

PETROSONIC ENERGY, INC.  
Form 10-Q  
November 23, 2012

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 10-Q**

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT  
OF 1934  
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2012  
OR

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

**Commission file number 000-53881**

**PETROSONIC ENERGY, INC.**

*(Exact name of registrant as specified in its charter)*

**NEVADA**

*(State or other jurisdiction of incorporation or organization)*

**Suite 204, 205 – 9<sup>th</sup> Avenue SE , Calgary, AB, Canada, T2G 0R3**

*(Address of principal executive offices, including zip code.)*

**(403) 708-7869**

*(telephone number, including area code)*

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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 last 90 days.

**YES x 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 x**

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

Large accelerated filer " Accelerated filer "

Non-accelerated filer " Smaller reporting company x

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

**YES " NO x**

As of November 21<sup>st</sup> , 2012 the registrant had 65,329,000 shares of common stock outstanding.

**TABLE OF CONTENTS**

FORM 10-Q

	Page No.
<b>PART I - FINANCIAL INFORMATION</b>	
ITEM 1. Financial Statements (Unaudited)	2
ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	9
ITEM 3. Quantitative and Qualitative Disclosures About Market Risk	17
ITEM 4. Controls and Procedures	17
<b>PART II - OTHER INFORMATION</b>	
ITEM 1. Legal Proceedings	18
ITEM 2. Unregistered Sales Of Equity Securities And Use Of Proceeds	18
ITEM 3 Defaults Upon Senior Securities	19
ITEM 5 Other Information	19
ITEM 6. Exhibits	19
Signatures	20

**PART I – FINANCIAL INFORMATION**

## ITEM 1. FINANCIAL INFORMATION

## PETROSONIC ENERGY, INC.

(Formerly Bearing Mineral Exploration, Inc.)

(A Development Company)

## CONSOLIDATED BALANCE SHEETS

(Unaudited)

	Successor Entity	Predecessor Entity (Albania Only)
	September 30, 2012	December 31, 2011
<b>ASSETS</b>		
Current assets:		
Cash	\$ 148,465	\$ 1,655
Value added taxes receivable	45,557	86,136
Total current assets	194,022	87,791
Property and equipment, net of accumulated depreciation of \$0, respectively	613,377	617,924
Intangible asset	50,000	-
Total assets	\$ 857,399	\$ 705,715
<b>LIABILITIES</b>		
Current liabilities:		
Accounts & interest payable	\$ 63,750	\$ 204,176
Accrued liabilities	12,869	-
Convertible notes payable – related party	450,000	-
Convertible notes payable	165,000	-
Total liabilities	\$ 691,619	\$ 204,176
<b>STOCKHOLDERS' EQUITY (DEFICIT):</b>		
Common stock, 843,750,000 shares authorized, with a \$0.001 par value.	65,329	1,543,406

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Issued and outstanding: 65,329,000 and 60,195 shares as of  
September 30, 2012 and December 31, 2011, respectively

Non- Controlling Interest	65,506	-
Additional paid-in capital	300,580	(1,008,356)
Other comprehensive income	47,243	1,607
Deficit accumulated during the development stage	(312,878)	(35,118 )
Total stockholders' equity (deficit)	165,780	501,539
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY (DEFICIT)	\$ 857,399	\$ 705,715

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

PETROSONIC  
ENERGY, INC.  
(Formerly Bearing  
Mineral  
Exploration, Inc.)  
(A Development  
Stage Company)  
CONSOLIDATED  
STATEMENTS OF  
OPERATIONS  
(Unaudited)

	Three Months Ended			Nine Months Ended			Period From	
	September 30, 2012			September 30, 2012			Inception To September 30, 2012	
	Successor Entity	Predecessor Entity		Successor Entity	Predecessor Entity		Successor Entity	Predecessor Entity
	July 31, 2012 Through September 30, 2012	July 1, 2012 Through July 31, 2012	Three Months Ended September 30, 2011	July 31, 2012 Through September 30, 2012	January 1, 2012 Through July 31, 2012	Nine Months Ended September 30, 2011	July 31, 2012 Through September 30, 2012	Inception Through July 31, 2012
General & Administrative Expenses	\$51,026	\$483	\$(6,477)	) \$51,026	\$4,751	\$14,958	\$51,026	\$39,869
Net loss from continuing operations	(51,026)	) (483)	) 6,477	(51,026)	) (4,751)	) (14,958)	) (51,026)	(39,869)
Interest Expense	12,869	-	-	12,869	-	-	-	-
Bargain Purchase Gain	(89,553)	) -	-	(89,553)	) -	-	-	-
Net Income (loss)	\$25,658	\$(483)	) \$6,477	\$25,658	\$(4,751)	) \$(14,958)	) \$(51,026)	\$(39,869)
Basic and Diluted Loss	0.00	(0.00)	) 0.00	0.00	(0.00)	) (0.01)	)	

per Common  
Share

Basic and  
Diluted  
Weighted  
Average  
Common  
Shares  
Outstanding

64,807,689	2,564,000	2,564,000	64,807,689	2,564,000	2,564,000
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The accompanying notes are an integral part of these unaudited financial statements.

## PETROSONIC ENERGY, INC.

(Formerly Bearing Mineral Exploration, Inc.)

