$ (18,391,903)
Less Preferred Dividends	(1,615,886)	(513,746)	(3,211,064)	(1,231,704)
Net Income (Loss) Attributable to Common Stockholders	<u>\$ (3,201,970)</u>	<u>\$ (9,610,555)</u>	<u>\$ 14,919,121</u>	<u>\$ (19,623,607)</u>
Denominator				
Weighted Average Share – Basic	4,998,262	98,303	2,335,991	69,651
Income (Loss) per Share – Basic	\$ (0.64)	\$ (97.76)	\$ 6.39	\$ (281.74)
Dilutive Effect of Common Stock Equivalents				
Options and Warrants	—	—	617,106	—
Series C Preferred Shares	—	—	32,284,833	—
Denominator				
Total Weighted average shares – diluted	<u>4,998,262</u>	<u>98,303</u>	<u>35,237,930</u>	<u>69,651</u>
Income (loss) per share – diluted	<u>\$ (0.64)</u>	<u>\$ (97.76)</u>	<u>\$ 0.42</u>	<u>\$ (281.74)</u>

For the three and nine months ended December 31, 2018 and 2017, the following share equivalents related to convertible debt and warrants to purchase shares of common stock were excluded from the computation of diluted net income (loss) per share as the inclusion of such shares would be anti-dilutive.

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2018	2017	2018	2017
Common Shares Issuable for:				
Convertible Debt	—	244	—	244
Options and Warrants	1,071,718	2,917	—	2,917
Series B and C Preferred Shares	32,284,833	24,681,091	—	24,681,091
Total	<u>33,356,551</u>	<u>24,684,252</u>	<u>—</u>	<u>24,684,252</u>

**NOTE 14 – SUPPLEMENTAL CASH FLOW INFORMATION**

Net cash paid for interest and income taxes was as follows:

	Nine Months Ended December 31,	
	2018	2017
Interest	\$ 842,520	\$ 4,278,788
Income taxes	\$ —	\$ —

Non-cash investing and financing activities included the following:

	Nine Months Ended December 31, 2018	Nine Months Ended December 31, 2017
Changes in Accounts Payable for Payments Made on Previously Accrued Capital Expenditures	\$ 547,033	\$ 4,402
Change in Estimate for Asset Retirement Obligation	\$ 35,422	\$ 13,755
Settlement of Common Stock Payable	\$ 200,000	\$ —
Net Assets and Liabilities Transferred in Rogers Transaction	\$ —	\$ 11,018,185
Issuance of Restricted Common Stock for Dreeben Loan	\$ —	\$ 35,900
Stock Dividends Distributable but not Issued	\$ 3,211,064	\$ 1,231,704
Conversion of Convertible Notes and Accrued Interest to Common Stock	\$ 917,104	\$ 35,000
Conversion of Preferred Stock to Common Stock	\$ 122,070	\$ 1,025
Issuance of Common Stock for Common Stock Payable	\$ —	\$ 59,473
Reversal of Oil and Gas Property	\$ —	\$ 412,708
Issuance of Stock Dividends	\$ 2,699	\$ 34,837
Warrants Issued in Abeyance	\$ 308	\$ —

#### **NOTE 15 – SUBSEQUENT EVENTS**

From January 1, 2019 to February 8, 2019, the Investor was issued an aggregate of 5,825,585 shares of common stock in connection with the issuance of shares of common stock held in abeyance following the October 31, 2018 conversion of the remaining amount of the Debenture as discussed above and true ups related to prior conversions of the Debenture; and, as of February 8, 2019, was still due 41,286,732 shares of common stock in connection with true ups associated with prior conversions under the Debenture.

In January 2019, the Company issued 70 shares of common stock in consideration for cash dividends which accrued on the Series B Preferred Stock through September 30, 2018 (and for accrued dividends on certain shares of Series B Preferred Stock which were converted into common stock during the quarter ended December 31, 2018) as well as 7 shares of common stock in consideration for cash dividends which accrued on the Series B Preferred Stock through December 31, 2018.

In January 2019, the Company issued 16,000 shares of restricted common stock to Regal Consulting for stock owed under its consulting agreement for the months of November and December 2018. The total value of the restricted shares of common stock due of \$171,000 has been accrued in common stock payable in the December 31, 2018 consolidated balance sheet.

On February 13, 2019, and effective on January 31, 2019, the Company entered into a First Amendment to the Consulting Agreement previously entered into with Regal Consulting, an investor relations firm, on November 15, 2018. Pursuant to the First Amendment, the parties agreed to expand the investor relations services required to be provided by Regal Consulting under the agreement in consideration for \$50,000 per month and 50,000 restricted shares of common stock per month (the “Regal Shares”)(which are fully-earned upon issuance) during the term of the agreement, and agreed to extend the term of the agreement until October 1, 2019 (unless the Company completes an acquisition or combination prior to such date).

On February 13, 2019, we entered into a letter agreement with SylvaCap Media (“SylvaCap”), pursuant to which SylvaCap agreed to act as the Company’s non-exclusive digital marketing service provider. Pursuant to the terms of the agreement, SylvaCap agreed to provide us public awareness and content creation services in consideration for an aggregate of 600,000 shares of restricted common stock (the “SylvaCap Shares”), which are fully-earned upon their issuance, and \$50,000 per month during the term of the agreement, which ends on November 12, 2019 (unless the Company completes an acquisition or combination prior to such date) or upon termination by either party for cause. We also agreed to provide SylvaCap piggy-back registration rights in connection with the SylvaCap Shares and to pay SylvaCap \$6,250 every three months as an expense reimbursement.

## 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:

- the availability of funding and the terms of such funding;
- our ability to integrate and realize the benefits 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:

- "Exchange Act" refers to the Securities Exchange Act of 1934, as amended;
- "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;
- "SEC" or the "Commission" refers to the United States Securities and Exchange Commission;
- "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 the Cline shale and upper Wolfberry shale in Glasscock County, Texas, as well as its productive zones in the Panhandle in Hutchinson County, Texas. 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 and to better position the Company in the future, 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. 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.

Currently, we are continuing to evaluate and conduct workovers and, moving forward, 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 continues to evaluate its current assets, including potential dispositions, if there is potential to 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 growth and sustainable shareholder value. The Company is also exploring potential acquisitions of operating companies that are accretive to cash flow and earnings with its available liquidity.

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 December 31, 2018, the Company had leasehold interests (working interests) covering approximately 3,535/ 19,823 (net / gross) acres, productive from the Cline and Wolfberry formations. The remaining Texas acreage consists of leasehold covering approximately 555 / 637.5 (net / gross) acres and wellbores located in the Panhandle in Hutchinson County, Texas, which was acquired by the Company earlier this year.

As of December 31, 2018, Camber was producing an average of approximately 37.3 net barrels of oil equivalent per day (“Boepd”) from 53 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 approximately 109,928 barrels of oil equivalent (“Boe”), net to our interest, for the nine-month period ended December 31, 2018.

The Hutchinson County, Texas acquisition in March 2018 included 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 555 net leasehold acres in Hutchinson County, Texas. Camber holds an interest in 26 producing wells in the Texas Panhandle and 27 producing wells in the Cline and Wolfberry formations.

At December 31, 2018, Camber’s total estimated proved reserves were 0.422 million barrels of oil equivalent (“Boe”), of which 0.186 million barrels (“Bbls”) were crude oil reserves, 0.032 million barrels (“Bbls”) were natural gas liquids and 1.220 billion cubic feet (“Bcf”) were natural gas reserves. Approximately 68% of the barrel of oil equivalent (“Boe”) was proved producing.

As of December 31, 2018, Camber had no employees, but utilizes independent contractors on an as-needed basis.

On July 12, 2018, we entered into an Asset Purchase Agreement, which closed on September 26, 2018, 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”, “Assumption Agreement”, and “N&B Energy Sale Agreement Closing”. Pursuant to the Sale Agreement and Assumption Agreement, the Company transferred a significant portion of its assets to N&B Energy in consideration for N&B Energy assuming all of its debt owed to IBC Bank.

Notwithstanding the sale of the Assets, the Company retained its assets in Glasscock County and Hutchinson County, Texas, and also retained a 12.5% production payment (effective until a total of \$2.5 million has been received); a 3% overriding royalty interest in its existing Okfuskee County, Oklahoma asset; and an overriding royalty interest on certain other undeveloped leasehold interests, pursuant to an Assignment of Production Payment and Assignments of Overriding Royalty Interests. No payments were received in regards to any of the retained items noted through December 31, 2018.

The Company’s current plans are to continue to develop and maintain our existing assets and look for similar opportunities to maximize the Company’s return for its shareholders. We will be evaluating acquisition and development opportunities adjacent to these assets as well as in basins with similar levels of risk. The Company is also evaluating strategic growth opportunities with other assets and entities to increase the Company’s operating income and asset base with its available liquidity to ultimately enhance long-term shareholder value.

On December 20, 2018, the Company filed a Certificate of Change (the “Certificate”) pursuant to Nevada Revised Statutes (“NRS”) Section 78.209 with the Secretary of State of Nevada to effect a 1-for-25 reverse stock split of the Company’s (a) authorized shares of common stock (from 500,000,000 shares to 20,000,000 shares); and (b) issued and outstanding shares of common stock. The reverse stock split was effective on December 24, 2018. The effect of the reverse stock split was to combine each 25 shares of outstanding common stock into one new share, with a proportionate 1-for-25 reduction in the Company’s authorized shares of common stock, but no change in the par value per share of the common stock. Proportional adjustments were made to the conversion and exercise prices of the Company’s outstanding convertible preferred stock (subject to the terms thereof), warrants and stock options, and to the number of shares issued and issuable under the Company’s stock incentive plans. The reverse stock split did not affect any shareholder’s ownership percentage of the Company’s common stock, except to the limited extent that the reverse stock split resulted in any shareholder owning a fractional share. Fractional shares of common stock were rounded up to the nearest whole share based on each holder’s aggregate ownership of the Company. All issued and outstanding shares of common stock, conversion terms of preferred stock (subject to the terms thereof), options and warrants to purchase common stock and per share amounts below have been retroactively adjusted to reflect the reverse split for all periods presented.

## **Industry Segments**

Our operations are all crude oil and natural gas 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. The Company has certain interests in wells producing from the Wolfberry and Cline formations in Glasscock County, Texas.

Additionally, in March 2018, we completed the acquisition of working interests in certain leases, wells and equipment located in the Texas panhandle and a 37.5% interest in one partnership 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. The acquisition included 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 555 net leasehold acres in Hutchinson County, Texas. At least 26 of the wells are now producing.

## **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”, “Note 10 – Stockholders’ Equity (Deficit)” and “Note 15 – Subsequent Events”, above.

In addition to the transactions noted above, Camber is continuing to review and evaluate potential financing transactions, 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.

With the completion of the Sale Agreement and the Assumption Agreement and the additional equity raised, the Company believes it has sufficient liquidity to operate 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 and nine-month periods ended December 31, 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. The majority of the numbers presented below are rounded numbers and should be considered as approximate.

