

TORCHLIGHT ENERGY RESOURCES INC  
Form 10-Q  
November 14, 2014

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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 September 30, 2014.

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: 001-36247

TORCHLIGHT ENERGY RESOURCES, INC.

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(Name of registrant in its charter)

Nevada  
(State or Other Jurisdiction of Incorporation or  
Organization)

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

5700 West Plano Pkwy, Suite 3600  
Plano, Texas 75093

(Address of Principal Executive Offices)

(214) 432-8002

(Issuer's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Exchange Act:

Common Stock (\$0.001 Par Value)

(Title of Each Class)

NASDAQ

(Name of each exchange on which registered)

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

None

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 x No o

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 x No o

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	<input type="radio"/>	Accelerated filer	<input type="radio"/>
Non-accelerated filer	<input type="radio"/>	Smaller reporting company	<input checked="" type="radio"/>

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

As of November 6, 2014, there were 23,202,941 shares of the registrant's common stock outstanding (the only class of voting common stock).

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## NOTE ABOUT FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements include, among other things, statements regarding plans, objectives, goals, strategies, future events or performance and underlying assumptions, and other statements, which are other than statements of historical facts. Forward-looking statements may appear throughout this report, including without limitation, Item 2 “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” Forward-looking statements generally can be identified by words such as “anticipates,” “believes,” “estimates,” “expects,” “intends,” “plans,” “predicts,” “projects,” “will be,” “will continue,” “will likely result,” and similar expressions. Forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties, which could cause our actual results to differ materially from those reflected in the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in this report and in our Annual Report on Form 10-K, as amended, for the year ended December 31, 2013, and in particular, the risks discussed in our Form 10-K under the caption “Risk Factors” in Item 1A therein, and those discussed in other documents we file with the Securities and Exchange Commission (“SEC”). Important factors that in our view could cause material adverse effects on our financial condition and results of operations include, but are not limited to, risks associated with the company's ability to obtain additional capital in the future to fund planned expansion, the demand for oil and natural gas, general economic factors, competition in the industry, and other factors that may cause actual results to be materially different from those described herein as anticipated, believed, estimated, or expected. We undertake no obligation to revise or publicly release the results of any revision to any forward-looking statements, except as required by law. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

As used herein, the “Company,” “Torchlight”, “we,” “our,” and similar terms include Torchlight Energy Resources, Inc. and its subsidiaries, unless the context indicates otherwise.



## PART I FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

TORCHLIGHT ENERGY RESOURCES, INC.  
CONSOLIDATED CONDENSED BALANCE SHEETS

	September 30, 2014 (Unaudited)	December 31, 2013 (Audited)
<b>ASSETS</b>		
Current assets:		
Cash	\$ 561,329	\$ 1,811,713
Accounts receivable	205,958	429,699
Production revenue receivable	972,026	-
Note receivable	408,755	-
Prepayments - development costs	636,635	0
Prepaid expenses	24,375	9,144
Total current assets	2,809,078	2,250,556
Investment in oil and gas properties, net	33,288,968	13,038,751
Office Equipment	58,428	11,604
Debt issuance costs, net	553,495	920,947
Goodwill	447,084	447,084
Other Assets	78,850	74,379
<b>TOTAL ASSETS</b>	<b>\$ 37,235,903</b>	<b>\$ 16,743,321</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 3,777,014	\$ 985,123
Accrued liabilities	240,000	-
Related party payables	90,000	90,000
Convertible promissory notes, net of discount of \$1,495,653		
at September 30, 2014	6,621,945	-
Notes payable within one year	67,923	753,904
Due to working interest owners	362,550	580,484
Interest payable	388,113	309,498
Total current liabilities	11,547,545	2,719,009
Convertible promissory notes, net of discount of \$688,656 at September 30, 2014 and \$5,500,462 at December 31, 2013	3,880,844	4,802,711
Asset retirement obligation	34,455	24,382
Commitments and contingencies	-	-
Stockholders' equity:		

Common stock, par value \$0.001 per share; 75,000,000 shares authorized;		
23,187,941 issued and outstanding at September 30, 2014		
16,141,765 issued and outstanding at December 31, 2013	23,187	16,142
Additional paid-in capital	43,385,949	21,978,616
Warrants outstanding	7,511,820	3,043,420
Accumulated deficit	-29,147,897	-15,840,959
Total stockholders' equity	21,773,059	9,197,219
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 37,235,903</b>	<b>\$ 16,743,321</b>

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



TORCHLIGHT ENERGY RESOURCES, INC.  
CONSOLIDATED STATEMENTS OF OPERATIONS

THREE  
MONTHS  
ENDED

THREE  
MONTHS  
ENDED

NINE  
MONTHS  
#160

NINE  
MONTHS