(A Development Stage Company)

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Successor Entity	Predecessor Entity		Predecessor Entity
	July 31, 2012 Through September 30, 2012	January 1, 2012 Through July 31, 2012	Nine Months Ended September 30, 2011	Inception Through July 31, 2012
Cash flows from Operating Activities:				
Net loss	\$25,658	\$(4,751 )	\$(14,958 )	\$(39,869 )
Adjustments to reconcile net loss to net cash used in operating activities				
Bargain purchase gain	(89,553 )	-	-	-
Changes in operating assets and liabilities:				
Other Assets: VAT receivable	(1,635 )	42,227	(81,628 )	(43,909 )
Accounts Payable and Accrued expenses	41,906	(194,370)	211,151	9,806
Net Cash used in operating activities	(23,624 )	(156,894)	114,565	(73,972 )
Cash flows from investing activities:				
Cash paid for acquisition	(250,000 )	-	-	-
Cash received in acquisition	11,524	-	-	-
Cash paid for purchase of property and equipment	(53,945 )	-	(492,360)	(622,707 )
Net Cash used in investing activities	(292,421 )	-	(492,360)	(622,707 )
Cash flows from financing activities:				
Proceeds from issuance of stock	170,000	-	-	-
Capital contribution by non-controlling interest	(5,104 )	164,888	347,579	699,938
Borrowings on debt	250,000	-	-	-
Net cash provided by financing activities	414,896	164,888	347,579	699,938
Other equity	42,491	1,875	32,408	8,265
Net increase in cash	141,342	9,869	2,192	11,524



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Cash, beginning	7,123	1,655	146	-
Cash, ending	\$148,465	\$11,524	\$2,338	\$11,524
Non Cash Investing and Financing Activities:				
Convertible note issued for acquisition	\$250,000	\$-	\$-	\$-

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

**Petrosonic Energy, Inc.**

**(Formerly Bearing Mineral Exploration, Inc.)**

**(A Development Stage Company)**

**Notes to the Unaudited Consolidated Financial Statements**

**September 30, 2012**

**NOTE 1: Basis of Financial Statement Presentation**

The accompanying unaudited consolidated interim financial statements of Petrosonic Energy, Inc. (formerly Bearing Mineral Exploration, Inc.) (“we”, “our” or the “Company”) have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules of the Securities and Exchange Commission, and should be read in conjunction with the Company’s audited financial statements, the audited financial statements of Petrosonic Albania Sha. and the notes thereto, for the transition period from November 1, 2011 to December 31, 2011 filed with the SEC on Form 10-K/T. 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 period presented have been reflected herein. The results of operations for the interim period are not necessarily indicative of the results to be expected for the full year. Notes to the financial statements which would substantially duplicate the disclosures contained in the audited financial statements for the most recent fiscal period ended December 31, 2011, as reported in the Form 10-K/T, have been omitted.

**NOTE 2: Purchase of Petrosonic Albania Sha.**

On July 27, 2012, the Company acquired certain assets from Sonoro Energy Ltd. including (i) certain technology relating to the treatment and upgrading of heavy oil by sonicated solvent de-asphalting, (ii) 60,000 shares (89% holding) of Petrosonic Albania Sha. pursuant to a share purchase agreement and (iii) sonic reactors located in Albania and Richmond, British Columbia and a solvent recovery system located in or around Turin, Italy. In exchange for the assets, the Company agreed to pay to Sonoro the following consideration: (i) CAD\$250,000, (ii) a convertible debenture in the principal amount of CAD\$250,000 and (iii) a 10% royalty interest in our realized net revenues for a period of 10 years from the time we commence commercial operations, which is defined as the date upon which we process an average of 50 barrels of feed stock per day over a period of 30 consecutive days utilizing the technology acquired. The fair value allocation is CAD\$250,000 for the 89% interest of Petrosonic Albania Sha., CAD\$200,000 for the equipment and CAD\$50,000 for the technology. Effective July 27, 2012 the Company’s primary operations consist of utilizing the assets to develop a business relating to the treatment and upgrading of heavy oil by sonicating solvent de-asphalting and operating the business of Petrosonic Albania Sha.

Immediately before the sale, Sonoro Energy Ltd.'s ownership of Petrosonic Albania Sha. was 89%; thus, there is a reclassification of \$30,899 or 11% from additional paid in capital to non-controlling interest representing the extrapolated fair value of the entity based on the CAD\$250,000 fair value of the 89% interest.

The Purchase and Sale is accounted for using the purchase method. As a result of the merger, Petrosonic Albania Sha. became a majority owned subsidiary of the Company. The assets and liabilities of the acquired entity have been brought forward at their fair value.

**Petrosonic Energy, Inc.**

**(Formerly Bearing Mineral Exploration, Inc.)**

**(A Development Stage Company)**

**Notes to the Unaudited Consolidated Financial Statements**

**September 30, 2012**

**NOTE 2: Purchase of Petrosonic Albania Sha. (continued)**

A summary of the purchase price consideration and related purchase price allocation are shown below:

Purchase Price	
Cash at closing	250,000
Convertible Note Payable	250,000
Total Purchase Price	500,000
Purchase Price Allocation	
Cash	11,524
Accounts Receivable	43,909
Equipment	609,432
Accounts Payable	(9,806 )
Non-Controlling Interest	(65,506 )
	589,553
Bargain Purchase Gain	(89,553 )
Total Purchase Price	500,000

**NOTE 3: Going Concern**

At September 30, 2012, the Company has an accumulated deficit. As such, the accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company does not have sufficient working capital for its planned activities, which raises substantial doubt about its ability to continue as a going concern.

Continuation of the company as a going concern is dependent upon obtaining additional working capital. The management of the Company has developed a strategy, which it believes will accomplish this objective through short-term loans from related parties and additional equity investments, which will enable the Company to continue operations for the coming year. The continuation of the Company as a going concern is dependent upon the continued financial support from its shareholders, the ability of the Company to obtain necessary equity financing to continue operations, and the attainment of profitable operations. These factors raise substantial doubt regarding the Company's ability to continue as a going concern. These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

**NOTE 4: Related Party Transactions**

During the nine months ended September 30, 2012, \$42,000 was repaid to our former President for funds previously advanced to the Company for additional working capital.