### ***Three Months Ended December 31, 2018 vs. Three Months Ended December 31, 2017***

We reported a net loss for the three months ended December 31, 2018 of \$(1.6) million, or \$(0.64) per share of common stock. For the same period a year ago, we reported a net loss of \$(9.1) million or \$(97.76) per share of common stock. As discussed in more detail below, our net loss decreased by \$7.5 million, primarily due to the reduction in interest due to the settlement of the IBC debt, lower impairments and the absence of a loss on sale of \$3.9 million from the quarter ended December 31, 2017.

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

	<b>Three Months Ended</b>		<b>Increase</b>	<b>% Increase</b>
	<b>December 31,</b>			
	<b>2018</b>	<b>2017</b>	<b>(Decrease)</b>	<b>(Decrease)</b>
<b>Sale Volumes:</b>				
Crude Oil (Bbls)	1,398	4,219	(2,821)	(67)%
Natural Gas (Mcf)	5,271	202,690	(197,419)	(97)%
NGL (Gallons)	57,408	1,715,733	(1,658,325)	(97)%
Total (Boe) <sup>(1)</sup>	3,643	78,851	(75,208)	(95)%
<b>Per Day:</b>				
Crude Oil (Bbls per day)	15	46	(31)	(67)%
Natural Gas (Mcf per day)	57	2,203	(2,146)	(97)%
NGL (Gallons per day)	624	18,649	(18,025)	(97)%
Total (Boe per day) <sup>(1)</sup>	40	857	(817)	(95)%
<b>Average Sale Price:</b>				
Crude Oil (\$/Bbl)	\$ 52.43	\$ 52.79	\$ (0.36)	(1)%
Natural Gas (\$/Mcf)	2.49	2.80	(0.31)	(11)%
NGL (\$/Gal)	0.72	0.80	(0.08)	(10)%
<b>Net Operating Revenues:</b>				
Crude Oil	\$ 73,301	\$ 222,702	\$ (149,401)	(67)%
Natural Gas	13,114	567,982	(554,868)	(98)%
NGL	41,522	1,365,100	(1,323,578)	(97)%
Total Revenues	<u>\$ 127,937</u>	<u>\$ 2,155,784</u>	<u>\$ (2,027,847)</u>	<u>(94)%</u>

(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:

	<b>Three Months Ended</b>		<b>Increase</b>	<b>% Increase</b>
	<b>December 31,</b>			
	<b>2018</b>	<b>2017</b>	<b>(Decrease)</b>	<b>(Decrease)</b>
Direct lease operating expense	\$ 361,910	\$ 1,062,253	\$ (700,343)	(66)%
Workovers expense	51,151	89,759	(38,608)	(43)%
Other	28,251	42,617	(14,366)	(34)%
<b>Lease Operating Expenses</b>	<b>\$ 441,312</b>	<b>\$ 1,194,629</b>	<b>\$ (753,317)</b>	<b>(63)%</b>
Severance and Property Taxes	5,937	113,778	(107,841)	(95)%
Depreciation, Depletion, Amortization and Accretion	1,026	436,776	(435,750)	(100)%
Impairment of Oil and Gas Properties	548,819	1,875,000	(1,326,181)	(71)%
Gain (Loss) on Sale of Oil and Gas Properties	—	(3,851,461)	(3,851,461)	(100)%
General and Administrative (“G&A”)	677,566	1,804,330	(1,126,764)	(62)%
Share-Based Compensation	—	963,280	(963,280)	(100)%
<b>Total G&amp;A Expense</b>	<b>\$ 677,566</b>	<b>\$ 2,767,610</b>	<b>\$ (2,090,044)</b>	<b>(76)%</b>
Interest Expense	202,669	943,356	(740,687)	(79)%
Other Expense (Income), Net	(163,308)	69,983	(233,291)	(333)%

### Lease Operating Expenses

There was a decrease in lease operating expense of approximately \$0.8 million when comparing the current quarter to the prior year quarter. The decrease is primarily due to the sale closed in September 2018.

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

DD&A decreased for the current quarter as compared to the prior year’s quarter by approximately \$0.4 million, primarily related to the decrease in total depreciable assets caused by the sale closed in September 2018.

### Impairment of Oil and Gas Properties

Impairment expense of \$0.5 million for the three months ended December 31, 2018, compared to prior year’s period by \$1.9 million decreased primarily due to fewer leasehold expirations during the current quarter.

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

G&A expenses decreased by approximately \$2.1 million for the three months ended December 31, 2018, compared to the prior year's period. The decrease was due primarily lower costs due to sale closed in September 2018.

### Interest Expense

Interest expense for the three months ended December 31, 2018 decreased by approximately \$0.7 million when compared to the three-month period ended December 31, 2017, due to the assignment of the IBC loan related to the sale closed in September 2018.

### Gain on Sale of Oil and Gas Properties

The gain (loss) on sale of oil and gas properties was \$0 for the three months ended December 31, 2018, compared to a loss of \$3.9 million for the same three-month period ended December 31, 2017.

### Other Expense (Income), Net

Other expense (income), net, for the three months ended December 31, 2018 increased by \$0.2 million, compared to the same period ended December 31, 2017, primarily due to an increase in other miscellaneous receipts during the quarter ended December 31, 2018.

### Nine Months Ended December 31, 2018 vs. Nine Months Ended December 31, 2017

We reported net income for the nine months ended December 31, 2018 of \$18.1 million, or \$6.39 per share of common stock. For the same period a year ago, we reported a net loss of \$(18.4) million or \$(281.74) per share of common stock. As discussed in more detail below, the change was due to sale closed in September 2018.

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

	Nine Months Ended December 31,		Increase (Decrease)	% Increase (Decrease)
	2018	2017		
<b>Sale Volumes:</b>				
Crude Oil (Bbls)	7,257	18,888	(11,631)	(62)%
Natural Gas (Mcf)	316,249	618,097	(301,848)	(49)%
NGL (Gallons)	2,098,435	4,910,934	(2,812,499)	(57)%
Total (Boe) <sup>(1)</sup>	109,928	238,831	(128,903)	(54)%
<b>Production:</b>				
Crude Oil (Bbls per day)	26	69	(43)	(62)%
Natural Gas (Mcf per day)	1,150	2,256	(1,106)	(49)%
NGL (Gallons per day)	7,631	17,923	(10,292)	(57)%
Total (Boe per day) <sup>(1)</sup>	400	872	(472)	(54)%
<b>Average Sale Price:</b>				
Crude Oil (\$/Bbl)	\$ 62.74	\$ 47.54	\$ 15.20	32%
Natural Gas (\$/Mcf)	2.38	2.67	0.29	(11)%
NGL (\$/Gal)	0.68	0.61	0.07	11%
<b>Net Operating Revenues:</b>				
Crude Oil	\$ 455,322	\$ 897,952	\$ (442,630)	(49)%
Natural Gas	753,057	1,648,387	(895,330)	(54)%
NGL	1,423,720	2,994,303	(1,570,583)	(52)%
Total Revenues	\$ 2,632,099	\$ 5,540,642	\$ (2,908,543)	(52)%

(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:

	Nine Months Ended December 31,		Increase (Decrease)	% Increase (Decrease)
	2018	2017		
Direct lease operating expense	\$ 1,807,756	\$ 3,247,860	\$ (1,440,104)	(44)%
Workovers expense	109,996	238,697	(128,701)	(54)%
Other	682,601	156,176	526,425	337%
Lease Operating Expenses	<u>\$ 2,600,353</u>	<u>\$ 3,642,733</u>	<u>\$ (1,042,380)</u>	<u>(29)%</u>
Severance and Property Taxes	133,192	277,580	(144,388)	(52)%
Depreciation, Depletion, Amortization and Accretion	464,952	1,443,765	(978,813)	(68)%
Impairment of Oil and Gas Properties	1,304,785	4,025,374	(2,720,589)	(68)%
Gain (Loss) on Sale of Oil and Gas Properties	25,808,246	(3,850,266)	(29,658,512)	(770)%
General and Administrative ("G&A")	3,169,186	4,517,523	(1,347,337)	(30)%
Share-Based Compensation	343,630	963,280	(619,650)	(64)%
Total G&A Expense	<u>\$ 3,512,816</u>	<u>\$ 5,480,803</u>	<u>\$ (1,967,987)</u>	<u>(36)%</u>
Interest Expense	\$ 2,436,776	\$ 5,106,697	\$ (2,669,921)	(52)%
Other Expense (Income), Net	\$ (142,714)	\$ 105,327	\$ (248,041)	(235)%

### Lease Operating Expenses

There was a decrease in lease operating expense of approximately \$1.0 million when comparing the nine months ended December 31, 2018, to the prior year's period. The decrease is due primarily to the reduction in properties due to the sale that closed in September 2018.

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

DD&A decreased for the nine months ended December 31, 2018, compared to the prior year's period by approximately \$1.0 million primarily related to the decrease in properties due to the sale closed in September 2018.

### Impairment of Oil and Gas Properties

Impairment decreased for the nine months ended December 31, 2018, compared to prior year's period by approximately \$2.8 million. The decline in impairment was due to fewer expirations of leaseholds in the current quarter.

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

G&A expenses decreased by approximately \$2.0 million for the nine months ended December 31, 2018, compared to the prior year's period. The decrease was due primarily to the sale closed in September 2018.

### *Interest Expense*

Interest expense for the nine months ended December 31, 2018 decreased by approximately \$2.7 million when compared to the nine-month period ended December 31, 2017 due primarily to the assignment of the IBC loan in connection with the sale that closed in September 2018.

### *Gain on Sale of Oil and Gas Properties*

The gain on sale of oil and gas properties was \$25.8 million for the nine months ended December 31, 2018, compared to a loss of \$3.9 million for the same nine-month period ended December 31, 2017, due to the sale closed in September 2018.

### *Other Expense (Income), net*

Other expense, net, for the nine months ended December 31, 2018 decreased by \$0.2 million, compared to the nine months ended December 31, 2017, primarily due to higher miscellaneous revenue for the nine months ended December 31, 2018.

## **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 nine months ended December 31, 2018 were from funds generated from the sale of preferred stock, the sale of natural gas and crude oil production. 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*

At December 31, 2018, the Company's total current assets of \$9.6 million exceeded its total current liabilities of \$2.2 million, resulting in a working capital of \$7.4 million, while at March 31, 2018, the Company's total current liabilities of \$40.3 million exceeded its total current assets of \$1.7 million, resulting in a working capital deficit of \$38.6 million. The \$46.0 million increase in the working capital surplus is primarily due to the assignment of the liabilities owed under the IBC Loan Agreement to N&B Energy in September 2018, as discussed below under "Note 2 - Liquidity and Going Concern Considerations - Assumption Agreement".

A summary of our financing transactions, recent funding agreements and other 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", "Note 11 – Stockholders' Equity (Deficit)" and "Note 15 – Subsequent Events", above.

