

TORCHLIGHT ENERGY RESOURCES INC
Form 10-Q
August 14, 2012

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

FORM 10-Q

(Mark One)

. Quarterly report under Section 13 or 15(d) of the Securities Exchange Act of 1934

For the Quarter Ended June 30, 2012.

. Transition report under Section 13 or 15(d) of the Securities Exchange Act of 1934 (No fee required)

For the transition period from _____ to _____.

Commission file number: **000-53473**

TORCHLIGHT ENERGY RESOURCES, INC.

(Name of registrant in its charter)

Nevada
(State or Other Jurisdiction of Incorporation or
Organization)

74-3237581
(I.R.S. Employer Identification No.)

2007 Enterprise Avenue

League City, Texas 77573

(Address of Principal Executive Offices)

(281) 538-5938

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(Issuer's Telephone Number, Including Area Code)

Securities registered under Section 12(g) of the Exchange Act:

Common Stock (\$0.001 Par Value)

(Title of Each Class)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes . No .

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

Large accelerated filer . Accelerated filer .

Non-accelerated filer . Smaller reporting company .

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

Yes . No .

As of August 9, 2012, there were 15,139,815 shares of the registrant's common stock outstanding (the only class of voting common stock).

FORM 10-Q

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PART I FINANCIAL INFORMATION**ITEM 1. FINANCIAL STATEMENTS****TORCHLIGHT ENERGY RESOURCES, INC.****(AN EXPLORATION STAGE COMPANY)****CONSOLIDATED CONDENSED BALANCE SHEETS**

	JUNE 30, 2012 (Unaudited)	DECEMBER 31, 2011 (Audited)
ASSETS		
Current assets:		
Cash	\$ 451	\$ 518,281
Accounts receivable	-	17,274
Accounts receivable - other	74,571	-
Debt issuance cost, net of amortization of \$33,863 at June 30, 2012	33,863	-
Prepaid costs	20,524	16,267
Total current assets	129,409	551,822
Investment in oil and gas properties - unevaluated	3,822,701	3,182,128
Goodwill	447,084	447,084
TOTAL ASSETS	\$ 4,399,194	\$ 4,181,034

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable	\$ 198,338	\$ 45,011
Related party payable	420,000	258,750
Convertible promissory notes, net of discount of \$18,592 at June 30, 2012	389,416	262,500
Promissory notes, net of discount of \$43,808 and \$59,360 at June 30, 2012 and December 31, 2011, respectively	371,408	325,640
Promissory notes, related Party	59,000	-

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Interest payable	50,881	14,608
Total current liabilities	1,489,043	906,509
Asset retirement obligation	11,910	11,369
Commitments and contingencies	-	-
Stockholders equity:		
Preferred stock, no par value, 5,000,000 shares authorized; no shares issued or outstanding	-	-
Common stock, par value \$0.001 per share; 70,000,000 shares authorized;		
15,139,815 issued and outstanding at June 30, 2012		
14,664,815 issued and outstanding at December 31, 2011	15,489	5,177
Additional paid-in capital	7,046,552	5,871,473
Accumulated deficit	(4,163,800)	(2,613,494)
Total stockholders' equity	2,898,241	3,263,156
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 4,399,194	\$ 4,181,034

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

TORCHLIGHT ENERGY RESOURCES, INC.**(AN EXPLORATION STAGE COMPANY)****CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS**

	THREE MONTHS ENDING JUNE 30, 2012 (Unaudited)	THREE MONTHS ENDING JUNE 30, 2011 (Unaudited)	SIX MONTHS ENDING JUNE 30, 2012 (Unaudited)	SIX MONTHS ENDING JUNE 30, 2011 (Unaudited)	JUNE 25, 2010 (Inception) TO JUNE 30, 2012 (Unaudited)
Revenue					
Oil and gas sales	\$ 251,412	\$ 24,152	\$ 275,629	\$ 24,152	\$ 299,781
Cost of revenue	247,221	25,273	263,745	25,273	289,018
Gross income (loss)	4,191	(1,121)	11,884	(1,121)	10,763
Operating expenses:					
General and administrative expenses	1,219,738	759,669	1,450,959	1,310,098	3,968,920
Total operating expenses	1,219,738	759,669	1,450,959	1,310,098	3,968,920
Other income (expense)					
Interest income	-	55	12	132	198
Interest expense	(49,597)	(40,552)	(111,243)	(77,966)	(205,841)
Total other income (expense)	(49,597)	(40,497)	(111,231)	(77,834)	(205,643)
Net loss before taxes	1,265,144	801,287	1,550,306	1,389,053	4,163,800
Provision for income taxes	-	-	-	-	-
Net loss	\$ 1,265,144	\$ 801,287	\$ 1,550,306	\$ 1,389,053	\$ 4,163,800
Loss per share:	\$ (0.085)	\$ (0.058)	\$ (0.104)	\$ (0.104)	\$ (0.295)

Basic and Diluted

**Weighted average
shares outstanding:**

Basic and Diluted	14,928,277	13,853,366	14,845,202	13,391,655	14,110,185
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The accompanying notes are an integral part of these financial statements.

TORCHLIGHT ENERGY RESOURCES, INC.**(AN EXPLORATION STAGE COMPANY)****CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOW**

	SIX MONTHS ENDING JUNE 30, 2012 (Unaudited)	SIX MONTHS ENDING JUNE 30, 2011 (Unaudited)	JUNE 25, 2010 (Inception) TO JUNE 30, 2012 (Unaudited)
Cash Flows From Operating Activities			
Net loss	\$ (1,550,306)	\$ (1,389,054)	\$ (4,163,800)
Adjustments to reconcile net loss to net cash from operating activities:			
Stock based compensation	1,106,452	1,005,972	2,525,425
Accretion of convertible note discount	62,760	65,250	130,250
Depreciation, amortization and accretion	541	-	1,082
Change in:			
Accounts receivable	17,274	(17,274)	-
Accounts receivable - other	(74,571)	-	(74,571)
Prepaid costs	(4,257)	(17,589)	(20,524)
Accounts payable	153,327	(160,105)	198,338
Related party payable	161,250	157,500	420,000
Interest payable	36,273	216	50,881
Net cash used in operating activities	(91,257)	(355,084)	(932,919)
Cash Flows From Investing Activities			
Investment in oil and gas properties - unevaluated	(640,573)	(1,707,462)	(3,811,873)
Cash Flows From Financing Activities			
Issuance of promissory notes	214,000	262,500	1,111,500
Payment of promissory note	-	(250,000)	(250,000)
Shares issued to management	-	-	10,000
Shares issued for private placement	-	1,990,223	4,143,743
Cancellation of common shares	-	-	(270,000)
Net cash provided by financing activities	214,000	2,002,723	4,745,243