**Petrosonic Energy, Inc.**

**(Formerly Bearing Mineral Exploration, Inc.)**

**(A Development Stage Company)**

**Notes to the Unaudited Consolidated Financial Statements**

**September 30, 2012**

**NOTE 4: Related Party Transactions (continued)**

On June 11, 2012, we borrowed \$195,100 from our President under a convertible debenture with a face value of CAD\$200,000. The convertible debenture matures June 11, 2013 and bears interest at 10%. At any time prior to the Maturity Date, if we complete an equity or convertible debenture financing yielding aggregate proceeds of at least \$500,000, our President may elect to convert the debenture in whole or in part into common shares at the same price any shares are sold, or in the case of a convertible debenture, the price of the shares issuable upon conversion. The Company evaluated the convertible note for derivatives noting that as the conversion price cannot

be determined until \$500,000 in financing has been raised; the derivative liability cannot be determined as of September 30, 2012.

On July 27, 2012, pursuant to the terms of the Purchase Agreement, in exchange for the Assets, we issued to Sonoro Energy Ltd. a convertible debenture for CAD\$250,000. The Debenture has a term of two years and is non-interest bearing. At any time after we have completed an equity or convertible debenture financing yielding aggregate proceeds of at least \$500,000, the Debenture is convertible at the holder's option into shares of our common stock. The conversion price of the Debenture will be equal to the price per share of the shares sold in the Qualified Financing or the conversion price of the shares issuable upon conversion of the convertible debentures sold in the Qualified Financing. As of September 30, 2012, the Qualified Financing had not occurred, as such no derivative liability was determined.

**NOTE 5: Capital Stock**

On April 17, 2012, the Company issued 20,000,003 common shares valued at \$160,000 to Art Agolli in exchange for all of his interest in a letter of intent with Sonoro Energy Ltd.

On April 18, 2012, concurrent with his resignation as a director of the Company, Gerhard Schlombs surrendered 22,500,000 common shares. No compensation was paid to Mr. Schlombs for the cancellation of his shares.

On May 16, 2012 the Company effected a forward stock split on the basis of 11.25:1, whereby each shareholder would hold 11.25 common shares for every one share previously held. The Company's share transactions disclosed in the financial statements have been restated retroactively to reflect the forward stock split for all periods presented.

During the quarter ended September 30, 2012, the Company sold 680,000 common shares and 680,000 warrants exercisable to purchase one half (1/2) of one share of common stock at an exercise price of \$0.50 per share, exercisable over one year from the purchase date. Gross proceeds received by the Company were \$170,000.

**NOTE 6: Convertible Notes Payable**

During the nine months ended September 30, 2012, we have borrowed \$163,775 (\$165,000 face value) under several Convertible Debentures totaling to that amount. The debentures bear interest at 10% per annum and mature one year from the issuance date. Until the due date, the holder(s) may elect to convert the debenture in whole or in part into common shares at the price of any aggregate financing exceeding \$500,000 less a discount of 25% per share. The Company evaluated the convertible note for derivatives noting that as the conversion price cannot be determined until \$500,000 in financing has been raised; the derivative liability cannot be determined as of September 30, 2012.

**Petrosonic Energy, Inc.**

**(Formerly Bearing Mineral Exploration, Inc.)**

**(A Development Stage Company)**

**Notes to the Unaudited Consolidated Financial Statements**

**September 30, 2012**

**NOTE 7: Restatement**

Certain prior interim period amounts have been restated to conform with the current consolidated interim period presentation.



## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS

This quarterly report contains forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. These statements relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as “may”, “should”, “expects”, “plans”, “anticipates”, “believes”, “estimates”, “predicts”, “potential”, or “continue” or the negative of these terms or other comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors that may cause our or our industry’s actual results, levels of activity, performance or achievements to be materially different from future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Except as required by applicable law, including the securities laws of the United States, we do not intend to update any of the forward-looking statements to conform these statements to actual results.

Our financial statements are stated in United States Dollars (US\$) and are prepared in accordance with United States Generally Accepted Accounting Principles. In this quarterly report, unless otherwise specified, all dollar amounts are expressed in United States dollars. All references to “common shares” refer to the common shares in our capital stock.

Unless otherwise indicated, in this Form 10-Q, references to “we,” “our,” “us,” the “Company”, or the “Registrant” refer to Petrosonic Energy, Inc. (previously Bearing Mineral Exploration, Inc.), a Nevada corporation and its majority-owned subsidiary, Petrosonic Albania Sha, “Petrosonic Albania” or “Petrosonic” a body corporate under the laws of Albania.

### History

We were incorporated in the State of Nevada on June 11, 2008 under the name “Bearing Mineral Exploration, Inc.”, with authorized capital stock of 75,000,000 shares at \$0.001 par value. We were organized for the purpose of conducting gold exploration activities on a mineral claim located in the Province of Newfoundland, Canada.

On April 17, 2012, we entered into an Assignment Agreement with Art Agolli, our President, Principal Executive and Principal Financial Officer, Treasurer, Secretary and director, pursuant to which Mr. Agolli agreed to convey to us, all of his right, title and interest in a letter of intent with Sonoro Energy Ltd. (“Sonoro”); a Canadian publicly traded

company (TSX-V: SNV) based in Calgary, Alberta, Canada, who is the holder of all of the legal and equitable rights and entitlements to a sonic reactor and technology that Sonoro has developed to utilize the sonic reactor for the treatment and upgrading of heavy oil by sonicated solvent de-asphalting.