### *Cash Flows*

	<b>Nine Months Ended December 31,</b>	
	<b>2018</b>	<b>2017</b>
Cash flows used in operating activities	\$ (4,188,452)	\$ (3,618,967)
Cash flows provided by (used in) investing activities	(2,328,311)	757,473
Cash flows provided by financing activities	15,000,000	1,788,297
<b>Net increase (decrease) in cash and restricted cash</b>	<b>\$ 8,438,237</b>	<b>\$ (1,013,197)</b>

Net cash used in operating activities was \$4.2 million for the nine months ended December 31, 2018, compared to \$3.6 million for the same period a year ago. The increase in net cash used in operating activities of \$0.6 million was primarily related to declines in revenue.

Net cash used in investing activities was \$2.3 million for the nine months ended December 31, compared to net cash provided by investing activities of \$.8 million for the same period a year ago. The increase of \$3.1 million in cash used in investing activities was primarily due to increased spending on properties and lower cash receipts from sale of oil and gas properties.

We had net cash provided by financing activities of \$15 million for the nine months ended December 31, 2018, compared to having net cash provided by financing activities of \$1.8 million for the same period a year ago, which \$13.2 million increase was primarily due to the increased sales of Preferred C shares.

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

Market risk is the risk of loss arising from adverse changes in market rates and prices. We are exposed to risks related to increases in the prices of fuel and raw materials consumed in exploration, development and production. We currently do not engage in commodity price hedging activities.

#### **Commodity Price Risk**

Our revenues are derived from the sale of our crude oil, natural gas and natural gas liquids production. Based on projected sales volumes for the remainder of our fiscal year, changes in the prices we receive for our crude oil, natural gas and natural gas liquids production could have a significant impact on our revenues.

We may seek to reduce our exposure to commodity price volatility by hedging a portion of production through commodity derivative instruments. In the settlement of a typical hedge transaction, we will have the right to receive from the counterparties to the hedge the excess of the fixed price specified in the hedge over a floating price based on a market index multiplied by the quantity hedged. If the floating price exceeds the fixed price, we are required to pay the counterparties this difference multiplied by the quantity hedged.

We would be required to pay this difference regardless of whether we have sufficient production to cover the quantities specified in the hedge. Significant reductions in production at times when the floating price exceeds the fixed price could require us to make payments under the hedge agreements even though such payments are not offset by sales of production. Hedging may also prevent us from receiving the full advantage of increases in oil or gas prices above the fixed amount specified in the hedge.

#### **Interest Rate Risk**

We may seek to reduce our exposure to interest volatility through financial instruments such as interest rate swap agreements to manage the interest rate on our variable rate debt. Under these arrangements, we would agree to exchange, at specified intervals, the difference between fixed and floating interest amounts, calculated by reference to an agreed upon notional principal amount.

### **ITEM 4. CONTROLS AND PROCEDURES.**

#### *Disclosure Controls and Procedures.*

Disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) are designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms and that such information is accumulated and communicated to management, including the interim Chief Executive Officer and Chief Financial Officer (our principal executive officer and principal financial officer), to allow timely decisions regarding required disclosures. The Company's management, including the interim Chief Executive Officer and Chief Financial Officer (our principal executive officer and principal financial officer), evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this report. Based upon that evaluation, the Company's interim Chief Executive Officer and Chief Financial Officer (our principal executive officer and principal financial officer) concluded that the Company's disclosure controls and procedures were not effective as of December 31, 2018, due to a lack of segregation of duties and a lack of financial reporting experience from our management.

#### *Changes in Internal Control Over Financial Reporting*

There have not been any changes in our internal control over financial reporting during the quarter ended December 31, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II – OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS.

Camber is periodically named in legal actions arising from normal business activities. Camber evaluates the merits of these actions and, if it determines that an unfavorable outcome is probable and can be reasonably estimated, Camber will establish the necessary reserves. We are not currently involved in legal proceedings that could reasonably be expected to have a material adverse effect on our business, prospects, financial condition or results of operations. We may become involved in material legal proceedings in the future.

#### *MidFirst*

In October 2018, the Company entered into a confidential settlement agreement with MidFirst Bank, its prior landlord and settled all claims relating to the Company's prior office space lease.

#### *Maranatha Oil Matter*

In November 2015, Randy L. Robinson, d/b/a Maranatha Oil Co. sued the Company in Gonzales County, Texas (Cause No. 26160). The plaintiff alleged that it assigned oil and gas leases to the Company in April 2010, retaining a 4% overriding royalty interest and 50% working interest and that the Company failed to pay such overriding royalty interest or royalty interest. The interests relate to certain oil and gas properties which the Company subsequently sold to Nordic Oil USA in April 2013. The petition alleges causes of actions for breach of contract, failure to pay royalties, non-payment of working interest, fraud, fraud in the inducement of contract, money had and received, constructive trust, violation of theft liability act, continuing tort and fraudulent concealment. The suit seeks approximately \$100,000 in amounts alleged owed, plus pre-and post-judgment interest. We have filed a denial to the claims.

#### *Rubenstein Matter*

On September 28, 2017, Aaron Rubenstein, a purported shareholder of the Company's common stock, filed a lawsuit against the Company (as nominal defendant) and Richard N. Azar II, its then Chief Executive Officer and director (who has since resigned from both positions), RAD2 Management, LLC, RAD2 Minerals, Ltd. and Segundo Resources, LLC, each an entity owned and controlled by Mr. Azar, in the United States District Court, Western District of Texas (Case No. 5:17-cv-962-FB). The suit sought the recovery (for the benefit of the Company) of alleged short-swing profits from Mr. Azar and his related entities under Section 16(b) of the Exchange Act relating to various transactions involving Series B Preferred Stock of the Company in November 2016 and January 2017. Mr. Azar denied the existence of any short-swing profits and filed a denial with the court. The Company also filed a denial with the court. Subsequently, the parties mediated the dispute in October 2018, and agreed to a confidential settlement of the plaintiff's claims in December 2018 which resulted in the dismissal of the claims.

### ITEM 1A. RISK FACTORS.

There have been no material changes from the risk factors previously disclosed in the Company's Annual Report on Form 10-K for the year ended March 31, 2018, filed with the Commission on July 2, 2018 (the "Form 10-K"), except as provided and discussed below, and investors should review the risks provided below and in the Form 10-K prior to making an investment in the Company.

***We are currently not in compliance with NYSE American continued listing standards and if we are unable to maintain compliance with NYSE American continued listing standards, our common stock may be delisted from the NYSE American equities market, which would likely cause the liquidity and market price of our common stock to decline.***

Our common stock is currently listed on the NYSE American. The NYSE American will consider suspending dealings in, or delisting, securities of an issuer that does not meet its continued listing standards. If we cannot meet the NYSE American continued listing requirements, the NYSE American may delist our common stock, which could have an adverse impact on us and the liquidity and market price of our stock.

We may be unable to comply with NYSE American continued listing standards. Our business has been and may continue to be affected by worldwide macroeconomic factors, which include uncertainties in the credit and capital markets. External factors that affect our stock price, such as liquidity requirements of our investors, as well as our performance, could impact our market capitalization, revenue and operating results, which, in turn, could affect our ability to comply with the NYSE American's listing standards. The NYSE American has the ability to suspend trading in our common stock or remove our common stock from listing on the NYSE American if in the opinion of the exchange: (a) the financial condition and/or operating results of the Company appear to be unsatisfactory; or (b) it appears that the extent of public distribution or the aggregate market value of our common stock has become so reduced as to make further dealings on the exchange inadvisable; or (c) we have sold or otherwise disposed of our principal operating assets, or have ceased to be an operating company; or (d) we have failed to comply with our listing agreements with the exchange (which include that we receive additional listing approval from the exchange prior to us issuing any shares of common stock, something we have inadvertently failed to comply with in the past); or (e) any other event shall occur or any condition shall exist which makes further dealings on the exchange unwarranted.

On August 3, 2017, we received notice from the NYSE American that the Company is not in compliance with Sections 1003(a)(i) through (iii) of the NYSE American Company Guide (the "Guide") in that we reported a stockholders' deficit of \$10.6 million as of March 31, 2017 and net losses in our five most recent fiscal years then ended, meaning that we (i) had stockholders' equity of less than \$2,000,000 and sustained losses from continuing operations and/or net losses in two of our three most recent fiscal years; (ii) had stockholders' equity of less than \$4,000,000 and sustained losses from continuing operations and/or net losses in three of our four most recent fiscal years; and (iii) had stockholders' equity of less than \$6,000,000 and sustained losses from continuing operations and/or net losses in our five most recent fiscal years. In order to maintain our listing on the Exchange, the Exchange had requested that the Company submit a plan of compliance by September 5, 2017 addressing how the Company intends to regain compliance with Sections 1003(a)(i), (ii) and (iii) of the Guide by August 3, 2018. The Exchange extended the date to submit a plan to September 20, 2017 and the plan was submitted timely by the extended deadline.

On October 5, 2017, we received an additional notification from the Exchange that our securities had been selling for a low price per share for a substantial period of time and that the Company's common stock had a 30-day average price below \$0.20 as of October 5, 2017. Pursuant to Section 1003(f)(v) of the NYSE American Company Guide, the NYSE American staff determined that the Company's continued listing was predicated on it effecting a reverse stock split of its common stock or otherwise demonstrating sustained price improvement within a reasonable period of time, which the staff determined to be until April 5, 2018. Effective on March 5, 2018, we effected a 1-for-25 reverse stock split of our outstanding common stock which satisfied the NYSE American's continued listing requirements as to the trading price of our common stock.

On November 3, 2017, the Company was notified that the Exchange accepted the Company's plan to regain compliance with the Exchange's continued listing standards set forth in Sections 1003(a)(i), (ii) and (iii) of the Guide by August 3, 2018, subject to periodic review by the Exchange for compliance with the initiatives set forth in the plan.

On July 17, 2018, the Exchange granted the Company an extension for compliance with its listing requirements through December 15, 2018, subject to compliance with initiatives outlined in the Company's compliance plan.

On December 14, 2018, the Exchange granted the Company a further extension for compliance with its listing requirements through February 3, 2019, subject to compliance with initiatives outlined in the Company's compliance plan.

On February 1, 2019, the Company filed a Current Report on Form 8-K, confirming to the Exchange that the Company, as of January 31, 2019, had over approximately \$7.4 million of stockholders' equity, which exceeds the \$6 million minimum amount of stockholders' equity the Company is required to maintain pursuant to Sections 1003(a)(i) through (iii) of the Guide. Notwithstanding that filing, the Exchange advised the Company that it is waiting until after the Company files this Current Report on Form 10-Q to formally confirm the Company's re-compliance with Sections 1003(a)(i) through (iii) of the Guide. Provided that the Exchange has confirmed that the Company's stockholders' equity as set forth in this report exceeds \$6 million, the Exchange has advised the Company that it will confirm such compliance. As set forth above, we had stockholders' equity of \$7.6 million as of December 31, 2018, and as such, we anticipate the Exchange confirming our compliance with Sections 1003(a)(i) through (iii) of the Guide shortly after the filing of this report.