On May 16, 2012, we effected an 11.25-for-1 forward stock split of our Common Stock and an increase in our authorized number of common shares to 843,750,000. Additionally, on May 16, 2012, we changed our name to “Petrosonic Energy, Inc.” to better reflect the Company’s new business direction in anticipation of the purchase of certain rights in technology, assets and common shares owned by Sonoro Energy Ltd.

On July 27, 2012, we acquired certain assets (the “Assets”) from Sonoro , including (i) certain technology relating to the treatment and upgrading of heavy oil by sonicated solvent de-asphalting, (ii) 60,000 shares of Petrosonic Albania pursuant to a share purchase agreement (the “Share Purchase Agreement”), and (iii) sonic reactors located in Albania and Richmond, British Columbia and a solvent recovery system located in or around Turin, Italy (the “Transaction”), pursuant to the terms of the Asset Purchase and Sale Agreement, dated July 27, 2012 (the “Purchase Agreement”).

Pursuant to the terms of the Purchase Agreement, in exchange for the Assets, we agreed to pay to Sonoro the following consideration: (i) CAD\$250,000, (ii) a convertible debenture in the principal amount of CAD\$250,000 (the “Debenture”) and (iii) a 10% royalty interest in our realized net revenues for a period of 10 years from the time we commence commercial operations, which is defined as the date upon which we process an average of 50 barrels of feed stock per day over a period of 30 consecutive days utilizing the technology acquired. For a complete description of the Transaction, and the Purchase Agreement please refer to the Form 8-K filed by the Company with the SEC on July 31, 2012.

Following the consummation of the Transaction, we believe that we are not a shell corporation as that term is defined in Rule 405 of the Securities Act and Rule 12b-2 of the Exchange Act. From and after the consummation of the Transaction, our primary operations consist of utilizing the Assets to develop a business relating to the treatment and upgrading of heavy oil by sonicated solvent de-asphalting and operating the business of Petrosonic Albania Sha. (the “Business”). Therefore, we disclose information about the Business in this Form 10-Q. For accounting purposes, the Purchase Agreement has been accounted for under the Purchase Method of accounting by the Company.

Our head office is located at Suite 204, 205 – 9 Avenue SE, Calgary, AB, Canada, T2G 0R3. We have no monthly rent, nor do we accrue any expense for monthly rent. Our director is letting the Company use his office free of charge in order to save costs until the Company can lease an office when requisite funding is in place. Our main telephone number is (403) 708-7869.

Petrosonic Albania has an office in Fier, Albania at the same location where its processing plant is located. Albania’s heavy oil upstream and downstream industries are located in Fier and the facility is only a few miles away from the heavy oil producing fields. It is also located 35 kilometers away from Albania’s only deep sea port and export facility, the PIR Vlora terminal. The office is offered by the Albanian partner free of charge until the company signs a lease agreement when requisite funding is in place. Petrosonic Albania currently has two full-time employees and three part-time employees, as well as, several independent consultants. Petrosonic Albania plans to hire a Chief Financial Officer and three local operations staff in Albania during the first year of its operations. The company has identified potential candidates for such positions, and expects to proceed with such hires once it has secured the requisite financing.

### **Operation Plans and Business Focus**

Petrosonic has developed a commercial process which improves heavy oil densities by 6 to 15 API<sup>1</sup> from as low as 8 API, reduces viscosities of oil by 99% to pipeline specifications and reduces sulphur and heavy metals by over 50%. The Petrosonic heavy oil process will enable heavy sour oil (HSO) and bitumen (from most heavy oil and oil sands fields in the world) to be converted from nominally an API gravity of 8-14 degrees to a value-added synthetic crude oil of between 18 and 23 API. This is achieved through the reduction of undesirable constituents of the raw heavy oil and/or bitumen. The process incorporates two stages: solvent de-asphalting and distillation.

While solvent de-asphalting and distillation are both proven and well known technologies, the innovation associated with the Petrosonic upgrading process lies in the rapid de-asphalting achieved by sonication of the de-asphalting phase with the Petrosonic reactor stage.

This process is especially beneficial to producers with the following intrinsic challenges:

- Stranded heavy oil due to transportation issues
- Diluent supply issues

¶ Limited refining markets (light oil refiners struggle with heavy oil)

[1] The American Petroleum Institute gravity, or *API gravity*, is a measure of how heavy or light a petroleum liquid is compared to water; one of the qualitative measures for crude oil

Heavy discounts due to:

Density adjustments

High sulphur content

High metals content

We believe Petrosonic will be able to take advantage of an opportunity that traditional upgrading technology cannot address – upstream upgrading on smaller scales. The viability of upgrading is constantly changing due to production mix, refining infrastructure costs, and oil pricing. However, there are three markets for small upgraders that make sense:

Pipeline systems where access to the pipeline requires blending of heavy oil. Condensate prices and heavy oil differentials have been stable for some time and long term projections indicate that low condensate prices following the global economic slow-down will be short-lived;

Heavy oil producers in markets where light oil dominates refinery infrastructure. Internationally there are several markets like this; and

Markets where upgrading asphalt by-products can command premium prices. This is especially attractive in North America given the economic infrastructure stimulus measures being implemented.

To take advantage of these opportunities Petrosonic must be able to:

- Economically upgrade heavy oil from small and medium sized producers right in the field;
- Add value and allow producers to capture a larger share of the market price for refinery products;

Provide operating plants to heavy oil producers in return for tolling process fees or purchase heavy oil at a premium to blenders;

Upgraded oil provides uplift in crude's value and eliminates issues related to transport of crude oil to pipeline and refinery companies.

Depending on regional markets, traditional heavy oil discounts (10 API oil with >2% sulphur) are 35-40% and we believe such discounts could be reduced to only 10-20% through our process. On 5,000 barrels of oil per day ("bopd") this would equate to increased revenues of approximately \$6/barrel (bbl) or around \$11 million per year (based on \$100/bbl Brent oil). Capital costs are expected to be between \$0.5-1 million per 1,000 bbls capacity. Operating costs will be between \$2-3 per bbl on a stand-alone facility basis.

Petrosonic plans to have its first 1,000 bopd stand-alone facility operational within the second quarter of 2013 in Albania. Expected annual cashflows from the initial 1,000 bopd facility are expected to reduce heavy oil price discounts historically received in Albania from 40% to 20% as a result of achieving a 18-23 API oil. Petrosonic believes that with significant heavy oil production growth anticipated from the approximately 8 billion barrels of oil reserves believed to be present in Albania, if we are able to successfully capture a portion of this processing business, Petrosonic expects to expand its facilities over the next 3-5 years to 15,000 bopd as Albanian oil production increases.

If Petrosonic is able to successfully establish their first commercial facility, we believe heavy oil producers will want to integrate the Petrosonic system at their cost into their treatment facilities. Petrosonic would sell the process solution and retain a royalty fee under this type of development. While revenue per facility will be less (estimated at 50%), no capital and minimal support will be required. This strategy would allow for faster growth. Petrosonic may also choose to develop its own stand-alone facilities to capture further upside and long term value creation.

Further upside opportunities exist in several other applications which the Company is in advanced stage of development, including, heavy oil sands separation (both from oil sands and ecology pits), and oil separations from drill cuttings.

#### Vision and Strategy

Petrosonic hopes to provide its shareholders with returns and cash flow growth by leveraging its experience and intellectual property within the heavy oil business.

Petrosonic plans to use an initial model of building its own stand-alone facilities to prove, optimize and develop business growth opportunities with small to medium sized producers. To achieve higher returns and growth, the Company will license out on a fee for service basis or royalty basis its processes to be integrated into producer's treatment facilities.

Where there is a distinct advantage Petrosonic may capture heavy oil resources prospects or participate jointly in them. Any resource level participation would require higher returns on investment and be required to stand on its own prior to the benefits of applying Petrosonic's technology.

We believe Petrosonic's leadership in oil processing technology compiled with a strong background in the heavy oil industry is expected to result in a superior rate of return to shareholders from direct and indirect operations. This will be further leveraged if the Company is able to financially participate in the underlying oil assets, especially by acquiring these in advance.

#### Key Success Factors

Petrosonic's success will be dependent upon:

- Our ability to attract and develop numerous projects once the first project is complete;
- Access to an ample producer oil supply and our ability to find equitable profit distribution;
- Our development and distribution of asphalt within the market;
- Our ability to minimize the technical risk through avoidance of scale up issues;

- Alleviation of market risk through the use of strategic partners which can gain quick access to markets; and
- Alleviation of financial risk through partnering.

Immediate priorities of Petrosonic are:

- Strengthening the operations and management of the Company as it moves forward in the oil sector;
- Moving ahead with the processing facility in Albania;
- Establishing a second country oil processing project; and
- Building a firm backlog of projects with financing commitments.



## Petrosonic's Technology

### SonoProcess

We believe Petrosonic's technology advantage is based upon the use of the Petrosonic reactor technology and the unique cavitation and enhanced mass transfer effects that it provides. Petrosonic has developed a unique competency in the design of enhanced mass transfer energy processes and the proprietary applications that result from this.

In recent years the use of cavitation technologies and ultrasound has been researched extensively for oil processing – usually in the context of desulphurization or “cold cracking”. Our own research does not support this and we make no claims that it can create a unique upgrading process. The chemistries used in the Petrosonic process are established and our advantage is that we make these more effective.

The Company looks to maintain its initial technical advantage derived from the Petrosonic SonoProcess™ for heavy oil by adding complementary proprietary process technologies to this.

The Petrosonic reactor has been designed and built in a variety of configurations but all Petrosonic process development is undertaken on full scale units:

- Petrosonic reactors are based on low-frequency / high-amplitude Petrosonic energy reactors;

A patented electromagnetic drive puts a massive steel bar into resonance and this allows efficient transfer of energy to the reaction chambers;

- There are no moving parts and so Petrosonic reactors have a high reliability and operational availability;

The reaction chambers are attached at the mid-node points one half wavelength from the drive system, enabling the reactors to apply Petrosonic energy to physical, chemical and biological processes;

Petrosonic reactors are thus able to achieve more sustainable processes – better reactivity, less reagents, less energy, greater effectiveness and more product for overall economic advantage.

*Direct Sonicated Separation*

The previous holder of the technology has also carried out independent tests on oil sands to determine if the technology could be effective in a low cost primary separation process. Preliminary tests with a proprietary process protocol produced results comparable with existing technology.

However, the effectiveness of this technology is but a first step due to the massive scale of oil sands projects. At this time the Company believes the volume of material that would need to be processed requires a “next generation” of Petrosonic reactor technology. Existing scale technology may be applicable to small scale oil sands production.

The Company has directed its efforts towards a more immediate but directly related application – the treatment of drill cuttings. This is not the same scale of opportunity but offers immediate access to market and cash flow generation based on modest investment of capital.