Notwithstanding the above, the Exchange has not yet formally confirmed our re-compliance with Sections 1003(a)(i) through (iii) of the Guide, we are currently not deemed in compliance with the Exchange continued listing standards (including Sections 1003(a)(i) through (iii) of the Guide), and if the Exchange does not confirm our compliance with Sections 1003(a)(i) through (iii) of the Guide and/or if the Company becomes non-compliant with any of the other listing requirements of the NYSE Regulation, the NYSE Regulation staff may initiate delisting proceedings as appropriate.

Separate from the above, on December 3, 2018, we received notification from the NYSE American that the Company's securities have been selling for a low price per share for a substantial period of time. Pursuant to Section 1003(f)(v) of the Guide, the NYSE American staff determined that the Company's continued listing is predicated on it effecting a reverse stock split of its common stock or otherwise demonstrating sustained price improvement within a reasonable period of time, which the staff determined to be until June 3, 2019. As described above, on December 24, 2018, we effected a 1-for-25 reverse stock split of the Company's outstanding common stock and authorized common stock which we believe satisfied the NYSE American's continued listing requirements as to the trading price of our common stock.

If we are unable to regain compliance with the NYSE American criteria for continued listing, our common stock would be subject to delisting. A delisting of our common stock could negatively impact us by, among other things, reducing the liquidity and market price of our common stock and reducing the number of investors willing to hold or acquire our common stock, which could negatively impact our ability to raise equity financing. In addition, delisting from the NYSE American might negatively impact our reputation and, as a consequence, our business. Additionally, if we were delisted from the NYSE American and we are not able to list our common stock on another national exchange we will no longer be eligible to use Form S-3 registration statements (which we are currently unable to use due to our prior defaults with IBC Bank) and will instead be required to file a Form S-1 registration statement for any primary or secondary offerings of our common stock, which would delay our ability to raise funds in the future, may limit the type of offerings of common stock we could undertake, and would increase the expenses of any offering, as, among other things, registration statements on Form S-1 are subject to SEC review and comments whereas take downs pursuant to a previously filed Form S-3 are not.

***The full amount of premiums, interest and dividends through the maturity date of each applicable security held by the Investor is due upon the repayment/redemption (where applicable), exercise or conversion, as applicable, of the Series C Preferred Stock.***

The Series C Preferred Stock provides that all applicable dividends (due under the terms of the Series C Preferred Stock), which initially accrued in the amount of 6% per annum and which increase or decrease subject to the terms of the applicable securities, based on among other things, the trading price of the Company's common stock, up to a maximum of 34.95% per annum (which interest rate is currently 34.95% for the outstanding Series C Preferred Stock sold in October 2017 and 34.95% for the outstanding Series C Preferred Stock sold in October 2018 and December 2018), are due upon conversion or redemption thereof, for the full seven year term of such securities.

The requirement that we pay all premiums and dividends through maturity and the adjustable nature of such premium and dividend rates, may force us to issue the Investor significant additional shares of common stock, which may cause significant dilution to existing stockholders. The requirement that we pay all premiums and dividends through maturity may make it too costly for us to redeem the Investor's securities, prior to conversion thereof, as applicable.

***The number of shares of common stock issuable in consideration for premiums, interest and dividends through maturity on the Series C Preferred Stock continue to be adjustable after the conversion of such securities.***

Pursuant to the terms of the Series C Preferred Stock, the conversion rate of such securities in connection with the premiums and dividends due on such securities through maturity (7 years, regardless of when converted), continues to be adjustable after the issuance of such securities. Specifically, such securities remain adjustable, based on a discount to the lowest daily volume weighted average price during a measuring period for a period of 60 days *after* the applicable number of shares stated in the initial conversion notice have actually been received into the Investor's designated brokerage account in electronic form and fully cleared for trading (subject to certain extensions described in the applicable securities). Because the Investor is limited to holding not more than 9.99% of the Company's common stock upon exercise/conversion of any security, the Investor will not receive all of the shares due upon any conversion, until it has sold shares and been issued additional shares and as such, the beginning date for the applicable 30 or 60 day period after conversion is impossible to determine and may be a significant additional number of days after the initial conversion by the Investor.

In the event of a decrease in the Company's stock price during the applicable measuring periods, the conversion rate of the premiums and dividends due on such applicable securities will adjust downward and the Investor will be due additional shares of common stock, which issuances may cause further significant dilution to existing shareholders and the sale of such shares may cause the value of the Company's common stock to decline in value. Furthermore, it is likely that the sale by the Investor of the shares of common stock which the Investor receives in connection with any conversion, during the applicable measuring period, will cause the value of the Company's common stock to decline in value and the conversion rate to decrease and will result in the Investor being due additional shares of common stock during the measuring period, which will trigger additional decreases in the value of the Company's common stock upon further public sales by the Investor. If this were to occur, the Investor would be entitled to receive an increasing number of shares, upon conversion of the remaining securities, which could then be sold, triggering further price declines and conversions for even larger numbers of shares, which would cause additional dilution to our existing stockholders and would likely cause the value of our common stock to decline.

***The issuance of common stock upon conversion of the Series C Preferred Stock will cause immediate and substantial dilution and the sale of such stock will cause significant downward pressure on our stock price.***

The issuance of common stock upon conversion of the Series C Preferred Stock will result in immediate and substantial dilution to the interests of other stockholders. Although the Investor may not receive shares of common stock exceeding 9.99% of our outstanding shares of common stock immediately after affecting such conversion, this restriction does not prevent the Investor from receiving shares up to the 9.99% limit, selling those shares, and then receiving the rest of the shares it is due, in one of more tranches, while still staying below the 9.99% limit. If the Investor chooses to do this, it will cause substantial dilution to the then holders of our common stock. Additionally, the continued sale of shares issuable upon successive conversions will likely create significant downward pressure on the price of our common stock as the Investor sells material amounts of our common stock over time and/or in a short period of time. This could place further downward pressure on the price of our common stock and in turn result in the Investor receiving an ever increasing number of additional shares of common stock upon conversion of its securities, and adjustments thereof, which in turn will likely lead to further dilution, reductions in the exercise/conversion price of the Investor's securities and even more downward pressure on our common stock, which could lead to our common stock becoming devalued or worthless.

***To the best of our knowledge, the Investor has taken the position that the conversion and other prices and metrics of the Series C Preferred Stock is not adjusted in connection with the Company's stock splits.***

To the best of our knowledge, the Investor has taken the position that the conversion price, \$3.25 per share, of the Series C Preferred Stock, and the other terms thereof, including the that the conversion rate of conversion premiums due thereon which equals 95% of the average of the lowest 5 individual daily volume weighted average prices during the applicable measuring period, not to exceed 100% of the lowest sales prices on the last day of the applicable measuring period, less \$0.05 per share of common stock, unless a triggering event has occurred, in which case the conversion rate equals 85% of the lowest daily volume weighted average price during the applicable measuring period, less \$0.10 per share of common stock not to exceed 85% of the lowest sales prices on the last day of such applicable measuring period, less \$0.10 per share, is not adjusted in connection with the Company's stock splits, and therefore the December 24, 2018, 1-for-25 reverse stock split had no effect on such prices and terms.

***The Investor holds an approximately \$75 million liquidation preference in the Company.***

Each share of Series C Preferred Stock held by the Investor includes a liquidation preference, payable to the Investor upon any liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, after payment or provision for payment of debts and other liabilities of the Company, *prior to* any distribution or payment made to the holders of preferred stock or common stock, by reason of their ownership thereof equal to \$10,000 ("Face Value"), plus an amount equal to any accrued but unpaid dividends thereon. Because the dividends currently require that interest be paid on the Face Value of between 24.95% and 34.95% per annum, for the entire seven year term of the Series C Preferred Stock (even if payable sooner than seven years after the issuance date), the total liquidation value required to be paid to the Investor upon a liquidation, dissolution or winding up of the Company is approximately \$75 million as of December 31, 2018. As referenced above, this liquidation preference would be payable prior to any amount being distributed to the holders of our common stock. Because our net assets total significantly less than \$75 million, it is likely that our common stockholders would not receive any amount in the event the Company was liquidated, dissolved or wound up, and that the Investor would instead receive the entire amount of available funds after liquidation.

***The Investor effectively has the ability to consent to any material transaction involving the Company.***

Due to the restrictions placed on the Company as a result of the Investor's securities (and the outstanding balances thereof), including the Series C Preferred Stock, including, but not limited to the significant liquidation preference discussed above and the fact that, as long as the Investor holds any shares of Series C Preferred Stock, we agreed that we would not issue or enter into or amend an agreement pursuant to which we may issue any shares of common stock, other than (a) for restricted securities with no registration rights, (b) in connection with a strategic acquisition, (c) in an underwritten public offering, or (d) at a fixed price; or issue or amend any debt or equity securities convertible into, exchangeable or exercisable for, or including the right to receive, shares of common stock (i) at a conversion price, exercise price or exchange rate or other price that is based upon or varies with, the trading prices of or quotations for the shares of common stock at any time after the initial issuance of the security or (ii) with a conversion, exercise or exchange price that is subject to being reset at some future date after the initial issuance of the security or upon the occurrence of specified or contingent events directly or indirectly related to the business of the Company or the market for the common stock, the Investor has to effectively consent to any material transaction involving the Company. In the event the Investor does not consent to any such transaction, we may be prohibited (either effectively or otherwise) from completing a material transaction in the future, including, but not limited to a combination or acquisition which may be accretive to shareholders. Furthermore, the Investor may condition the approval of a future transaction, which conditions may not be favorable to shareholders.

***We are currently seeking merger and acquisition opportunities and may choose to enter into a merger and/or acquisition transaction in the future.***

We have had discussions with multiple investment banking firms to assist with identifying a merger or acquisition candidate and are contemplating engaging a firm in the event that a transaction is not completed with any of the current opportunities being explored in the near future. The Company has been actively seeking and considering acquisitions and merger candidates, but intends to aggressively expand and expedite the scope of the process to identify accretive transactions. While we have not entered into any definitive agreements or understandings to merge with or acquire any entity, in the event that we do enter into a merger and/or acquisition with a separate company in the future, our majority shareholders may change and new shares of common stock or preferred stock could be issued resulting in substantial dilution to our then current shareholders. As a result, our new majority shareholders may change the composition of our Board of Directors and could replace our current management. The new management could similarly change our business focus and/or our business focus could change as a result of the merger or acquisition transaction, and we can make no assurances that our new management will be able to properly manage our direction or that any change in our business focus will be successful. If we do enter into a merger or acquisition, and management (either our current management or new management which comes on as a result of such transaction) fails to properly manage and direct our operations, we may be forced to scale back or abandon our operations, which will cause the value of our common stock to decline or become worthless. We have not entered into any merger or acquisition agreements as of the date of this filing.

\* \* \* \* \*

The Risk Factors described in our Annual Report on Form 10-K for the year ended March 31, 2018 relating to the Company's prior loan (now satisfied) with Louis H. Rogers and security interests thereon, the amount due and owed to IBC Bank, our default of the IBC Bank loan, IBC Bank's security interests, our prior substantial indebtedness, the prior letter of intent entered into in contemplation of the Assumption Agreement, and the risks relating to the First Warrant (which has been fully exercised), are no longer applicable as a result of among other things, the transactions described above under "Part I. Financial Statements – Note 2 – Liquidity and Going Concern Considerations".

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

An aggregate of 176,716 shares of common stock were issued to the Investor in connection with the exercise of the Warrant during fiscal year 2017 (8,000), fiscal year 2018 (156,380), and 12,336 shares were issued in April 2018. The First Warrant has been fully-exercised and extinguished to date.

As of February 8, 2019, the Investor had converted 567 shares of Series C Preferred Stock into 4,753,582 shares of common stock (when including true ups). Additionally, the 1,674 remaining unconverted shares of Series C Preferred Stock sold pursuant to the terms of the October 2017 Purchase Agreement, the 369 shares of Series C Preferred Stock sold pursuant to the October 2018 Purchase Agreement and the 262 shares of Series C Preferred Stock sold pursuant to the November 2018 Purchase Agreement (provided that the shares of Series C Preferred Stock which were sold in 2018 are not eligible to be issued until the issuance of such shares is approved by the Company's shareholders and the NYSE American, which has not occurred to date), can convert, pursuant to their terms, and including conversion premiums thereon, into approximately 2,070,892,015 shares of common stock, subject to further adjustments pursuant to the terms of the Series C Preferred Stock, including true ups thereon, based on conversion prices of \$0.025, which conversion price may actually be significantly less than such estimate and which shares due may be significantly greater, as of the date of this filing.

The sales and issuances of the securities described above have been determined to be exempt from registration under the Securities Act in reliance on Sections 3(a)(9) and 4(a)(2) of the Securities Act, Rule 506 of Regulation D promulgated thereunder and Regulation S promulgated thereunder, as transactions by an issuer not involving a public offering. The warrant holder/preferred stock holder has represented that it is an accredited investor, as that term is defined in Regulation D, it is not a U.S. Person, and that it is acquiring the securities for its own account.

As of September 30, 2018, the 408,508 outstanding shares of Series B Preferred Stock had accrued \$153,191 in dividends. The Company determined to pay the dividends, plus an additional \$28,088 in dividends which had accrued on 364,508 shares of Series B Preferred Stock which were converted into common stock in October 2018, by way of the issuance of an aggregate of 77 shares of its common stock to the preferred shareholders pursuant to the terms of the designation (which provides that the Shares shall be based on a value of \$2,187.50 per share). The beneficial owners of the Series B Preferred Stock as of September 30, 2018, were Richard N. Azar, II, the Company's former Chief Executive Officer and former director, and Alan Dreeben, the Company's former director. The converted shares were held by Mr. Azar. In January 2019, the Company issued the 77 shares of common stock.

As of December 31, 2018, the 44,000 outstanding shares of Series B Preferred Stock had accrued \$16,500 in dividends. The Company plans to pay the dividends by way of the issuance of an aggregate of 8 shares of its common stock to the preferred shareholder pursuant to the terms of the designation (which provides that the Shares shall be based on a value of \$2,187.50 per share). The beneficial owner of the Series B Preferred Stock as of December 31, 2018, was Alan Dreeben, the Company's former director. To date, the accrued dividend outstanding as of December 31, 2018 has not been paid, provided that the Company plans to issue the 8 shares due promptly after receiving NYSE American additional listing approval for such issuance.

On November 15, 2018, we entered into a consulting agreement with Regal Consulting, an investor relations firm, pursuant to which the firm agreed to provide the Company investor relations and consulting services, for a period of six months, in consideration for \$28,000 and 8,000 restricted shares of the Company's common stock, per month. In January 2019, we issued 16,000 shares of restricted common stock to Regal for the months of November and December 2018.

As the issuance of the common stock in satisfaction of the dividends will not involve a "sale" of securities under Section 2(a)(3) of the Securities Act, we believe that no registration of such securities, or exemption from registration for such securities, is required under the Securities Act. Notwithstanding the above, to the extent such shares are deemed "sold or offered", we plan to claim an exemption from registration pursuant to Section 4(a)(2) and/or Rule 506(b) of Regulation D of the Securities Act, since the transaction will not involve a public offering, the recipients are "accredited investors", and will acquire the securities for investment only and not with a view towards, or for resale in connection with, the public sale or distribution thereof. The securities will be subject to transfer restrictions, and the certificates evidencing the securities contain an appropriate legend stating that such securities have not been registered under the Securities Act and may not be offered or sold absent registration or pursuant to an exemption therefrom. The securities will not be registered under the Securities Act and such securities may not be offered or sold in the United States absent registration or an exemption from registration under the Securities Act and any applicable state securities laws.

On October 5, 2017, the Company and the Investor entered into a Stock Purchase Agreement, amended on March 2, 2018 (as amended, the "October 2017 Purchase Agreement") pursuant to which the Company agreed to sell, pursuant to the terms thereof, 1,684 shares of our Series C Preferred Stock for \$16 million (a 5% original issue discount to the face value of such shares), subject to certain conditions set forth therein.

During the year ended March 31, 2018, the Company sold the Investor an aggregate of 633 shares of Series C Preferred Stock for \$6 million under the terms of the October 2017 Purchase Agreement.

During the three and nine-month periods ended December 31, 2018, the Company sold 632 and 1,577 shares of Series C Preferred Stock pursuant to the terms of the October 2017 Purchaser Agreement, October 2018 Purchase Agreement and November 2018 Purchase Agreement (as applicable), for total consideration of \$6 million and \$15 million, respectively. As of December 31, 2018 and March 31, 2018, there were 2,305 and 1,132 shares of Series C Preferred Stock outstanding, respectively.

During the three and nine-month periods ended December 31, 2018, the Investor converted 10 and 404 shares of the Series C Preferred stock with a face value of \$0.4 million and \$4.34 million for a total of 5.5 million shares of common stock issued.

The terms of the October 2017 Purchase Agreement, the rights and preferences of the Series C Preferred Stock (which Series C Preferred Stock sold pursuant to the October 2017 Purchase Agreement currently has a dividend rate of 34.95% per year) and related items are described in greater detail in the Current Report on Form 8-K filed by the Company with the Securities and Exchange Commission on October 5, 2017.

On April 6, 2016, the Company entered into a Securities Purchase Agreement with the Investor, pursuant to which the Company issued a redeemable convertible subordinated debenture, with a face value of \$530,000, initially convertible into shares of common stock at a conversion price equal to \$81.25 per share. The debenture matures in seven years and accrues interest at a rate of 6.0% per annum. Due to the prior decline in the price of our common stock and that a trigger event occurred on June 30, 2016 as a result of the delay in filing our Annual Report on Form 10-K for the year ended March 31, 2016, the premium rate on the debenture increased from 6% to 34% and the conversion discount became 85% of the lowest daily volume weighted average price during the measuring period (60 days prior to and 60 days after the last date that the Investor receives the last of the shares due), less \$62.50 per share of common stock not to exceed 85% of the lowest sales price on the last day of such period less \$62.50 per share.

On August 23, 2017, the Investor converted \$35,000 of the principal amount of the Debenture into an aggregate of 2,808 shares of common stock, which included 17 shares for conversion of principal and 2,790 shares for premiums.

On April 20, 2018, the Investor was issued 5,679 shares of common stock as a result of true-ups in connection with the August 23, 2017 conversion of the Debenture.

On October 31, 2018, the Investor converted the entire \$495,000 of principal and accrued interest of \$422,103 owed under the terms of the debenture, into an aggregate of 801,506 shares of common stock, including 6,092 shares of common stock issuable upon conversion of the principal amount thereof (at a conversion price of \$81.25 per share), and 795,414 shares in connection with conversion premiums due thereon (at a conversion price, as calculated as provided in such debenture, of \$1.52 per share). A total of 100,000 of such shares were issued to the Investor in connection with the conversion and the remaining shares were held in abeyance subject to the Investor's 9.99% ownership limitation, to be issued from time to time, at the request of the Investor, which shares have been fully issued to date, provided that shares for true ups remain to be issued.

In October 2018, Richard N. Azar II, both on his own behalf and on behalf of the entities which he beneficially owned, converted all 364,508 shares of Series B Preferred Stock which he beneficially owned into an aggregate of 4,166, of which 497 shares of converted common stock (along with a total of 113 shares previously beneficially owned by Mr. Azar) were immediately cancelled pursuant to the terms of the Segundo Settlement, described above under “Part I. Financial Information” – “Item 1. Financial Statements” – “Note 2 – Liquidity and Going Concern Considerations” – “Segundo Settlement”.

The sale and issuance of the securities have been determined to be exempt from registration under the Securities Act in reliance on Sections 3(a)(9) and 4(a)(2) of the Securities Act, Rule 506 of Regulation D promulgated thereunder and Regulation S promulgated thereunder, as transactions by an issuer not involving a public offering. The Investor has represented that it is an accredited investor, as that term is defined in Regulation D. The Investor also has represented that it is acquiring the securities for investment purposes only and not with a view to or for sale in connection with any distribution thereof.

In October 2018, we issued 2,000 shares of restricted common stock to a consultant pursuant to the terms of a consulting agreement.

The sale and issuance of the securities have been determined to be exempt from registration under the Securities Act in reliance on Section 4(a)(2) of the Securities Act, Rule 506 of Regulation D promulgated thereunder and Regulation S promulgated thereunder, as transactions by an issuer not involving a public offering.

On November 15, 2018, we entered into a consulting agreement with Regal Consulting, an investor relations firm, pursuant to which the firm agreed to provide the Company investor relations and consulting services, for a period of six months, in consideration for \$28,000 and 8,000 restricted shares of the Company’s common stock, per month.

On December 4, 2018, we sold the Investor 262 shares of Series C Preferred Stock for total proceeds of \$2.5 million.

The sale and issuance of the securities described above have been determined to be exempt from registration under the Securities Act in reliance on Section 4(a)(2) of the Securities Act and Rule 506 of Regulation D promulgated thereunder, as transactions by an issuer not involving a public offering. The recipient has represented that it is an accredited investor, as that term is defined in Regulation D.

On February 13, 2019, and effective on January 31, 2019, the Company entered into a First Amendment to the Consulting Agreement previously entered into with Regal Consulting, an investor relations firm, on November 15, 2018. Pursuant to the First Amendment, the parties agreed to expand the investor relations services required to be provided by Regal Consulting under the agreement in consideration for \$50,000 per month and 50,000 restricted shares of common stock per month (the “Regal Shares”)(which are fully-earned upon issuance) during the term of the agreement, and agreed to extend the term of the agreement until October 1, 2019 (unless the Company completes an acquisition or combination prior to such date).

On February 13, 2019, we entered into a letter agreement with SylvaCap Media (“SylvaCap”), pursuant to which SylvaCap agreed to act as the Company’s non-exclusive digital marketing service provider. Pursuant to the terms of the agreement, SylvaCap agreed to provide us public awareness and content creation services in consideration for an aggregate of 600,000 shares of restricted common stock (the “SylvaCap Shares”), which are fully-earned upon their issuance, and \$50,000 per month during the term of the agreement, which ends on November 12, 2019 (unless the Company completes an acquisition or combination prior to such date) or upon termination by either party for cause. We also agreed to provide SylvaCap piggy-back registration rights in connection with the SylvaCap Shares and to pay SylvaCap \$6,250 every three months as an expense reimbursement.