Petrosonic Heavy Oil Process Patents

As part of the transaction with Sonoro Energy the company has acquired the following Heavy Oil Process provisional and PCT applications based on the Company’s Sonoprocess™:

*Patent/Application No: WO2009111871. Jurisdiction: WIPO. Title: Method for Treating Heavy Crude Oil. Application Status: Published.*

*Patent/Application No: EA201071060. Jurisdiction: Eurasisa. Title: Method for Treating Heavy Crude Oil. Status: Pending.*

*Patent/Application No: EP2260089. Jurisdiction: Europe. Title: Method for Treating Heavy Crude Oil. Status: Pending.*

*Patent/Application No: 2156/MUMNP/2010. Jurisdiction: India. Title: Method for Treating Heavy Crude Oil. Status: Pending.*

*Patent/Application No: US 61/035,690. Jurisdiction: United States. Title: Method for Treating Heavy Crude Oil. Status: Company will appeal the expired priority claim to reinstate the priority claim.*

## **Recent Developments**

On September 18, 2012 the Company awarded an assembly contract to Pavli Valle Inc.; an engineering and assembly company. The contract is for the final assembly and process engineering and fabrication of tanks and equipment for Petrosonic Energy, Inc.'s Heavy Oil Processing Plant.

As well, during the quarter ended September 30, 2012, Petrosonic signed a cooperation agreement with a leading private Emulsion Technology Company for the Upstream and Downstream Oil Industry that has an exclusive license in a heavy crude and asphaltene emulsification patented technology. According to the agreement the private company has committed to set up a 120 bbl/hour heavy crude and asphaltene emulsification plant in Petrosonic's Heavy Oil Processing Plant located in Albania. This will create technology and marketing synergy for both groups and allow Petrosonic to convert the de-asphalted oil and asphaltenes into readily marketable emulsified fuel oil and high-end asphalt and capture further value for its products. The investment projected for the equipment being shipped from California, USA and assembly cost is approximately \$1 million USD and will be paid entirely by the private company. In addition, Petrosonic will benefit from the technical know-how and expertise of the private company who is a world leader in the emulsification of heavy crude and asphaltenes.

## **Limited Operating History; Need for Additional Capital**

There is limited historical financial information about Petrosonic Energy, Inc. upon which to base an evaluation of our performance. We are a development stage company focused on the treatment and upgrading of heavy oil by sonicated solvent de-asphalting. We are in the process of bringing online our first stand-alone facility located in Albania, which is expected to be able to process and de-asphalt up to 1,000 barrels per day of heavy oil. We plan to generate revenue by both integrating our system into oil producer treatment facilities, as well as continuing to develop our own standalone facilities, such as the Albania facility to capture further upside and long term value creation.

Our cash needs are primarily for working capital to develop our operations. We presently finance our operations through debt and equity financings. We have limited capital resources and there is no assurance that future financing will be available to our Company on acceptable terms.

If financing is not available on satisfactory terms, we may be unable to continue, develop or expand our operations. Equity financing could result in additional dilution to existing shareholders.

**Results of Activities**

The following information has been derived from the financial information included in the unaudited consolidated financial statements of the Company at September 30, 2012.

***For the Nine Months Ended September 30, 2012 and 2011***

We had a net income of \$20,907 for the nine months ended September 30, 2012 compared to a net loss of \$14,958 for the nine months ended September 30, 2011. The change is explained below.

Operating expenses were \$(55,777) and \$(14,958) for the nine months ended September 30, 2012 and 2011 respectively. The Company incurred additional operating expenses of \$40,819 during the nine months ended September 30, 2012 as a result of higher public compliance costs, marketing and business development costs.

***For the Three Months Ended September 30, 2012 and 2011***

We had a net income \$25,175 for the three months ended September 30, 2012 compared to a net income of \$6,477 for the three months ended September 30, 2011. The change is explained below.

Operating expenses were \$(51,509) and \$6,477 for the three months ended September 30, 2012 and 2011 respectively. Operating expenses increased during the three months ended September 30, 2012 due to increased expenses attributable to increased public compliance costs, marketing and business development costs incurred during the period.

During the period ended September 30, 2012, much of the Company's resources were directed at planning for assembly of the plant, negotiations with third party suppliers and fabrication companies for procurement of the assembly services, as well as, estimation work for complete commissioning of equipment and transportation to site in Albania.

As of the date of this report, we have yet to generate any revenues from our business operations. As a result, we have generated significant operating losses since our formation and expect to incur substantial losses and negative operating cash flows for the foreseeable future as we attempt to expand our infrastructure and development activities. Our ability to continue may prove more expensive than we currently anticipate and we may incur significant additional costs and expenses.

### **Liquidity and Capital Resources**

At September 30, 2012, the Company had total assets of \$857,399 and total liabilities of \$691,619 compared to total assets of \$705,715 and total liabilities of \$204,176 at December 31, 2011. The increase in total assets is primarily due to proceeds received from the sale of securities and convertible debentures entered into during the nine months ended September 30, 2012.

Net working capital at September 30, 2012 was \$497,597 compared to a working capital deficit of \$116,385 at December 31, 2011. We incurred a loss of \$20,907 for the nine months ended September 30, 2012 and have incurred an aggregate deficit since inception of \$312,878.

Net cash provided by financing activities was \$579,784 and \$347,579 for the nine months ended September 30, 2012 and 2011 respectively. During the nine months ended September 30, 2012 we entered into two subscription agreements with a private investor pursuant to which the private investor purchased an aggregate of 680,000 shares of our common stock and 680,000 warrants exercisable to purchase one half (1/2) of one share of common stock at an exercise price of \$0.50 per share, exercisable over one year from the purchase date. Gross proceeds received by the Company were \$170,000.