The sale and issuance of the Regal Shares and SylvaCap Shares have been determined to be exempt from registration under the Securities Act in reliance on Section 4(a)(2) of the Securities Act, Rule 506 of Regulation D promulgated thereunder and Regulation S promulgated thereunder, as transactions by an issuer not involving a public offering.

#### ***Use of Proceeds from Sale of Registered Securities***

None.

#### ***Issuer Purchases of Equity Securities***

None.

#### **ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

#### **ITEM 4. MINE SAFETY DISCLOSURES.**

Not Applicable.

#### **ITEM 5. OTHER INFORMATION.**

On February 13, 2019, and effective on January 31, 2019, the Company entered into a First Amendment to the Consulting Agreement previously entered into with Regal Consulting, an investor relations firm, on November 15, 2018. Pursuant to the First Amendment, the parties agreed to expand the investor relations services required to be provided by Regal Consulting under the agreement in consideration for \$50,000 per month and 50,000 restricted shares of common stock per month (the “Regal Shares”)(which are fully-

earned upon issuance) during the term of the agreement, and agreed to extend the term of the agreement until October 1, 2019 (unless the Company completes an acquisition or combination prior to such date).

On February 13, 2019, we entered into a letter agreement with SylvaCap Media (“SylvaCap”), pursuant to which SylvaCap agreed to act as the Company’s non-exclusive digital marketing service provider. Pursuant to the terms of the agreement, SylvaCap agreed to provide us public awareness and content creation services in consideration for an aggregate of 600,000 shares of restricted common stock (the “SylvaCap Shares”), which are fully-earned upon their issuance, and \$50,000 per month during the term of the agreement, which ends on November 12, 2019 (unless the Company completes an acquisition or combination prior to such date) or upon termination by either party for cause. We also agreed to provide SylvaCap piggy-back registration rights in connection with the SylvaCap Shares and to pay SylvaCap \$6,250 every three months as an expense reimbursement.

The sale and issuance of the Regal Shares and SylvaCap Shares have been determined to be exempt from registration under the Securities Act in reliance on Section 4(a)(2) of the Securities Act, Rule 506 of Regulation D promulgated thereunder and Regulation S promulgated thereunder, as transactions by an issuer not involving a public offering.

**ITEM 6. EXHIBITS.**

See the Exhibit Index following the signature page to this Quarterly Report on Form 10-Q for a list of exhibits filed or furnished with this report, which Exhibit Index is incorporated herein by reference.

## 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)
- [2.3](#) Second Amendment to Asset Purchase Agreement by and Between N&B Energy, LLC, as Purchaser, Camber Energy, Inc., as Seller and CE Operating, LLC, dated September 24, 2018 (Filed as Exhibit 2.3 to the Company's Report on Form 8-K, filed with the Commission on September 25, 2018 and incorporated herein by reference) (File No. 001-32508)
- [3.1](#) 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 August 25, 2016 (Filed as Exhibit 3.2 to the Company's Current Report on Form 8-K, filed with the Commission on August 31, 2016, and incorporated herein by reference)(File No. 001-32508)
- [3.2](#) 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)
- [3.3](#) Certificate of Change Pursuant to Nevada Revised Statutes Section 78.209, as filed by Camber Energy, Inc. with the Secretary of State of the State of Nevada on December 20, 2018
- [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)
- [10.6](#) Assumption Agreement dated September 26, 2018, by and between International Bank of Commerce, Camber Energy, Inc., CE Operating, LLC, N&B Energy, LLC, Richard N. Azar, II, RAD2 Minerals, Ltd., Donnie B. Seay, and DBS Investments, Ltd. (Filed as Exhibit 10.1 to the Company's Report on Form 8-K, filed with the Commission on September 27, 2018 and incorporated herein by reference) (File No. 001-32508)
- [10.7](#) Assignment of Production Payment, effective August 1, 2018, by and among N&B Energy, LLC and CE Operating, LLC (Filed as Exhibit 10.2 to the Company's Report on Form 8-K, filed with the Commission on September 27, 2018 and incorporated herein by reference) (File No. 001-32508)
- [10.8](#) Assignment of Overriding Royalty Interest, effective August 1, 2018, by CE Operating, LLC in favor of Camber Royalties, LLC (Orion Properties) (Filed as Exhibit 10.3 to the Company's Report on Form 8-K, filed with the Commission on September 27, 2018 and incorporated herein by reference) (File No. 001-32508)

- [10.9](#) Assignment of Overriding Royalty Interest, effective August 1, 2018, by N&B Energy, LLC in favor of Camber Royalties, LLC (TAW Leases) (Filed as Exhibit 10.4 to the Company's Report on Form 8-K, filed with the Commission on September 27, 2018 and incorporated herein by reference) (File No. 001-32508)
- [10.10](#) Form of Stock Purchase Agreement relating to the purchase of \$3.5 million in shares of Series C Redeemable Convertible Preferred Stock dated October 26, 2018 (Filed as Exhibit 10.1 to the Company's Report on Form 8-K, filed with the Commission on November 1, 2018 and incorporated herein by reference) (File No. 001-32508)
- [10.11](#) Consulting Agreement dated November 15, 2018, by and between Camber Energy, Inc. and Regal Consulting (Filed as Exhibit 10.1 to the Company's Report on Form 8-K, filed with the Commission on November 20, 2018 and incorporated herein by reference) (File No. 001-32508)
- [10.12](#) Form of Stock Purchase Agreement relating to the purchase of \$28 million in shares of Series C Redeemable Convertible Preferred Stock dated November 23, 2018 (Filed as Exhibit 10.1 to the Company's Report on Form 8-K, filed with the Commission on November 23, 2018 and incorporated herein by reference) (File No. 001-32508)
- [10.13](#) Form of First Amendment to Stock Purchase Agreement relating to the purchase of \$28 million in shares of Series C Redeemable Convertible Preferred Stock dated December 3, 2018 (Filed as Exhibit 10.2 to the Company's Report on Form 8-K, filed with the Commission on December 7, 2018 and incorporated herein by reference) (File No. 001-32508)
- [10.14\\*](#) Digital Marketing Agreement dated February 13, 2019 by and between Camber Energy, Inc. and SylvaCap Media
- [10.15\\*](#) First Amendment to Consulting Agreement dated February 13, 2019 by and between Camber Energy, Inc. and Regal Consulting
- [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
- [32.2\\*\\*](#) Section 906 Certification of Periodic Report of Principal Financial Officer
- \*101.INS XBRL Instance Document.
- \*101.SCH XBRL Schema Document.
- \*101.CAL XBRL Calculation Linkbase Document.
- \*101.LAB XBRL 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.



CONFIDENTIAL

February 12, 2019

Camber Energy, Inc.  
1415 Louisiana, Suite 3500  
Houston, Texas 77002

Mr. Schott:

Sylva International LLC dba SylvaCap Media ("Sylva") is pleased to act as a non-exclusive digital marketing service provider to Camber Energy, Inc. (the "Company"). This agreement (the "Agreement") is entered into as of February 12, 2019 (the "Effective Date"), by and between the Company and Sylva. The Company and Sylva may be collectively referred to as the "Parties". Sylva will perform the services set forth in this Agreement in accordance with the following terms and conditions.

1. **Services Provided.** For the purpose of increasing public awareness about the Company, Sylva shall create content in the form of audio, video, or written materials ("Content"), not including social media posts. Content may also include Company press releases that are republished on a Sylva Website (defined below).

Sylva agrees to provide the following services to the Company (the "Services"), during the Term:

- a) Sylva will create Content suitable for publication on a website owned and operated by Sylva (a "Sylva Website");
- b) The Content shall include at least eight (8) short videos, roughly one minute in length each, produced by Sylva and featuring the Company's Chief Executive Officer;
- c) Sylva shall initiate one or more marketing campaigns to advertise Content published on the Sylva Website; and
- d) At the conclusion of the Term, Sylva guarantees that the Content marketed by Sylva will have received a cumulative total of at least **4,200,000 impressions** and **400,000 conversions**.

The number of impressions and conversions shall be determined by independent third-party reports, which Sylva shall make available to the Company. An "impression" shall be defined as the number of times an ad has been visible on a placement site (could be multiple times per user); "conversions" may also be referred to as "views," "page views," "click through", or other similar term, and shall be defined as the number of times a user accessed Content by interacting with a campaign ad.

- e) Sylva shall include a brief description of the Company in each newsletter published by Sylva during the Term. The description shall be featured in the "Spotlight" section of the newsletter.

516 SW 13<sup>th</sup> Street, Suite 201  
Bend, OR 97702

---



- f) Sylva shall create and publish a Tweet on Sylva's Twitter account (@Sylvacap), at least two (2) times every thirty (30) days. The Tweet shall be about the Company and may or may not also include news and information germane to the business sector in which the Company operates. Tweets shall include a hash-tag (“#”) and/or dollar sign (“\$”) with the Company's ticker.
2. **Service Fee.** In consideration for the Services provided under this Agreement, the Company shall pay a monthly service fee of *Fifty Thousand U.S. Dollars* (\$50,000) (the “Cash Fee”). In addition, the Company shall pay a one-time, non-refundable, stock fee of *Six Hundred Thousand Shares* (600,000) shares of the Company's restricted common stock (the “Stock”), due and payable upon receipt by the Company of additional listing approval for such shares by the NYSE American (the Cash Fee and Stock are collectively the “Service Fee”). The Stock shall be deemed fully vested, fully earned, not subject to forfeiture or rescission, free of any contingencies and fully paid for, on their date of issuance, and Sylva shall be deemed to hold all investment risk therewith on such issuance date.

Each installment of the Cash Fee shall be paid within five (5) days of the Company's receipt of Sylva's monthly invoice.

To facilitate the payment of Stock, the Company shall authorize the issuance of the Stock in book entry form at the transfer agent. The Company shall pay for any transfer agent and/or legal related costs that Sylva might incur in the process of removing the trading restrictions from the Stock, which includes but is not limited to, the Company providing a legal opinion for the Stock, provided the Stock meets the requirements for the removal of the restrictive legend under the 1933 Securities Act.

Company shall include the Shares on the next resale registration statement the Company files with SEC (other than a registration statement on Form S-8 or Form S-4), even if the registration statement is filed after the Effective Date, but before the shares have been earned by Sylva.

3. **Term.** This Agreement shall commence on the Effective Date and continue for a period of nine (9) months thereafter (the “Term”). This Agreement may be renewed for an additional term by mutual written ascent of the Parties. If this Agreement is renewed as provided herein, the renewal Agreement shall be identical to this Agreement. Additionally, this Agreement shall expire automatically on the date that the Company completes an acquisition of assets or securities or a combination with another company or companies (each a “Combination”).

**Acceleration.** If the Company terminates this Agreement prior to the end of the Term and pursuant to a Combination, any amount of unpaid Service Fees shall become immediately due and payable.