In addition, during the nine months ended September 30, 2012, the Company borrowed an aggregate of \$358,875 (\$365,000 face value) under convertible debentures. On March 26, 2012, Petrosonic Energy, Inc. entered into an agreement with Sierra Growth, Inc. (a non-related party) whereby Sierra Growth, Inc. ("Sierra") advanced \$50,000. The debenture bears interest at 10% per annum and is due March 26, 2013. Until the due date, Sierra may elect to convert the debenture in whole or in part into common shares of the Company at a conversion rate equal to the price of any aggregate financing exceeding five hundred thousand (\$500,000) dollars less a discount of 25% per share. On April 18, 2012 Sierra advanced a further \$25,000 to the Company. The debenture matures on April 18, 2013 and bears interest at 10% per annum with the same conversion features as the debenture issued on March 26, 2012.

On June 6, 2012, Westlake Advisors Corp. (a non-related party) advanced to Petrosonic Energy, Inc. \$48,775 (CAD \$50,000 face value) for a convertible debenture. The debenture has a Maturity Date of one year from the date of issuance and bears an interest rate at 10% per annum. At any time on or before the Maturity Date, Westlake Advisors Corp. may elect to convert the debenture in whole or in part into common shares of the Company at a conversion rate equal to the price of any aggregate financing exceeding five hundred thousand (\$500,000) dollars less a discount of 25% per share.

On June 11, 2012, the Company entered into an agreement with its President for a convertible debenture valued at \$195,100 (CAD \$200,000 face value) for funds advanced. The convertible debenture expires on June 11, 2013 (the "Maturity Date") and bears interest at 10% per annum. At any time prior to the Maturity Date, if the Company completes an equity or convertible debenture financing yielding aggregate proceeds of at least \$500,000 ("Qualified Financing"), its President may elect to convert the debenture in whole or in part into common shares of the Company at a price equal to the price per share at which common shares of the Company are sold in the Qualified Financing, or in the case of a convertible debenture, the price of the shares issuable upon conversion of the convertible debentures sold in the Qualified Financing.

On June 21, 2012, Jackson Bennett LLC (a non-related party) advanced \$40,000 to Petrosonic Energy, Inc. by way of a convertible debenture which matures June 21, 2013 and bears an interest at 10% per annum. At any time up to and including the Maturity Date, Jackson Bennett LLC may elect to convert the debenture in whole or in part into common shares of the Company at a conversion rate equal to the price of any aggregate financing exceeding five hundred thousand (\$500,000) dollars less a discount of 25% per share.

### **Going Concern Uncertainties**

As of the date of this quarterly report, there is doubt about our ability to continue as a going concern as we have not generated sufficient cash flow to fund our business operations. The financial statements included in this quarterly report have been prepared on the going concern basis, which assumes that we will be able to realize our assets and discharge our obligations in the normal course of business. If we are not to continue as a going concern, we would likely not be able to realize our assets at values comparable to the carrying value or the fair value estimates reflected

in the balances set out in the preparation of the financial statements.

Our future success and viability, therefore, are dependent upon our ability to generate capital financing. The failure to generate sufficient revenues or raise additional capital may have a material and adverse effect upon us and our shareholders.

Because we have not generated any revenues, and have incurred losses from operations since inception, in their report on our audited financial statements for the latest fiscal year, our independent auditors included an explanatory paragraph regarding substantial doubt about our ability to continue as a going concern. The financial statements of Petrosonic Energy, Inc. and those of Petrosonic Albania Sha. contain additional note disclosures describing the circumstances that lead to this disclosure by our respective independent auditors.



## **Critical Accounting Estimates**

### ***Property and equipment, net***

Property and equipment are carried at the cost of acquisition or construction and depreciated over the estimated useful lives of the assets. Costs associated with repair and maintenance are expensed as incurred. Costs associated with improvements which extend the life, increase the capacity or improve the efficiency of our property and equipment are capitalized and depreciated over the remaining life of the related asset. Gains and losses on dispositions of equipment are reflected in operations. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, which are 3 to 5 years. The Company has not recognized depreciation since inception as none of the equipment has been used in operations.

### ***Research and development***

Costs incurred in connection with the development of new products and manufacturing methods are charged to selling, general and administrative expenses as incurred. During the years ended December 31, 2011 and 2010, the Company expensed \$-0- and \$10,704, respectively, as research and development costs.

## **Recently Issued Accounting Pronouncements**

The Company does not expect the adoption of any recently issued accounting pronouncements to have a significant effect on its financial position or results of operations.

## **Off-Balance Sheet Arrangements**

As of September 30, 2012, we did not have any off-balance sheet arrangements as defined in Item 303(a)(4)(ii) of Regulation S-K.

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

Pursuant to Item 305(e) of Regulation S-K, the Company, as a smaller reporting company, is not required to provide the information required by this item.

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

#### **Evaluation of Disclosure Controls and Procedures**

Under the supervision and with the participation of our management, including the Principal Executive Officer and Principal Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures as required by Exchange Act Rule 13a-15(b) as of the end of the period covered by this report. Based on that evaluation, the Principal Executive Officer and Principal Financial Officer have concluded that our disclosure controls and procedures are not effective since the following material weaknesses exist:

- (i) The Company's management is relying on external consultants for purposes of preparing its financial reporting package and may not be able to identify errors and irregularities in the financial reporting package before its release as a continuous disclosure document.
- (ii) As the Company is governed by one officer who is also a director, there is an inherent lack of segregation of duties and lack of independent governing board.

Once the Company has sufficient personnel available, our Board of Directors will nominate an audit committee and audit committee financial expert and we will appoint additional personnel to assist with the preparation of our financial statements; which will allow for proper segregation of duties as well as additional manpower for proper documentation.

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

There were no changes in our internal control over financial reporting during the quarter ended September 30, 2012 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**

We know of no material, active or pending legal proceedings against our company, nor are we involved as a plaintiff in any material proceedings or pending litigation. There are no proceedings in which any of our directors, officers or affiliates, or any registered or beneficial shareholder, is an adverse party or has a material interest adverse to our interest.

### **Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

On April 17, 2012, we issued 20,000,003 (1,777,778 pre-split) unregistered restricted shares of common stock to Art Agolli pursuant to an Assignment Agreement with Mr. Agolli, whereby Mr. Agolli agreed to convey to us, all of his right, title and interest in and to a certain letter of intent between Mr. Agolli and Sonoro Energy Ltd. The shares of common stock were issued to Mr. Agolli pursuant to the exemption from registration contained in regulation S of the Securities Act of 1933, as amended, in that the transaction took place outside the United States of America with a

non-US person.

On April 18, 2012, concurrent with his resignation as a director of the Company, Gerhard Schlombs surrendered 22,500,000 (2,000,000 pre-split) shares of the Company's common stock, registered in his name, to the corporate treasury for cancellation. Such shares were cancelled by our transfer agent. No compensation was paid to Mr. Schlombs for the cancellation of his shares.

During the nine months ended September 30, 2012, we issued several Convertible Debentures to raise \$163,775 (CAD\$165,000 face value) for general working capital. Debentures for \$50,000, \$25,000, \$48,775 (CAD\$50,000 face value) and \$40,000 were issued to three non-related parties. The debentures bear interest at 10% per annum and mature one year from the issuance date. Until the due date, the holder(s) may elect to convert the debenture in whole or in part into common shares of the Company at a conversion rate equal to the price of any aggregate financing exceeding five hundred thousand (\$500,000) dollars less a discount of 25% per share. The convertible notes were offered pursuant to the exemption from registration contained in Regulation S of the Securities Act of 1933, as amended, in that the transactions took place outside the United States of America with non-US persons.

Furthermore, on June 11, 2012, we entered into an agreement with our President for a convertible debenture valued at \$195,100 (CAD \$200,000 face value) for funds advanced. The convertible debenture matures June 11, 2013 and bears interest at 10%. At any time prior to the Maturity Date, if we complete an equity or convertible debenture financing yielding aggregate proceeds of at least \$500,000 ("Qualified Financing"), our President may elect to convert the debenture in whole or in part into common shares of the Company at a price equal to the price per share at which common shares of the Company are sold in the Qualified Financing, or in the case of a convertible debenture, the price of the shares issuable upon conversion of the convertible debentures sold in the Qualified Financing. The Debenture was issued to Mr. Agolli pursuant to the exemption from registration contained in Regulation S of the Securities Act of 1933, as amended, in that the transaction took place outside the United States of America with a non-US person.

On July 27, 2012, pursuant to the terms of the Purchase Agreement, in exchange for the Assets, we issued to Sonoro a convertible debenture in the principal amount of \$254,105 (CAD \$250,000 face value) (the “Debenture”). The Debenture has a term of two years and is non-interest bearing. At any time after we have completed an equity or convertible debenture financing yielding aggregate proceeds of at least \$500,000 (a “Qualified Financing”), the Debenture is convertible at the holder’s option into shares of our common stock. The conversion price of the Debenture will be equal to the price per share of the shares sold in the Qualified Financing or the conversion price of the shares issuable upon conversion of the convertible debentures sold in the Qualified Financing. The Debenture was issued to Sonoro pursuant to the exemption from registration contained in Regulation S of the Securities Act of 1933, as amended, in that the transaction took place outside the United States of America with a non-US person.

In September 2012, the Company entered into two subscription agreements with a private investor, pursuant to which the private investor purchased an aggregate of 680,000 shares of our common stock and 680,000 warrants exercisable to purchase one half (1/2) of one share of common stock at an exercise price of \$0.50 per share, exercisable over one year from the purchase date. Gross proceeds received by the Company was \$170,000. The securities were issued under an offering whereby each investor must be an “accredited investor” as defined in Regulation D of the Securities Act of 1933, as amended (the “Securities Act”), or must be a non-“U.S. Person” as defined in Regulation S of the Securities Act.

Item 3. Defaults Upon Senior Securities

None.

Item 5. Other Information

None.

**ITEM 6. EXHIBITS**

The following documents are included herein:

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Exhibit	Document Description	Incorporated by reference	
		Form	Date
2.1	Asset Purchase and Sale Agreement dated July 27, 2012	8-K	July 31, 2012
	Amendments to the Articles of Incorporation of		
3.1	Bearing Mineral Exploration, Inc.	8-K	May 18, 2012
	Certification of Principal Executive Officer and		
	Principal Financial Officer pursuant to Rule		
31.1	13a-15(e) and 15d-15(e), promulgated under the		
	Securities and Exchange Act of 1934, as amended.		
	Certification pursuant to 18 U.S.C. Section 1350, as		
	adopted pursuant to Section 906 of the		
32.1	Sarbanes-Oxley Act of 2002 (Chief Executive Officer		
	and Chief Financial Officer).		

SIGNATURES

In accordance with Section 13 or 15 (d) of the Securities and Exchange Act, the registrant caused this report to be signed on behalf by the undersigned, thereto duly authorized on this 21<sup>st</sup> day of November 2012.

**PETROSONIC ENERGY, INC.**

**(formerly Bearing Mineral Exploration, Inc.)**

**(Registrant)**

BY:

/s/ ART AGOLLI

Art Agolli

President, Principal Executive and Principal Financial Officer, Treasurer/Secretary, Principal Accounting Officer, and sole member of the Board of Directors

**EXHIBIT INDEX**

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32.1	Sarbanes-Oxley Act of 2002 (Chief Executive Officer and Chief Financial Officer).		