5. **Representations and Warranties.**

- a. Each Party represents and warrants to the other Party that: (i) it is duly organized, validly existing, and in good standing as a corporation or other entity as represented herein under the laws of its jurisdiction of incorporation, organization, or charter; (ii) its execution of this Agreement has been duly authorized by all necessary corporate or organizational action of such Party; (iii) when executed and delivered by it, this Agreement will constitute its legal, valid, and binding obligation, enforceable against it in accordance with its terms; and



- b. The Company represents and warrants that: (i) the information provided to Sylva by the Company shall be publicly available and factually accurate; (ii) the Company shall not cause Sylva to publish any Content that is factually inaccurate in any way; (iii) the Company shall not require Sylva to perform under this Agreement if such performance could violate state or Federal laws; (iv) the Company shall remove all restrictive legends from the Stock within five (5) business days of Sylva's valid request, with accompanying legal opinion in customary form, made pursuant to Rule 144 of the Securities and Exchange Act of 1933, or following the effective date of a Registration Statement filed by the Company, subject to Sylva's confirmation that it will only sell such Stock pursuant to the prospectus delivery requirements associated therewith; (v) during the Term, if the Company files a resale Registration Statement with the Securities and Exchange Commission ("SEC"), the Company shall include the Stock as part of the Registration Statement (except as discussed above). Sylva shall be granted the same rights, benefits, liquidated or other damages and indemnification granted to other holders of securities included in such Registration Statement. The Company will pay any and all expenses associated with the registration of Stock (as applicable); (vi) the Company has the ability to issue to Sylva all of the Stock owed under this Agreement without a shareholder vote and without increasing the number of authorized shares of common stock; and (vii) the Company shall not directly or indirectly take any action to impermissibly promote or "hype" the trading of the Company's securities contrary to applicable law, including the federal and state laws of the United States of America, or the polices of the SEC, nor shall the Company purposefully take any action which results in the Company being named on a website that identifies the Company as being engaged in promotional activities. Such sites include, but are not limited to [www.thelion.com](http://www.thelion.com) and [www.theotc.today.com](http://www.theotc.today.com).
- c. Sylva shall undertake all services hereunder in compliance with all applicable federal and state rules and regulations.
- d. In connection with each issuance of the Stock, Sylva agrees and confirms that Sylva is or will be acquiring the Stock, for its account, for investment purposes only and not with a view to, or for sale in connection with, a distribution, as that term is used in Section 2(11) of the Securities Act of 1933, as amended (the "Securities Act"), in a manner which would require registration under the Securities Act or any state securities laws. Sylva can bear the economic risk of investment in the Stock, has knowledge and experience in financial business matters, is capable of bearing and managing the risk of investment in the Stock and is an "accredited investor" as defined in Regulation D under the Securities Act. Sylva recognizes that the Stock has not been registered under the Securities Act, nor under the securities laws of any state and, therefore, cannot be resold unless the resale of the Stock is registered under the Securities Act or unless an exemption from registration is available. Sylva has carefully considered and has, to the extent it believes such discussion necessary, discussed with its professional, legal, tax and financial advisors, the suitability of an investment in the Stock for its particular tax and financial situation and its respective advisers, if such advisers were deemed necessary, have determined that the Stock is a suitable investment for it. Sylva has not been offered the Stock by any form of general solicitation or advertising, including, but not limited to, advertisements, articles, notices or other communications published in any newspaper, magazine, or other similar media or television or radio broadcast or any seminar or meeting where, to Sylva's knowledge, those individuals that have attended have been invited by any such or similar means of general solicitation or advertising. Sylva has had an opportunity to ask questions of and receive satisfactory answers from Company, or persons acting on behalf of the Company, concerning the terms and conditions of the Stock and Company, and all such questions have been answered to the full satisfaction of Sylva. Neither Company, nor any other party, has supplied Sylva any information regarding the Stock or an investment in the Stock other than as contained in this Agreement, and Sylva is relying on its own investigation and evaluation of the Company and the Stock and not on any other information.

6. **Removed.**

7. **Rights Associated with Sylva's Work Product.** This *is not* a work made for hire. Sylva shall be the sole and exclusive owner of all right, title, and interest in any Content produced in accordance with this Agreement. This includes any and all copyrights and moral rights and any other form of intellectual property rights recognized in any jurisdiction. If Sylva uses content published or provided by the Company, Company shall grant Sylva an unrestricted, royalty-free, perpetual, non-exclusive, irrevocable license to make, have made, use, market, import, distribute, copy, modify, prepare derivative works, perform, display, disclose, sublicense and otherwise exploit such content. Company irrevocably waives all rights under all laws (of the United States and all other countries) now existing or hereafter permitted, with respect to any and all purposes for which the Content may be used, provided however, that Sylva shall not engage in any illegal acts or activities related to Content.

8. **Distribution Rights.** Content created by Sylva under this Agreement may not be republished or distributed without Sylva's prior express written consent.

9. **Expenses.** In addition to the Service Fee, the Company shall pay an expense fee of Six Thousand Two Hundred U.S. Dollars (\$6,250) (the "Expense Fee"), due and payable every three (3) months during the Term, starting on the Effective Date. Sylva is authorized to take the entire Expense Fee upon receipt and may commingle it with Sylva's general funds.

10. **Late Fee.** Any portion of the Cash Fee or Expense Fee not paid within five (5) business days of the payment date stated in Sylva's invoice to the Company, shall be subject to a late fee. The late fee shall be paid in cash, and calculated as follows:

The total outstanding amount of the late payment, multiplied by eighteen percent (18%) or the maximum amount allowed by law (whichever is greater), divided by 12, divided by 30, multiplied by the number of days the payment is overdue (the "Cash Late Fee"). The Cash Late Fee shall accrue daily beginning on the day the payment is late through and including the date payment in full is received by Sylva.

The Company shall also incur a late if: (i) Stock is not delivered to Sylva's transfer agent as specified herein; (ii) if the restrictive legends are not removed from the Stock in the manner and time frame specified herein; or (iii) the Stock is not included in a registration statement as specified herein (the "Stock Late Fee").

Provided the Company acts in good faith to fulfill its obligations under this Agreement, the Stock Late Fee shall not accrue for any delay that occurs as a result of a third party not under the direct control of the Company. Such parties may include but are not limited to: federal government agencies, state government agencies, transfer agents, and broker dealers.

The Stock Late Fee shall be calculated as follows: The total amount of Stock owed to Sylva (calculated by multiplying the shares owed by the highest trading price achieved by the Company's stock between the date the breach occurred and the earlier of (a) the date the Stock Late Fee is paid; and (b) the date the issue giving rise to the Stock Late Fee is cured); multiplied eighteen percent (18%) or the maximum amount allowed by law (whichever is greater); divided by twelve (12); divided by thirty (30); multiplied by the number of days the payment is overdue. The Stock Late Fee shall accrue daily and shall begin accruing on the first day Sylva could have received the Stock had the Company fully performed in accordance with the Agreement. The Stock Late Fee shall continue to accrue through and including the date breach is cured.



The Parties agree the Stock Late Fee and Cash Late Fee are payable in cash and, as calculated herein, are intended to be the Parties' best estimate of Sylva's actual damages for such late payment, and is not a penalty.

11. **Waiver and Modification.** No waiver or modification of this Agreement or any covenant, condition, or limitation herein contained shall be valid unless made in writing and duly executed by the party to be charged therewith.
12. **Non-Exclusive Agreement.** The Company understands and acknowledges that Sylva provides other and similar services to various companies, which may conduct business activities similar to those of the Company. Nothing herein shall in any way preclude Sylva from engaging in any business activities, or from performing services for other companies that may be in competition with the Company.
13. **Non-Public Information.** BY SIGNING THIS AGREEMENT, THE COMPANY CERTIFIES THAT IT WILL NOT FURNISH SYLVA WITH ANY MATERIAL NONPUBLIC INFORMATION.
14. **Contract Rights are Not Assignable.** This Agreement and the rights hereunder, may not be assigned by either Party without the express written consent of the other Party.
15. **Severability.** Should any portion of this Agreement be found invalid, only that portion shall be invalidated and the remainder of the Agreement will remain in full force and affect.
16. **Non-Circumvention.** Sylva may engage third-party service providers in the course of performing under this Agreement. Company hereby agrees not to contact or engage the services of any third-party provider that was introduced to the Company by Sylva.
17. **Choice of Law.** The validity of this Agreement and the rights and liabilities of the Parties hereunder shall be determined in accordance with the laws of the State of Oregon.
18. **General Provisions.** No purported waiver or modification of any of the terms of this Agreement will be valid unless made in writing and signed by the Parties. Section headings used in this Agreement are for convenience only, are not a part of this Agreement and will not be used in construing any of the terms hereof. No failure or delay by either party to enforce at any time for any period the provisions hereof shall be construed as a waiver of such provision or of the right of such party to enforce thereafter each and every provision. No representation, promise, inducement or statement of intention has been made by either of the Parties which is to be embodied in this Agreement, and none of the Parties shall be bound by or liable for any alleged representation, promise, inducement or statement of intention, not so set forth herein. This Agreement shall supersede all prior understandings, discussions, and or negotiations. No provision of this Agreement shall be construed in favor of or against either of the Parties by reason of the extent to which either of the Parties or its counsel participated in the drafting hereof. This letter agreement may be executed in any number of counterparts and by facsimile signature.



19. **Termination for Cause.** Either Party shall have the right to terminate this Agreement and its performance thereunder immediately for Cause (as defined below). For purposes of this Agreement, “Cause” means the occurrence of one or more of the following: (a) a Party’s breach of the Representations and Warranties (Section 5); (b) a Party’s non-material breach of this Agreement that is not cured within ten (10) days of the breaching Party’s receipt of written notice pursuant to Notice (Section 20); (c) a Party becomes insolvent, files for bankruptcy protection, or is reasonably believed by the other Party to be insolvent; (d) a regulatory authority initiates an investigation into a Party (or a Party’s management team); or a civil suit is filed against a Party (or any member of a Party’s management team) alleging breach of fiduciary duty, money laundering, or similar misconduct. The Company shall have the right to terminate this Agreement upon the consummation of a Combination.

Notwithstanding anything to the contrary in this Agreement, Sylva shall have the right at its sole discretion to terminate this Agreement for Cause if the Company breaches any of its obligations under Service Fee (Section 2) or Representations and Warranties (Section 5), which the Parties agree are material terms of this Agreement. In the event Sylva elects to terminate this Agreement for Cause for the Company’s breach of the aforementioned Sections, the Company shall remain liable for late fees (if applicable) in accordance with Section 10 (Late Fee).

20. **Notice.** Any information or notices required to be given under this Agreement shall be in writing and shall be delivered either by (i) certified mail, return receipt requested, in which case notice shall be deemed delivered and received three (3) business days after deposit, postage prepaid, in the U.S. mail; (ii) a nationally recognized overnight courier, in which case notice shall be deemed delivered one (1) business day after deposit with such messenger or courier; (iii) personal delivery with receipt acknowledged in writing in which case notice shall be deemed delivered when received; or (iv) email, provided that for any notice of the breach of the Agreement the words “Notice of Breach” appear in the Subject Line. Notice by email shall be deemed to be received at the time the email is sent. All written notices shall be addressed as follows:

If to Company:

Camber Energy, Inc.  
Attn: Louis Schott  
1415 Louisiana, Suite 3500  
Houston, Texas 77002  
[lschott@camber.energy](mailto:lschott@camber.energy)

If to Sylva:

SylvaCap Media  
Attn: Ross Silver  
516 SW 13<sup>th</sup> Street, Suite 201  
Bend, OR 97702  
[Ross@sylvacap.com](mailto:Ross@sylvacap.com)

The foregoing addresses may be changed from time to time by written notice to the other Party in the manner herein provided.



21. **Privacy Policy Statement and SylvaCap Media Brochure.** Company acknowledges that it has read the Privacy Policy Statement and SylvaCap Media Brochure, attached hereto and incorporated by reference.
22. **Confidentiality.** The Company agrees not to disclose the terms of this Agreement, unless compelled to do so by a court of competent jurisdiction, or a state or federal regulatory authority, including, but not limited to the rules and regulations of the SEC.
23. **Limitation of Liability.** THE SERVICES AND THE WORK PRODUCT OF SYLVA ARE SOLD "AS IS". IN ALL CIRCUMSTANCES, SYLVA'S MAXIMUM LIABILITY TO THE COMPANY FOR DAMAGES FOR ANY AND ALL CAUSES WHATSOEVER, AND THE COMPANY'S MAXIMUM REMEDY, REGARDLESS OF THE CAUSE OF ACTION, SHALL BE LIMITED TO THE AMOUNT OF SERVICE FEES PAID TO SYLVA BY COMPANY. IN NO EVENT, SHALL SYLVA BE LIABLE FOR ANY LOST PROFITS, INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL, OR PUNATIVE DAMAGES, ARISING OUT OF OR RELATING TO THE SERVICES PROVIDED HEREUNDER.
24. **Arbitration.** Any controversy, dispute, or claim of whatever nature arising out of, or in connection with, or in relation to the interpretation, performance or breach of this Agreement, including any claim based on contract, tort, or statute, shall be settled, at the request of any party to this Agreement, by final and binding arbitration in Orange County, California, Texas by a single arbitrator. The sole arbitrator shall be selected by, and the arbitration shall be conducted and administered in accordance with the then existing Commercial Arbitration Rules of the American Arbitration Association. Judgment upon any award rendered by the arbitrator may be entered by any state or federal court having jurisdiction thereof. The losing Party shall pay for the prevailing Party's fees and expenses associated with the arbitration, including attorney fees, filing fees, arbitrator fees, arbitrator travel expenses, costs of depositions and/ or court reporting, and any such costs and fees incurred in the confirmation and enforcement of the arbitration award and any resulting judgment arising out of the arbitration award
25. **Indemnification.** Provided that Sylva has not disseminated any Content in contravention of the terms of this Agreement, the Company agrees to forever and completely indemnify Sylva, and its heirs, assignees, successors, agents, contractors, and employees, from any and all claims that arise from the information contained in the Content or the publication of the Content (Sylva and each such other persons are collectively and individually referred to below as "Indemnified Parties"). The Company shall indemnify the Indemnified Parties from and against any and all loss, claim, damage, liability and expense, as incurred, including, without limitation, reasonable legal and other fees and expenses incurred in connection with, and any amounts paid in settlement of, any action, suit or proceeding or any claim asserted, or regulatory action to which the Indemnified Parties may become subject. Company shall reimburse the Indemnified Parties for all expenses (including legal fees and expenses) in connection with the defense of any pending or threatened claim or any action or proceeding arising therefrom, whether or not the Indemnified Party is a party and whether or not such claim, action or proceeding is initiated or brought by the Company. No indemnification shall be required to be provided to any Indemnified Party if a court having competent jurisdiction has determined by final judgment (not subject to further appeal) that such indemnifiable damages hereunder resulted primarily and directly from the willful malfeasance or gross negligence of such Indemnified Party. The total liability of the Company hereunder shall not exceed the amount of fees actually received Sylva hereunder.
26. **Survival.** The following sections shall survive the termination or expiration of this Agreement: Section 7 (Rights Associated with Sylva's Work Product); Section 8 (Distribution Rights); Section 10 (Late Fee); Section 15 (Severability); Section 16 (Non-Circumvention); Section 17 (Choice of Law); Section 18 (General Provisions); Section 22 (Confidentiality); Section 23 (Limitation of Liability); Section 24 (Arbitration); and Section 25 (Indemnification).

{Signature Page to Follow}



**By signing this Agreement, both Parties acknowledge that they fully comprehend the terms of this Agreement and have had the opportunity to seek the advice of counsel, whether exercised or not.**

CAMBER ENERGY

*/s/ Louis Schott*

\_\_\_\_\_  
Name: Louis Schott

Title: Interim Chief Executive Officer

\_\_\_\_\_  
2/13/19

Date

SYLVACAP MEDIA

*/s/ Ross S. Silver*

\_\_\_\_\_  
Name: Ross S. Silver

Title: Chief Executive Officer

\_\_\_\_\_  
2/13/19

Date

516 SW 13<sup>th</sup> Street, Suite 201  
Bend, OR 97702

---

**FIRST AMENDMENT TO CONSULTING AGREEMENT**

This **First Amendment To CONSULTING AGREEMENT** (this "Amendment") is made and entered into on January 31st, 2019 between Regal Consulting, a limited liability company organized under the laws of the state of Delaware (the "Consultant"), and Camber Energy, Inc. a corporation organized under the laws of the State of Nevada ("Client").

**WHEREAS**, the CLIENT and Consultant are parties to a **consulting agreement** effective as of November 15th, 2018 (the "Agreement"). Under the Agreement, the Consultant agreed to provide services to the Client which included the release of two news commentaries per month.

**WHEREAS**, the parties to this Amendment now desire to make certain modifications and amendments to the Agreement provided herein; and

**NOW, THEREFORE**, in consideration of the mutual provisions, covenants and undertakings set forth in this Amendment and in the Agreement, and other good and valuable consideration which is hereby acknowledged, the parties to this Amendment agree as follows:

1. The Services will be modified to include up to 10 news commentaries per month.
2. Client shall pay consultant \$50,000 per month in cash (the "Cash Fees") and 50,000 restricted 144 shares of Client's common stock per month (the "Stock"), each during the Term of this Agreement. The Stock shall be deemed fully vested, fully earned, not subject to forfeiture or rescission, free of any contingencies and fully paid for, on their date of issuance, and Consultant shall be deemed to hold all investment risk therewith on each such issuance date. The issuance of the Stock shall be subject to the additional listing approval of the NYSE American and the Client having sufficient authorized but unissued shares of common stock to allow such issuance.
3. Term of the Agreement will be extended until October 1, 2019 (the "Term"). The requirement to pay Cash Fees and Stock shall expire automatically on the date that Client completes an acquisition of assets or securities or a combination with another company or companies (each a "Combination"), and Client shall pay Consultant all Cash Fees and Stock due through the end of the Term, prior to the closing date of such transaction.
4. In connection with each issuance of the Stock, the Consultant agrees and confirms that Consultant is or will be acquiring the Stock, for its account, for investment purposes only and not with a view to, or for sale in connection with, a distribution, as that term is used in Section 2(11) of the Securities Act of 1933, as amended (the "Securities Act"), in a manner which would require registration under the Securities Act or any state securities laws. Consultant can bear the economic risk of investment in the Stock, has knowledge and experience in financial business matters, is capable of bearing and managing the risk of investment in the Stock and is an "accredited investor" as defined in Regulation D under the Securities Act. Consultant recognizes that the Stock has not been registered under the Securities Act, nor under the securities laws of any state and, therefore, cannot be resold unless the resale of the Stock is registered under the Securities Act or unless an exemption from registration is available. Consultant has carefully considered and has, to the extent it believes such discussion necessary, discussed with its professional, legal, tax and financial advisors, the suitability of an investment in the Stock for its particular tax and financial situation and its respective advisers, if such advisors were deemed necessary, have determined that the Stock is a suitable investment for it. Consultant has not been offered the Stock by any form of general solicitation or advertising, including, but not limited to, advertisements, articles, notices or other communications published in any newspaper, magazine, or other similar media or television or radio broadcast or any seminar or meeting where, to Consultant's knowledge, those individuals that have attended have been invited by any such or similar means of general solicitation or advertising. Consultant has had an opportunity to ask questions of and receive satisfactory answers from Client, or persons acting on behalf of the Client, concerning the terms and conditions of the Stock and Client, and all such questions have been answered to the full satisfaction of Consultant. Neither Client, nor any other party, has supplied Consultant any information regarding the Stock or an investment in the Stock other than as contained in this Agreement, and Consultant is relying on its own investigation and evaluation of the Company and the Stock and not on any other information.

This Amendment contains all revised terms and conditions agreed upon by the parties. All terms and conditions in the Agreement not amended herein remain in full force and effect.

---

IN WITNESS WHEREOF, this Amendment is executed effective as of the date first set forth above.

**CONSULTANT: Regal Consulting**

**Signature:** /s/ Parker Mitchell  
**Name:** **Parker Mitchell**

**Date:** **02/05/19**

**Company & Position:** Regal Consulting, LLC

**CLIENT: Camber Energy, Inc.**

**Signature:** /s/ Louis Schott  
**Name:** **Louis Schott**

**Date:** **2/13/19**

**Company & Position:** Camber Energy, Inc. & Interim CEO

---

**CERTIFICATION**

I, Louis G. Schott, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended December 31, 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;
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 and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an Quarterly 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 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: February 14, 2019

*/s/ Louis G. Schott*

---

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

---

**CERTIFICATION**

I, Robert Schleizer, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended December 31, 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;
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 and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an Quarterly 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 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: February 14, 2019

*/s/ Robert Schleizer*

---

Robert Schleizer  
Chief Financial Officer  
(Principal Financial/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 Camber Energy, Inc. on Form 10-Q for the quarter ended December 31, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Louis G. Schott, Interim Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge and belief: (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

February 14, 2019

*/s/ Louis G. Schott*

---

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

*The foregoing certification is not deemed filed with the Securities and Exchange Commission for purposes of Section 18 of the Securities Exchange Act of 1934, as amended ("Exchange Act"), and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Exchange Act, whether made before or after the date hereof, regardless of any general incorporation language in such filing. A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.*

---

**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 Camber Energy, Inc. on Form 10-Q for the quarter ended December 31, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert Schleizer, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge and belief: (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

February 14, 2019

*/s/ Robert Schleizer*

---

Robert Schleizer  
Chief Financial Officer  
(Principal Financial/Accounting Officer)

*The foregoing certification is not deemed filed with the Securities and Exchange Commission for purposes of Section 18 of the Securities Exchange Act of 1934, as amended ("Exchange Act"), and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Exchange Act, whether made before or after the date hereof, regardless of any general incorporation language in such filing. A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.*

---